

## 7. BUSINESS OVERVIEW

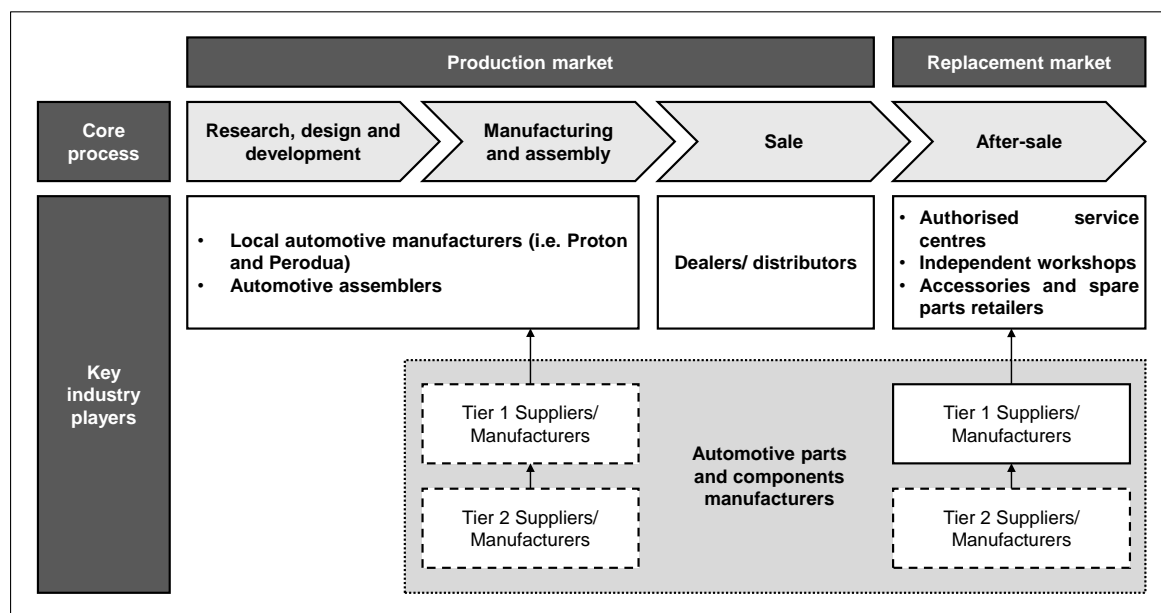
### 7.1 PRINCIPAL ACTIVITIES AND PRODUCTS

#### 7.1.1 Principal business activities

We are principally involved in the manufacturing and sale of automotive parts and components, comprising body parts, seat structures and other parts (i.e. engine parts and absorber parts). We are engaged by our customers to manufacture customised automotive parts and components according to our customers' requirements and precise technical specifications. Please refer to Section 7.1.2 of this Prospectus for further information on our products.

These automotive parts and components are used in the assembly of new automotive vehicles for the production market, or as spare parts for service, repair and maintenance of used vehicles in the replacement market.

The value chain of the automotive industry in Malaysia is as follows:



**Note:**

*[---] Indicates involvement of our Group in the automotive production market and replacement market in Malaysia.*

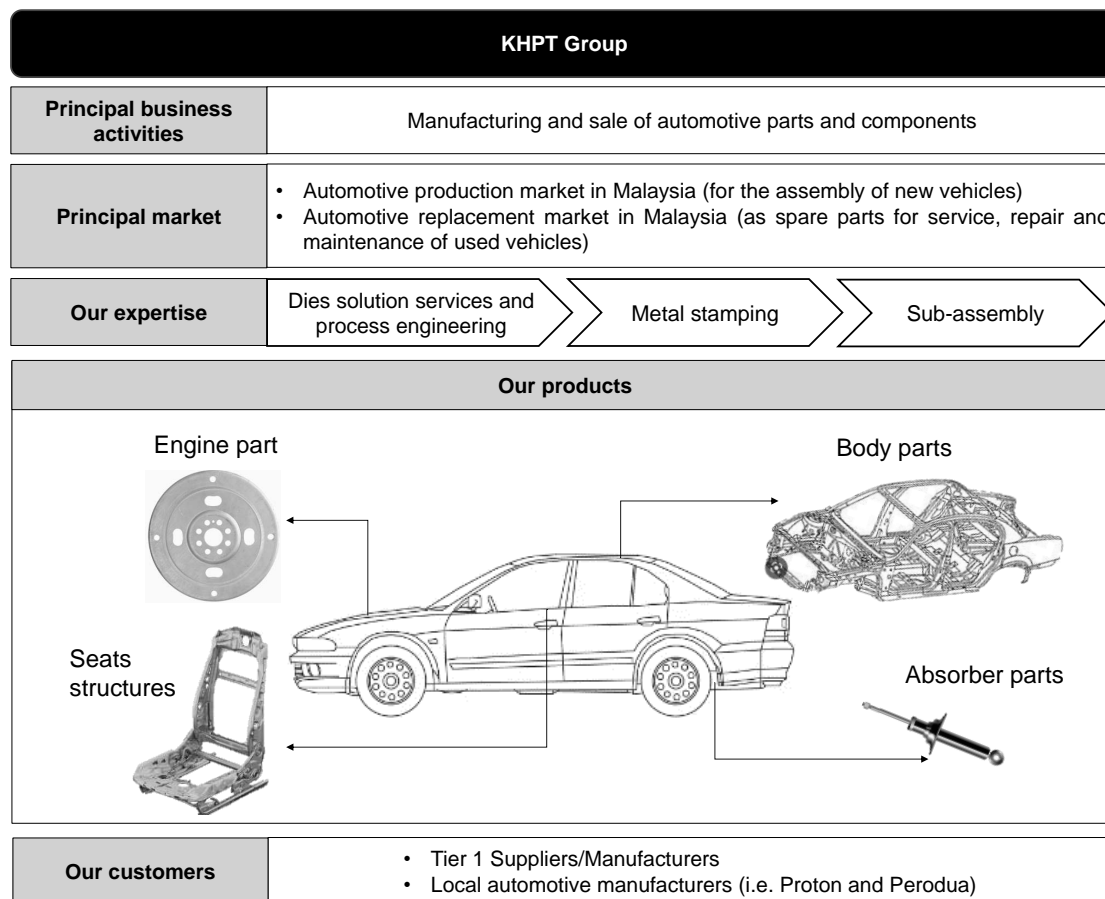
Our customers comprise:

- (i) Tier 1 Suppliers/Manufacturers (i.e. approved vendors of local automotive manufacturers), whereby we manufacture and sell automotive parts and components as a Tier 2 Supplier/Manufacturer to these Tier 1 Suppliers/Manufacturers. Our automotive parts and components will be used by these Tier 1 Suppliers/Manufacturers for further processing and/or assembly with other parts and components prior to supply to local automotive manufacturers for assembly of new vehicles, or as spare parts to authorised service centres for service, repair and maintenance of used vehicles; and
- (ii) local automotive manufacturers (i.e. Proton and Perodua), whereby we manufacture and sell automotive parts and components as a Tier 1 Supplier/Manufacturer directly to these local automotive manufacturers.

**7. BUSINESS OVERVIEW (Cont'd)**

Our role as a Tier 1 Supplier/Manufacturer or a Tier 2 Supplier/Manufacturer depends on customers who engage us for the manufacturing of automotive parts and components, and it varies across different vehicle models based on our customer arrangements. We serve a role of Tier 1 Supplier/Manufacturer when local automotive manufacturers engage us directly for automotive parts and components manufacturing; or a role of Tier 2 Supplier/Manufacturer when other Tier 1 Suppliers/Manufacturers engage us for automotive parts and components manufacturing. Please refer to Section 7.1.3 of this Prospectus for further information on our customers.

Our business model is depicted in the diagram below:



Our expertise and capabilities in the manufacturing of automotive parts and components cover a wide range of aspects from dies solution services and process engineering to metal stamping and sub-assembly, with details as follows:

**(i) Dies solution services and process engineering**

We design and develop the dies and jigs as well as the manufacturing process for the manufacturing of our automotive parts and components.

Our provision of dies solution services includes designing and manufacturing dies used in metal stamping process, and jigs used in welding and quality checking process. We design the 3-dimensional (“3D”) engineering drawings of dies and jigs with detailed specifications in terms of dimensions, geometric properties and acceptable tolerance, using computer-aided design (“CAD”) software. These 3D engineering drawings are designed in accordance with the 2-dimensional (“2D”) drawings of parts and components provided by our customers.

Our dies solution services also include the fabrication of dies and jigs, where we manufacture dies and jigs in-house through computer numerical control (“CNC”) machines and wire cut machines together with computer aided manufacturing (“CAM”) software. Manufacturing of dies and jigs also involves prototyping prior to fabrication, as well as testing prior to the

## 7. BUSINESS OVERVIEW (Cont'd)

commissioning of the dies and jigs in metal stamping process. By having in-house fabrication expertise, we have more control over the quality of the dies and jigs; as well as have greater flexibility as we are able to maintain, repair and make further changes to the dies and jigs following any adjustments to the designs in a timely manner.

Our dies solution services form part of our revenue stream, and are carried out whenever:-

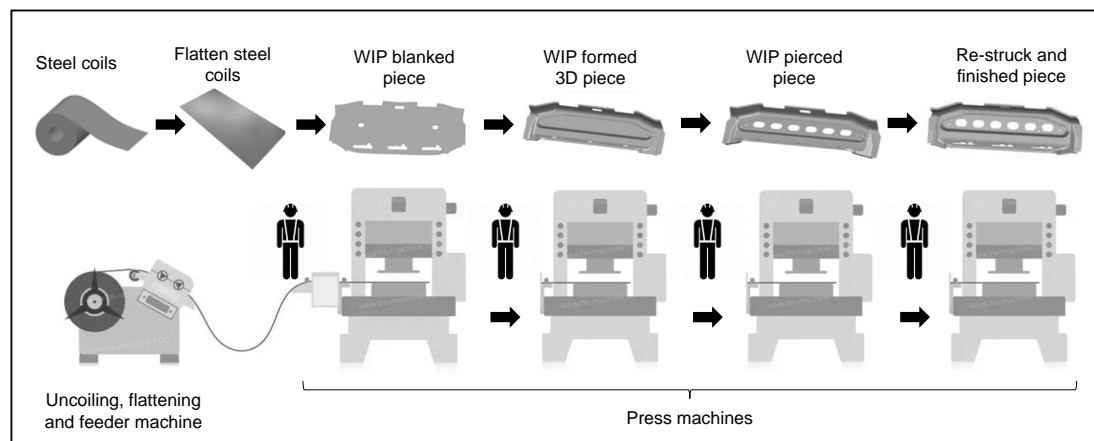
- there are new automotive parts and components to be manufactured;
- there are changes to the specifications of existing automotive parts and components; and
- there are changes of automotive platform by automotive manufacturers, which could lead to new automotive parts and components required to be manufactured.

Process engineering involves planning, designing and developing metal stamping processes such as blanking, forming, piercing and re-striking to optimise the entire stamping processes. Generally, flat steel sheets, which are the key raw materials used in the manufacturing of automotive parts and components, will undergo multiple stamping strokes during metal stamping processes using different shapes of dies, to form final products. Our process engineering aims to design optimised stamping process in terms of stamping flow and sequence, as well as to achieve minimal number of stamping strokes and to develop suitable dies that can complete multiple steps in each stamping stroke, which subsequently shortens overall manufacturing times and enhances cost-efficiency. Our technical capability in process engineering allows us to add-value to our customers by providing cost-saving manufacturing services while providing quality products.


### (ii) Metal stamping

We manufacture automotive parts and components using metal stamping technique, which is a cold forming process that uses dies to transform a flat sheet of metal (in coil or blank form) into desired shapes and dimensions. Metal stamping enables us to produce automotive parts at high-volume that are consistent in shape and dimension which adhere to precise specifications and tolerances (i.e. variation of up to 1 micron range) as required by our customers. It is critical to maintain accuracy and consistency in our automotive parts to ensure smooth assembly processes which will be carried out by our customers.

Metal stamping includes blanking, forming, piercing and restriking. An illustration of a metal stamping production line is as shown below:



#### Note:

 Indicates technical and production workers involved in operating machines and/or transferring WIP pieces between press machines.

**7. BUSINESS OVERVIEW (Cont'd)**

The details of each process under metal stamping (i.e. blanking, forming, piercing and restriking) are as detailed below:

**Metal stamping process**

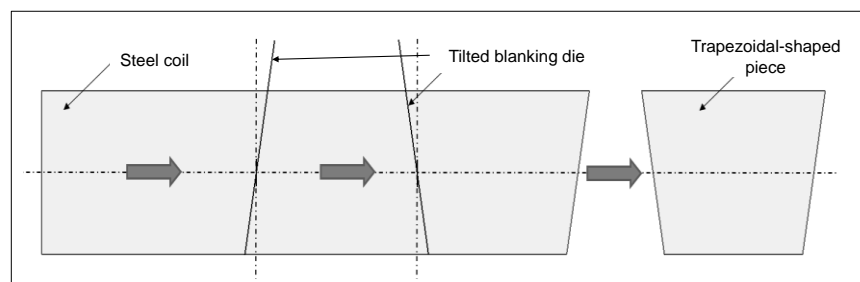
**Description**

**Blanking**



A process where metal sheets (usually in coil form) are loaded into feeder machines for uncoiling, flattening and feeding into press machines equipped with blanking dies to stamp the metal sheets into the desired shapes and sizes.

We can also configure our press machines to tilt the blanking dies for each press to conduct trapezoid blanking, which is used to blank trapezoidal-shaped pieces. This allows us to maximise the usage of raw materials in blanking process. An illustration of trapezoid blanking using a tilted blanking die is as follows:



Blanking is an important process during metal stamping as the usage of raw materials can be maximised by cutting multiple workpieces in a specific shape and dimension from metal sheets. This minimises the need for additional piercing and trimming, hence enabling us to speed up our manufacturing process whilst reducing raw material wastage and production cost.

Blanked pieces can either be sent to undergo forming, piercing and restriking processes for further shaping and/or cutting, or can be deemed finished parts and delivered to customers.

**Forming**



A process where the blanked pieces are fed into press machines equipped with forming dies that stamp the blanked pieces to create curves, bends, shapes and/or cavities. This process pulls, stretches and shapes 2D blanked pieces into 3D pieces.

Depending on the manufacturing process designed, there may be several forming cycles involved where blanked pieces may undergo several forming processes through several press machines equipped with different forming dies in order to form the desired shapes.

Formed 3D pieces can either be sent to undergo other stamping processes (i.e. piercing and/or restriking), or can be deemed finished parts and delivered to customers.

**7. BUSINESS OVERVIEW (Cont'd)**

**Metal stamping process**

**Description**

**Piercing**



A process where the formed 3D pieces are fed into press machines equipped with piercing dies that stamp the pieces to cut holes or slots in different shapes. This process is also used to trim surplus edges from the pieces.

Pierced pieces can either be sent to undergo restriking as the last stage of the metal stamping process, or can be deemed finished parts and delivered to customers. Pierced pieces may also be sent to undergo finishing processes by our subcontractors prior to be delivered to our customers.

**Restriking**



A process where the formed 3D or pierced pieces are fed into press machines equipped with restriking dies to refine the features (e.g. deepening the existing cavity and/or minor bending). This process is critical to maintain the accuracy and consistency of our automotive parts. Following this stage, the pieces can either be deemed finished parts and delivered to customers, or be sent to undergo finishing processes by our subcontractors prior to be delivered to our customers.

Metal stamping processes which comprise blanking, forming, piercing and restriking can be performed separately using different dies equipped in various press machines for each respective process, which is known as tandem dies; or be performed using progressive dies, which are designed to perform several metal stamping processes in a continuous and progressive form using a single die in a single press machine. The details of metal stamping processes using tandem dies and progressive dies are as follows:

**Dies used in metal stamping**

**Description**

**Tandem dies**

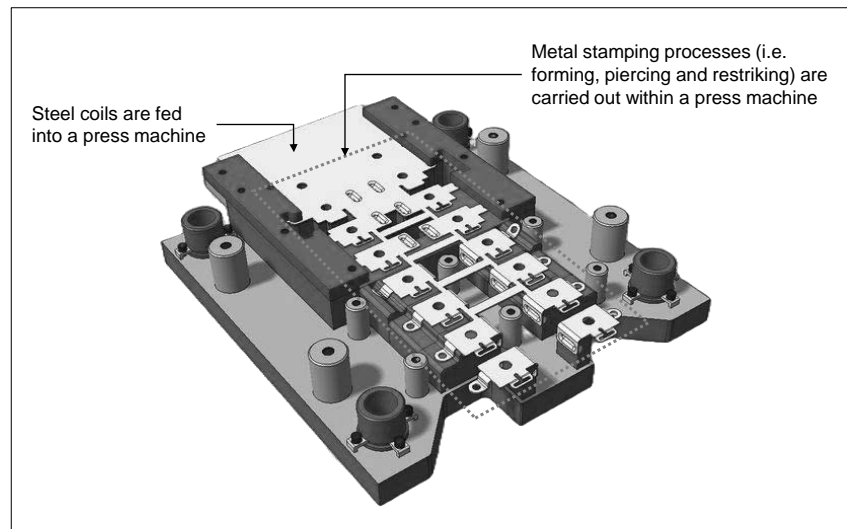
The usage of tandem dies in metal stamping requires manual transfer of WIP parts between press machines equipped with different dies to complete the entire metal stamping process. Depending on the complexity and specifications of the automotive parts, each workpiece generally passes through 4 to 6 press machines where each press machine is installed with different dies to form different curves, bends or shapes.

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**7. BUSINESS OVERVIEW (Cont'd)****Dies used  
in metal  
stamping****Description**

**Progressive dies** Metal stamping using progressive dies involves a feeder or a conveyor that continuously feeds a strip of steel coil into a press machine equipped with a progressive die. As the steel coil moves along the press machine, several metal stamping processes are performed concurrently and the output pieces can be deemed finished parts and delivered to customers. Metal stamping using progressive dies is an automated process which eliminates the need for manual transfer of WIP parts between press machines, thus increasing manufacturing efficiency and achieving cost savings.

An illustration of metal stamping using progressive dies is as shown below:



Generally, we use tandem dies for the manufacturing of automotive body parts (e.g. door panels); and we use both tandem dies and progressive dies for the manufacturing of seat structures and other parts (i.e. absorber parts and engine parts).

During metal stamping processes, pieces of excess materials (i.e. steel scrap) are collected and sold to licensed scrap recycling/collecting companies, which also contributes to our Group's revenue.

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**7. BUSINESS OVERVIEW (Cont'd)**

**(iii) Sub-assembly services**

We also provide sub-assembly services upon request by customers, where we assemble two or more automotive parts manufactured by us to form sub-assembled components prior to delivery to customers. Our sub-assembly services, which comprise Co2 arc welding and spot welding, are provided to complement our manufacturing services, with details as follows:

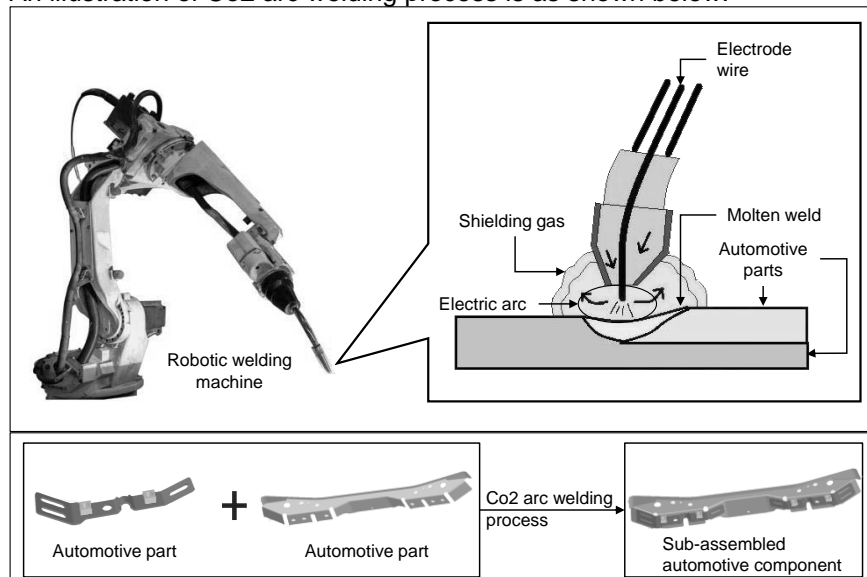
**Types of sub-assembly**

**Description**

**Co2 arc welding**

A process where two or more automotive parts, which are held in place by welding jigs, are fused together through heat applications. Electric current is directed through an electrode wire to generate heat, also known as an electric arc, which melts the electrode wire and the automotive parts, creating a molten weld that joins the automotive parts together to form a sub-assembled automotive component. During this process, a shielding gas (i.e. Co2) is released to protect the molten weld from oxidation and contamination, as well as to maintain the stability of the electric arc. Our Co2 arc welding activities are conducted using our robotic welding machines.

An illustration of Co2 arc welding process is as shown below:



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**7. BUSINESS OVERVIEW (Cont'd)**

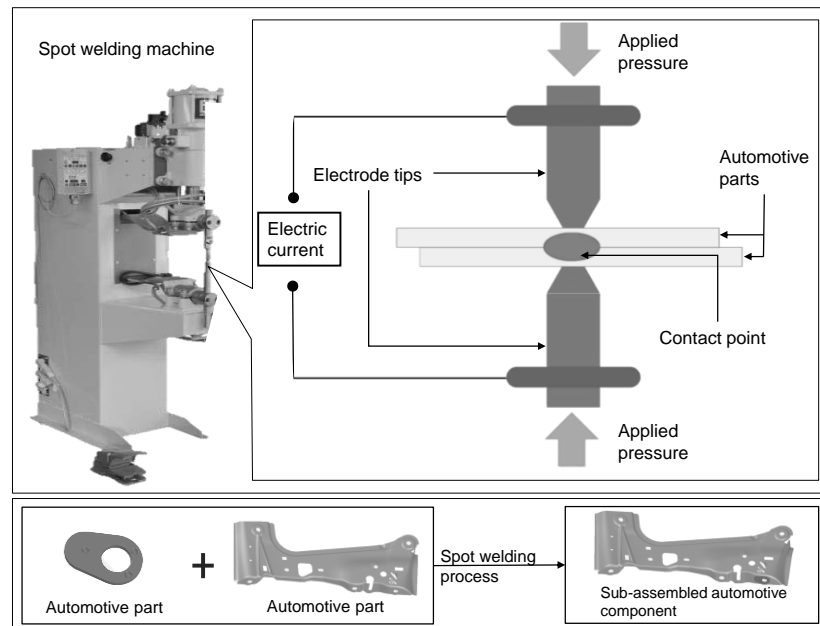
**Types of sub-assembly**

**Description**

**Spot welding**

A process where two or more automotive parts, which are held in place by welding jigs, are fused together by the application of heat and pressure. Electric current is directed into the electrode tips and pressure is also applied through the electrode tips. Pressure and electric current are applied to generate heat at the contact point to form a sub-assembled automotive component. Our spot welding activities are conducted manually.

An illustration of spot welding process is as shown below:



The manufacturing of automotive parts and sub-assembly of components are carried out in-house. Nevertheless, we outsource finishing processes (i.e. electrophoretic Deposition (“ED”) coating and plating, Zinc plating and black plating) to third party subcontractors. These finishing processes are generally not commonly requested by our customers and thus, it is more cost effective to outsource these services and as we are not required to invest in in-house capabilities to provide these finishing services.

Our manufacturing and sale of automotive parts and components to customers generally cover from dies solution and process engineering to metal stamping and sub-assembly (if required). We also provide metal stamping services solely to customers upon request, whereby we perform metal stamping to manufacture parts and components using stamping dies and raw materials provided by our customers.

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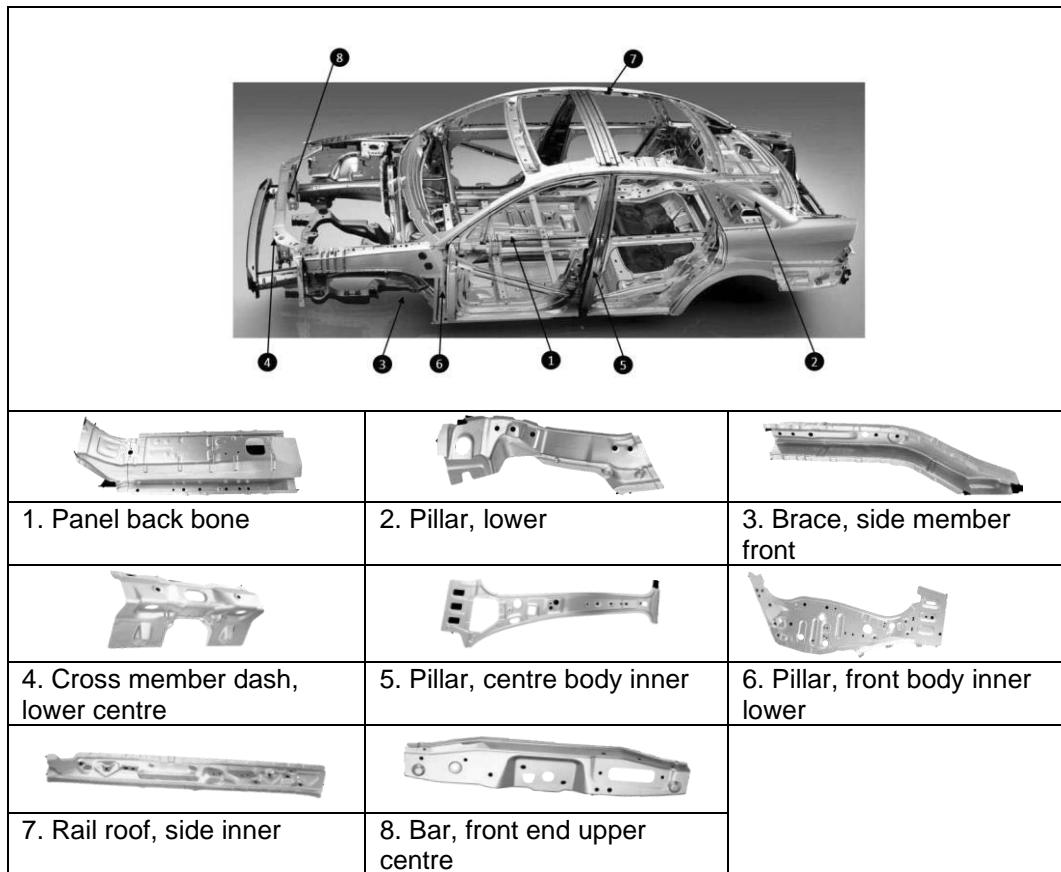
**7. BUSINESS OVERVIEW (Cont'd)**

**7.1.2 Our products**

Automotive parts and components, namely body parts, seat structures and other parts (i.e. engine part and absorber parts), manufactured by us are steel metal stamped parts and components used to form the inner structures of automotive vehicles, focusing on passenger vehicles.

Examples of automotive parts and components manufactured by us under each segment (i.e. body parts, seat structures and other parts) are as follows:

**(a) Body parts**



**Note:**

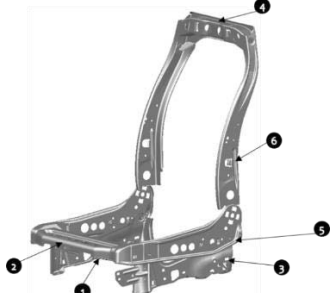






- (1) *The parts and components shown above are some examples of body parts manufactured by us. It is not an exhaustive list and does not purport to represent all body parts manufactured by our Group.*

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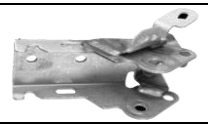
**7. BUSINESS OVERVIEW (Cont'd)**

**(b) Seats structures**

i) Driver seat and front passenger seat

		
		
<p>1. Lever, seat track lock</p>	<p>2. Panel, front seat cushion</p>	<p>3. Bracket, outer seat track</p>
		
<p>4. Frame, front seat back upper</p>	<p>5. Bracket, front seat cushion</p>	<p>6. Frame, front seat back</p>

ii) Rear seat

		
		
<p>1. Hinge, rear right seat back</p>	<p>2. Lever, vertical adjuster lock</p>	<p>3. Bracket, front outer seat track</p>
		
<p>4. Leg, rear right seat</p>		

**Note:**

(1) *The parts and components shown above are some examples of seat structural parts and components manufactured by us. It is not an exhaustive list and does not purport to represent all seat structural parts and components manufactured by our Group.*

**7. BUSINESS OVERVIEW (Cont'd)**

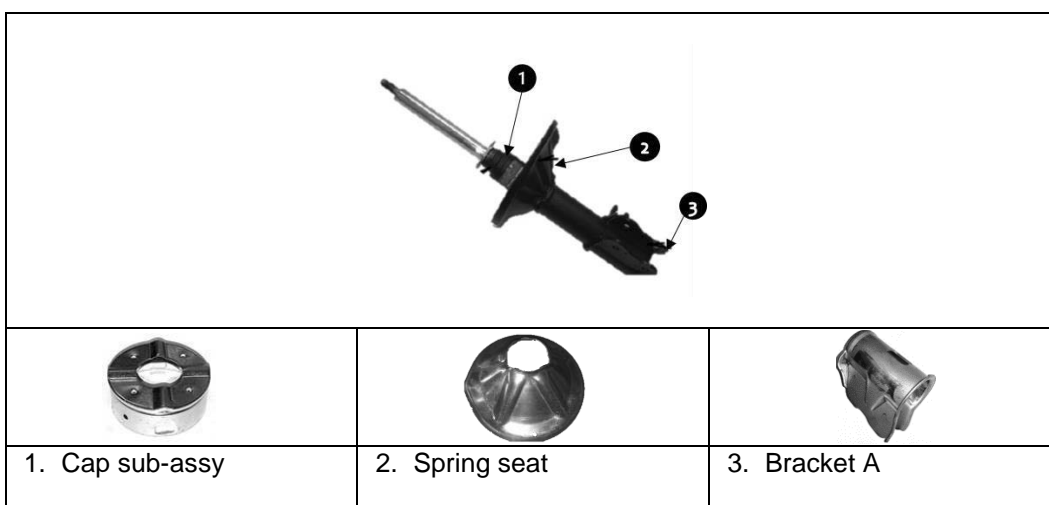
**(c) Other parts**

i) Engine part



(1) Drive Plate

ii) Absorber parts



As at the LPD, our Group has sold body parts, seat structures and other parts (i.e engine part and absorber parts) to be used in the assembly of the following Proton and Perodua car models (including car models that have been discontinued):

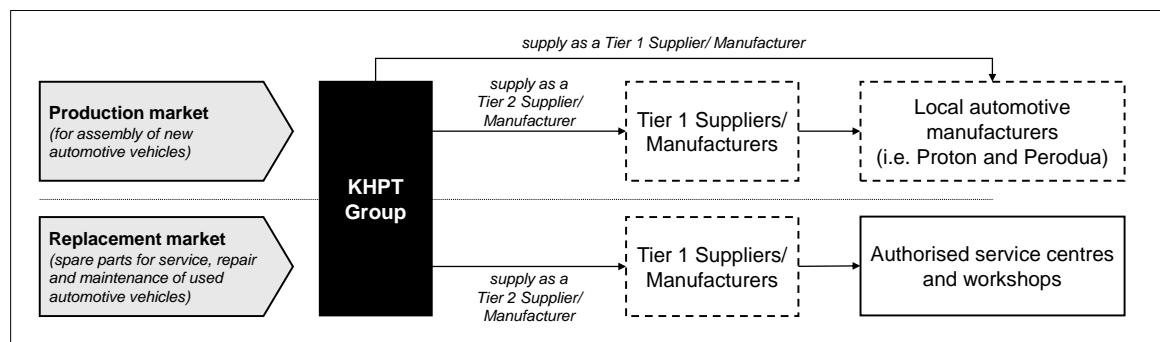
Proton car models			Perodua car models		
Exora	Iriz	Persona	Alza	Alza 2022	Aruz
Perdana-R	Preve	Saga	Ativa	Axia	Axia 2023
Satria	Savvy	Suprima	Bezza	Kelisa	Kembara
Tiara	Waja	Wira	Kenari	Kancil	Myvi
X50	X70		Viva		

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.1.3 Our customers

Our products are sold to our customers for the assembly of new automotive vehicles for the production market and as spare parts for the replacement market, as illustrated below:



**Note:**

--- Indicates our Group's direct customers.

Our Group primarily supplies automotive parts and components to the production market for the assembly of new automotive vehicles. These automotive parts and components are supplied to:

- (i) Tier 1 Suppliers/Manufacturers, who are the approved vendors of local automotive manufacturers (i.e. Proton and Perodua). These Tier 1 Suppliers/Manufacturers use our automotive parts and components for further processing and/or assembly with other parts and components, and thereafter supply automotive components which are typically semi-finished components, to local automotive manufacturers for the assembly of new automotive vehicles.
- (ii) Local automotive manufacturers, who use our automotive parts and components for the assembly of new automotive vehicles.

We also supply automotive parts and components to replacement market through Tier 1 Suppliers/Manufacturers, whereby revenue contribution from our sale to replacement market constituted between 2% to 4% in the Financial Years Under Review. These Tier 1 Suppliers/Manufacturers use our automotive parts and components for further processing and/or assembly with other accessories, and thereafter supply to authorised service centres and workshops to be used as spare parts for service, repair and maintenance of used automotive vehicles.

### 7.1.4 Warranty

We generally do not provide warranties for our products, save as when required by customers. In cases whereby our customers notify us about any defects such as scratches or discrepancies in dimensions, we will investigate the cause of such defects and conduct quality tests and checks on our products. If the cause of the defect is due to our manufacturing errors or mis-handling during transportation, we will replace the defective products at our own costs, and we may incur charges from customers if the defective products lead to production downtime and interrupt our customers' operations. We will also ensure that the remaining products to be delivered to our customers will be in compliance with product specifications. For the Financial Years Under Review, charges incurred from customers due to defects and production downtime accounted for 0.10%, 0.02% and 0.01% of our Group's total revenue respectively.

In the Financial Years Under Review, while we recorded some replacement of defective products, we did not record any major loss of inventory due to return of defective products.

**7. BUSINESS OVERVIEW (Cont'd)****7.2 PRINCIPAL MARKET AND PRODUCT SEGMENTS**

Our Group's revenue is solely generated from Malaysia. In the Financial Years Under Review, the sale of automotive parts and components (which include sale of steel scrap) was the largest revenue contributor to our Group as it contributed 100.00%, 100.00% and 98.66% to our Group's total revenue respectively.

The breakdown of our Group's revenue by product for the Financial Years Under Review is as follows:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Automotive parts and components <sup>(1)</sup> :						
• Body parts	36,949	62.66	74,218	63.85	63,661	55.80
• Seats structures	18,367	31.15	37,465	32.23	45,104	39.54
• Other parts <sup>(2)</sup>	3,649	6.19	4,563	3.92	3,785	3.32
Dies solution services <sup>(3)</sup>	-	-	-	-	1,532	1.34
	<b>58,965</b>	<b>100.00</b>	<b>116,246</b>	<b>100.00</b>	<b>114,082</b>	<b>100.00</b>

**Notes:**

- (1) The revenue contribution from the sale of automotive parts and components includes the revenue contribution from the sale of steel scrap. The sale of steel scrap is a residual income from the waste generated during the manufacturing of automotive parts and components which are the core products. The total sale of steel scrap in the Financial Years Under Review was RM3.62 million, RM7.48 million and RM7.70 million respectively, accounting for 6.13%, 6.43%, and 6.75% of the total revenue, respectively.
- (2) Other parts mainly comprise engine parts and absorber parts. It also includes other parts such as air leaf springs for trucks, however, contribution from the sale of these other parts were minimal in the Financial Years Under Review.
- (3) There was no revenue generated by dies solution services in the FYE 2021 and FYE 2022. This was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2021 and FYE 2022, resulting in the revenue not being recognised in the respective years. Manufacturing process of dies and jigs involves design, prototyping and testing, where the dies and jigs are customised according to detailed specifications, prior to production and commissioning of the said dies and jigs. Hence, these factors contributed to the extended period required for revenue recognition. In FYE 2023, the aforementioned dies and jigs were completed and as such the revenue for the manufacturing of these dies and jigs was recognised, contributing to a 1.34% of our Group's total revenue for FYE 2023.

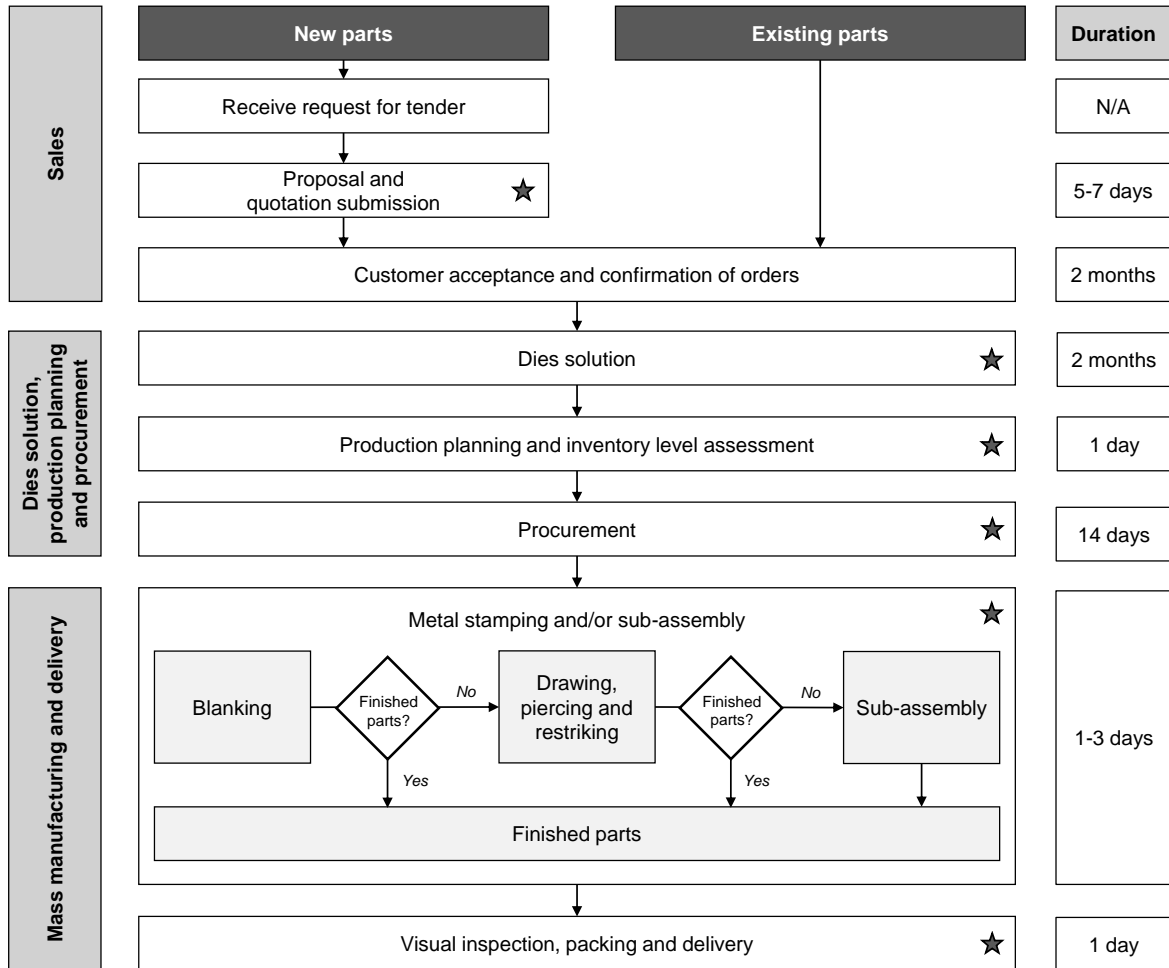
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**7. BUSINESS OVERVIEW (Cont'd)**

**7.3 PROCESS FLOW**

**7.3.1 Business and operation**

The business and operational processes of our Group involve the following:



**Note:**

★ Indicates processes where quality checks are carried out. Please refer to Section 7.3.2 of this Prospectus for further information on our Group's quality assurance and control measures.

**Sales**

**(i) New parts**

Receive request for tender

Prior to the launch of any new car models, local automotive manufacturers will request their Tier 1 Suppliers/Manufacturers to participate in tender submissions for the manufacturing and/or sub-assembly of the parts and components of the new car models. We may receive requests for tender which include drawings that outline the prescribed technical specifications, directly from the local automotive manufacturers or through their Tier 1 Suppliers/Manufacturers.

We will prepare tender documents based on the technical specifications of the drawings for the parts and components, materials required, delivery timeline and order amount. Generally, all requests for new parts (including any amendments to existing parts) will require us to go through a proposal and quotation submission process with our customers in order to be appointed as the manufacturers for the respective parts and components.

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**7. BUSINESS OVERVIEW (Cont'd)**

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Proposal and quotation submission

During the proposal and quotation submission process, we are assessed by our customers on various aspects, including our engineering and manufacturing capabilities as well as the accuracy and consistency of our product quality. As part of the proposal and quotation submission process, we develop 3D engineering drawings of dies and jigs, as well as carry out process engineering where we plan, design and develop our metal stamping process in terms of stamping flow and sequence as well as the number of stamping strokes required.

With our dies solution and process engineering expertise, we aim to reduce the number of stamping strokes required to complete the stamping process, in order to shorten overall manufacturing times and achieve cost-efficiency. The 3D engineering drawings of the dies and jigs as well as details of the manufacturing process will be submitted to our customers as part of the tender documents together with our quotation on the cost of manufacturing the respective dies and jigs as well as the parts and components.

The period of the proposal and quotation submission process varies based on complexity of the automotive parts and our customers' timeline. The typical duration to complete a proposal and quotation submission process for new parts is up to 7 days; whereas the duration may be shorter for existing parts that require amendments, which is up to 5 days.

Customer acceptance and confirmation of orders

Upon completing the proposal and quotation submission process, our customers will issue a letter of intent/ letter of appointment as a confirmation of appointing us as their approved manufacturer for the manufacturing of the respective parts and components. On average, the typical duration taken by our customer to accept our quotation and confirmation orders is 2 months.

**(ii) Existing parts**Customer acceptance and confirmation of orders

For the manufacturing of existing parts, our customers will issue purchase orders to us as a confirmation of orders to manufacture the existing parts.

**Dies solution, production planning and procurement****(i) Dies solution**

For new parts, we design and manufacture dies to be used in stamping process and jigs to be used in the welding and quality checking process. We design dies and jigs based on the manufacturing requirements and technical specifications of the parts and components. The 3D engineering drawings will be submitted to our customers for approval before the dies and jigs are manufactured. After our customers approve the drawings of our dies and jigs, we will manufacture the dies and jigs using CNC and wire cut machines.

Thereafter, we will test the dies and jigs by using them to manufacture several prototypes as quality checks to ensure the dies and jigs are manufactured according to our customers' requirements. These prototypes will be sent to our customers for approval prior to mass manufacturing. Some customers may request for multiple batches of prototype in different quantities to assess the accuracy and consistency of our quality and manufacturing capabilities. Typically, the average duration from the design and manufacturing of dies and jigs up to our customers approval of the prototype is 2 months.

All dies and jigs used in the manufacturing of our parts and components are kept in our factory and maintained by us for a period of up to 10 years after the respective car models are discontinued in the market.

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**7. BUSINESS OVERVIEW (Cont'd)**

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For existing parts, prior to mass manufacturing, we will perform checking and calibration on the dies and jigs to ensure that they are in good conditions.

**(ii) Production planning and inventory level assessment**

We will formulate a production plan based on the rolling forecast of up to 6 months provided by our customers on the estimated upcoming order quantities of parts and components. Our production plan takes into consideration the availability of raw materials in our inventory prior to sourcing from suppliers and our manufacturing capacity in accordance with the forecast received. Therefore, upon receipt of purchase orders from our customers, we are generally able to manufacture part and components according to our customers' timeline.

**(iii) Procurement**

We closely monitor our inventory of raw materials which primarily consist of steel coils and steel cut sheets, to ensure we have sufficient levels of raw materials to meet our orders from our customers. These raw materials are purchased from steel suppliers approved by our customers, or from our customers. Further details on the two types of procurement arrangements are as follows:

**(a) Purchase from approved steel suppliers**

We purchase steel materials from approved steel suppliers for the manufacturing of parts and components. These approved suppliers will arrange for the steel materials to be delivered to our TPG factory. Please refer to Section 7.9.1 (a) of this Prospectus for further information on the steel material prices for our purchases from approved steel suppliers.

**(b) Purchase from our customers**

Our customers purchase steel materials directly from approved steel suppliers on our behalf and the approved steel suppliers will arrange for the steel materials to be delivered to our TPG factory. Please refer to Section 7.9.1 (b) of this Prospectus for further information on the steel material prices for our purchases from our customers.

Further, if there are any processes to be outsourced to third party manufacturers (i.e. finishing, laser cutting and stamping) in relation to the manufacturing of our parts, and/or accessories to be procured from third party suppliers, we will obtain quotations from our subcontractors/ suppliers and subsequently appoint subcontractors/ purchase from suppliers approved by our customers.

Upon the receipt of raw materials, parts and accessories, we will conduct quality checks to ensure that the raw materials, parts and accessories received are in accordance with our product specifications, quality and quantity, as well as in good condition. Raw materials that have passed our quality checks will be stored as our inventory. We maintain an average of 1 week of inventory level for our raw materials to prevent disruptions to our manufacturing activities. Parts and accessories that have passed our quality checks will be stored in our warehouse or sent to manufacturing line for further processing based on our manufacturing schedule.



## 7. BUSINESS OVERVIEW (Cont'd)

### **Mass manufacturing and delivery**

#### **(i) Metal stamping and/or sub-assembly**

We perform metal stamping and/or sub-assembly based on our production plan which outlines the order specifications, technical details and manufacturing schedule. Depending on the technical specifications of each part as well as our customers' requirements, a part may go through all blanking, forming, piercing, restriking and sub-assembly processes, several of these processes, or either one of these processes, prior to becoming a finish part ready for delivery to our customers. On average, the metal stamping and sub-assembly process ranges from 1 to 3 days. Please refer to Sections 7.1.1 (ii) and 7.1.1 (iii) of this Prospectus for details of our expertise and capabilities in metal stamping and sub-assembly.

We conduct quality checks by sample size for each batch after each process to ensure that the measurements and specifications of the parts manufactured are in accordance with our customers' requirements.

If there are any processes that are outsourced to third party manufacturers/subcontractors, upon receipt of the parts or accessories from them, we will conduct quality checks by sample size to ensure that the measurements and specifications of the components are in accordance with our customers' requirements, before accepting the products.

#### **(ii) Visual inspection, packing and delivery**

Upon completion of metal stamping and/or sub-assembly processes, a final visual inspection check will be carried out on all finished parts before being packed and stored in our warehouse while logistics arrangement for delivery is made based on the delivery instructions provided by our customers. On average, the visual inspection, packing and delivery process takes 1 day.

### **7.3.2 Quality control and quality assurance**

Our Group places emphasis on the quality of all our products. We are committed to ensure that the quality control procedures that we have put in place fulfil the requirements of our customers. Our quality control procedures are as follows:

<b><u>Objective</u></b>	<b><u>Quality control procedures</u></b>
Quality checks on in-coming supplies, including subcontracted parts	<ul style="list-style-type: none"> <li>• Undergo visual inspection to ensure that the supplies meet the required order specifications and quality standards (i.e. no dimensional variances, damages, cracks and stains/dirt).</li> <li>• Notify suppliers if the in-coming supplies do not meet the required order specifications and quality standards. We may arrange for claims and a new batch of supplies for replacement.</li> </ul>
Quality checks during manufacturing	<ul style="list-style-type: none"> <li>• Conduct quality checks throughout the manufacturing processes to ensure that the parts and components are manufactured as per specifications. We conduct the following quality checks by sample size:               <ul style="list-style-type: none"> <li>- Full dimensional inspection is conducted on the first stamped piece during each metal stamping process to ensure the accuracy of the parts' profile, dimensions and critical points.</li> <li>- Quality checks on WIP parts on an hourly basis using calibration tools (i.e. digital calliper and digital height gauge) and verification tools (i.e. measuring tapes, steel ruler, angle gauge and radius gauge).</li> </ul> </li> </ul>

**7. BUSINESS OVERVIEW (Cont'd)**

Objective	Quality control procedures
Quality checks on out-going products	<ul style="list-style-type: none"> <li>- Quality checks on WIP parts during the initial, middle and ending stage of metal stamping process of each part and component using checking fixtures (i.e. checking jigs). Checking jigs are tools design and manufactured by us specifically for conducting quality checks at a higher standard in terms of the parts' profile, dimension and accuracy. For every part manufactured by our Group, a checking jig is designed and manufactured by us for the purpose of conducting quality checks. Having several checkpoints throughout the manufacturing process enables us to trace the quality of each batch of parts, including WIP parts, and enables early detection if there are any defects or inaccurate shapes and/or dimensions.</li> <li>• Conduct visual inspection to ensure that the appearance of the parts adhere to requirements before packing and prior to delivery.</li> </ul>

As a testament of our ongoing commitment to quality, our Group is certified compliant with the following standard:

Name of certificate	Certification body	Scope of certification	Date first awarded	Validity period
IATF 16949:2016 Automotive Quality Management System	SIRIM International Bhd	QAS Sdn Fulfilling the requirement for quality management system requirement for manufacture of metal stamping parts and sub-assembly of metal components	17 July 2018	12 July 2021 – 11 July 2024

For the renewal of our IATF 16949:2016 certificate, we will undergo external audit by the certification body prior to the expiration of the certificate. We also conduct annual internal audit and management review to ensure continuous compliance to the IATF 16949:2016 standards which will allow us to pass the external audit for renewal.

Further, our quality control procedures ensure we comply with stringent supplier selection processes set out by our customers. Generally, our customers' supplier selection process is a lengthy process comprising product inquiry (including 3D engineering drawings of parts as well as fine-tuning of the details and technical specifications of dies and jigs), proposal and quotation submission of manufacturing process for approval, prior to being selected as their approved manufacturers. Following which, as we have to remain as our customers' approved manufacturers, we ensure our products are able to fulfil our customers' quality requirements and delivery timeline in each of our order delivery.

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**7. BUSINESS OVERVIEW (Cont'd)**

**7.4 TECHNOLOGY USED**

We use the following technologies in the form of software and machines in our operational processes:

<u>Software and machines</u>	<u>Description/Function</u>
Integrated CAD / CAM software	<p>An integrated CAD/CAM software is a product design and manufacturing software used to support our dies solution services and metal stamping processes.</p> <p>CAD software enables our engineers to perform 3D design, engineering and modelling of our dies which are used to manufacture automotive parts and components, and jigs which are used in welding and quality checking process, all of which are manufactured in accordance with our customers' specifications.</p> <p>CAM software enables our engineers to generate and load programmed commands, encoded with the CAD models, into the CNC machines and wire cut machines. CAM software is used to control the operations of CNC machines and wire cut machines through programmed commands during the manufacturing of dies for metal stamping processes and jigs for welding and quality checking processes.</p>
CNC machine	CNC machines refer to automated machines controlled through programmed commands encoded in CAM software, based on CAD models. We use CNC machines during the manufacturing of dies and jigs.
Wire cut machines	Wire cut machines, also known as electrical discharge machines, refer to machines that cut precise shapes and curves, through programmed commands encoded in CAM software, based on CAD models. We use wire cut machines for the manufacturing dies and jigs.
Press machine	Press machines refer to machines that stamp metal sheets to form precisely shaped parts and components.
Robotic welding machine	Robot welding machines refer to automated machines made up of an industrial robotic arm and welding tools (i.e. welding gun) mounted at the top of the robotic arm to perform automated arc welding as part of our sub-assembly process.
Integrated robot programming and robot simulation software	An integrated robot programming and robot simulation software is mainly used to support our prototype service. This software allows us to program our 3D laser cutting robotic machines to simulate and perform the cutting of 3D prototypes.

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**7. BUSINESS OVERVIEW (Cont'd)****7.5 MANUFACTURING CAPACITIES AND OUTPUT**

As at the LPD, we have a total of 45 press machines. We utilise press machines to manufacture our automotive parts and components in accordance with our customers' requirements and technical specifications. Our Group has 4 types of production lines, whereby the production line used varies, depending on the types of parts and components to be manufactured. The details of our production lines are as follows:

<b>Production line</b>	<b>Number of production line</b>	<b>Total number of press machines<sup>(1)</sup></b>	<b>Function</b>
Blanking line <sup>(2)</sup>	5	5	To perform blanking, including trapezoid blanking
Body parts production line	4	17	To mainly manufacture body parts through various stamping processes including forming, piercing and restriking. Body parts production line can also be used to manufacture seat structural parts in the event of insufficient capacity of our seat structural parts production line.
Seat structural parts production line	5	18	To mainly manufacture seat structural parts through various stamping processes including forming, piercing and restriking. Seat structural parts production line is also used to manufacture engine parts, as well as absorber parts in the event of insufficient capacity of our absorber parts production line.
Absorber parts production line	1	5	To manufacture absorber parts through various stamping processes including forming, piercing and restriking.

**Notes:**

- (1) *Indicates the total number of press machines in all production lines, whereby the number of press machines in each production line varies.*
- (2) *Each blanking line also consists of uncoiling, flattening and feeder machines to feed flatten steel coils into press machines for blanking.*

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**7. BUSINESS OVERVIEW (Cont'd)**

Our estimated annual manufacturing capacity, actual annual manufacturing output and utilisation rate for the manufacturing of parts and components for the Financial Years Under Review are as follows:

<b>Production line</b>	<b>Estimated annual manufacturing capacity (pieces)<sup>(1)</sup></b>	<b>Actual annual manufacturing output (pieces)<sup>(2)</sup></b>	<b>Utilisation rate (%)</b>
<b>FYE 2021</b>			
Blanking line	14,414,400	4,583,705	31.80
Body parts production line	3,144,960	960,519	30.54
Seat structural production line	8,089,200	3,493,830	43.19
Absorber parts production line	9,172,800	4,350,377	47.43
<b>Total</b>	<b>34,821,360</b>	<b>13,388,431</b>	<b>38.45</b>
<b>FYE 2022</b>			
Blanking line	14,414,400	11,719,836	81.31
Body parts production line	3,144,960	2,376,401	75.56
Seat structural production line	8,089,200	7,092,108	87.67
Absorber parts production line	9,172,800	5,169,056	56.35
<b>Total</b>	<b>34,821,360</b>	<b>26,357,401</b>	<b>75.69</b>
<b>FYE 2023</b>			
Blanking line	19,328,400	13,666,351	70.71
Body parts production line	3,144,960	2,647,873	84.19
Seat structural production line	8,089,200	7,672,597	94.85
Absorber parts production line	9,172,800	2,768,428	30.18
<b>Total</b>	<b>39,735,360</b>	<b>26,755,249</b>	<b>67.33</b>

**Notes:**

(1) *The estimated annual manufacturing capacity for FYEs 2021 and 2022 is computed based on a total production hours of 21 hours per day and 26 days per month (except for seat structural parts line which we run 30 days per month), on the following basis:*

- *Blanking line: a total of 2,200 pieces are manufactured per hour;*
- *Body parts production line: a total of 480 pieces are manufactured per hour;*
- *Seat structural parts production line: a total of 1,070 pieces are manufactured per hour;*  
*and*
- *Absorber parts production line: a total of 1,400 pieces are manufactured per hour.*

*The estimated annual manufacturing capacity for FYE 2023 is computed based on a total production hours of 21 hours per day and 26 days per month (except for seat structural parts line which we run 30 days per month), on the following basis:*

- *Blanking line: a total of 2,200 pieces were manufactured per hour for January and February 2023, and a total of 3,100 pieces are manufactured per hour from March 2023 onwards as we commissioned a new blanking line with a capacity of manufacturing 900 pieces per hour in March 2023;*
- *Body parts production line: a total of 480 pieces are manufactured per hour;*
- *Seat structural parts production line: a total of 1,070 pieces are manufactured per hour;*  
*and*
- *Absorber parts production line: a total of 1,400 pieces are manufactured per hour.*

(2) *The actual annual manufacturing output is based on the number of actual pieces manufactured by our Group's press machines for the respective Financial Years Under Review.*

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

In the Financial Years Under Review, our utilisation rate of our press machines was 38.45%, 75.69% and 67.33% respectively. There was a decline in the utilisation rate for FYE 2023 due to an increase in the manufacturing capacity for our blanking line as well as a decrease in our manufacturing output for absorber parts.

### **7.6 INTERRUPTIONS TO BUSINESS AND OPERATIONS**

Save for the temporary disruptions to our operations arising from the COVID-19 pandemic as detailed below, our Group had not experienced any other interruptions in our operations which had a significant effect on our operations for the Financial Years Under Review up to the LPD.

#### **7.6.1 Impact of COVID-19 on the operations of our Group**

Since the outbreak of COVID-19 pandemic, our business and operations faced several temporary interruptions:

- (a) During the imposition of the 1<sup>st</sup> MCO from 18<sup>th</sup> March 2020 to 3<sup>rd</sup> May 2020, our operations were temporarily closed. On 18 April 2020, our Group obtained an approval letter from MITI to resume operations at a capacity of 100% workforce as we were deemed as essential services by being a part of the automotive industry.
- (b) Several closure of operations due to different forms of lockdown imposed by the Government due to resurgence of COVID-19 cases in 2021. We were not deemed as essential services during these lockdowns. The operations of some of our suppliers and customers were also disrupted at different times in 2021, due to positive COVID-19 cases reported among their employees which affected their manufacturing operations and subsequently caused slowdowns in the automotive assembly supply chain, including our Group.
- (c) Our operations were temporarily suspended from 23 April 2021 to 30 April 2021 as required by KKM due to 94 COVID-19 positive cases reported in our factory. In order to avoid delays in order delivery due to temporary closures, we made timely arrangements with our customers who are local automotive manufacturers and the Tier 1 Suppliers/Manufacturers of local automotive manufacturers to outsource the manufacturing of our parts and components due for delivery during that period to other approved manufacturers. We successfully transferred the required raw materials, dies and jigs, as well as WIP parts and components, to other approved manufacturers' factories to execute the manufacturing works for the orders due during that period. We also provided support to the other manufacturers' engineers, quality control personnel and production personnel remotely by monitoring the manufacturing process and providing technical assistance to ensure the quality requirements of the parts and components were strictly adhered to. All the orders due during that period were fulfilled without downtime.

Save for the aforementioned temporary closures, our Group was allowed to operate while complying with the SOP (e.g. hygiene practices, regular sanitisation and logistic requirements) outlined by MITI throughout the COVID-19 pandemic. Further, the reduction of workforce capacity as outlined in MITI's SOP during the COVID-19 pandemic did not result in material adverse impact to our business operations as our production staff operated our machines in our factory and our engineers worked remotely to support our business operations.

We have been able to continue our sales activities through online meetings, hence we have not faced any major disruptions in our sales and marketing activities. There was no disruption in our tender processes and customers audits as physical visits by customers were replaced with virtual meetings.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**7.6.2 Impact on our business cash flows, liquidity, financial position and financial performance**

During the FYE 2021, due to several closure of operations as a result of different forms of lockdowns imposed by the Government due to resurgence of COVID-19 cases in 2021, as well as disruptions in the automotive assembly supply chain arising from factory closures or shortage of man-power caused by positive COVID-19 cases, our financial performance were affected as operations slowed down. Please refer to Section 7.6.1 (b) of this Prospectus for further details on the closure of operations and Section 12 of this Prospectus for further details on our financial performance in FYE 2021.

There was no adverse impact to our cash flows, liquidity, financial position and financial performance in FYE 2022 and FYE 2023.

**7.7 COMPETITIVE STRENGTHS****7.7.1 Our parts and components are used in the assembly of local automotive vehicles, which are the top selling automotive brands in Malaysia**

Our Group's parts and components are mainly used by local automotive manufacturers (i.e. Proton and Perodua) for the assembly of Proton and Perodua cars respectively. Our automotive parts and components are customised and manufactured according to the varied requirements of each vehicle model, and are sold to Proton and Perodua directly, or to their respective Tier 1 Suppliers/Manufacturers.

Since our involvement in the manufacturing of automotive parts and components in 1995, our parts and components have been used in 14 models of Proton vehicles and 13 models of Perodua vehicles. Parts and components manufactured and supplied directly to Proton and Perodua or indirectly through their Tier 1 Suppliers/Manufacturers comprise body parts, seat structures and other parts (i.e. engine parts and absorber parts). Please refer to Section 7.1.2 of this Prospectus for the list of vehicle models of Proton and Perodua which our automotive parts and components are used in.

According to the IMR Report, in 2023, Perodua and Proton are the top 2 automotive brands sold in Malaysia in terms of total industry volume ("TIV"), accounting for 41.30% and 18.88% of TIV respectively. Furthermore, Perodua was consistently the top automotive brand in Malaysia in terms of TIV from 2017 to 2023, while Proton ranked second in terms of TIV in 2017 as well as from 2019 to 2023.

Our Group has been an automotive parts and components supplier to Proton and Perodua vehicles for 29 years and 24 years respectively, including the years in which we supplied parts and components to Proton and Perodua indirectly through their Tier 1 Suppliers/Manufacturers. Hence, we believe that we are poised to continue growing our business as these local automotive manufacturers continue to grow their sales with the release of new and/or upgraded vehicle models.

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

### **7.7.2 Our dies solution and process engineering expertise enable us to produce quality automotive parts and components to consistently meet our customers' requirements and assist our customers in reducing manufacturing costs**

The growth of our Group is backed by our dies solution and process engineering capabilities, which are headed by our Operation Manager, Oon Pey Yang, who is equipped with over 15 years of experience in the manufacturing operations, covering production planning, machine and facility maintenance, quality management, product development and process optimisation as well as dies and jigs design. Oon Pey Yang is assisted by a team of 7 technical personnel as at the LPD, in our dies solution and process engineering activities. Further, we are also supported by our Executive Director, Hideki Nomura and our substantial shareholder, Tiu Kuang Hong for their technical advice. Please refer to Sections 5.5.2 (iii), 5.2.2 (ii) and 5.1.3 (ii) of this Prospectus, for the profiles of Oon Pey Yang, Hideki Nomura and Tiu Kuang Hong respectively.

By leveraging on the experience and technical know-how of these key technical personnel, our Group has been able to design and develop optimised manufacturing processes. This plays a significant role in reducing our overall manufacturing time, which translates to lower manufacturing costs and enabling us to offer competitively-priced and quality products. This is a value-added service provided to our customers during our process engineering stage which enables our customers to achieve cost-reduction in their overall manufacturing and assembly processes. Further, it is also our competitive edge to have in-house dies solution expertise as we are able to have assurance on the quality of dies and jigs manufactured, as well as respond to any changes in the requirements of dies and jigs following any adjustments to the designs or specifications of the automotive parts and components, in a timely manner.

Our Group believes that with our dies solution and process engineering capabilities, it enables us to produce quality automotive parts and components as well as consistently meet our customers' requirements in terms of product quality, cost considerations and timeliness of delivery. This, in turn, enables us to maintain our long-standing relationships with our customers and to continue securing more orders for existing and new vehicle models moving forward.

### **7.7.3 We have long-standing relationships with our customers which is a testament to the quality of our products**

Our customers comprise mainly Tier 1 Suppliers/Manufacturers of local automotive manufacturers. In the Financial Years Under Review, most of our major customers have purchased automotive parts and components from us for at least 11 years. These major customers are Tier 1 Suppliers/Manufacturers of local automotive manufacturers which use our parts and components for further processing and assembly with other parts and components manufactured by them or sourced from other suppliers to form sub-assembled products prior to supplying to local automotive manufacturers, namely Proton and Perodua, for assembly into complete automotive vehicles.

Our ability to secure recurring sales from our customers is attributed to the quality of our products which meet their stringent quality control measures as well as internationally recognised standards. It is critical for us to maintain accuracy and consistency in our parts and components, as these products are used in the assembly of automotive vehicles whereby any variations will affect the entire automotive assembly process and lead to production downtime and major disruptions to our customers' operations and the completion of final assembly of the complete automotive vehicles.

Further, we have complied with stringent supplier selection processes, which include vendor audits, through tender processes prior to securing our customers and/or securing more orders for new vehicle models, and have been able to accommodate any further assessments required by them such as periodic audits, performance reviews and factory visits. Please refer to Section 7.3.2 of this Prospectus for further information on our customers' supplier selection processes. This has allowed us to continuously remain as their qualified suppliers. For further information on our major customers, please refer to Section 7.13 of this Prospectus.



## 7. BUSINESS OVERVIEW (Cont'd)

Our Group believes that the abovementioned factors have been pivotal in maintaining our reputation and customers' confidence towards our manufacturing capabilities, thus allowing our Group to establish long-standing relationships with our customers. This is also in line with our Group's core value and practice of 'customer-first', where we strive to achieve customer satisfaction by placing customers' requirements and considerations as our top priority. Moving forward, as we continue to uphold our product quality standards, we believe that we will be able to continue securing orders from our customers, which will contribute to the growth and expansion of our business.

### 7.7.4 We have an established history in the automotive parts and components manufacturing industry

We have an established history of 29 years in the automotive parts and components manufacturing industry since we commenced our business in 1995 under KHEI in the manufacturing and sales of automotive absorber parts. Our Group has expanded our range of product offerings from absorber parts to include seat structures, body parts and engine part, to cover a wider range of parts and components used in the automotive industry. Our extensive experience and portfolio gained throughout the years have led to the sustained growth of our business and positioned us as a reputable manufacturer of automotive parts and components, which is evidenced by our long-standing relationships with our major customers as detailed in Section 7.13 of this Prospectus.

Armed with a 29-year business history in the automotive parts and components manufacturing industry, our Group has been through business and economic cycles, which demonstrates our business growth and resilience, including weathering adverse economic and market conditions. With such a foundation, our Group believes that we will be able to continue leveraging on our expertise and capabilities to drive the growth and expansion of our business.

### 7.7.5 We have an experienced and hands-on key senior management team

Our Group is led by an experienced and technically skilled key management team that has accumulated years of industry experience and in-depth knowledge of our business operations. Our Group Managing Director, Datin Eloise, who has 21 years of experience in the automotive parts and components manufacturing industry, has played a pivotal role in steering the growth and success of our Group since she took over the management in 2018. Her experience, drive and passion for our business have been instrumental to our Group's success to-date.

She is supported by the following Key Senior Management:

<b>Name</b>	<b>Designation</b>	<b>Years of relevant working experience</b>
Sia Boon Huat	Business Development Senior Manager	18
Eng Shu Ling	Finance Controller	11
Oon Pey Yang	Operation Manager	17

Our management team has relevant industry and functional expertise as a result of years of experience in their respective fields. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand. Please refer to Sections 5.1.3 (i) and 5.5.2 of this Prospectus for the profiles of our Group Managing Director and Key Senior Management.

## 7.8 SEASONALITY AND CYCLICALITY

We do not experience any material seasonality or cyclicity in our business as the demand for our products are neither subject to seasonal fluctuations nor cyclical variations.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.9 TYPES, SOURCES AND AVAILABILITY OF MAJOR RAW MATERIALS AND INPUT

The table below sets out our purchases for the Financial Years Under Review:

Purchases	FYE 2021		FYE 2022		FYE 2023	
	Value of purchases (RM'000)	% of total Group purchases (%)	Value of purchases (RM'000)	% of total Group purchases (%)	Value of purchases (RM'000)	% of total Group purchases (%)
Raw materials						
Steel coils	37,382	80.21	60,482	70.83	52,501	61.44
Steel cut sheets	6,373	13.67	21,809	25.54	29,564	34.60
Sub-total <sup>(1)</sup>	43,756	93.89	82,290	96.36	82,066	96.04
Subcontractor services <sup>(2)</sup>	2,273	4.88	2,289	2.68	2,437	2.85
Accessories <sup>(3)</sup>	576	1.24	816	0.96	943	1.10
<b>Total<sup>(1)</sup></b>	<b>46,605</b>	<b>100.00</b>	<b>85,395</b>	<b>100.00</b>	<b>85,445</b>	<b>100.00</b>

**Notes:**

- (1) May not add up due to rounding.
- (2) Comprise finishing services, laser cutting services, manufacturing services and stamping works.
- (3) Comprise nuts, weld nuts, pins and rivets and wires, amongst others.

Steel coils and steel cut sheets are our primary raw materials in which they collectively contributed 93.89%, 96.36% and 96.04% to our Group's total purchases in the Financial Years Under Review. We purchase steel coils and steel cut sheets from steel suppliers approved by our customers, or from our customers. The details of the prices of these raw materials are depicted in Section 7.9.1 below:

#### 7.9.1 Prices of raw materials

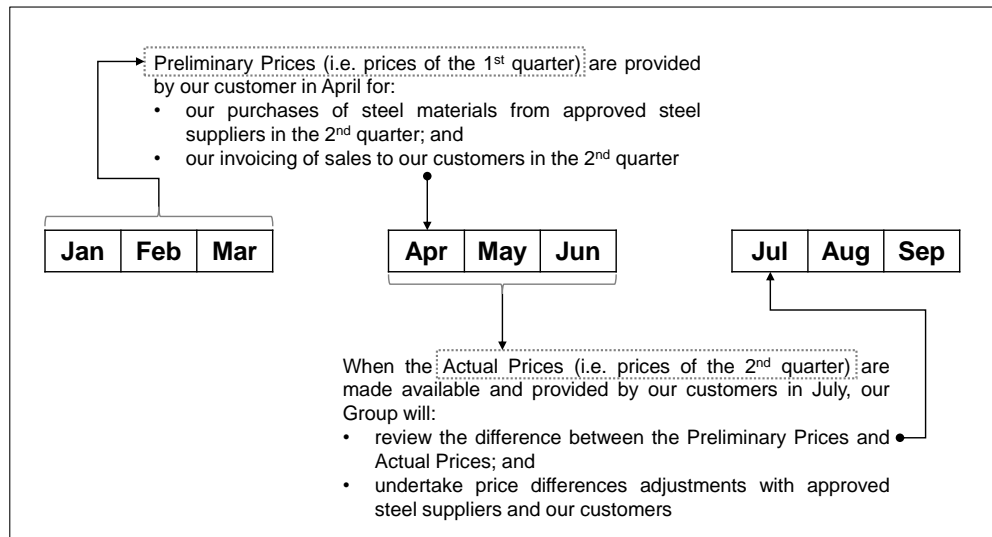
##### (a) Purchase from approved steel suppliers

Generally, a fixed price of steel materials is used for our purchases of steel materials from approved steel suppliers and for our invoicing of sales to our customers in every quarter.

Our customers will provide us steel material prices of the preceding quarter in the first month of each quarter ("**Preliminary Prices**"), which we will use the Preliminary Prices for our purchases of steel materials from approved steel suppliers and for our invoicing of sales to our customers in the current quarter.

As prices of steel materials are subject to market price fluctuations, there will be a difference in the steel material prices provided by our customers in each quarter. The difference between the Preliminary Prices and the prices to be provided by our customers in the next quarter ("**Actual Prices**") reflects the market price fluctuations of steel materials. As such, together with our customers and approved steel suppliers, our Group undertake price differences adjustments on a quarterly basis by comparing the Preliminary Prices with the Actual Prices to address the impact from the market price fluctuations of steel materials.

**7. BUSINESS OVERVIEW (Cont'd)**



The details of the price difference adjustment between our Group, our suppliers and our customers are as follows:

<b>Price variation</b>	<b>Action taken</b>
When Actual Prices of steel material are <b>higher</b> than the Pre-determined Prices (“ <b>Price Upward Adjustment</b> ”)	Our suppliers will issue a debit note to our Group for the Price Upward Adjustment, and we will also issue a debit note to our customers for the Price Upward Adjustment.
When the Actual Prices of steel material are <b>lower</b> than the Pre-determined Prices (“ <b>Price Downward Adjustment</b> ”)	Our suppliers will issue a credit note to our Group for the Price Downward Adjustment, and we will also issue a credit note to our customers for the Price Downward Adjustment.

**(b) Purchase from Customers**

Our customers provide us steel material prices on a semi-annual basis as our purchase prices of steel from them, as well as for our material invoicing prices in our sale of parts and components to them. Under this arrangement, the steel material prices are fixed and we are not subject to the risk of market price fluctuations of steel coils and steel cut sheets, as market price fluctuations are absorbed by our customers.

**7.9.2 Sources and availability of raw materials**

Steel materials are generally readily available in the market. Depending on the preferred procurement arrangements of our customers, we source steel materials from local steel suppliers approved by our customers, or from our customers who source steel materials from steel suppliers on behalf of us. If there are shortages of supply from any approved steel suppliers, we will source the steel materials from other approved steel suppliers.

We did not experience any material supply disruptions or delays of steel materials in the Financial Years Under Review. We also maintain an average of 1 week of inventory level for our steel materials to prevent disruptions to our manufacturing activities. Further details on the risk related to the availability of raw materials are as set out in Section 9.1.3 of this Prospectus.

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**7. BUSINESS OVERVIEW (Cont'd)**

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For subcontracting services, we outsource finishing, laser cutting and manufacturing works to third party subcontractors when required, based on the requirements of our customers. As these services are not commonly required by our customers, we do not have in-house expertise to carry out these services. Further, during peak periods, we may subcontract some stamping works to third party manufacturers to complement our capacity and to ensure there is no delay in the delivery of our products which may cause subsequent delays to the entire supply chain of the assembly market. We will conduct quality checks on the products received from the third party suppliers to ensure the quality of the products are in accordance with our customers' requirements. These subcontracted services are readily available in the market and we did not experience any difficulties in sourcing such services in the Financial Years Under Review.

**7.10 SALES AND MARKETING**

Our Group's sales and marketing activities are as follows:

**(a) Direct approach**

We actively engage new and existing customers through direct approach whereby these customers are local automotive manufacturers and Tier 1 Suppliers/Manufacturers of local automotive manufacturers.

We also follow up closely with our existing customers to keep up with the introduction of new vehicle models to identify opportunities to secure more sales.

**(b) Referrals from business associates**

We secure new customers through referrals from our business associates, namely local automotive manufacturers and their respective Tier 1 Suppliers/Manufacturers, to expand our network of customers within the automotive assembly supply chain.

**(c) Corporate website**

We have established our corporate website at [www.khpt.com.my](http://www.khpt.com.my) as a platform to introduce our product offerings as well as engineering and manufacturing capabilities to potential customers along with providing immediate searchable information on our Group.

**7.11 RESEARCH AND DEVELOPMENT**

Due to the nature of our business where we manufacture automotive parts and components in accordance with our customers' requirements, we do not undertake any research and development activities in relation to our business operations.

Nevertheless, we continuously assess, monitor and enhance our manufacturing capabilities and technologies to improve our process engineering skills, productivity and consistency of our quality. Please refer to Section 7.4 of this Prospectus for further details of our technology used.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**7.12 FUTURE PLANS AND STRATEGIES****7.12.1 We intend to expand our manufacturing capacity by setting up a new automated body parts production line**

Our manufacturing activities comprised the blanking line, body parts production line, seat structural parts production line and absorber parts production line. Notably, the utilisation rate for our body parts production line and seat structural parts production line were estimated at 84.19% and 94.85% respectively in FYE 2023. As such, we plan to expand our manufacturing capacity to meet the anticipated increase in demand from its customers, premised on the rolling forecast provided to our Group as well as discussions with its customers.

As at the LPD, we have 4 body parts production lines which are all manually operated by our production workers and we intend to purchase 4 press machines as well as purchase and install automation equipment to set up a new automated body parts production line.

The new automated body parts production line will increase our manufacturing capacity for body parts production by 400 pieces per hour, which translates to an annual manufacturing capacity of 2,260,800 pieces. This will increase our annual manufacturing capacity for body parts production by 83.33% from 3,144,960 pieces to 5,765,760 pieces.

In addition to manufacturing body parts, the new automated body parts production line is also flexible to be utilised to manufacture seat structural parts in the event of insufficient capacity of our seat structural parts production line. As such, our Group intends to set up a new body parts production line instead of a seat structural parts production line despite the latter recorded higher utilisation rates at 43.19%, 87.67% and 94.85% in the Financial Years Under Review respectively, as compared to the utilisation rates of body parts production line at 30.54%, 75.56% and 84.19% over the same period.

Further, the new automated body parts production line will also be installed with automation equipment such as robotic arms, which is expected to reduce manual labour involved from 5 production workers to 2 production workers for each line. We envisage a minimum cost savings of approximately RM0.25 million per annum from the reduced number of workers required to perform the aforementioned processes. In addition, by automating our new body parts production line, we could also achieve consistency in production time as the loading, unloading and transfer of input materials, finished parts and/or WIP pieces will be handled by the automation equipment.

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**7. BUSINESS OVERVIEW (Cont'd)**

The details of the components of the new automated body parts production line as well as services required for the commissioning of the production line, are as follows:

<b>Components / services required</b>	<b>Description / function</b>	<b>Number of units</b>	<b>Total estimated cost (RM '000)</b>
Press machines	To stamp metal sheets to form precisely-shaped parts and components	4	[●]
Robotic arms and accessories	To de-stack and load steel coil or steel cut sheets into the press machines, transfer WIP pieces from a press machine to another, as well as unload and transfer the completed parts to the designated area in the TPG Factory for inspection, packing and delivery.	7 <sup>(1)</sup>	[●]
Engineering services	Services provided by third party companies comprising system design, system test-run, operation training, on-site installation, commissioning and standby	Not applicable	[●]
Safety and operating system	IT system used to operate the production line, and to monitor / control the safety of the production line	1	[●]
			[●]

**Note:**

- (1) *Comprises 1 unit of robotic arm for de-stacking, 1 unit of robotic arm for loading of blanked pieces to the first press machine, 3 units of robotic arms for transfer of WIP pieces between press machines, 1 unit of robotic arm together with 1 unit of conveyor belt for unloading of finished parts from the last press machine to the designated area.*

The setup of the new automated body parts production line is estimated to cost RM[●] million, which will be fully funded by our Public Issue proceeds. We intend to set up the new automated body parts production line within 24 months from our Listing.

The anticipated increase in our manufacturing capacity with the setup of the new automated body parts production line will allow us to accept more orders from our customers, which will in turn contribute to our overall financial performance and continue to fuel our business growth in the future.

**7.12.2 We will renovate our TPG factory to accommodate the installation of new machinery and equipment**

As at the LPD, our Group operates solely from TPG Factory with a total built-up area of approximately 106,000.00 sq ft, including a double-storey office (built-up area: 5,847.00 sq ft) which houses our office workers to perform administrative tasks, as well as a single-storey factory (built-up area: 92,031.00 sq ft) which is used for our automotive parts and components manufacturing activities.

## 7. BUSINESS OVERVIEW (Cont'd)

As part of our business expansion, we intend to expand our manufacturing capacity by setting up an additional automated body parts production line as detailed in Section 7.12.1 of this Prospectus. The setup of a new automated body parts production line involves installation of new machinery and equipment in our TPG factory, which include press machines, robotic arms, de-stacking equipment and conveyor belt. The installation of the automated body parts production line, in particular the installation of press machines, requires a reinforced ground. As such, we intend to renovate a section of our TPG Factory, mainly involving flooring reinforcement and foundation works, to accommodate the installation of these new machinery and equipment as well as to provide a safe workplace for and minimise the risk exposure of our workers.

The renovation is estimated to cost RM[●] million, which will be funded by our Public Issue proceeds, and we expect to begin renovation works within 24 months from our Listing. The expected timeline for the completion of renovation, subject to obtaining relevant approvals, if required and to operationalise is expected to be within 6 months from the date of application of any required approvals.

### 7.12.3 We intend to purchase an additional overhead crane to accommodate our expansion in manufacturing capacity

As at the LPD, our Group has installed 2 overhead cranes in our TPG Factory, which are used to transfer dies between the dies storage space and the respective press machines. These 2 overhead cranes have a maximum lifting capacity 10 tons respectively, where the weight of our dies are 10 tons.

As our business continues to expand with the new automated body parts production line, we will also need to increase the lifting capacity of our overhead cranes to accommodate the increase in manufacturing activities. As such, we plan to purchase an overhead crane with a lifting capacity of approximately 15 tons, to provide us with additional lifting capacity, as well as to lift and transfer heavy dies between the dies storage space and the respective press machines. The purchase of the overhead crane is estimated to cost RM[●] million, which will be funded by our Public Issue proceeds. We intend to purchase and commence the use of this overhead crane within 24 months from our Listing.

## 7.13 MAJOR CUSTOMERS

Our top 5 major customers for the Financial Years Under Review are as follows:

### FYE 2021

Name	Products sold	Revenue contribution		Length of relationship <sup>(1)</sup>
		(RM'000)	(%)	(Years)
Customer Group A <sup>(2)</sup>	Automotive seat structures and absorber parts	18,230	30.92	29 <sup>(3)</sup>
Ingress Technologies Sdn Bhd	Automotive body parts	14,360	24.35	14
PHN Companies <sup>(4)</sup>	Automotive body parts	10,949	18.57	11
Autokeen Sdn Bhd	Automotive body parts	9,627	16.33	15
Sapura Machining Corporation Sdn Bhd	Automotive engine parts	829	1.41	16
	<b>Total<sup>(5)</sup></b>	<b>53,995</b>	<b>91.58</b>	

**7. BUSINESS OVERVIEW (Cont'd)****FYE 2022**

<b>Name</b>	<b>Products sold</b>	<b>Revenue contribution</b>		<b>Length of relationship<sup>(1)</sup></b>
		<b>(RM'000)</b>	<b>(%)</b>	<b>(Years)</b>
Customer Group A <sup>(2)</sup>	Automotive seat structures and absorber parts	35,810	30.81	29 <sup>(3)</sup>
Autokeen Sdn Bhd	Automotive body parts	23,688	20.38	15
Ingress Technologies Sdn Bhd	Automotive body parts	22,491	19.35	14
PHN Industry Sdn Bhd	Automotive body parts	21,306	18.33	11
Perodua Manufacturing Sdn Bhd	Automotive body parts	3,161	2.72	8
	<b>Total<sup>(5)</sup></b>	<b>106,456</b>	<b>91.59</b>	

**FYE 2023**

<b>Name</b>	<b>Products sold</b>	<b>Revenue contribution</b>		<b>Length of relationship<sup>(1)</sup></b>
		<b>(RM'000)</b>	<b>(%)</b>	<b>(Years)</b>
Customer Group A <sup>(2)</sup>	Automotive seat structures and absorber parts	43,183	37.85	29 <sup>(3)</sup>
PHN Industry Sdn Bhd	Automotive body parts	30,016	26.31	11
Autokeen Sdn Bhd	Automotive body parts	18,351	16.09	15
Ingress Technologies Sdn Bhd	Automotive body parts	11,394	9.99	14
Sapura Machining Corporation Sdn Bhd	Automotive engine parts	1,519	1.33	16
	<b>Total<sup>(5)</sup></b>	<b>104,463</b>	<b>91.57</b>	

**Notes:**

- (1) Length of relationship with our major customers is calculated based on the first transaction with these customers up to the LPD.
- (2) We transacted with 8 subsidiaries under Customer Group A and these companies are incorporated in Malaysia. Consent was sought for the disclosure of the identity of Customer Group A but was not obtained. As such, the identity of Customer Group A shall not be disclosed in the Prospectus.
- (3) Length of relationship with Customer Group A began in 1995 under KHEI, whereby all operations under KHEI, including transactions with Customer Group A, were transferred to AGSB in 2018. KHEI was an entity incorporated by See Ming Hoi (the father of Datin Eloise and Ivy See) and Tiu Kuang Hong, which commenced manufacturing and sales of automotive parts and components in 1995. In 2018, all operations under KHEI were transferred to AGSB to streamline and consolidate the Group's business operations under 1 entity and since then, KHEI and since then, ceased operations in relation to the manufacturing of automotive parts and components in 2018.
- (4) Comprises PHN Industry Sdn Bhd and Oriental Summit Industries Sdn Bhd. Oriental Summit Industries Sdn Bhd was acquired by PHN Industry Sdn Bhd in 2017. The Group's sales to Oriental Summit Industries Sdn Bhd have been transferred to PHN Industry Sdn Bhd effective from November 2021. Since then, the Group solely deals with PHN Industry Sdn Bhd.



## 7. BUSINESS OVERVIEW (Cont'd)

- (5) *Excludes sales of steel scrap to licensed scrap recycling/collecting companies, whereby the total sale of steel scrap in the Financial Years Under Review was RM3.62 million, RM7.48 million and RM7.70 million respectively, accounting for approximately 6.13%, 6.43% and 6.75% of our total revenue respectively. Sale of steel scrap is a residual income from the waste generated during the production of the main products. As such, licensed steel scrap collectors are not deemed as major customers for our Group.*

In the Financial Years Under Review, our top 5 major customers collectively contributed 91.58%, 91.59% and 91.57% of our Group's total revenue, respectively. Save for Perodua Manufacturing Sdn Bhd which is a local automotive manufacturer, our top 5 major customers in the Financial Years Under Review are Tier 1 Suppliers/Manufacturers of local automotive manufacturers.

We are dependent on Customer Group A, who contributed more than 25.00% of our Group's revenue in each of the Financial Years Under Review; PHN Companies and Autokeen Sdn Bhd which contributed more than 10.00% to our Group's revenue in each of the Financial Years Under Review; as well as Ingress Technologies Sdn Bhd, who contributed more than 10.00% to our Group's revenue in the FYE 2021 and 2022. As their collective contribution in the Financial Years Under Review accounted for more than 85.00% of our Group's revenue, if any one of them ceases to engage us, we may experience a significant reduction in sales, which could result in a loss of revenue, given that we may not be able to replace these customers with new customers or with additional sales from existing customers in a timely manner.

Despite our dependency on Customer Group A, PHN Companies, Autokeen Sdn Bhd and Ingress Technologies Sdn Bhd, we foresee these customers will continue to engage us in future due to the following:

- (i) these major customers have been our customers for between 11 and 29 years as at the LPD. We believe that our long-term relationship and our ability to continuously meet their expectation over the years have made us a trusted supplier to these major customers;
- (ii) throughout our business relationship with these major customers, we have been able to meet the requirements of these customers. Our performance has been continuously monitored by these major customers with each order delivered, periodic performance review, product quality rating, timely delivery, cost competitiveness and annual audit. Any complaints has been rectified and addressed accordingly;
- (iii) our Group is an approved manufacturer of these major customers and their respective local automotive manufacturers, whereby our Group has complied with stringent supplier selection processes prior to being admitted to be their approved manufacturer;
- (iv) it is unlikely for our customers to cease the purchase of existing parts and components from us or to appoint other manufacturers to manufacture and supply the same parts and components as the appointment of new suppliers is a lengthy process and required high upfront investment. Further, the switch from one supplier to another may lead to prolonged downtime which may cause major disruption to the supply chain of the assembly of a particular vehicle model; and
- (v) these major customers have consistently provided our Group with a rolling forecast of up to 6 months for their demand for our parts and components due to our ability to meet our customers' requirements. While the forecast provided by these major customers is not secured orders; however, based on historical trend, the forecast provided is reflective of actual sales secured with these major customers.

**7. BUSINESS OVERVIEW (Cont'd)**

Further, as our parts and components are ultimately supplied to the local automotive manufacturers, namely Proton and Perodua, for assembly into complete automotive vehicles, if any of our major customers, who are the Tier 1 Suppliers/Manufacturers of the local automotive manufacturers, cease to operate or fail to secure new projects/contracts with the local automotive manufacturers, we may approach other Tier 1 Suppliers/Manufacturers of the local automotive OEMs who have been awarded the new projects/contracts. As such, we will be able to replace the lost of any of our major customers as long as we continue to maintain good track record in the industry as a trusted parts and components manufacturer, along with on-going enhancement in our manufacturing capability to meet our customers' requirements and fulfil orders in a timely manner.

Therefore, we believe that with continuous improvement in our engineering expertise and manufacturing capabilities, maintenance of our product quality, timely delivery and cost competitiveness as well as our long-term business relationship with our customers, we will be able to continue securing sales from our customers.

**7.14 MAJOR SUPPLIERS**

Our top 5 major suppliers for the Financial Years Under Review are as follows:

**FYE 2021**

<b>Name</b>	<b>Products purchased</b>	<b>Purchase value</b>		<b>Length of relationship<sup>(1)</sup> (Years)</b>
		<b>(RM'000)</b>	<b>(%)</b>	
Hanwa Steel Centre (M) Sdn Bhd	Steel coil, steel cut sheets and accessories	9,849	21.13	11
Posco-Mkpc Sdn Bhd	Steel coil and steel cut sheets	9,573	20.54	10
PHN Companies <sup>(2)(3)</sup>	Steel coil and steel cut sheets	9,111	19.55	11
Autokeen Sdn Bhd	Steel coil and steel cut sheets	8,313	17.84	11
Nicom Steel Centre (M) Sdn Bhd	Steel coil and steel cut sheets	3,420	7.34	12
<b>Total</b>		<b>40,266</b>	<b>86.40</b>	

**FYE 2022**

<b>Name</b>	<b>Products purchased</b>	<b>Purchase value</b>		<b>Length of relationship<sup>(1)</sup> (Years)</b>
		<b>(RM'000)</b>	<b>(%)</b>	
Hanwa Steel Centre (M) Sdn Bhd	Steel coil and steel cut sheets	23,538	27.56	11
Autokeen Sdn Bhd	Steel coil and steel cut sheets	18,897	22.13	11
PHN Industry Sdn Bhd <sup>(3)</sup>	Steel coil and steel cut sheets	15,699	18.38	11
Posco-Mkpc Sdn Bhd	Steel coil and steel cut sheets	15,398	18.03	10
Nicom Steel Centre (M) Sdn Bhd	Steel coil and steel cut sheets	5,467	6.40	12
<b>Total</b>		<b>78,999</b>	<b>92.50</b>	

**7. BUSINESS OVERVIEW (Cont'd)****FYE 2023**

<b>Name</b>	<b>Products purchased</b>	<b>Purchase value</b>		<b>Length of relationship<sup>(1)</sup></b>
		<b>(RM'000)</b>	<b>(%)</b>	<b>(Years)</b>
Hanwa Steel Centre (M) Sdn Bhd	Steel coil and steel cut sheets	28,690	33.58	11
PHN Industry Sdn Bhd <sup>(3)</sup>	Steel coil and steel cut sheets	23,441	27.43	11
Autokeen Sdn Bhd	Steel coil and steel cut sheets	15,219	17.81	11
Posco-Mkpc Sdn Bhd	Steel coil and steel cut sheets	10,028	11.74	10
Tashin Steel Sdn Bhd	Steel coil and steel cut sheets	3,398	3.98	11
<b>Total</b>		<b>80,776</b>	<b>94.54</b>	

**Notes:**

- (1) Length of relationship with our major suppliers is calculated based on the first transaction with these suppliers up to the LPD.
- (2) Comprises PHN Industry Sdn Bhd and Oriental Summit Industries Sdn Bhd. Oriental Summit Industries Sdn Bhd was acquired by PHN Industry Sdn Bhd in 2017. The Group's sales to Oriental Summit Industries Sdn Bhd have been transferred to PHN Industry Sdn Bhd effective from November 2021. Since then, the Group solely deals with PHN Industry Sdn Bhd.
- (3) Being steel material purchased directly from the customers of the Group. Under this arrangement, the market price fluctuations of steel coils and steel cut sheets are absorbed by these customers.

For the Financial Years Under Review, the total purchases from our top 5 major suppliers collectively contributed 86.40%, 92.50% and 94.54% to our Group's total purchases respectively. These top 5 major suppliers supplied our Group with steel coils and steel cut sheets, which are the key raw materials used in the manufacturing of our automotive parts and components.

Our top 5 major suppliers in the Financial Years Under Review comprise steel suppliers approved by local automotive manufacturers, as well as their respective Tier 1 Suppliers/Manufacturers who are also our customers. We purchase steel materials from steel suppliers or from our customers depending on our customers' procurement arrangement. Please refer to Sections 7.3.1 and 7.9.1 of this Prospectus for further information on the procurement arrangements with our customers.

Whether we purchase steel materials from approved steel suppliers or from our customers, the type of steel materials required for the manufacturing of automotive parts and components are discussed and determined directly between the local automotive manufacturers and approved steel suppliers, and shared with their respective Tier 1 Suppliers/Manufacturers. Steel materials required are ultimately sourced from the same group of approved steel suppliers by the local automotive manufacturers, whereby the steel materials required are generally available. If there are shortages of supply from any approved steel suppliers, we will source the steel materials from other approved steel suppliers of the local automotive manufacturers. In addition, our major customers as well as the local automotive manufacturers who we supply automotive parts and components to, are invested to ensure there are no supply shortages or delays that will lead to any delays in the fulfilment of their orders. Therefore, we are not dependent on our major suppliers.

**7. BUSINESS OVERVIEW (Cont'd)****7.15 MATERIAL DEPENDENCY ON COMMERCIAL CONTRACTS, AGREEMENTS AND OTHER ARRANGEMENTS**

Save as disclosed below, as at the LPD, our Group is not dependent on any contracts or agreements including commercial and financial contracts which are material to our business or profitability:

**(i) Subsidiary 1 of Customer Group A<sup>(1)</sup> – Letter of Intent in respect of Manufacture of Parts dated 21 May 2013**

<b>Contracting Parties Description</b>	AGSB and Subsidiary 1 of Customer Group A  The letter sets out the general terms and conditions governing the manufacturing of parts for Proton GSC model P2-30A for Subsidiary 1 of Customer Group A by AGBS.
<b>Exclusivity</b>	Nil.
<b>Main Product</b>	Parts for Proton GSC model P2-30A.
<b>Undertaking by AGBS</b>	AGSB hereby undertakes that it shall not sell/ supply or attempt to sell/ supply the parts to any third party other than to Subsidiary 1 of Customer Group A and/ or its appointed agent. In the event of breach of such undertaking, AGBS shall compensate Subsidiary 1 of Customer Group A for any direct and indirect, incidental, consequential or special damages/ losses, including but not limited to cost of manufacture of the parts and loss of profits.
<b>Late Delivery</b>	AGSB is responsible to meet Subsidiary 1 of Customer Group A's delivery requirement date based on the delivery schedule(s) in the drawings and data sheet.  Any delay in meeting the timeline for the deliverables that result in the following additional costs and expenses shall be fully borne by AGBS: (i) down time; (ii) recorded man-hours; and (iii) freight charges.  Such costs and expenses to be borne by AGBS shall be reasonable and to be agreed mutually by the parties.
<b>Product Quality</b>	AGSB is responsible to ensure the strict compliance of the part quality and validation confirmation in accordance with Subsidiary 1 of Customer Group A's requirements for purpose of meeting the Design Concept Sheet (DCS)/ applicable Proton Engineering Standards and its related specifications.  If AGBS fails to meet the part quality or the validation confirmation that results in the inability to proceed with the manufacture process, then AGBS shall be liable to pay to Subsidiary 1 of Customer Group A the resources and expenses incurred by Subsidiary 1 of Customer Group A, the amount of which shall be negotiated and agreed mutually by AGBS and Subsidiary 1 of Customer Group A.  AGSB hereby warrants that the parts shall be of merchantable quality and fit for the purpose of or the intended use of Subsidiary 1 of Customer Group A and free from any manufacturing and assembly defects in material and workmanship and shall confirm to all of the specifications furnished by Subsidiary 1 of Customer Group A and/ or Proton and/ or its designated entity. AGBS shall indemnify and keep indemnified Subsidiary 1 of Customer Group A against any and all claims, demands, expenses, costs

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Confidentiality</b>	<p>suffered or sustained directly or indirectly by Subsidiary 1 of Customer Group A whether as a result of or in connection with the parts and/ or the manufacture thereof or otherwise.</p> <p>AGSB shall not disclose, directly or indirectly, to any person any information (including but not limited to the technical documentation, product-related information as well as other information relating or belonging to Subsidiary 1 of Customer Group A or Proton irrespective of the form and/ or nature of the information and irrespective of the date of communication of such information) disclosed or made available to it under this Letter or the transactions pursuant to or arising from this Letter unless otherwise instructed or consented to in advance by Subsidiary 1 of Customer Group A or Proton in writing. Notwithstanding the foregoing, AGBS shall be permitted to disclose such information to its directors, officers, employees or sub-contractors on a need to know basis, strictly for the purpose of this Letter only and shall ensure that such persons are aware of and undertake to maintain the confidential nature of such information.</p>
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Sales to Subsidiary 1 of Customer Group A is also governed by additional terms set out in purchases orders issued by Subsidiary 1 of Customer Group A. The salient term of the latest purchase order issued by Subsidiary 1 of Customer Group A as at the LPD is as follows:

<b>Payment Terms</b>	90 days term.
<b>Delivery</b>	AGSB agrees that time is of the essence. AGBS shall deliver the goods and/ or services in the manner as prescribed in the purchase order as failing which Subsidiary 1 of Customer Group A shall be entitled to claim from AGBS and AGBS shall compensate Subsidiary 1 of Customer Group A for all losses incurred by Subsidiary 1 of Customer Group A because of such failure.
<b>Confidentiality</b>	AGSB shall ensure that all information in connection with the purchase order shall be kept confidential at all times and shall be used by AGBS for the purposes of the purchase order only unless agreed otherwise by Subsidiary 1 of Customer Group A in writing. This covenant shall survive the termination and expiry of the purchase order.

**Note:**

- (1) *The name of Customer Group A, has not been disclosed due to a confidentiality requirement in our letter of intent in respect of manufacturing of parts with Subsidiary 1 of Customer Group A. Consent was sought for disclosure of the identity of Customer Group A but was not obtained. As such, the identity of Subsidiary 1 of Customer Group A is not disclosed in this Prospectus.*
- (ii) **Subsidiary 2 of Customer Group A<sup>(1)</sup> – Part Approval and Mass Production Notice for Model D87A and Letters of Appointment as Part Supplier for Model D20N, Model D38L (D12H) Aruz, Model D55L Ativa and Model D74A**

<b>Contracting Parties Description</b>	<p>AGSB and Subsidiary 2 of Customer Group A</p> <p>The notice and these letters set out the general terms and conditions governing the appointment of AGBS as Subsidiary 2 of Customer Group A's manufacturer to manufacture parts for models D87A, D20N, D38L (D12H) Aruz, D55L Ativa and D74A.</p>
<b>Exclusivity</b>	Nil.

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Main Product</b>	Parts for models D87A, D20N, D38L (D12H) Aruz, D55L Ativa and D74A.
<b>Warranty</b>	<u>For models D20N, D38L (D12H) Aruz, D55L Ativa and D74A only:</u> The warranties given by AGSB for the vehicle parts shall be from the time the vehicle parts are delivered to Subsidiary 2 of Customer Group A's main customer for a period: (i) 36 months after initial delivery of the vehicle to the original purchaser; or (ii) 100,000km of distance traveled by the said vehicle, whichever shall occur first.
<b>Supply for Replacement Market</b>	<u>For models D38L (D12H) Aruz, D55L Ativa and D74A only:</u> AGSB undertakes to continue to supply the appointed parts for the replacement market (regardless the quantity) for a period of 10 years after the run out of the model.
<b>Termination Notice</b>	<u>For models D55L Ativa and D74A only:</u> If AGSB withdraw business, AGSB has to give a minimum of 6 months' written notice to Subsidiary 2 of Customer Group A specifying the reason of withdraw.

Sales to Subsidiary 2 of Customer Group A are also governed by additional terms set out in purchases orders issued by Subsidiary 2 of Customer Group A. The salient terms of the latest purchase order issued by Subsidiary 2 of Customer Group A as at the LPD are as follows:

<b>Payment terms</b>	60 days from invoice date
<b>Delivery</b>	AGSB agrees that time is of the essence. AGSB shall deliver the goods and/ or services in the manner as prescribed in the purchase order as failing which Subsidiary 2 of Customer Group A shall be entitled to claim from AGSB and AGSB shall compensate Subsidiary 2 of Customer Group A for all losses incurred by Subsidiary 2 of Customer Group A because of such failure.
<b>Confidentiality</b>	AGSB shall ensure that all information in connection with the purchase order shall be kept confidential at all times and shall be used by AGSB for the purposes of the purchase order only unless agreed otherwise by Subsidiary 2 of Customer Group A in writing. This covenant shall survive the termination and expiry of the purchase order.

**Note:**

- (1) *The name of Customer Group A, has not been disclosed due to a confidentiality requirement in the purchase orders issued by Subsidiary 2 of Customer Group A. Consent was sought for disclosure of the identity of Customer Group A but was not obtained. As such, the identity of Subsidiary 2 of Customer Group A is not disclosed in this Prospectus.*
- (iii) **Ingress Technologies Sdn Bhd – Letter of Appointment to Supply Parts for ITSB D87A Project (Perodua) dated 26 March 2015**

<b>Contracting Parties Description</b>	AGSB and Ingress Technologies Sdn Bhd (“ <b>ITSB</b> ”) The letter set out the general terms and conditions governing the appointment of AGSB as ITSB's supplier to supply parts for ITSB's D87A Project (Perodua).
<b>Exclusivity</b>	Nil.

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Main Product</b>	Parts for ITSB's D87A Project (Perodua).
<b>Product Quality</b>	The parts to be supplied shall in every material aspect, comply with the quality, specifications, warranties and other requirements as specified by ITSB and shall at all times be supplied within the costs as quoted in the quotation.
<b>Termination</b>	In the event the project awarded by Perodua to ITSB is terminated or withdrawn by Perodua due to any reasons whatsoever, ITSB reserves the right to terminate this appointment at any time by written notice and ITSB shall not be liable for any costs, loss of profits, expenses, claims and damages whatsoever arising out of the termination. All samples and/or documents produced pursuant hereto shall upon termination, be returned to ITSB or destroyed/ disposed of in such manner as shall be directed by ITSB in writing.

Sales to ITSB is also governed by additional terms set out in purchases orders issued by ITSB. The salient term of the latest purchase order issued by ITSB as at the LPD is as follows:

<b>Payment Terms</b>	Payment shall be made within 60 days after acceptance of completed delivery unless otherwise agreed.
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**(iv) Autokeen Sdn Bhd – Letter of Intent to Supply Part dated 3 December 2013**

<b>Contracting Parties</b>	AGSB and Autokeen Sdn Bhd (“AKSB”)
<b>Description</b>	The Letter sets out the general terms and conditions governing the manufacturing of products for AKSB in accordance with part price quotations and purchase orders to be issued from time to time.
<b>Exclusivity</b>	Nil.
<b>Main Product</b>	Car inner body blanking parts for Perodua models Axia and Bezza
<b>Termination</b>	If termination occurs for any reason whatsoever, all samples and/ or documents produced pursuant to the letter of intent shall be treated as confidential and shall be surrendered to AKSB and/ or destroyed and/ or disposed in such manner as shall be instructed by AKSB in writing;

Sales to AKSB is also governed by additional terms set out in the purchases orders issued by AKSB and quotations issued by AGBS. The salient term of the latest purchase order issued by AKSB and quotation issued by AGBS as at the LPD is as follows:

<b>Changes</b>	AGSB reserves the right at any time, by written notice to AKSB under the quotation to provide a revised quotation for the parts, in any event, there is a discrepancy of the actual weight of the parts as compared to the weight of the parts being provided, represented, and communicated to AGBS for its use in its calculation until the cessation of the supply agreement between the parties. AGBS shall reserve the right to terminate the supply of the parts by giving a due notification, in the event AKSB not agreeable to the revised quotation.
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**7. BUSINESS OVERVIEW (Cont'd)**

<b>Payment Terms</b>	<p>Depending on the terms of the applicable purchase order, the payment term will range from 30 days to 60 days.</p> <p>For delayed payments, AKSB shall be liable to pay interest at 1.5% per month calculated from each calendar date of delayed from the date of the invoice. Failing which AGSB shall have the right to suspend further the supply of parts hereunder, without prejudice to all other rights provided herein.</p>
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**(v) PHN Industry Sdn Bhd ("PHN")**

<b>Contracting Parties (categorized by the types of document)</b>	<p>(A) AGSB and PHN – Notification of Toolings Transfer for Perodua Axia/ Bezza Blanking Parts, dated 27 May 2022 for Product A, as defined below ("<b>Notification</b>");</p> <p>(B) AGSB, Oriental Summit Industries Sdn Bhd and PHN – 2 Novation Agreements, dated 11 October 2021<sup>(1)</sup> for Products B &amp; C below respectively (collectively, "<b>Novation Agreements</b>"); and</p> <p>(C) AGSB and PHN – 3 Letters of Appointment to Supply Parts<sup>(2)</sup>, dated 4 November 2016; 13 April 2016; and 20 January 2015 for Products D; E; &amp; F below respectively (collectively, "<b>Letters of Appointment</b>"),</p> <p>(collectively, the "<b>PHN Agreements</b>").</p>
<b>Description</b>	The Novation Agreements set out the operations of Oriental Summit Industries Sdn Bhd being novated to PHN whereas the Letters of Appointment to supply parts set out AGSB's responsibility to manufacture and produce parts as may be specifically identified in letter of appointment from time to time by PHN to AGSB, which includes the general terms and conditions governing the manufacturing of products for PHN in accordance with part price quotations and purchase orders to be issued from time to time.
<b>Exclusivity</b>	Nil.
<b>Main Product</b>	<p><b><u>(1) Under the Notification:</u></b></p> <p>(a) Product A – parts for Models Perodua Axia/ Bezza.</p> <p><b><u>(2) Under the Novation Agreements:</u></b></p> <p>(a) Product B – parts for Models Iriz/Persona.</p> <p>(b) Product C – parts for Models Axia, Myvi, Exora and Iriz/Persona.</p>
<b>Governing Law / Jurisdiction</b>	<p><b><u>(3) Under the Letters of Appointment</u></b></p> <p>(a) Product D – parts for Models P6-20A, P3-21A and P3-22A.</p> <p>(b) Product E – parts for Models P6-20A, P3-21A/ P3-22A, P2-30A/ P2-31A and P2-11C.</p> <p>(c) Product F – parts for Model P2-11C.</p>
<b>Governing Law / Jurisdiction</b>	The laws of Malaysia/ Court of Malaysia.



**7. BUSINESS OVERVIEW (Cont'd)**

<p><b>Termination/ Events of Default</b></p>	<p><b><u>In regard to products under the Notification and Novation Agreements only:</u></b></p> <p><b><u>(1) Termination</u></b></p> <p>(a) This agreement shall terminate and neither party shall have right or to take resource against the other party upon the happening of any of the events listed, whichever earlier:</p> <p>(aa) either party breaches, defaults or delay in the performance of this agreement and fails to cure such breach, default or delay within 90 days after receipt of written notice by the other party of such breach, default or delay;</p> <p>(bb) an administration measure such as the revocation of a license for business or an injunction for suspending business is taken by any authority or person against either party;</p> <p>(cc) a petition for winding, reorganization, corporate rehabilitation or composition is filed against or on behalf of either party or any other event similar thereto occurs;</p> <p>(dd) a provisional attachment, provisional injunction, compulsory execution or any other disposition similar thereto is made by any third party against all or substantially all of the assets of either party;</p> <p>(ee) either party resolves its dissolution or consolidates with or merges into any other company; or</p> <p>(ff) a situation of force majeure set forth in clause 8 hereof continues for more than 60 days.</p> <p>(b) Notwithstanding anything herein contained, either party shall reserve the right to terminate this award by giving one (1) month notice in writing to the other party of its intention to do so prior to the expiration of the term or any other term herein agreed by the parties and upon expiry of the said notice, and subject to the settlement of all outstanding payments to AGSB, this appointment shall be absolutely determined.</p> <p><b><u>(2) The treatment after expiration or termination</u></b></p> <p>(a) In the event this agreement expires or terminates pursuant to the Termination clause hereof, any obligation of either party which has accrued at or prior to the expiration or termination of this agreement shall remain in effect and shall be performed as required under this agreement unless otherwise agreed upon by the other party in writing.</p> <p>(b) The provisions of clauses on "Cost and Part(s) Price", "Delivery" and "Payment Terms – Part(s) Price" as well as other provisions which are intended to remain binding upon the parties hereto after the expiration or termination of this agreement shall survive.</p> <p>(c) Any unsettled liabilities of AGSB under this agreement shall fall due and become payable upon the date of expiration or termination of this agreement and AGSB shall immediately settle such liabilities in full.</p>
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**7. BUSINESS OVERVIEW (Cont'd)**

	<p>(d) Whether or not this agreement remains in effect, both parties shall perform the obligations stipulated herein after the expiration or termination of this agreement.</p> <p><b><u>In regard to products under the Letters of Appointment only:</u></b> PHN reserve the rights to revoke or terminate their appointment in the event that AGSB fail to comply with any of the terms and conditions stated without any liability to PHN, for any reason whatsoever.</p>
<b>Payment Terms</b>	<p>Payment term for part is 60 days upon end of delivery month from the date of receipt of original invoice from the supplier.</p> <p>All charges shall be based on the purchase order as stated in the respective PHN Agreements and any other subsequent purchase orders that prescribe new charges (with prior written agreement and approval).</p>
<b>Force Majeure</b>	<p><b><u>In regard to products under the Notification and Novation Agreements only:</u></b> AGSB shall not be liable for any stoppage or disruption (delays) due to any force majeure event(s) (i.e. unforeseeable circumstance that is beyond neither PHN nor AGSB's control) which may directly or indirectly affect the progress of the development.</p>
<b>Confidentiality</b>	<p>If termination occurs for any reason whatsoever, all equipment's, samples and/or documents produced to this appointment shall be treated as confidential and shall be surrendered to us and/or destroyed and/or disposed in such manner as shall be instructed by PHN in writing. PHN will reimburse the agreed development cost incurred by AGSB within 60 days from the receipt of AGSB's invoice (if applicable).</p>
<b>Product Warranty</b>	<p><b><u>In regard to products under the Novation Agreements and Letters of Appointment only:</u></b> AGSB shall warrant that the part(s) shall be free from any manufacturing and/or material defects for a period of 2 years from the date of supply of the part(s) to PHN.</p>
<b>Undertaking by AGSB</b>	<p><b><u>In regard to products under the Novation Agreements only:</u></b> AGSB undertaken to supply REM Parts of certain vehicles for a further period of 10 years after the rundown of production of such vehicle and shall not modify, transfer, or dispose of any mould, tool, or jig used in the manufacture of the products without the written consent from PHN.</p> <p>AGSB agrees to supply REM parts to PHN Group or any party nominated by PHN Group. Failing which, PHN Group may terminate this agreement and penalty shall be imposed for any reimbursement for any losses (if any).</p>

**Notes:**

- (1) *There are two novation agreements entered into by AGSB, Oriental Summit Industries Sdn Bhd and PHN, governing supply of different products but the terms and conditions agreed are largely similar and our Group have decided to disclose in this table altogether.*
- (2) *There are three letters of appointment to supply parts entered into by AGSB and PHN, governing supply of different products but the terms and conditions agreed are largely similar and our Group have decided to disclose in this table altogether.*

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.16 MAJOR APPROVALS, LICENCES AND PERMITS OBTAINED

Our Group is dependent on the following major approvals, licences and permits for our operations. As at the LPD, details of the major approvals, licences and permits, together with salient conditions imposed and status of compliance, are as follows:

No	Company	Approving authority/ issuer	Description of approval/ licence / approval	Licence/ Reference No.	Issuance Date/ Expiry Date	Equity and/or salient conditions imposed	Status of compliance
1.	AGSB	Kuala Langat Municipal Council ("KLMC")	<b>Business Premises and Billboard Licence</b> for manufacturing / selling spare parts and storage of goods at TPG Factory	Account No: 030000000102609	Validity period: 1 January 2024 to 31 December 2024	-	-
2.	AGSB	Land Public Transport Commission	<b>Operator's licence</b> for operating goods vehicles pursuant to Land Public Transport Act 2010	Licence No: 403574-H(LA) Serial No: L099592	2 September 2020 / 2 October 2025 Effective Date: 1 September 2020	(a) The licence must be renewed at least 90 days from its expiry. (b) Section 70(1) of the Land Public Transport Act 2010 provides that a licenced operator shall obtain the approval of the Director General of Land Public Transport before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Noted Noted
						(c) Section 72(3)(a) of the Land Public Transport Act 2010 provides that a licenced operator shall inform the Director General of Land Public Transport immediately of any change of control of the licence holder.	Noted

**7. BUSINESS OVERVIEW (Cont'd)**

<u>No</u>	<u>Company</u>	<u>Approving authority/ issuer</u>	<u>Description of approval/ licence / approval</u>	<u>Licence/ Reference No.</u>	<u>Issuance Date/ Expiry Date</u>	<u>Equity and/or salient conditions imposed</u>	<u>Status of compliance</u>
3.	AGSB	MITI	<b>Manufacturing Licence</b> for manufacturing of metal stamped parts	Licence No: A024761 Serial No: A041158	16 December 2022 <sup>(1)</sup> / Nil Effective Date: 13 September 2022	(a) MITI and MIDA shall be notified of any sale of shares in AGSB.  (b) The total full-time workforce of AGSB shall comprise of at least 80% Malaysians by 31 December 2024. Employment of foreign workers including outsourced workers is subject to current policies.  (c) AGSB shall submit information on the performance of its investment and project implementation of its projects under Industrial Co-Ordination Act 1975 and the Malaysian Investment Development Authority (Incorporation) Act 1965 when required by MIDA. Failure to submit such information may result in AGSB:  (i) guilty of an offence and liable to a fine not exceeding RM1,000 or imprisonment for a term not exceeding 3 months or both and to a further fine not exceeding RM500 for each day the offence continues; or	Complied <sup>(2)</sup>  To be complied <sup>(3)</sup>  Noted

**7. BUSINESS OVERVIEW (Cont'd)**

<u>No</u>	<u>Company</u>	<u>Approving authority/ issuer</u>	<u>Description of approval/ licence / approval</u>	<u>Licence/ Reference No.</u>	<u>Issuance Date/ Expiry Date</u>	<u>Equity and/or salient conditions imposed</u>	<u>Status of compliance</u>
						(ii) commits an offence if it gives any statement or other information which is false or misleading in any material way and is liable to a fine not exceeding RM2,000 or imprisonment for a term not exceeding 6 months or both.	
						(d) AGSB shall implement its project as approved and in accordance with the laws and regulations of Malaysia.	Complied



**Notes:**

- (1) AGSB's shareholders' funds had in its financial year ended 30 September 2007 (amounted to approximately RM3.17 million) exceeded RM2.50 million and was required to have a manufacturing licence. Between 30 September 2007 to 12 September 2022, AGSB had no manufacturing licence for TPG Factory. The manufacturing licence, which has since been issued on 16 December 2022, is effective from 13 September 2022. As at the LPD, AGSB has not received any penalty for this past non-compliance. Please refer to Section 7.20 (i) of this Prospectus for further details on this past non-compliance.
- (2) AGSB has on 20 February 2024 sent a written notification to MITI and MIDA on our internal restructuring, as per the condition imposed by this manufacturing licence.
- (3) As at the LPD, the total full-time workforce of AGSB comprises 57 Malaysians (representing approximately 32.39% of its total workforce of 176 employees). We have on 21 February 2024 applied to MITI for extension of time to comply with this requirement. As at the LPD, we have not received any feedback from MITI. Please refer to Section 7.21 of this Prospectus for further details.

As at the LPD, our Group has the necessary government approvals, authorisations, licences or permits of any nature whatsoever which are required under any law, decree or regulation to carry on our business and operations and all such approvals, authorisations, licences or permits are still valid and the same has not been revoked or threatened to be revoked.

**7. BUSINESS OVERVIEW (Cont'd)****7.17 INTELLECTUAL PROPERTY**

As at the LPD and save as disclosed below, our Group does not have any other intellectual property rights registered and/or in the process of registration.

No.	Trademark	Issuing authority	Registered owner/ Name of Applicant	Trademark number/ Application number	Description	Status / Validity Period
1.		MyIPO	Company	TM2023017019	Class 40 <sup>(1)</sup>	Registered/ 15 June 2023 – 15 June 2033
2.		MyIPO	AGSB	TM2023017830	Class 40 <sup>(2)</sup>	Registered/ 22 June 2023 – 22 June 2033

**Notes:**

- (1) *Custom manufacture of moulded components; die casting; laser scribing; metal casting; metal fabrication and finishing services; metal stamping; welding services.*
- (2) *Metal stamping; metal moulding; metal fabrication and finishing services; casting of metal; hardening of metals; metalworking; refining of metals; treating of metal.*

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.18 PROPERTIES, PLANT AND EQUIPMENT

#### 7.18.1 Property owned by our Group

A summary of the material land and building owned by our Group as at the LPD is as follows:

Property	TPG Factory
<b>Title details</b>	GM 2655, Lot 2228, in Mukim Teluk Panglima Garang, Daerah Kuala Langat, Selangor
<b>Registered owner</b>	AGSB
<b>Property address</b>	Lot 2228, Jalan Kasawari, Kawasan Perusahaan Kebun Baru, Batu 9, Kg. Kebun Baru, 42500 Telok Panglima Garang, Kuala Langat, Selangor Darul Ehsan
<b>Description / Existing use of property</b>	A single storey factory cum double storey office / Manufacturing and office
<b>Approximate age of building</b>	17 years
<b>Date of CCC or CF</b>	18 December 2018
<b>Category of land use / Express conditions of land use</b>	Industrial / Light Industry
<b>Land area / Built-up area</b>	16,312.87 sq. m. / 9,823.98 sq. m.
<b>Restrictions in interest / Material encumbrance(s)</b>	Nil / Charge (Presentation No. 852/2019) registered in favour of Alliance Bank Malaysia Berhad on 11.03.2019
<b>Tenure / Date of expiry of lease</b>	Freehold
<b>Audited NBV as at 31 December 2023</b>	Freehold land: RM13,421,500 Factory building: RM1,098,348

As at the LPD, the properties owned by our Group are not in breach of any land use conditions, current statutory requirements, land rules and/or building regulations/by-laws.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.18.2 Properties rented by our Group

A summary of the material properties rented by our Group as at the LPD is as follows:

No.	Registered Owner(s)	Location / Address / Title Details	Existing Use	Land / Built-up Area (sq. m.)	Date of CF / CCC Issuance	Tenure of Tenancy	of Rental annum	per
1.	Gan Huat Hock	No. 51, Jalan Nipah 18, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor /  HSD 29926, PT 991, Pekan Teluk, Daerah Kuala Langat	Local and foreign workers' accommodation	121 / 154.22	12 January 2015	1 year with an option to renew for 1 year	RM10,800 (RM900 month)	per
2.	Gan Ling Poh	No. 37, Jalan Nipah 18, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor /  HSD 29933, PT 998, Pekan Telok, Daerah Kuala Langat	Local workers' accommodation	121 / 154.22	12 January 2015	1 year with an option to renew for 1 year	RM10,200 (RM850 month)	per
3.	Lee Eng Teck	No. 22, Jalan Pandan 11, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor /  GRN 109165, Lot 8527 Seksyen 2, Pekan Teluk, Daerah Kuala Langat	Foreign workers' accommodation	121 / 180.88	12 October 1999	1 year with an option to renew for 1 year	RM14,400 (RM1,200 month)	per
4.	Subramaniam A/L Kuppu <sup>(1)</sup>	No. 1, Jalan Dendang 43, Taman Telok, 42500 Telok Panglima Garang, Selangor /  GRN 110609, Lot 630 Seksyen 1, Pekan Teluk, Daerah Kuala Langat	Foreign workers' accommodation	303 / 111.11	30 November 2001	1 year with an option to renew for 1 year	RM17,400 (RM1,450 month)	per



**7. BUSINESS OVERVIEW (Cont'd)**

No.	Registered Owner(s)	Location / Address / Title Details	Existing Use	Land / Built-up Area (sq. m.)	Date of CF / CCC Issuance	Tenure Tenancy	of Rental annum	per
5.	Palaniandy A/L Viran and Perimala Devi A/P Periasamy <sup>(2)</sup>	No. 57, Jalan Pandan 14, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor / GRN 114913, Lot 10421 Seksyen 2, Pekan Teluk, Daerah Kuala Langat	Foreign workers' accommodation	92 / 116.78	22 April 2005	1 year with an option to renew for 1 year	RM18,000 (RM1,500 month)	per
6.	Yap Soh Chin and Cheong Choy Wai	No. 2, Jalan Mengkuang 14, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor / HSM 12943, PT 12158, Mukim Telok Panglima Garang, Daerah Kuala Langat	Foreign workers' accommodation	382 / 256.60	6 March 2017	1 year	RM57,600 (RM4,800 month)	per
7.	Tan Boon Lai	No. 6, Jalan Pandan 10, Taman Dato Hormat, 42500 Telok Panglima Garang Selangor / GRN 111228, Lot 10476 Seksyen 2, Pekan Teluk, Daerah Kuala Langat	Foreign workers' accommodation	111 / 180.88	24 May 2006	1 year	RM20,400 (RM1,700 month)	per
8.	Tan Boon Lai	No. 7, Jalan Pandan 6, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor / GRN 302807, Lot 20239 Seksyen 2, Pekan Teluk, Daerah Kuala Langat	Foreign workers' accommodation	226 / 180.88	24 May 2006	1 year	RM20,400 (RM1,700 month)	per

**7. BUSINESS OVERVIEW (Cont'd)**

No.	Registered Owner(s)	Location / Address / Title Details	Existing Use	Land / Built-up Area (sq. m.)	Date of CF / CCC Issuance	Tenure Tenancy	of Rental annum	per
9.	Lee Eng Hong	No. 8, Jalan Pandan 10, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor /  GRN 111229, Lot 10477 Seksyen 2, Pekan Teluk, Daerah Kuala Langat	Foreign workers' accommodation	111 / 180.88	24 May 2006	2 years	RM20,400 (RM1,700 month)	per
10.	Gan Wei Li	No. 41, Jalan Nipah 18, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor /  HSD 29931, PT 996, Pekan Telok, Daerah Kuala Langat	Foreign workers' accommodation	121 / 161.19	12 January 2015	1 year	RM18,000 (RM1,500 month)	per
11.	Ng Kim Siew	No. 17, Jalan Pandan 6, Taman Dato Hormat, 42500 Telok Panglima Garang, Selangor /  GRN 252355, Lot 20145 Seksyen 2, Pekan Teluk, Daerah Kuala Langat	Foreign workers' accommodation	123 / 94.95	27 March 2012	1 year	RM15,600 (RM1,300 month)	per

**Notes:**

- (1) *The registered owner, Subramaniam A/L Kuppu has, on 1 November 2022, authorised Pramkumar Nadarajan of V Pandiyan Enterprise to represent the registered owner to rent the property to AGSB.*
- (2) *The registered owners, Palaniandy A/L Viran and Perimala Devi A/P Periasamy have, on 17 January 2023, authorised Pramkumar Nadarajan of V Pandiyan Enterprise to represent the registered owners to rent the property to AGSB.*

As at LPD, save as disclosed above, the rented properties are not in breach of any of the relevant land laws and building regulations.

**7. BUSINESS OVERVIEW (Cont'd)****7.19 MATERIAL MACHINERY AND EQUIPMENT**

A summary of the material machinery and equipment used and owned by our Group as at the LPD are as follows:

<b>Machinery and equipment</b>	<b>Function</b>	<b>No. of units</b>	<b>Average age (year)</b>	<b>Audited NBV as at 31 December 2023 (RM)</b>
<b><u>Tooling services and process engineering</u></b>				
Milling machines	To drill hole, bore and slot on die plate to remove metal scrap during stamping process and to make screw thread for die plate assembly	3	21	1
Surface grinding machines	To grind the die plate to produce flat and smooth surface	3	27	2
3D laser cutting machines	To perform 3D profile cutting for prototype sample and to cater small volume production	3	9	357,447
<b><u>Metal Stamping</u></b>				
Press machines	To stamp metal sheet into desired shape and dimension	45	12	4,430,621
<b><u>Sub-assembly services</u></b>				
Spot welding machines	To fuse together two or more automotive parts between two electrodes by application of heat and pressure	6	20	3
Robotic welding machines	To perform automated arc welding	3	8	75,289
				<b>4,863,363</b>

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.20 GOVERNING LAWS AND REGULATIONS

Our business is regulated by, and in some instances required to be licensed under specific laws of Malaysia. The relevant laws and regulations governing our Group which do not purport to be an exhaustive description of all laws and regulations of which our business is subject to are summarised below. Non-compliance with the relevant laws and regulations below may result in monetary and/or custodial penalties and/or any other orders being made.

#### (i) ICA 1975

Pursuant to the ICA 1975 and the Industrial Co-ordination (Exemption) Order 1976, manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence. The ICA 1975 defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

The licensing officer may also in his discretion revoke a licence if the manufacturer to whom a licence is issued:

- (a) has not complied with any condition imposed in the licence;
- (b) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- (c) 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.

Upon beginning its manufacturing of automotive parts and components at the TPG Factory, AGSB was not required to apply for a manufacturing licence as its shareholders' fund did not exceed RM2.50 million and did not employ more than 75 full-time paid employees. However, AGSB's shareholders' funds had in its financial year ended 30 September 2007 (amounted to approximately RM3.17 million) exceeded RM2.50 million and was required to have a manufacturing licence. Failure to comply would attract, on conviction, a fine up to RM2,000 or to a term of imprisonment up to 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

The manufacturing licence, which has since been issued on 16 December 2022, is effective from 13 September 2022. The delay in obtaining the manufacturing licence was due to misinterpretation of the requirement and absence of a dedicated personnel to ensure compliance with relevant laws and regulations governing the business of AGSB.

As at the LPD, AGSB has not received any notice or penalty for the abovementioned delay. Notwithstanding that MITI has the right to impose penalties on AGSB for its delay in getting a manufacturing licence, we had a tele-conversation with an officer of MIDA on 21 November 2023 and were informed it is unlikely for AGSB to be subject to any retrospective sanctions from MITI as a result of operating without manufacturing licence.

## 7. BUSINESS OVERVIEW (Cont'd)

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

The FMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 govern the control of factories with respect to matters relating to the safety, health and welfare of person, the registration and inspection of machinery and for matters connected therein.

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

Section 19(1) of the FMA 1967 further states that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA 1967. In the case of any contravention, an inspector of factories and machineries appointed under the FMA 1967 shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued. The person who contravenes Section 19(1) shall be liable of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or to both.

For the purposes of FMA 1967, the term "machinery" includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials but does not include:

- any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
- any machinery driven by manual power other than hoisting machines;
- any machinery used solely for private and domestic purposes; or
- office machines.

The Factories and Machinery (Repeal) Act 2022 ("**FM Repeal Act**"), which has been passed as law, has received the Royal Assent on 4 March 2022 and has been gazetted on 16 March 2022. However, as at the LPD, the date on which the FM Repeal Act comes into operation has yet to be appointed and gazetted.

The FM Repeal Act, when comes into operation, will repeal the FMA 1967. However, any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FMA 1967 shall, on the coming into operation of the FM Repeal Act, be dealt with under the Occupational Safety and Health Act 1994 and its subsidiary legislations, which will be the law of reference for all matters related to safety and welfare of persons at work.

As at the LPD, our Group holds valid certificates of fitness issued by Department of Occupational Safety and Health Malaysia for the relevant machineries we use.

## 7. BUSINESS OVERVIEW (Cont'd)

### (iii) Occupational Safety and Health Act 1994 (“OSHA 1994”)

The OSHA 1994 provides the framework to secure the safety, health and welfare among workforce and to protect others against risks to safety or health in connection with the activities of persons at work.

Pursuant to OSHA 1994, it shall be the duty of every employer to formulate a written safety and health policy with respect to the safety and health at work of his employees. Failure to comply with the general duties of employers under OSHA 1994 constitutes an offence and the employer is liable to a fine, on conviction, not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years or to both.

Further, under OSHA 1994, the employer shall establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. An occupier of a place of work is also required to employ a competent person to act as a safety and health officer at the place of work. Failure to comply with each of the requirements above would attract, on conviction, a fine not exceeding RM5,000 or to imprisonment for a term not exceeding 6 months or to both.

Similar to the FM Repeal Act, the Occupational Safety and Health (Amendment) Act 2022 (“**OSH Amendment Act**”) has been passed as law, has received the Royal Assent on 4 March 2022 and has been gazetted on 16 March 2022. However, as at LPD, the date on which the OSH Amendment Act comes into operation has yet to be appointed and gazetted.

The OSH Amendment Act, when comes into operation, will provide amongst others:

- (a) a right to an employee to remove himself from the danger or the work if he has reasonable justification to believe there exist an imminent danger at his place of work, and the employer has failed to take any action to remove the danger;
- (b) the obligation of an employer to conduct a risk assessment in respect of the safety and health risk posed to any person who may be affected by his undertaking at the place of work and the implementation of risk control to eliminate or reduce said safety and health risk; and
- (c) provisions relating to notification of occupation of place of work, installation and periodical inspection of plant, and the prescription of any plant for which a certificate of fitness is required.

Upon the OSH Amendment Act comes into operation, failure to comply with the general duties of employers under Part IV of the amended OSHA 1994 constitutes an offence and the employer is liable, on conviction, to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 2 years or to both.

As at LPD, there is no non-compliance by our Group in relation to the OSHA 1994. Our Group has formulated a documented standard operating policies and procedure on occupational safety, health and environmental plan. We have established safety and health committee and a certified safety and health officer has been appointed to monitor the safety and health related matters of our Group.

## 7. BUSINESS OVERVIEW (Cont'd)

### (iv) Environmental Quality Act 1974 ("EQA 1974")

The EQA 1974 sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment. It is an offence under the EQA 1974 for any person, unless licenced to do so, to among others:

- (a) emit or discharge any environmentally hazardous substances, pollutants or wastes into the atmosphere;
- (b) emit or cause or permit to be emitted any noise greater in volume, intensity or quality;
- (c) pollute or cause or permit to be polluted any soil or surface of any land; or
- (d) emit, discharge or deposit any environmentally hazardous substances, pollutants or wastes into any inland waters,

in contravention of the acceptable conditions specified.

The EQA 1974 also empowers the Minister charged with the responsibility for environment protection to make regulations specifying acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into the environment. The failure to comply with the prescribed conditions may attract a fine up to RM100,000 or to imprisonment for a period up to 5 years or to both and to a further fine up to RM1,000 a day for every day that the offence is continued after a notice to cease the restrictions (if any) is served upon.

Among other regulations, the Environmental Quality (Scheduled Wastes) Regulations 2005 ("**Scheduled Wastes Regulations**") specify the following requirements:

- (a) any person who generates scheduled wastes ("**Waste Generator**") shall, within 30 days from the date of generation of scheduled wastes, notify the Director General of Environmental Quality ("**DGEQ**") of the new categories and quantities of scheduled wastes which are generated;
- (b) scheduled wastes shall be disposed of at prescribed premises only and shall, as far as practicable, before disposal, be rendered innocuous;
- (c) scheduled wastes be treated at prescribed premises or at on-site treatment facilities only and the residuals from treatment of scheduled wastes shall be treated and disposed of at prescribed premises;
- (d) a Waste Generator may apply to the DGEQ in writing to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises, on-site treatment or recovery facilities. If the DGEQ is satisfied with the application made, the DGEQ may grant a written approval either with or without conditions; and
- (e) a Waste Generator shall keep an accurate and up-to-date inventory of the categories and quantities of scheduled wastes generated, treated and disposed of and of materials or product recovered from such scheduled wastes for a period up to 3 years from the date of the scheduled wastes was generated in accordance with the fifth schedule of the Scheduled Wastes Regulations.

Failure to comply with the provisions of the EQA 1974 or any regulations made thereunder shall be an offence against the EQA 1974 and where no penalty is expressly provided, the offender shall be liable to a fine not exceeding RM10,000 or to imprisonment for a period not exceeding 2 years or to both.

**7. BUSINESS OVERVIEW (Cont'd)**

As at the LPD, our Group has appointed 2 licensed service providers to handle the scheduled wastes generated in our operation. Further, our Group has not received any notices, penalties or reprimands from the Department of Environment for non-compliance of the environmental laws and regulations.

**(v) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSHAAA 1990")**

The EMSHAAA 1990 prescribes the minimum standards of housing, nurseries and accommodations for employees (and their dependants, if applicable) as well as health, hospital, medical and social amenities to be provided by the employers to their employees.

The EMSHAAA 1990 imposes the duty and responsibility on employers or centralised accommodation providers to, among other things, ensure that:

- (a) every accommodation provided for employees complies with the minimum standards required under the EMSHAAA 1990 and any regulations made thereunder;
- (b) any accommodation that is unfit for human habitation in accordance with the relevant written laws are not to be used to accommodate employees; and
- (c) no accommodation will be provided to an employee unless certified with a Certificate of Accommodation ("**CoA**").

An employer who fails to obtain the CoA commits an offence and will on conviction, be liable to a fine not exceeding RM50,000. An employer who contravenes any other provision of the EMSHAAA 1990 or any regulation made thereunder or fails to carry out any order made by the Director General of Labour, will be guilty of an offence under such provision and if no penalty is expressly provided for, the offence will on conviction, be liable to a fine not exceeding RM50,000 and to a further fine not exceeding RM1,000 a day for each day during which the offence continues.

As at LPD, our Group provides accommodations for our workers. We have obtained the CoA for the 11 rented properties occupied by our workers.

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

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.21 EMPLOYEES

As at the LPD, we have a total workforce of 176 employees. The following table sets out the breakdown of our employees in our Group based on job function as at FYE 2023 and as at the LPD:

Category	No. of employees					
	FYE 2023			As at the LPD		
	Local	Foreign	Total	Local	Foreign	Total
Management and professionals	13	1	14	13	1	14
Clerical and administrative	21	0	21	20	0	20
Technical personnel	10	2	12	10	2	12
Production workers	14	117	131	14	116	130
<b>Total</b>	<b>58</b>	<b>120</b>	<b>178</b>	<b>57</b>	<b>119</b>	<b>176</b>

The breakdown of our contractual employees are as follows:

Category	No. of employees	
	FYE 2023	As at the LPD
Management and professionals	1	1
Clerical and administrative	0	0
Technical personnel	1	1
Production workers	117	116
<b>Total</b>	<b>119</b>	<b>118</b>

As at the LPD, our Group has 130 production workers (representing 73.86% of our total workforce of 176 employees) working on our factory floor, out of which 116 are contractual foreign workers and 14 permanent local workers.

AGSB's manufacturing licence contains an express condition that the total full-time workforce of AGBS shall comprise at least 80% Malaysians by 31 December 2024. As at the LPD, our Group has a total of 57 Malaysian employees, representing approximately 32.39% of our total full-time workforce.

The initiatives taken by AGBS to comply with the said condition are as follows:

- (i) We have been publishing online recruitment advertisements on MYFutureJobs portal. As at the LPD, AGBS is actively recruiting through the above medium;
- (ii) AGBS has also signed memorandum of understanding with a skills training institution on 29 November 2023 to provide internship placement for its students, with opportunity for full-time employment with AGBS;
- (iii) AGBS had also engaged with a local institute to recruit skilled and semi-skilled workers under their professional certificate programme; and
- (iv) Part of the listing proceeds will be utilised to purchase automation equipment which will reduce the workforce required in the production line.

## 7. BUSINESS OVERVIEW (Cont'd)

We have on 21 February 2024 applied to MITI for extension of time to comply with this requirement. As at the LPD, we have not received any feedback from MITI.

Please refer to Section 9.1.11 of this Prospectus for further details on the risk of non-compliance.

As at the LPD, our Group has a total of 119 foreign workers in Malaysia.

As the application and renewal of the work permits are an ongoing process, there will be foreign workers that are in the midst of applying for or renewing their work permits at any one point in time.

As at the LPD, our Group complies with the requirements under Minimum Wages Order 2022. None of our employees belong to any union nor are they parties to any collective agreements and we have not experienced any strikes or other disruptions due to labour disputes.

Further, our Group provides accommodations to our foreign workers. Please refer to Section 7.20 (v) of this Prospectus for further details.

### 7.22 EXCHANGE CONTROLS

As of the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profits by or to our Group.

### 7.23 ESG PRACTICES

Our Group recognised the significance of an ESG framework and its vital role in shaping our Group's future growth and development. Our Group has implemented the following ESG practices:

#### (i) Environmental

Our Group adopts sustainable practices to reduce or minimise the impact of our operations on the environment.

##### Waste management

We undertake waste management practices (pursuant to guidelines set under the EQA 1974 by the Department of Environment) in managing our waste across our business operations, such as:

- (a) engaging licensed service providers to handle the scheduled wastes generated in our operation;
- (b) engaging licensed scrap metal collector to collect and recycle scrap metal waste generated from our manufacturing activities; and
- (c) adopting PaperSOF (an ISO document management software used to establish, approve and distribute documents electronically within our Group) and limiting paper printing by our staff.

##### Energy management

Our Group optimises energy usage across our business operations by adopting initiatives such as:

- (i) reducing energy consumption in our manufacturing process through upgrading the motors of the machinery with servo motors that are more energy efficient compared to induction motors, especially in applications where the load varies. This is because these newer motors only consume electricity as needed to maintain the desired position or speed;

## 7. BUSINESS OVERVIEW (Cont'd)

- (ii) switching off the machinery, equipment and factory lights when they are not in use, especially during breaks; and
- (iii) installing LED lighting throughout the TPG factory to promote energy conservation.

### (ii) Social

The safety and health of our employees are our priorities, specifically mitigating any safety and health risks at our workplace in order to create a safe environment for our employees to enhance their productivity and performance.

#### **Occupational, safety and health**

We are committed to safeguarding the well-being and health of our employees by maintaining a safe and healthy workplace. In accordance with OSHA 1994, we have established safety and health committee and a certified safety and health officer has been appointed to monitor the safety and health matters of our Group.

In addition, our Group will also provide personal protection equipment, including safety shoes, helmets, earplugs, protective goggles, arm covers, gloves, aprons and masks, to our employees. This measure is aimed to ensure personal safety and minimise the potential injuries during our operations.

#### **Labour practices**

We respect and protect the labour rights of our employees, including fair wages, safe working conditions, reasonable working hours and freedom of association. We promote fair labour practices also involve providing opportunities for skill development.

#### **Diversity and equal opportunity**

We practice gender equality and cultural diversity with equal opportunities irrespective of one's age, gender and ethnicity, religion, national origin, disability, sexual orientation or any other relevant characteristics for employment, career development and advancement.

#### **Feedback and improvement**

We seek customer feedback and utilise it to improve our products and services through an annual customer and satisfaction survey form. The customer feedback is subsequently discussed and addressed (if required) among key senior management while the satisfaction survey will be compiled and discussed in the annual management review meetings.

#### **Employee engagement**

We empower our employees by supporting their personal and professional growth. We seek to enhance our employees' capabilities through training programs and continuing education such as production techniques, leadership skills and self-development training. For the Financial Years Under Review and up to the LPD, we have invested RM104,000 in personal and professional development training on our employees.

We also emphasis on bonding session with our employees through organising festival celebration and activities. These events provide a platform for cultural exchange, enabling our employees to appreciate and celebrate the rich cultural heritage and traditions within our Group. By encouraging cross-cultural understanding, we foster a sense of unity, respect, and appreciation among our employees.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**(iii) Governance**

Our Group recognized that good governance is not just a corporate requirement; it is the foundation upon which we build a sustainable future. In essence, our approaches on governance sustainability are to conduct business ethically and ensure compliance with all relevant laws and regulations as disclosed in Section 7.20 of this Prospectus.

Our Group has adopted the recommendations under the MCCG. Save for certain practices of the MCCG, 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), the MCCG practices our Group has adopted are as follows:

- (a) at least half of our Board are independent directors;
- (b) at least 30% of our Board are women directors;
- (c) our Audit and Risk Management Committee comprises solely of independent directors; and
- (d) our Independent Non-Executive Chairperson is not a member of any of our board committees.

In addition, we have established several policies and procedures to ensure the sufficiency and integrity of our Group's risk management and internal control system. The policies and procedures we have put in place, amongst others, are as follows:

- (a) Anti-Bribery and Anti-Corruption Policy to promote ethical business conduct;
- (b) Whistleblowing Policy to encourage reporting of wrongdoings and helps to maintain trust and integrity within our Group and our stakeholders; and
- (c) Conflict-of-Interest Policy to manage and minimise the conflict arising from personal and financial interest of individuals with their professional responsibilities. This policy also serves to ensure that the engagement between our Group and the Audit and Risk Management Committee is free from conflict of interest, which could impair the objectivity and independence of being the members of the Audit and Risk Management Committee.

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