3. PROSPECTUS SUMMARY

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

3.1 PRINCIPAL DETAILS OF OUR IPO

Subject to the terms and conditions of this Prospectus, our Public Issue of 173,000,000 new Shares and Offer for Sale of 86,700,000 existing Shares shall be allocated and allotted in the following manner:

	No. of Shares
Public Issue	
Retail Offering:	
- Malaysian Public[(1)]	46,200,000
- Eligible Persons (our Directors, eligible employees of our Group, customers and suppliers who have contributed to the success of our Group)	8,000,000
	54,200,000
Institutional Offering:	
- Bumiputera investors approved by MITI	28,800,000
- Other institutional and selected investors	90,000,000
Total	**173,000,000**
Offer for Sale	
Institutional Offering:	
- Bumiputera investors approved by MITI	86,700,000
Enlarged share capital upon Listing	[(2)]**RM[●] comprising 923,000,000 Shares**
Retail Price	**RM[●]**
Market capitalisation upon Listing[(3)]	**RM[●]**

Notes:

(1) Including 23,100,000 Shares made available to Bumiputera public investors.

(2) Calculated based on the Retail Price and after deducting the estimated listing expenses of approximately RM[●] which is directly attributable to the Public Issue and allowed to be debited against the share capital of our Company.

(3) Calculated based on the Retail Price and the enlarged issued share capital of 923,000,000 Shares upon Listing.

Please refer to **Section 4** of this Prospectus for further details of our IPO.

The entire shareholdings of Tee Kim Chin, Tee Kim Yok, Fortress and AOF will be held under moratorium for a period of 6 months from the date of our Listing. Please refer to **Section 2.2** of this Prospectus for further details of the moratorium on our Shares.

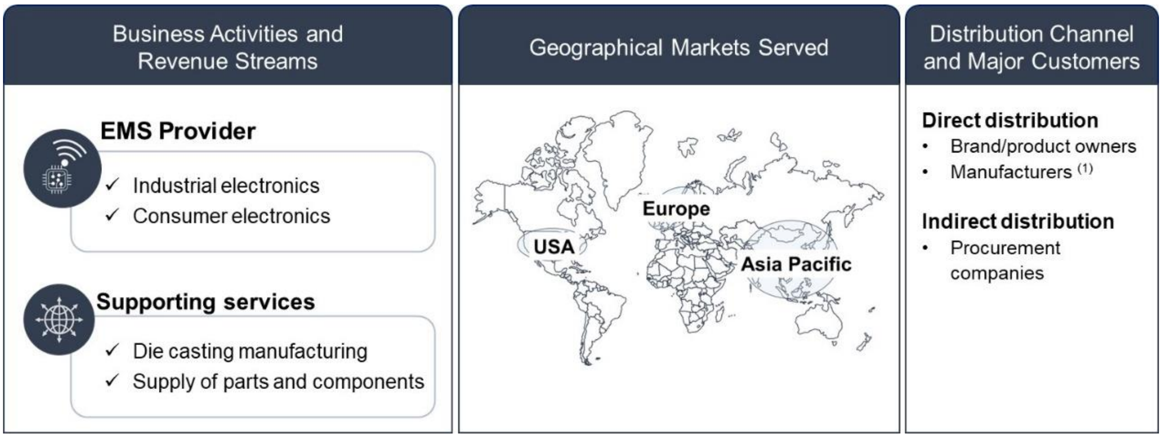
3.2 BACKGROUND AND OVERVIEW

Our Company was incorporated in Malaysia under the Companies Act 1965 on 21 December 1999 as a private limited company under the name of Imptec Electronics Sdn Bhd and is deemed registered under the Act. Our Company changed its name to Seksun Electronics Sdn Bhd (14 July 2000), Seksun Array Sdn Bhd (3 March 2005), Toyoplas EMS Manufacturing (M) Sdn Bhd (14 March 2011) and Cape EMS Manufacturing (M) Sdn Bhd (16 July 2013).

On 9 May 2022, our Company was converted into a public limited company under the name of Cape EMS Manufacturing (M) Berhad. Our Company assumed its present name on 27 May 2022.

Our Company is principally an investment holding company and is involved in electronics manufacturing services. Through our Subsidiaries, we are also involved in aluminium die casting and electronics manufacturing services and supply of electronic products and related activities.

Our business model is as follows:



Note:

(1) Includes electrical and electronics, plastic injection moulding and metal stamping manufacturers.

Further details of our business activities are set out in **Section 7.1.3** of this Prospectus.

3.3 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths include the following:

(i) We serve customers in industrial and consumer sectors which provides us with 2 pillars for business growth as well as diversity to mitigate against sector dependency and seasonal factors

The provision of EMS in the 2 industry sectors namely industrial electronic products and consumer electronic products provides us with an overall larger addressable market to sustain and grow our business compared to serving only 1 industry sector. In addition, serving 2 industry sectors enable us to mitigate, to a certain extent, against unfavourable business conditions in 1 industry sector.

(ii) Our growth in revenue and profit for the Period Under Review will provide us with the financial platform to grow our business

For the Period Under Review, we recorded a strong financial performance where our revenue grew from RM43.2 million in FYE 2019 to RM344.3 million in FYE 2021, representing a CAGR of 182.5%. Our strong revenue growth combined with a CAGR of 162.3% in PAT performance for the Period Under Review will provide us with the financial platform to expand our business operations.

(iii) We provide customised operations and dedicated manufacturing areas for our EMS customers to create customer loyalty and secure new contracts

Our ability to provide customised EMS and dedicated areas is one of the key factors that have enabled us to grow our EMS business segment at a CAGR of 314.5% for the Period Under Review. This is further supported by the repeat purchase orders issued by our major customers during the Period Under Review and up to the LPD, including wireless communication equipment, smart utility data collection equipment, POS terminals, household appliances and electronic cigarettes.

Further details of our competitive advantages and key strengths are set out in **Section 7.3** of this Prospectus.

3.4 BUSINESS STRATEGIES AND PLANS

Our Group's business strategies are summarised as below:

(i) Setting-up of Tebrau 6 Factory for aluminium die cast manufacturing

In February 2022, we entered into a conditional sales and purchase agreement to acquire a new production facility namely the Tebrau 6 Factory with the intention to incorporate our new aluminium die cast facilities. The consideration of the Tebrau 6 Factory is RM16.8 million and the acquisition is yet to be completed as at the LPD. Please refer to **Section 7.21.3** of this Prospectus for further details on the acquisition of Tebrau 6 Factory.

We plan to purchase and install 10 new production lines comprising furnaces and die casting machines which are expected to be installed progressively and planned to commence by the first quarter of 2023. We also plan to purchase related machinery and equipment such as 9 units of robotic pick and spray equipment, 2 units of CNC lathe machines and 3 units of rotary screw air compressors.

The total cost for setting up of Tebrau 6 Factory for aluminium die cast manufacturing including the acquisition of Tebrau 6 Factory, renovation cost, purchase and installation of aluminium die cast production lines and related machinery and equipment is estimated at RM[●] million.

(ii) New warehouse building and automation facility

We plan to construct a new warehouse on our existing vacant land, PLO 226B adjacent to our Senai 227 Factory in Johor which was acquired in 2021. The said new warehouse will have a total built-up area of approximately 166,917 sq. ft, which is envisaged to mainly house our finished goods for our EMS operations. We plan to enhance our operational facilities by installing automated storage facilities to enable us to automate the management, storage and retrieval of goods in our warehouse.

The total cost for the construction of the warehouse building and setting-up of the automated storage facilities is estimated at RM[●] million.

(iii) New production facilities for EMS operations

We intend to further expand our production facilities and invest in 4 new automated production lines for refill pods to cater to the expected expansion of our EMS for electronic cigarettes. With the new production lines, our expected capacity will increase by approximately 133% to 7.7 million pieces per month compared to 3.3 million pieces per month by the end of 2024.

We plan to set up a new cleanroom which is a new class 100,000 cleanroom designed to be an enclosed zone where airborne particles and pollutants are maintained at specific parameters which is the maximum allowable concentration of particles inside the room.

(iv) Additional factory floor space for our EMS operations

Part of our plans is to expand our factory floor space to accommodate business expansion for our existing as well as potential customers. The planned additional factory floor space for our EMS operations includes the Kempas 6 Factory and the New PLO 227B Factory.

Further details of our business strategies and plans are set out in **Section 7.22** of this Prospectus.

3.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations (which may occur either individually or in combination, at the same time or around the same time) that may have a significant impact on our future financial performance.

The following are the key risks and investment considerations that we are currently facing or that may develop in the future:

(i) We are dependent on imported input materials and any disruption in global supply chain may affect our EMS business and result in delay of operations

Any serious and prolonged global shortage of input materials may lead to delay in our production. The delay in production could result in a delay in delivery to our customers which may affect our financial performance.

(ii) We are dependent on purchase orders from and agreements with a few major customers who contribute substantially to our revenue

Although we have master supply agreements with most of our major customers, our business is based on purchase orders issued by our customers. In the event there is a termination or non-renewal of master supply agreements, or a reduction of or no purchase orders, or the loss of any of these major customers and our inability to replace these customers in a timely manner, our financial condition and results of our operation may be adversely affected.

(iii) We are dependent on our Directors, key management team, skilled engineers and technicians

Our Executive Directors and Key Senior Management play a pivotal role in our day-to-day operations as well as charting, formulating and implementing strategies to drive the future growth of our Group. The loss of any of these individuals and our inability to find suitable replacements in a timely manner, may create an unfavorable or material adverse effect on our operations.

(iv) We may not be able to sustain our growth rate and our financial performance in the future

For the Period Under Review, our revenue grew from RM43.2 million in FYE 2019 to RM344.3 million in FYE 2021, representing a CAGR of 182.5%. Our ability to provide customised EMS has enabled us to grow our EMS business segment from a revenue of RM17.8 million in FYE 2019 to RM306.3 million in FYE 2021, representing a CAGR of 314.5% for the Period Under Review. There is a risk that we may not be able to sustain our growth rate.

(v) We are dependent on production workers for our business operations

We may experience shortage of production workers from time to time due to several factors which affect our supply of both local and foreign workers as well as our ability to obtain additional production workers from our subcontractor.

(vi) We require licences, permits, approvals and certificates from relevant government authorities and regulatory agencies for our business operations

As at the LPD, the potential maximum penalties which may be imposed for the non-compliance incidents set out in **Section 7.23** of this Prospectus is approximately RM1.4 million which is approximately 5.4% of the Group's FYE 2021 PBT which would not have a material adverse impact on our business and financial results.

(vii) We are subject to the demand of our customers' end-user markets

Our business is dependent on our customers' end-user markets. Any negative performance in their end-user markets could result in less purchase orders for our products and services. Some of the factors that may affect our customers' end-user markets include political, economic, social and regulatory factors; changes in technology; changes in market trends and consumer preferences; and new or enhanced products and services replacing existing products and services.

(viii) We face competition from other EMS operators in Malaysia and foreign countries

We generally compete on a variety of factors including, among others, price competitiveness, financial strengths in terms of working capital, availability or willingness to invest in machinery and equipment, adequate production capacity, availability of skilled resources, quality of products and services, customer service, reliable and competent third-party suppliers, promptness in delivery, track record and market reputation.

(ix) We may face allegations of forced or unethical labour practices

We may face allegations of forced or unethical labour practices, even in the absence of any basis. Any allegations of forced or unethical labour practices may lead to negative publicity and affect our customers' willingness to engage our services. Foreign governments may also restrict or ban the import of our products and this may adversely impact our business, financial conditions and prospects. While we have not been subject to any such allegations or faced punitive actions on our products and services, there can be no assurance that such circumstances will not arise in the future.

(x) Our business may be affected by supply chain disruptions including global shortage of semiconductors

For our EMS business, our customers are responsible for the supply of semiconductors and any delays in supplying semiconductors to us will consequently delay our manufacturing process and subsequent delivery. In the event of prolonged supply chain disruptions, this may affect our business operations and financial performance.

Please refer to **Section 9** of this Prospectus for further details and the full list of risk factors which should be considered before investing in our Shares.

3.6 IMPACT OF COVID-19 ON OUR BUSINESS

FYE 2020

As a result of the implementation of MCO by the Government during the MCO period, the business operation of our Group was temporarily suspended. This has impacted the financial performance of our Group on the monthly revenue of April 2020 where our revenue declined by 89.0% from RM6.8 million in March 2020 to RM0.8 million in April 2020. Subsequently as our Group resumed operations, our revenue increased by 2,428.3% to RM18.8 million in May 2020.

FYE 2021

The Group continued to fulfill customers' orders during the NRP period which has not materially affected its product shipments where it continued to record revenue of RM28.4 million in June 2021 and RM25.5 million in July 2021 and RM45.8 million in August 2021.

Impact on the supply chain of the Group

Pursuant to the COVID-19 pandemic and the disruptions in global shortage of semiconductors, we purchase the input materials ahead upon approvals by our customers for the supply. As at the LPD, our Group has unbilled purchase orders of approximately RM150.7 million which it is required to be fulfilled by FYE 2022.

Notwithstanding the above, in the event of a prolonged COVID-19 pandemic or any other outbreaks of contagious or virulent diseases in the future, the business operation and financial performance of our Group would be materially affected.

Saved as disclosed above, our Group did not encounter any material supply disruptions for outstanding orders of input materials during the MCO periods and up to the LPD.

Further details of the impact of COVID-19 on our business are set out in **Section 7.13** of this Prospectus.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors are as follows:

Name	Designation
Datuk Mohd Rabin Bin Basir	Independent Non-Executive Chairman
Tee Kim Chin	Non-Independent Managing Director/ Group Chief Executive Officer
Tee Kim Yok	Non-Independent Executive Director
Lim Chue Wan	Non-Independent Executive Director
Alex Miranda Juntado	Non-Independent Executive Director
Geoffrey Ng Ching Fung	Non-Independent Non-Executive Director
Tan Sik Hui	Senior Independent Non-Executive Director
Yau Yin Wee	Independent Non-Executive Director
Chen Kok Seng	Independent Non-Executive Director
Koh Beng San	Independent Non-Executive Director

Our Key Senior Management is as follows:

Name	Designation
Tan Zong Yuan	Group Chief Financial Officer
Salehaldin Bin Nasron	Vice President of Corporate Affairs
Teo Hui Seng	Vice President of Operations
Yew Seow Kuen	Vice President of Supply Chain

Further details on our Directors and Key Senior Management are disclosed in **Section 5** of this Prospectus.

3.8 DIVIDEND POLICY

For the FYE 2019, FYE 2020 and FYE 2021, there was no dividend declared, made or paid by us or our Subsidiaries, to our shareholders. Subsequent to 31 December 2021 but prior to the Listing, on 25 April 2022, we declared an interim dividend RM12,964,667 to our existing shareholders.

Save for the above, since 25 April 2022 up to the LPD, we have not declared any further dividends.

It is the intention of our Board to recommend and distribute a dividend of up to 30.0% of our audited PAT of each financial year on a consolidated basis after taking into consideration anticipated future operating conditions, operating cash flow requirements, financing commitments, subject to any applicable law and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Our Company has no intention to declare any further dividends up to the completion of the Listing.

Further details on our dividend policy are disclosed in **Section 12.7** of this Prospectus.

3.9 USE OF PROCEEDS FROM OUR IPO

The gross proceeds from the Public Issue amounting to approximately RM[●] million(1) will be used in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Construction of new warehouse and installation of automated storage facilities	Within 48 months	[●]	[●]
Setting-up of new cleanroom facility and purchase of new automated production lines for EMS operations	Within 24 months	[●]	[●]
Purchase of new machinery and equipment for die cast manufacturing related services	Within 24 months	[●]	[●]
Installation of energy saving cooling system	Within 24 months	[●]	[●]
Working capital	Within 12 months	[●]	[●]
Estimated listing expenses	Within 3 months	[●]	[●]
Total		**[●]**	**100.0**

Note:

(1) We have assumed the Institutional Price and Final Retail Price will be equal to the Retail Price.

The gross proceeds from the Offer for Sale of up to approximately RM[●] million will accrue entirely to the Selling Shareholders.

Further details on the use of proceeds are set out in **Section 4.6** of this Prospectus.

3.10 FINANCIAL HIGHLIGHTS

The key financial highlights based on our historical audited consolidated financial information of our Group for the Period Under Review are as set out below:

	Audited		
	FYE 2019	**FYE 2020**	**FYE 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**
Revenue	43,157	168,261	344,334
Gross profit	3,395	32,421	41,891
Other income	1,023	2,149	984
PBT	1,123	22,697	25,355
PAT	3,818	20,232	26,264
PAT attributable to:			
Owners of the Company	3,818	20,232	26,264
Non-controlling interests	-	-	-
	3,818	**20,232**	**26,264**
EBITDA[(1)] (RM'000)	5,064	32,594	41,305
Gross profit margin[(2)] (%)	7.9	19.3	12.2
EBITDA margin[(3)] (%)	11.7	19.4	12.0
PBT margin[(4)] (%)	2.6	13.5	7.4
Effective tax rate[(5)] (%)	-	10.9	-
PAT margin[(6)] (%)	8.8	12.0	7.6
Basic EPS[(7)] (sen)	0.51	2.70	3.50
Diluted EPS[(8)] (sen)	0.41	2.19	2.85

Notes:

(1) EBITDA is computed as PAT plus: (i) income tax expense; (ii) finance costs; (iii) depreciation of property, plant and equipment; and (iv) depreciation of right-of-use assets, less (v) finance income. See below for details of computation of EBITDA.

The following table reconciles the Group's PAT to EBITDA for the financial years indicated:

	Audited		
	FYE 2019	**FYE 2020**	**FYE 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**
PAT	3,818	20,232	26,264
Add/(Less):			
- Income tax expense	(2,695)	2,465	(909)
- Finance costs	889	2,982	5,332
- Depreciation of property, plant and equipment	1,148	3,293	6,504
- Depreciation of right-of-use assets	1,907	3,626	4,133
- Finance income	(3)	(4)	(19)
EBITDA	**5,064**	**32,594**	**41,305**

(2) Computed based on gross profit divided by revenue.

(3) Computed based on EBITDA divided by revenue.

(4) Computed based on PBT divided by revenue.

(5) For more information, refer **Section 12.3.1(vii)** of this Prospectus and Note 25 of the Accountants' Report in **Section 13** of this Prospectus.

(6) Computed based on PAT divided by revenue.

(7) Computed based on PAT attributable to owners of the Company divided by issued share capital of 750,000,000 Shares after the Pre-IPO Restructuring Exercise.

(8) Computed based on PAT attributable to owners of the Company divided by the enlarged share capital of 923,000,000 Shares after the IPO.

The table below sets out the audited consolidated statements of financial position of our Group for the Period Under Review are as set out below:

	Audited		
	FYE 2019	**FYE 2020**	**FYE 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**
Total non-current assets	26,085	99,807	218,883
Total current assets	74,898	157,359	183,257
Total assets	**100,983**	**257,166**	**402,140**
Total non-current liabilities	12,797	59,879	112,136
Total current liabilities	67,177	115,919	120,442
Total liabilities	**79,974**	**175,798**	**232,578**
Net assets	**21,009**	**81,368**	**169,562**
Net current assets	7,721	41,440	62,815
Share capital	20,000	40,000	100,000
Exchange translation reserve	-	(6)	34
Revaluation reserve	-	20,104	21,607
Retained profits	1,009	21,270	47,921
Total equity	**21,009**	**81,368**	**169,562**
Total borrowings[(1)] (RM'000)	20,697	94,219	156,327
Net borrowings[(2)] (RM'000)	19,571	81,032	115,959
Gearing ratio[(3)] (times)	1.0	1.2	0.9
Net gearing ratio[(4)] (times)	0.9	1.0	0.7

Notes:

(1) Computed based on total borrowings including lease liabilities and interest-bearing advances from third parties. For more information, see Note 33 of the Accountants' Report included in **Section 13** of this Prospectus.

(2) Computed based on total borrowings (including overdraft) less (i) cash and bank balances; and (ii) fixed deposit not pledged to bank.

(3) Computed based on total borrowings including lease liabilities and interest-bearing advances from third parties divided by total equity.

(4) Computed based on net borrowings (total borrowings (including overdraft) less (i) cash and bank balances; and (ii) fixed deposits not pledged to bank) divided by total equity.

Please refer to **Section 13** of this Prospectus for the detailed financial information relating to our Group.

3.11 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

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

Promoters and Substantial Shareholders	Nationality / Country of Incorporation	Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(1)(%)	No. of Shares	(1)(%)	No. of Shares	(2)(%)	No. of Shares	(2)(%)
Promoters and Substantial Shareholders									
Tee Kim Chin	Malaysian	(3)450,000,000	60.0	-	-	(3)374,500,000	40.6	-	-
Tee Kim Yok	Malaysian	138,750,000	18.5	-	-	127,550,000	13.8	-	-
Substantial Shareholder									
Fortress	Malaysia	(4)153,187,500	20.4	-	-	(4)153,187,500	16.6	-	-

Notes:

(1) Based on our issued Shares before our IPO of 750,000,000 Shares following the Pre-IPO Restructuring Exercise, details of which are set out in **Section 6.1.1** of this Prospectus.

(2) Based on our enlarged issued Shares after our IPO of 923,000,000 Shares.

(3) Tee Kim Chin has provided a pledge over her 450,000,000 Shares in favour of Ambank Islamic Berhad ("**AmIslamic Bank**") for a Murabahah Tawarruq Term Financing-i ("**AmIslamic Facility**") she obtained, of which, 75,500,000 Shares will be released to facilitate the Offer for Sale. The remaining 374,500,000 Shares will continue to be pledged to AmIslamic Bank prior to the registration of this Prospectus with the SC. The said pledge will be uplifted upon settlement of the AmIslamic Facility by Tee Kim Chin using part of the proceeds from the Offer for Sale.

(4) Held by Fortress on trust for its clients.

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