7. BUSINESS OVERVIEW

7.1 Business history and milestones

Our Company was incorporated in Malaysia under the Act 1965 on 8 February 1999 as a private limited company under the name of All Malaysian Technology Sdn Bhd and is deemed registered under the Act. We changed our name to Qdos Holdings Sdn Bhd on 2 March 1999, and subsequently converted to a public company on 31 October 2005. On 8 August 2025, our Company changed its name to SQ Advanced Interconnect Berhad (SQAI).

Our business operations date back to 1993, when we ventured into FPC with a pilot production using the subtractive etching process under an entity co-founded by Dato' Hwang Thean Long, our Non-Independent Non-Executive Chairman, in Kulim, Kedah ("**Kulim Operations**"). This marked the beginning of our operations in Malaysia.

Malaysia Operations

In 1997, Agronetic Sdn Bhd was incorporated and renamed QFSB the same year. Following the name change, the company was held by 2 individuals, namely Radzali Bin Hassan and Ooi Chik Peng. QFSB commenced FPCs manufacturing operations in 1997 after the acquisition of the Kulim Operations. In 1999, we acquired the entire equity interest in QFSB. In 2001, through QFSB, we relocated our FPC manufacturing operations from Kulim to the Bayan Lepas Plant. At this facility (which still remains to this date as our headquarters), we commenced FPC manufacturing operations and continued to expand our manufacturing capabilities, reaching an annual production capacity of approximately 50 million pieces as at the LPD.

In 2003, QTSB began FPC design activities at the Bayan Lepas Plant. QTSB was initially incorporated in 1998 as Prima Sentosa Sdn Bhd, changed its name to Flexcircuits Technology Sdn Bhd in 1999, and assumed its current name in 2004. QTSB has been our wholly-owned subsidiary since 1999 and was dormant prior to 2003.

As part of our business expansion strategy, QISB was incorporated in 2013 to enter the semiconductor manufacturing industry, with a focus on IC substrates, and has been our wholly-owned subsidiary since its incorporation. In the same year, SQAI collaborated with a technology partner to develop moulded interconnect substrate (MIS) technology using a semi-additive process. We commenced IC substrate manufacturing operations in 2013 at our Bayan Lepas Plant.

As part of our facilities expansion plans for our IC substrate manufacturing operations, we acquired an approximately 5-acre parcel of land in Batu Kawan, Penang in 2014, and construction of Batu Kawan Plant commenced in 2017 utilising approximately 3.0 acres of the Batu Kawan land area. Upon completion of construction in 2018, we relocated our IC substrate manufacturing operations to the Batu Kawan Plant. Since then, we have continued to expand our IC substrates manufacturing capabilities, reaching an annual production capacity of approximately 600 million pieces as at the LPD.

We were a subsidiary of SCB, a company formerly listed on the Main Market since 2001. QFSB, QTSB, and QISB were previously part of SCB, through our Company, prior to its privatisation in 2019. Following the Privatisation, SCB undertook an internal restructuring and succession planning exercise to re-organise management's ownership structure into distinct core businesses, pursuant to which in 2022, SCB transferred its entire equity stake in our Company to SQTSB*, an entity ultimately held by our Promoters, Jeffrey Hwang and Brian Low, holding indirect equity interests of 75.00% and 25.00%, respectively, in our Company through SQT Holdings and SQ Venture.

Note:-

* *SQTSB is wholly-owned by SQ Technology Limited, which in turn is wholly-owned by SQ Technology Group Limited. SQ Technology Group Limited is held by SQT Holdings (75.00%) and SQ Venture (25.00%).*

7. BUSINESS OVERVIEW (CONT'D)

PRC Operations

In 2000, SHTEI was incorporated. Through SHTEI, the construction of our 5-storey factory building (Xiamen Plant) and a 24-storey office block in Xiamen was completed in 2005 and 2019, respectively. Following the completion of the construction of our Xiamen Plant in 2005, we commenced FPC manufacturing operations and continued to invest in our manufacturing technologies and capabilities, reaching an annual production capacity of approximately 62 million pieces as at the LPD.

In 2020, SECL was incorporated to hold SHTEI. As at the LPD, SHTEI is 100% held by SECL, which in turn held by Twisden and the company is ultimately held by Jeffrey Hwang (75.00%) and Brian Low (25.00%), our Promoters, prior to the Pre-IPO Restructuring. In the same year, RPM was incorporated as a wholly-owned subsidiary of SECL to undertake property leasing and management services, focusing on our 24-storey office tower in Xiamen, Fujian Province, PRC.

The table below sets out the key events and milestones in the history and development of our business:-

Year	Key Events and Milestones
1993 – 1999	In 1993, Dato' Hwang Thean Long, our Non-Independent Non-Executive Chairman, and father of Jeffrey Hwang, our Promoter, substantial shareholder, Managing Director and CEO, co-founded an entity to commence pilot production of FPC in Kulim, Kedah ("**Kulim Operations**"). In 1997, QFSB was incorporated to acquire the Kulim Operations. In 1999, we acquired the entire equity interest of QFSB which holds a land in Bayan Lepas.
2000 – 2009	In 2001, we completed the construction of the Bayan Lepas Plant in Bayan Lepas, Penang, and in the same year, relocated our FPC manufacturing operations to this facility. The Kulim Operations were subsequently discontinued. In 2003, QTSB, a subsidiary of SQAI since 1999, commenced its FPC design activities at our Bayan Lepas Plant. We expanded our FPC manufacturing into the PRC with the incorporation of SHTEI in 2000. In 2005, we completed the construction of our operational facility (a 5-storey factory building) in Xiamen, Fujian Province, PRC. We commenced FPC manufacturing operations in the same year.
2010 - 2019	QISB was incorporated in 2013 to commence pilot production of IC substrates at our Bayan Lepas Plant. In 2013, we collaborated with a technology partner to develop moulded interconnect substrate (MIS) technology using a semi-additive process. In 2014, we acquired an approximately 5-acre parcel of land in Batu Kawan, Penang, and construction of the Batu Kawan Plant commenced in 2017. In 2018, the construction of the Batu Kawan Plant was completed. In the same year, we relocated our IC substrate manufacturing operations to the Batu Kawan Plant.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key Events and Milestones
2010 – 2019 (cont'd)	SQAI was a subsidiary of SCB (formerly listed on the Main Market of Bursa Securities) since 2001. QFSB, QTSB, and QISB were previously part of SCB, through SQAI, prior to its privatisation in 2019. Following the privatisation in 2019, SCB undertook an internal restructuring and succession planning exercise to re-organise management's ownership structure into distinct core businesses, pursuant to which Jeffrey Hwang and Brian Low emerged as the ultimate shareholders of SQAI, holding indirect equity interests of 75.00% and 25.00%, respectively.
2020 - LPD	In 2020, SECL was incorporated to hold SHTEI and RPM. As part of the Pre-IPO Restructuring, SECL was [acquired] by SQAI. In 2020, RPM was incorporated and is involved in property leasing and management services, focusing on our owned property, a 24-storey office block in Xiamen, Fujian Province, PRC.

7.2 Accreditations, awards and recognitions

For the Financial Years Under Review and up to LPD, we obtained the following awards and recognitions:-

Year	Subsidiary	Key awards and recognitions	Awarded by
2022	SHTEI	Outstanding Supplier Award 2021	Panasonic
2022	SHTEI	Outstanding Contribution Award 2021	Customer D Group
2022	SHTEI	Global Excellent Partner	Customer C Group
2023	QFSB	Supplier of the Quarter for Q2 2023	Customer E[(1)]
2024	SHTEI	Outstanding Supplier Award 2023	Panasonic
2024	SHTEI	National-level Specialised and Sophisticated Little Giant Enterprise (currently valid until 2027)	Ministry of Industry and Information Technology of the PRC
2025	SHTEI	Outstanding Supplier Award 2024	Panasonic
2025	SHTEI	High-Tech Enterprise Certificate (currently valid until 2028)	Xiamen Municipal Bureau of Science and Technology, Xiamen Municipal Bureau of Finance, Xiamen Taxation Bureau of the State Taxation Administration

Note:-

(1) Customer E is listed on the New York Stock Exchange, and is involved in the integration and provision of communications infrastructure, devices, and software, as well as other related applications and services, with headquarters located in the USA.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we have been accredited with the following certifications and management systems:-

Accreditation	Scope	Issuing party	Subsidiary	Current validity period
ISO 9001:2015	Manufacturing and assembly of FPC and IC substrates	SGS United Kingdom Ltd	QISB / QFSB	Jun 2025 – Jun 2028
ISO 14001:2015	Manufacturing and assembly of FPC	SGS United Kingdom Ltd	QISB / QFSB	Jan 2025 – Jan 2028
ISO 14001:2015	Manufacturing and assembly of IC substrates	SGS (Malaysia) Sdn Bhd	QISB	Jan 2025 – Jan 2028
ISO 13485:2016	Manufacturing and assembly of FPC for in-vitro diagnostic devices	SGS United Kingdom Ltd	QFSB	Dec 2023 – Dec 2026
ISO 13485:2016 EN ISO 13485:2016	Manufacturing of printed circuit substrates for active medical device (non-implantable)	SGS United Kingdom Ltd	QISB	Oct 2025 – Dec 2026
TISAX assessment	Information security assessment	ENX Association	QISB / QFSB	Oct 2024 – Aug 2027
IATF 16949:2016	Manufacturing and assembly of FPC	SGS United Kingdom Ltd	QFSB	Nov 2024 – Nov 2027
IATF 16949 – First edition	Design and development of FPCs	Bureau Veritas Certification	SHTEI	Aug 2024 – Aug 2027
ISO 9001:2015	Manufacturing of FPCs and rigid-flex FPCs	Bureau Veritas Certification	SHTEI	Aug 2024 – Oct 2027
ISO 13485:2016	Manufacturing of FPCs and rigid-flex FPCs for active medical device accessories, imaging devices, and respiratory devices	Bureau Veritas Certification	SHTEI	Mar 2025 – Mar 2028
ISO 14001:2015	Manufacturing FPCs and rigid-flex FPCs	Bureau Veritas Certification	SHTEI	Sep 2025 – Dec 2028

7. BUSINESS OVERVIEW (CONT'D)

In addition, our products have been independently tested and certified to comply with the relevant safety and performance standards. As at the LPD, we have obtained the following certification marks, which are commonly required by our customers:-

Certification marks	Malaysia Operations	PRC Operations
Restriction of Hazardous Substances ("**RoHS**") compliance(1)	√	√
Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**") compliance(2)	√	√
Underwriters Laboratories ("**UL**")(3)	√	√

Notes:-

(1) *The RoHS is an environmental regulation to reduce hazardous materials in electronic products, improve safety for users, reduce environmental pollution, and facilitate recycling. RoHS restricts certain substances with a minimum allowable level of 0.1% (1000 parts per million), including lead (Pb), mercury (Hg), cadmium (Cd), hexavalent chromium (Cr^{6+}), polybrominated biphenyls (PBB), polybrominated diphenyl ethers (PBDE), Bis (2-ethylhexy) phthalate (DEHP), benzyl butyl phthalate (BBP), dibutyl phthalate (DBP), and Di isobutyl phthalate (DIBP). Meanwhile, the maximum allowable cadmium level is 0.01%. RoHS is mandatory for electronic and electrical products sold in various countries, including the European Union, the UK, and the PRC.*

(2) *REACH regulates products with certain substances of very high concern (SVHC) with an allowable level of less than 0.1% (1000 parts per million), which includes carcinogens, mutagens, reproductive toxins, persistent or bioaccumulative chemicals, and endocrine disruptors, unless properly declared. In addition, certain chemicals were banned or restricted under REACH. REACH compliance applies to various industries, including electronics (such as PCB, FPC, and IC), plastics and polymers, metal finishing, consumer goods, industrial machinery, automotive, and aerospace.*

(3) *A product that is UL certified means it has been tested and meets specific safety, fire, and performance standards. Common UL certifications for FPC include UL94 for the flammability rating of the polyimide or adhesive, and UL796F, which covers base materials, copper thickness, dielectric strength, solder limits, and thermal safety.*

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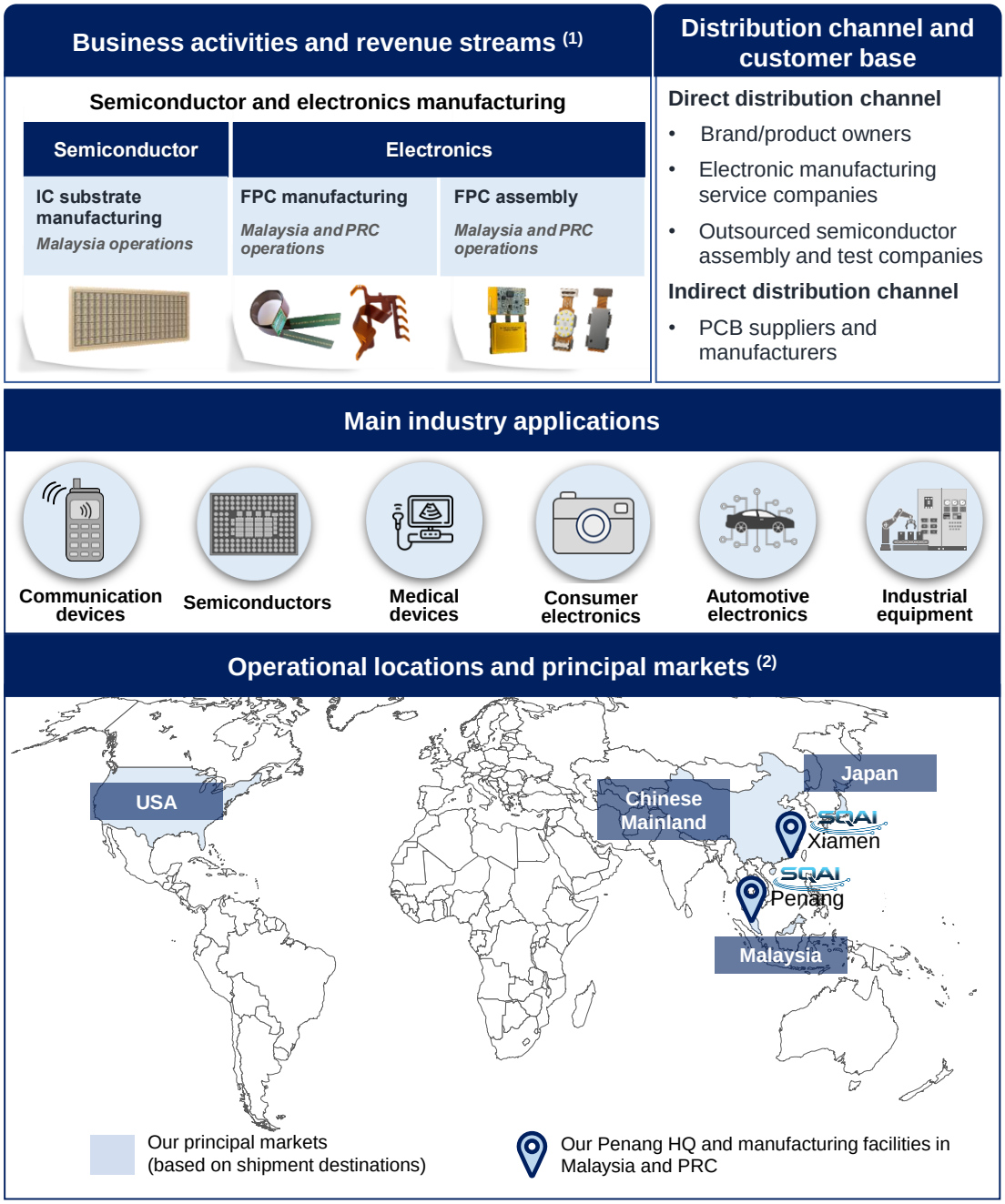
7. BUSINESS OVERVIEW (CONT'D)

7.3 Overview of our business

7.3.1 Our business model

Our business model is as follows:-



Notes:-

(1) *For the Financial Years Under Review, revenue contribution from the electronics manufacturing segment, comprising FPC manufacturing and assembly, accounted for 82.89%, 80.23% and 80.06% of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively. Our semiconductor manufacturing segment, focusing on IC substrate manufacturing, accounted for 17.11%, 19.77% and 19.94% of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively.*

(2) *Our major geographical markets, based on shipment destinations and revenue contributions of 5% or more of our total revenue in any of the Financial Years Under Review, were Malaysia, Chinese Mainland, Japan, and the USA. Collectively, these markets accounted for 80.69%, 83.08% and 87.32% of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively. The remainder was contributed by approximately 29 other countries, and each country's contribution was less than 5% for the Financial Years Under Review.*

7. BUSINESS OVERVIEW (CONT'D)

7.3.2 Business activities and revenue streams

We manufacture and assemble FPCs, and manufacture IC substrates, both critical to the semiconductor and electronics value chain. FPC provides a physical platform for placing and connecting electronic components, while the IC substrate provides a platform specifically for mounting and connecting ICs or chips. These are essential components in modern electronic machines, equipment and devices.

- **FPC manufacturing and assembly**

  For the Financial Years Under Review, revenue from our FPC manufacturing and assembly segment accounted for 82.89% (RM260.0 million), 80.23% (RM273.1 million) and 80.06% (RM294.3 million) of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively.

  An FPC (also known as a flex circuit) is a bendable electronic interconnect in which fine copper wires (referred to as traces) are formed on a flexible substrate, which is commonly used for the interconnection of electronic components and modules. Our FPC is manufactured using precision subtractive etching technology, which involves processes such as photolithography to define the circuit pattern and controlled chemical etching to remove unwanted copper from the full copper layer. The remaining copper forms the fine-pitch copper circuitry on the flexible substrates. As at the LPD, our FPC manufacturing facilities, being the Bayan Lepas Plant and the Xiamen Plant, have a combined annual production capacity of approximately 112 million pieces.

  We also offer value-added FPC assembly services, where electronic components are mounted on our in-house-manufactured FPC to form semi-finished electronic modules. This involves surface mount technology (SMT), reflow soldering, automatic optical inspection, and electrical testing. As at the LPD, we have a total of 6 SMT lines, including 4 in Malaysia and 2 in the PRC.

  Our customisation and design-for-manufacturing capabilities enable us to support our customers in co-developing new products, enhancing time-to-market, and optimising manufacturing yields and engineering costs. We offer responsive support to customers throughout their new product introduction cycle, from circuitry design optimisation and prototyping to pilot runs and process refinement, ensuring optimum manufacturability for mass production.

  For the Financial Years Under Review and up to the LPD, our in-house capabilities enable us to manufacture an extensive portfolio of FPC, including single-sided, double-sided, and multi-layer (up to 10 layers), as well as rigid-flex (a combination of flexible and rigid boards). We are capable of achieving fine-line features down to 20 µm (±5 µm tolerance) for line width, and down to 35 µm (±5 µm tolerance) for air gap (line space), supporting advanced FPC manufacturing that requires high-density circuitry.

  Our FPC has been independently tested and certified to comply with the relevant safety and performance standards. As at the LPD, we have obtained various certification marks for our FPC, including RoHS, REACH, and UL.

- **IC substrate manufacturing**

  For the Financial Years Under Review, revenue from our IC substrate manufacturing segment accounted for 17.11% (RM53.7 million), 19.77% (RM67.3 million) and 19.94% (RM73.3 million) of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively.

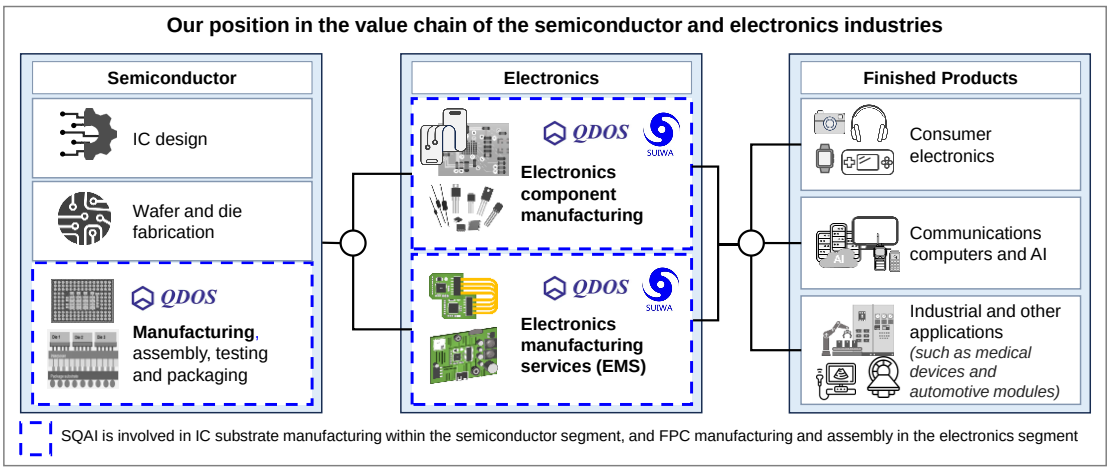
7. BUSINESS OVERVIEW (CONT'D)

An IC substrate (also known as an IC package substrate) is a semiconductor package-level interconnect platform that bridges silicon devices to the system by enabling chip-to-board electrical, mechanical and thermal connection. Our IC substrates are high-density interconnect structures commonly used for flip-chip ball grid array, thermal compression bonding, and flip-chip land grid array applications, where the chip is mounted on the substrate, as well as for power management chips.

For the Financial Years Under Review and up to the LPD, we leverage advanced semi-additive process technology in our IC substrate manufacturing to deliver sputtered-core and coreless IC substrates. We are capable of achieving fine-pitch interconnects with fine-line width and space down to 20 µm. We can develop and manufacture IC substrates with multi-layer copper trace configurations of up to 8 layers, providing routing flexibility and electrical performance.

As at the LPD, our IC substrate manufacturing facility, being the Batu Kwan Plant, has an annual production capacity of 600 million pieces. Our IC substrates have been independently tested and certified to comply with the relevant safety and performance standards. In addition, we have obtained various certification marks for our IC substrates, including RoHS and REACH.

FPCs and IC substrates are critical interconnect components in the semiconductor and electronics value chain, enabling the miniaturisation, performance and reliability of electronic devices and products. Please refer to the diagram below for our position in the semiconductor and electronics value chain:-



Our FPC manufacturing and assembly, and IC substrate manufacturing business is our principal revenue driver, supported by our technical capabilities and manufacturing facilities in Malaysia and the PRC.

IC substrates are a fundamental component in the manufacturing, assembly, testing and packaging of the semiconductor value chain. Before mounting onto a PCB, ICs typically undergo a packaging process in which the IC die is attached to an IC substrate. This process provides mechanical support and converts the die's tiny input/output pads into a layout suitable for external connections. The critical role of IC substrates stems from their electrical connections, which maintain signal integrity by minimising signal loss, interference, and power distribution issues. In addition, it provides mechanical support for heat dissipation and ensures the IC's electrical performance.

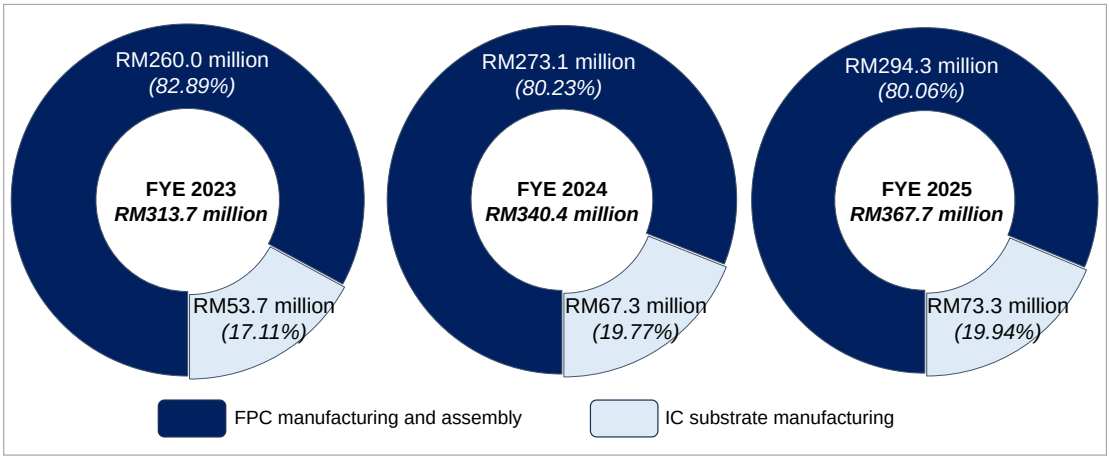
FPCs are a type of PCB built on flexible (instead of rigid) materials, allowing them to conform to compact and irregular shapes or be subject to constant bending. This component is essential in applications that support devices that require frequent and dynamic motion, such as hinges in foldable devices, connections in automotive infotainment systems, and connecting cables for camera lenses or wearable electronics.

7. BUSINESS OVERVIEW (CONT'D)

In summary, IC substrates provide the foundational interconnect platform required for the functionality of complex and high-density semiconductor devices, whereas FPCs provide the mechanical flexibility and compact routing capability to integrate those ICs and associated electronics into a compact and adaptable device architecture.

Revenue contribution

Our revenue contribution by business segments is set out below:-



For the Financial Years Under Review, our revenue contribution by business segments is set out below:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
FPC segment	**260,048**	**82.89**	**273,135**	**80.23**	**294,330**	**80.06**
FPC manufacturing	215,162	68.59	219,554	64.49	225,595	61.36
FPC assembly	44,886	14.30	53,581	15.74	68,735	18.70
IC substrate manufacturing	**53,660**	**17.11**	**67,290**	**19.77**	**73,328**	**19.94**
Total revenue	**313,708**	**100.00**	**340,425**	**100.00**	**367,658**	**100.00**

7.3.3 Principal markets

We operate in Malaysia and the PRC, with our headquarters located in Penang, Malaysia. In Malaysia, we have 2 manufacturing facilities, namely the Bayan Lepas Plant and the Batu Kawan Plant. Additionally, we have 1 manufacturing facility in Xiamen, Fujian Province, PRC, namely the Xiamen Plant.

Revenue by operation locations

For the Financial Years Under Review, our revenue contribution from our Malaysia Operations accounted for 49.92% (RM156.6 million), 55.81% (RM190.0 million) and 57.68% (RM212.1 million) of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively. Our PRC Operations accounted for the remaining 50.08% (RM157.1 million), 44.19% (RM150.4 million) and 42.32% (RM155.6 million) of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years Under Review, our revenue contribution from our Malaysia Operations and PRC Operations is set out below:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia Operations	**156,593**	**49.92**	**189,976**	**55.81**	**212,073**	**57.68**
FPC segment	**102,933**	**32.81**	**122,686**	**36.04**	**138,745**	**37.74**
FPC manufacturing	76,158	24.28	90,797	26.67	86,688	23.58
FPC assembly	26,775	8.53	31,889	9.37	52,057	14.16
IC substrate segment	**53,660**	**17.11**	**67,290**	**19.77**	**73,328**	**19.94**
PRC Operations	**157,115**	**50.08**	**150,449**	**44.19**	**155,585**	**42.32**
FPC segment	**157,115**	**50.08**	**150,449**	**44.19**	**155,585**	**42.32**
FPC manufacturing	139,004	44.31	128,757	37.82	138,907	37.78
FPC assembly	18,111	5.77	21,692	6.37	16,678	4.54
Total revenue	**313,708**	**100.00**	**340,425**	**100.00**	**367,658**	**100.00**

Revenue by shipment destinations

For the Financial Years Under Review, our top 4 markets based on product shipment destinations were Malaysia, Chinese Mainland, Japan and the USA, which collectively accounted for 80.69% (RM253.1 million), 83.08% (RM282.8 million), and 87.32% (RM321.0 million) of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively. The remainder was contributed by approximately 29 other countries, where each country's revenue contribution was less than 5.00% of our total revenue for each of the Financial Years Under Review.

For the Financial Years Under Review, our revenue contribution based on shipment destinations is set out below:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	107,759	34.35	132,208	38.84	156,854	42.66
Chinese Mainland	86,683	27.63	85,816	25.21	94,886	25.81
Japan	29,499	9.40	34,593	10.16	38,581	10.49
USA	29,207	9.31	30,205	8.87	30,729	8.36
Others[(1)]	60,560	19.31	57,603	16.92	46,608	12.68
Total revenue	**313,708**	**100.00**	**340,425**	**100.00**	**367,658**	**100.00**

Note:-

(1) Others are contributed by Other Asia, EMEA (Europe, Middle East and Africa) and other regions. Other Asia is contributed by 8 countries (6.89%), 8 countries (6.33%), and 9 countries (7.23%) for FYE 2023, FYE 2024, and FYE 2025, respectively. EMEA is contributed by 12 countries (11.84%), 16 countries (9.03%), and 16 countries (4.92%) for FYE 2023, FYE 2024, and FYE 2025, respectively. Other regions are contributed by 4 countries for each of the FYE 2023, FYE 2024, and FYE 2025, which accounted for less than 2.00% of our total revenue.

7. BUSINESS OVERVIEW (CONT'D)

7.3.4 Distribution channels and customer base

We primarily utilise a direct distribution channel to market and sell our products to brand/product owners, and electronic manufacturing services (EMS) and outsourced semiconductor assembly and test (OSAT) companies that use our products. These companies operate across various industry applications such as communication devices, semiconductors, medical devices, consumer electronics, automotive electronics, and industrial equipment. Our direct distribution channel represented 83.67% (RM262.5 million), 83.88% (RM285.5 million), and 83.63% (RM307.5 million) of our total revenue for FYE 2023, FYE 2024 and FYE 2025, respectively.

We also use an indirect distribution channel, serving intermediaries who are PCB suppliers and manufacturers. They will resell our products to their customers, including brand/product owners, and EMS and OSAT companies. Our indirect distribution channel accounted for 16.33% (RM51.2 million), 16.12% (RM54.9 million), and 16.37% (RM60.2 million) of our total revenue for FYE 2023, FYE 2024, and FYE 2025, respectively.

For the Financial Years Under Review, our revenue contribution by distribution channel and customer types is set out below:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Direct distribution	**262,495**	**83.67**	**285,538**	**83.88**	**307,473**	**83.63**
Brand/product owners	168,283	53.64	176,908	51.97	182,612	49.67
EMS and OSAT companies	94,212	30.03	108,630	31.91	124,861	33.96
Indirect distribution	**51,213**	**16.33**	**54,887**	**16.12**	**60,185**	**16.37**
PCB suppliers and manufacturers	51,213	16.33	54,887	16.12	60,185	16.37
Total revenue	**313,708**	**100.00**	**340,425**	**100.00**	**367,658**	**100.00**

7.3.5 Industry applications

Through our direct and indirect distribution channels, our products are used across diverse industry applications, including communication devices, semiconductors, medical devices, consumer electronics, automotive electronics and industrial equipment. For the Financial Years Under Review, our revenue contribution by industry applications is set out below:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Communication devices	52,167	16.63	67,518	19.83	80,973	22.02
Semiconductors	60,033	19.14	70,660	20.76	75,801	20.62
Medical devices	72,516	23.12	67,871	19.94	74,912	20.38
Consumer electronics	54,145	17.26	55,153	16.20	67,080	18.25
Automotive electronics	41,790	13.32	53,500	15.72	41,548	11.30
Industrial equipment	33,057	10.53	25,723	7.55	27,344	7.43
Total revenue	**313,708**	**100.00**	**340,425**	**100.00**	**367,658**	**100.00**

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years Under Review, our revenue contribution by industry applications based on our operation locations is set out below:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia Operations	**156,593**	**49.92**	**189,976**	**55.81**	**212,073**	**57.68**
Communication devices	52,167	16.63	67,518	19.83	80,973	22.02
Semiconductors	60,033	19.14	70,660	20.76	75,801	20.62
Consumer electronics	7,787	2.48	9,422	2.77	18,969	5.16
Automotive electronics	11,022	3.51	23,021	6.76	17,810	4.84
Industrial equipment	23,915	7.62	17,583	5.17	17,244	4.69
Medical devices	1,669	0.54	1,772	0.52	1,276	0.35
PRC Operations	**157,115**	**50.08**	**150,449**	**44.19**	**155,585**	**42.32**
Medical devices	70,847	22.58	66,098	19.42	73,636	20.03
Consumer electronics	46,358	14.78	45,731	13.43	48,111	13.09
Automotive electronics	30,768	9.81	30,480	8.95	23,738	6.46
Industrial equipment	9,142	2.91	8,140	2.39	10,100	2.74
Total revenue	**313,708**	**100.00**	**340,425**	**100.00**	**367,658**	**100.00**

7.4 Mode of operation

In general, our product sales are based on confirmed purchase orders for our operations in Malaysia and the PRC.

For both our Malaysia and PRC operations, we have supply agreements with some of our customers for FPC manufacturing, FPC assembly and IC substrates manufacturing. The supply agreements set out the general terms and conditions, including validity periods and credit terms, and there is no obligation on customers to place orders. Our customers will place orders periodically or on an ad hoc basis, which serve as agreements to purchase products and services. Accordingly, our product sales and revenue are driven by customer-initiated purchase orders placed at their discretion.

Most of our customers provide us with rolling forecasts ranging from 3 to 12 months, or share with us forward-looking planning tools that are commonly updated monthly or quarterly, without confirming exact quantities or delivery dates upfront. This enables us to plan our operational resources and production schedule accordingly. Ultimately, our product sales are still based on confirmed purchase orders.

We provide product warranties to our customers, with warranty periods specified in the purchase order and generally range from 6 to 12 months. During the warranty period, our customers will report to us any defective products or manufacturing defects discovered. The typical product defects include non-conformity with the specified dimensions, delamination, plating defects, or electrical failures. Upon receiving a defective product report, our quality control team will assess the claim to determine whether the defect is covered under the warranty. If the defect falls within the scope of the warranty, the customer will return the product for inspection. Following verification, we will replace or rework the product as necessary.

7. BUSINESS OVERVIEW (CONT'D)

7.5 Competitive advantages and key strengths

Our competitive advantages and key strengths will provide us with the platform to sustain and grow our business. These are as follows:-

7.5.1 We have a proven track record of 33 years in FPC manufacturing and 13 years in IC substrate manufacturing within the semiconductor and electronics industries

Our business was established in 1993, starting with a pilot FPC production line in Kulim, Kedah. Building on this foundation, we expanded our FPC business by establishing a fully integrated Bayan Lepas Plant in Penang in 2001. Our growth continued with the opening of our Xiamen Plant in the PRC in 2005. These strategic expansions have enabled us to achieve a combined annual production capacity of 112 million pieces across Bayan Lepas Plant and Xiamen Plant as at the LPD.

We began our IC substrate manufacturing operations in 2013 at our Bayan Lepas Plant. We subsequently expanded our IC substrate manufacturing capabilities by establishing an integrated production facility at Batu Kawan Plant in 2018 with an annual production capacity of 600 million pieces as at the LPD.

On the back of our 33-year track record in FPC manufacturing and 13 years in IC substrate manufacturing, we have continued to enhance our technical competencies, deepen collaboration with customers on product design and development, expand our production footprint, and broaden our offerings to serve a wider range of industry applications across the semiconductor and electronics industries.

Our established track record in FPC and IC substrate manufacturing provides a competitive advantage by fostering credibility and trust among our customers and enhancing awareness of our market presence. Our market recognition and reputation are supported by consistent product quality, reliable delivery, and strong customer support, as evidenced by our long-term customer relationships with several of our customers. 6 of our 7 major customers during the Financial Years Under Review, as set out in **Section 7.19** of this Prospectus, have been with us for 10 years or more, supported by repeat orders over the years.

In addition, our diversified customer base comprising approximately 380 customers across approximately 33 shipment destination markets for the Financial Years Under Review. This demonstrates the breadth of our market reach and the confidence placed in us as a reliable manufacturer of FPC and IC substrate, supporting the sustainability and long-term growth of our business.

7.5.2 We continuously invest in R&D and have a persistent commitment to improve our manufacturing expertise to better serve our customers

We have in-depth manufacturing expertise supported by our ongoing investments in advanced process technologies and patents, enabling us to provide reliable products and value-added services to meet the evolving needs of our customers. Leveraging on our R&D efforts and technology used as set out in **Sections 7.13** and **7.14** of this Prospectus, we are well-positioned to deliver reliable products and value-added services that support increasingly complex product requirements.

Our ability to translate concepts into functional prototypes utilising process technologies such as subtractive etching technology and semi-additive technology, has enabled us to gain customer confidence and secure subsequent expansions. Our customisation and design-for-manufacturing capabilities enable us to support our customers in developing new products, enhancing time-to-market, and optimising manufacturing yields and costs. We offer responsive support to customers throughout their new product introduction cycle, including circuitry design optimisation, prototyping, pilot runs, and process refinement to ensure cost-effective and high-quality manufacturability for mass production.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we have developed a series of innovative processes, of which 54 patents have been registered in Malaysia, Chinese Mainland, and the USA, including 45 patents relating to FPC, and 9 patents relating to IC substrates.

Our manufacturing capabilities and tight tolerance control for our products enable us to meet the high precision and reliability requirements of our customers, as demonstrated below:-

- **FPC segment**: Our FPC development and engineering teams are experienced in fine-line circuitry and high-density interconnect design for single-sided, double-sided, and multi-layer FPC, as well as next-generation FPC (including rigid-flex). This demonstrates our technical capability and strengths in material selection, process precision, and quality control. As at the LPD, we have a total of 97 FPC development and engineering personnel for our operations in Malaysia and PRC.

  For the Financial Years Under Review and up to the LPD, our FPC manufacturing capability supports various application requirements, including layer counts up to 10 layers, enabling high-frequency signal integrity and tight dimensional control. We can achieve fine-line features down to 20 µm (±5 µm tolerance) for line width, and down to 35 µm (±5 µm tolerance) for air gap (line space), enabling high-density circuitry for advanced FPC applications. Our capabilities are complemented by multiple surface-finishing options, including gold plating such as electroless nickel/immersion gold (ENIG), electrolytic nickel/electroless palladium/immersion gold (ENEPIG), electrolytic hard and soft gold, as well as other surface finishing options, including tin plating, silver plating, and anti-tarnish finishing.

  We expanded our FPC manufacturing capabilities with value-added FPC assembly services, in which electronic components are mounted on our in-house-manufactured FPCs to form semi-finished electronic modules. The assembly process incorporates SMT, reflow soldering, automatic optical inspection, and electrical testing. As at the LPD, we have a total of 6 SMT lines, including 4 in Malaysia and 2 in the PRC.

  By offering both FPC manufacturing and FPC assembly, we positioned ourselves as a value-added solution provider for FPC from prototyping to mass production of semi-finished electronic modules. This enables us to enhance customer support, strengthen customer retention, foster long-term partnerships, and expand our addressable opportunities for business growth in the electronics sector.

- **IC substrate segment**: Our IC substrate R&D team is experienced in both core and coreless architectures, allowing us to support miniaturisation, higher layer counts, and increased signal integrity requirements to meet the stringent demands of semiconductor packaging. As at the LPD, we have a total of 43 IC substrate development and engineering personnel team, for our operations in Malaysia.

  We adopt high-precision technology and advanced manufacturing processes for our IC substrate production, including using semi-additive processes, laser drilling and sputtered core substrates, with tight dimensional tolerances to achieve fine-pitch interconnects with fine-line width and space down to 20 µm, with copper thickness ranging between 15 µm and 120 µm, enabling line and space accuracy and enhanced electrical performance. Leveraging our in-depth manufacturing capabilities in IC substrates allows us to capitalise on growth opportunities within the semiconductor sector.

Generally, we offer both high-volume products and products with specialised requirements, providing greater versatility to meet customer demand. These offerings are supported by our modular FPC and IC substrates production facilities, which enable fast reconfiguration in response to customer demand, helping customers fulfil production planning and development requirements.

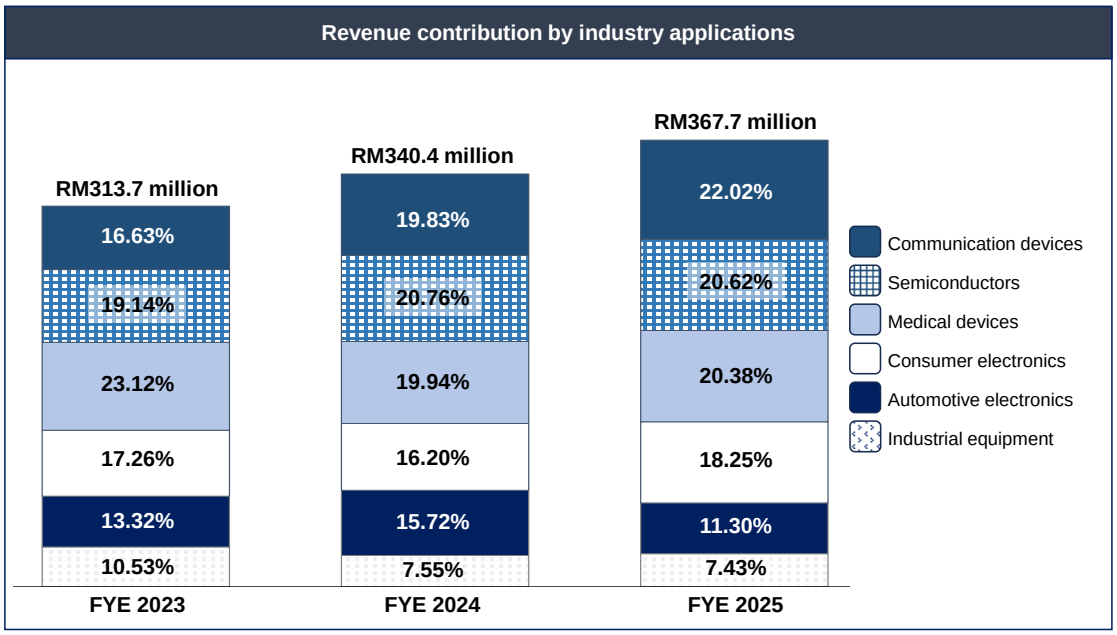
7. BUSINESS OVERVIEW (CONT'D)

7.5.3 We have 2 core products comprising FPC and IC substrate serving the semiconductor and electronics industries to provide us with a large addressable market and diversified growth opportunities

We have 2 core products comprising the manufacture and assembly of FPCs, and the manufacture of IC substrates. With 2 core products, we have two growth drivers to support our business. For the Financial Years under Review, our FPC segment, comprising the manufacturing and assembly of FPC, which accounted for 82.89% (RM260.0 million), 80.23% (RM273.1 million) and 80.06% (RM294.3 million), while the remainder was from the manufacturing of IC substrate.

Diverse industry applications

We leverage our strength and capabilities across both the FPC and IC substrate segments, allowing us to tap into a wide range of industry applications, including communication devices, semiconductors, medical devices, consumer electronics, automotive electronics, and industrial equipment. For the Financial Years Under Review, our revenue contribution by industry applications is set out below:-



Our addressable application markets provide us with multiple revenue streams and mitigate overdependence on any single industry application.

For the Financial Years Under Review, we served a total customer base of approximately 380 customers across the 6 industry applications. A broad customer base reduces reliance on any single customer, lowering concentration risk and enhancing revenue stability. This also demonstrates our engineering capabilities, consistent quality, and ability to meet varied technical and commercial requirements.

Collectively, these advantages provide us with a platform to capture growth opportunities across multiple market segments, supporting our business expansion and sustainability.

7. BUSINESS OVERVIEW (CONT'D)

Wide geographical coverage

Our top 4 countries by shipment destinations were Malaysia, Chinese Mainland, Japan and the USA, which accounted for between 80.00% and 88.00% of our total revenue for the Financial Years Under Review. These 4 countries are major semiconductor and electronics user markets, both in production and in the use of semiconductor and electronic products. The semiconductor and electronics market size of our top 4 countries by shipment destinations for our FPC and IC substrates is as follows:-

2024	**Malaysia**(1)	**Chinese Mainland**(2)	**Japan**(3)	**USA**(4)
RM billion	294.87	5,802.37	1,215.44	3,461.91

Notes:-

(1) Manufacturing sales value of irradiation and medical equipment, communication equipment, photographic equipment, semiconductors and motor vehicles amounted to RM294.87 billion.

(2) Operating revenue of communication equipment, audio-visual equipment and electronic devices amounting to RMB9,126.1 billion (RMB1: RM0.6358).

(3) Production value of medical equipment, communication equipment, digital cameras, integrated circuits, and motor vehicles amounted to JPY40,200.40 billion (JPY100: RM3.0234). Data ranges from January 2024 to July 2024 only, as data from August 2024 to December 2024 remains confidential.

(4) Output of electronic instruments, communication equipment, photographic and other equipment, semiconductor and electronic components and motor vehicles amounted to USD756.47 billion (USD1: RM4.5764).

(Source: IMR Report by Vital Factor)

Overall, our products are shipped to approximately 33 countries worldwide for the Financial Years Under Review. Our broad geographical market coverage, based on product shipment destinations, provides us with competitive strengths and advantages that support the sustainability and growth of our business. This includes meeting the requirements of a diverse customer base across multiple countries, where our products are tested and accepted by customers in various markets, demonstrating our manufacturing capabilities and consistent product quality. In addition, our presence in large addressable markets supports long-term business sustainability and growth, while our diversified geographical presence reduces reliance on any single country, enhancing overall business resilience.

7.5.4 We have quality programmes and certifications to substantiate our commitment to product and service quality

We maintain quality programmes and hold relevant certifications that reinforce our commitment to delivering consistent quality products and services. Our ability to comply with industry certifications is critical for our FPC and IC substrate manufacturing operations. Our capability to meet demanding standards such as ISO 13485 for medical device applications and IATF 16949 for the automotive sector demonstrates our commitment to reliable manufacturing, traceability, and rigorous quality control.

Furthermore, our FPC and IC substrates have been independently tested and certified to comply with relevant safety and performance standards. As at the LPD, we have obtained various certification marks for our FPC and IC substrates, such as RoHS and REACH. These certifications enhance customer confidence and enable us to participate in specialised segments of the electronics sector that require precision and product consistency.

Our quality commitment is supported by our in-house testing capabilities, which include electrical, mechanical, and environmental reliability tests to ensure our products meet the durability, safety, and performance standards expected by industries such as medical devices, consumer electronics, automotive, and other industrial electronics. For both FPC and IC substrates, we conduct final quality control using automated optical inspection machines to verify trace width and spacing, solder mask alignment, dimensional stability, and surface defects.

For FPC products, we conduct essential tests, including electrical continuity, insulation resistance, thermal cycling, bending fatigue, and solder heat resistance, to ensure durability under repeated flexing and extreme operating conditions. For IC substrates, our testing protocols extend to high-precision electrical performance validation, including controlled-impedance and high-frequency signal-integrity testing, as well as structural assessments such as warpage measurement, microvia integrity, layer registration accuracy, and dielectric reliability. We also conduct reliability tests for our IC substrates, including temperature and humidity-stress tests, moisture sensitivity level and conductive anodic filament tests, and reflow simulations, to ensure long-term stability in harsh semiconductor assembly environments. These rigorous test regimes enable us to consistently deliver reliable IC substrates that meet the stringent requirements of semiconductor packaging for advanced nodes, with fine-line width or spacing down to 20 µm.

Our ability and track record in manufacturing products that comply with stringent requirements demonstrate the quality of our work and serve as a reference point for retaining existing customers and securing new customers.

7.5.5 We have experienced Executive Directors and Key Senior Management team

We are supported by experienced our Executive Directors and a strong senior management team to operate and grow our business. Our Group is led by Jeffrey Hwang, our Managing Director and CEO, who has approximately 16 years of experience in the semiconductor and electronics sectors. He is responsible for setting the overall strategic direction, technology development roadmap and business planning to drive the growth and expansion of our Group.

Our Group is also supported by Brian Low, our Executive Director and President of PRC Operations, who has approximately 26 years of experience in the electronics sector and is primarily responsible for the overall management and business development of our PRC operations.

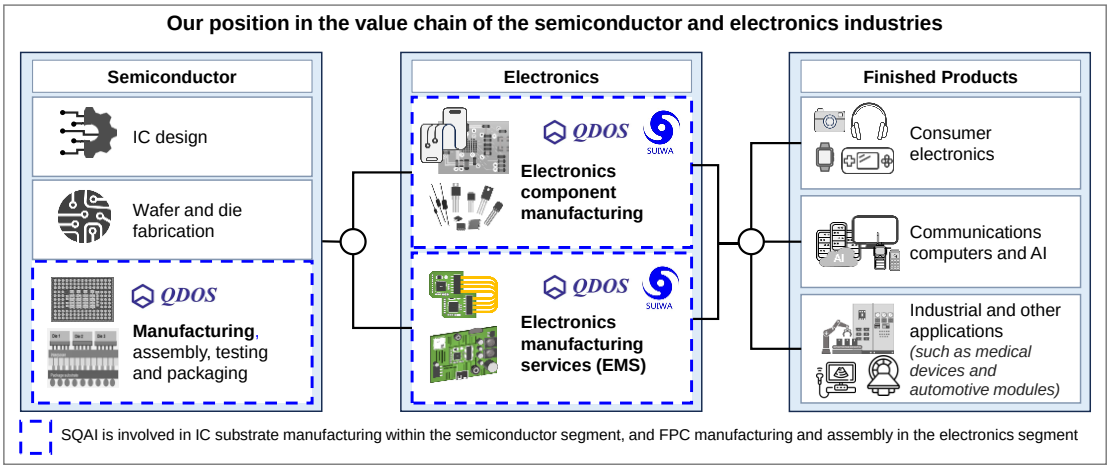
Our business is supported by our Key Senior Management, comprising Sim Gaik Lan (our CFO), Whong Poh Choon (our Vice President, Strategic Customers Management), Ang Toon Yoon (our Vice President, IC Substrate Operations), Balaguru A/L Shanmugam (our Vice President, FPC Operations), Mohammed Iqbal Siddiqui (our Vice President, Development), Chen Bo (our Vice President, Manufacturing), Yuan Lin Hui (our Vice President, Quality and Engineering), and Chan Kok Yeow (our Vice President, Administration). Please refer to **Section 9.4.2** of this Prospectus for further details of the profiles of our Key Senior Management. Our Executive Directors and Key Senior Management team are in turn supported by a talent pool comprising 240 technical personnel, including engineers and technicians as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)

7.6 Products and services

7.6.1 Overview

We are involved in the manufacturing and assembly of FPC, as well as the manufacturing of IC substrates, both of which play critical roles in the value chain of the semiconductor and electronics industries.



The semiconductor industry value chain typically begins with IC design by IC design companies. This is followed by wafer and die fabrication at foundries, where semiconductor materials are processed to create ICs. ICs are miniature electronic circuits consisting of interconnected transistors, resistors, capacitors and other components etched onto a tiny piece of semiconductor material, primarily silicon. These ICs are then packaged and mounted on IC substrates, which provide mechanical support and electrical pathways, enabling their integration into electronic devices to connect ICs with the remaining systems. Our Group is involved in the manufacturing of IC substrates.

This is followed by the electronics industry value chain, where FPCs or rigid PCBs are manufactured and assembled to connect ICs and other components, providing flexible, compact, and efficient interconnections within the semi-finished electronic modules. Finally, these electronic modules are incorporated into consumer or industrial electronic products such as smartphones, AI servers, automotive inverters, cameras, and medical devices, completing the value chain from raw semiconductor materials to finished electronic products. Our Group is involved in the manufacturing and assembly of FPC.

7.7 FPC segment

For the Financial Years Under Review, revenue from our FPC manufacturing and assembly segment accounted for 82.89% (RM260.0 million), 80.23% (RM273.1 million), and 80.06% (RM294.3 million) of our total revenue for FYE 2023, FYE 2024 and FYE 2025, respectively.

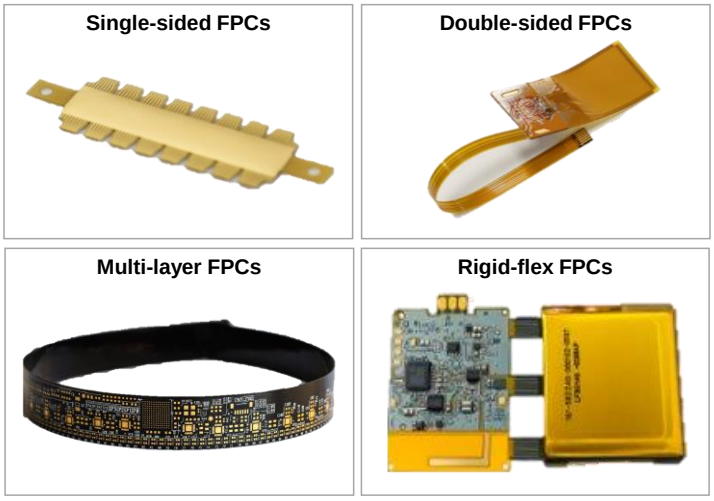
7.7.1 Types of FPC that we manufacture

An FPC, also known as a flex circuit, is a bendable interconnect electronic component in which fine copper traces are formed through subtractive etching technology on a flexible polyimide substrate, which is commonly used for system-level interconnection between electronic components and modules. Compared with conventional rigid PCBs, FPCs are thinner, lighter, and capable of bending and flexing. It can be shaped or routed freely according to spatial requirements, enabling three-dimensional assembly and integrating both component installation and wire interconnection within a compact structure or product. FPCs are also used in dynamic bending applications with different service life requirements, such as clamshell phones, disk drives, and foldable screens.

7. BUSINESS OVERVIEW (CONT'D)

FPCs can be designed in various types to meet different mechanical, electrical and packaging needs. The main FPC types that we manufacture include the following:-

FPC types that we manufacture



- **Single-sided FPCs**, which comprise 1 conductive copper layer formed on a flexible dielectric film, typically polyimide. They are suitable for simple circuit structures and cost-efficient applications, commonly used in automotive transmission systems, cameras, and consumer electronics. All contact points, including mechanical interfaces and component mounting, are accessible from 1 side of the FPC.

- **Double-sided FPCs**, which incorporate 2 conductive layers on opposite sides of the flexible substrate. Electrical connections between the 2 layers are created using plated vias, which are small metal-coated holes that allow signals and power to pass between layers. This structure enables denser circuit routing within the same footprint, improving signal performance and enhancing functionality compared to single-sided FPCs. Common applications include medical imaging equipment, smartphone touch panels, telecommunication devices, automotive electronics, and devices requiring compact, high-density interconnections.

- **Multi-layer FPCs**, which comprise 3 or more conductive layers laminated together with insulating films. The layers are typically interconnected through plated vias to support high-density routing, controlled impedance (resistance and reactance), and more advanced electrical performance. Common applications include highly complex or high-performance electronic systems such as medical devices, industrial instruments, semiconductor testing modules, and automotive safety systems.

- **Rigid-flex FPCs**, which combine rigid PCB sections with flexible FPC sections laminated into a single structure. This design provides mechanical stability in rigid areas and flexibility in the interconnecting regions, ideal for devices that require folding, dynamic movement, or limited space utilisation while supporting high-density component assembly. Common applications include industrial robots, cameras, aerospace systems, and telecommunications control modules.

FPC that we assembled with components

In addition, we also offer value-added FPC assembly services, where electronic components are mounted onto our FPC into a semi-finished electronic module.

7. BUSINESS OVERVIEW (CONT'D)

7.7.2 FPC manufacturing operations

Our FPC manufacturing operations utilise precision subtractive etching technology to remove copper selectively and form intricate circuit patterns on flexible substrates. The key processes in our FPC manufacturing operations include design support, circuit formation, circuit protection, circuit finishing, mechatronics, and circuit verification.

FPC design support

We provide design support to our customers, collaborating closely to co-develop new products with enhanced circuit design for reducing the time to market and focusing on design for manufacturability to optimise the costs. Some of the considerations include line width and spacing, circuit configuration, FPC dimensions (shape, length, and thickness), material selection, performance requirements, and budget.

This approach ensures that FPCs are optimised for efficient production, helping to accelerate time-to-market, improve yields, and reduce engineering costs. Our team supports all phases of the product lifecycle, from prototyping and new product introduction to high-volume mass production, ensuring that our customised solutions meet both the technical specifications and operational requirements of our customers.

Our manufacturing facilities and FPC manufacturing process

FPCs are manufactured at our Bayan Lepas Plant and Xiamen Plant. Both facilities are equipped with similar machinery and equipment, enabling us to perform the following key processes in FPC manufacturing:-

- **Circuit via formation**

  - **Input materials storage and handling**: All incoming input materials, primarily flexible copper-clad laminates, are inspected for surface quality, copper thickness, polyimide flatness, and mechanical durability to ensure they meet the specified requirements of the final application. Materials are stored under controlled humidity and temperature to preserve key properties before entering production.

  - **Drilling**: Precision CNC mechanical drilling is performed to create through holes in the flexible copper-clad laminates. Laser drilling is also used for creating ultra-small holes for creating ultra-high-density interconnections across layers. These holes form the foundation for electrical connections and circuit routing.

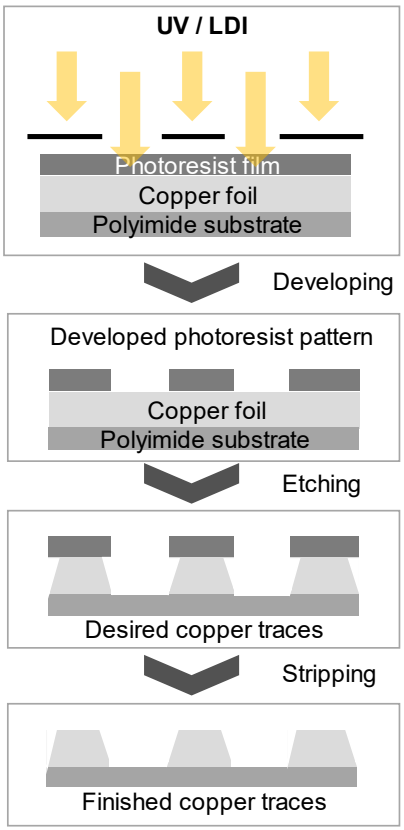
Our CNC drilling

7. BUSINESS OVERVIEW (CONT'D)

- **Cleaning**: A mild chemical soft-etching process is used to remove micro-debris, resin smears, and organic residues generated during laser drilling. The inner surface of the drilled holes, commonly referred to as hole walls, are further treated with plasma to remove remaining contaminants, oxides, and polymer residues. Plasma also activates the polyimide surface, improving plating adhesion and ensuring strong copper adhesion during subsequent plating.

- **Copper plating:** The hole walls are plated using electroless copper or direct metallisation. A graphite or palladium-based catalyst is applied to activate the organic surfaces, followed by electroless and electrolytic copper deposition (vertical continuous plating, VCP) to form a uniform copper layer. This process transforms the drilled holes into vias, enabling reliable electrical interconnections between layers of the flexible panels.

The mechanism of circuit trace formation



- **Circuit trace formation**

Circuit formation involves the creation of conductive circuit patterns on the flexible substrate in accordance with the customer's design.

- **Photolithography**: A photoresist film is applied to the copper layer on the FPC, ensuring conformance of the photoresist emulsion to the copper layer contours. A photomask containing the circuit pattern is projected onto the photoresist using UV exposure or laser direct imaging (LDI), defining the copper areas that will be removed during etching. Precise alignment between the photoresist and photomask is critical to maintain line width and spacing accuracy in the circuit.

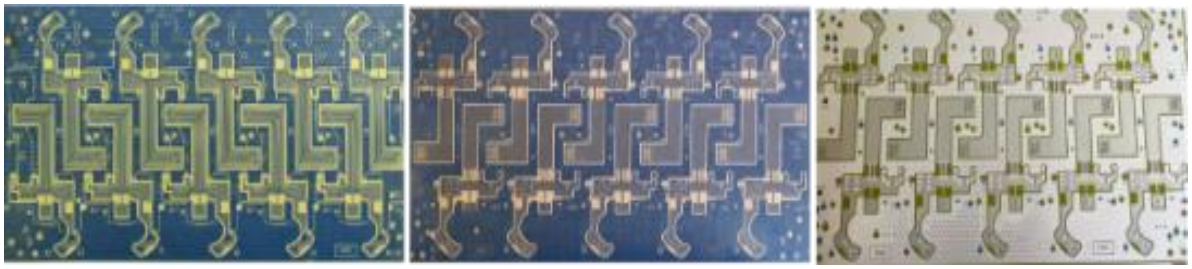
Our exposure machine

- **Developing, etching and stripping (DES)**: The panel passes through a continuous DES line, where the exposed photoresist pattern is first developed to form a physical mask on the copper layer. During etching, the exposed copper areas not protected by the photoresist are chemically removed, leaving only the desired circuit traces. The remaining photoresist, which shields the intended copper patterns, is subsequently stripped using alkaline chemistry, fully revealing the finished copper traces. Following this, automated optical inspection is performed to detect defects, such as open circuits, short circuits, or deviations from the intended circuit layout.

7. BUSINESS OVERVIEW (CONT'D)

- **Post-etch cleaning**: The panel is thoroughly rinsed to remove chemical residues and dried to complete the circuit formation stage, preparing it for subsequent processes.

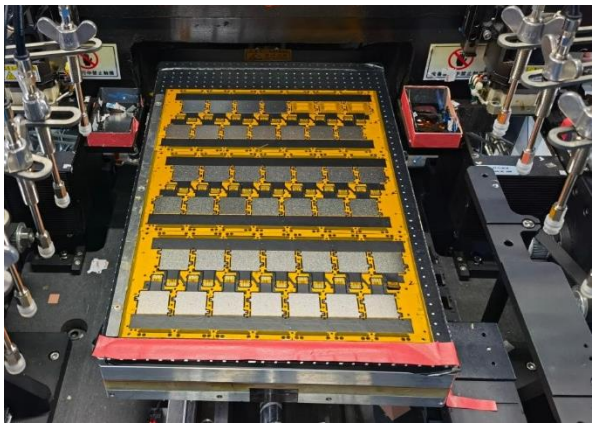
Example of our FPC after DES line



Left: Circuit pattern after photoresist exposed; Middle: Circuit traces formed after photoresist developing; Right: Circuit traces after etching and photoresist stripping

- **Circuit protection**

Applying stiffener to the FPC



- **Coverlay lamination**: Mechanical openings are selectively created in the coverlay using pico-laser cutting or mechanical punching to expose copper pads for soldering and component assembly. This is subsequently laminated over the FPC panel under controlled heat and pressure to protect the copper traces and provide insulation. The laminated panel undergoes hot pressing to cure the adhesive, complete bonding and ensure dimensional stability for subsequent surface finishing and assembly processes.

Our coverlay after openings are created

- **Stiffener application**: Stiffeners are applied to specific areas of the FPC that require additional mechanical support, thickness compensation, or improved handling during assembly. Stiffeners are typically laminated onto designated regions such as connector interfaces, component-mounting zones, or areas requiring controlled bend profiles. Proper stiffener alignment and bonding

7. BUSINESS OVERVIEW (CONT'D)

strength are essential to ensure dimensional stability and prevent delamination during assembly.

- **Printing:** Printing processes are performed to mark identification labels, component polarity indicators, QR codes, traceability markings, or assembly guides onto the FPC surface. Silk-screen printing or inkjet printing is used depending on resolution requirements and ink compatibility with flexible substrates.

- **Circuit finishing**

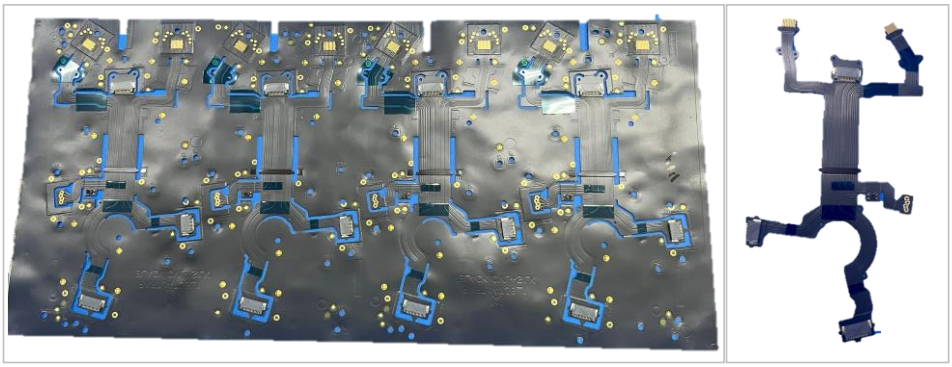
Our ENIG gold plating line

- **Surface finishing**: Depending on customer requirements, surface finishes are applied to the exposed copper pads as defined by the coverlay openings. Common finishes include gold plating such as electroless nickel/immersion gold (ENIG), electrolytic nickel/electroless palladium/immersion gold (ENEPIG), electrolytic hard and soft gold, as well as tin plating, silver plating, and anti-tarnish coatings. These finishes are used to preserve copper pads from manufacturing until assembly by preventing copper oxidation, ensuring solderability, and enabling reliable electrical and mechanical connections during component assembly.

- **Mechatronics**

- **Profiling and singulation:** After processes and inspections are completed, the FPC panel undergoes profiling to define the final board outlines and separation of the single unit (singulation) from the manufacturing panel. Depending on the design complexity and production volume, the panel may be processed by routing or punching. Routing, performed using CNC milling, is suited for complex or irregular outlines, typically used in low-volume production. Punching, carried out via die-cutting, is suited for simple or repetitive outlines, typically used in high-volume FPC production. Upon completion of profiling, the panel is singulated into individual FPC units, which are subsequent transferred to assembly or packaging processes.

Our FPC after singulation



Left: Our FPC before punching; Right: Our FPC after punching

7. BUSINESS OVERVIEW (CONT'D)

Our FPC manufacturing capabilities are summarised as follows:-

	Processes	Capabilities
Circuit trace formation	Etching	Minimum line width: 20 µm (±5 µm tolerance) Minimum air gap (line space): 35 µm (±5 µm tolerance)

Value-added FPC assembly services

Based on customer requirements, we also offer value-added FPC assembly services, where electronic components are mounted onto our FPC into a semi-finished electronic module. Our assembly services are provided for rigid-flex FPC, single and double-sided FPC, and multi-layer FPC from 2 to 10 layers.

Our assembly operations are carried out at our Bayan Lepas Plant and Xiamen Plant, with 6 SMT lines. Our SMT assembly are automated processes including the following key processes:-

- **Preparation of FPC:** FPC assembly begins with preparing the FPC for automated assembly processes. Dedicated carrier trays are required to securely hold the FPC during solder paste printing, component placement, and reflow, due to the lack of inherent rigidity in flexible substrates. The secured FPCs then undergo a baking process to precondition the interconnect pads, removing moisture absorbed during handling and storage.

- **Automated SMT assembly:** The prepared FPCs are processed on automated SMT lines with the following capabilities:-

  - solder paste printing, where solder paste is applied to the FPC using a stencil. Uniform solder paste volume and precise alignment are critical to ensure reliable component attachment and to prevent defects such as excess, insufficient, or misaligned deposits.

  - component placement, where IC components including LEDs, switches, and connectors, are mounted onto the prepared FPCs using precision pick-and-place equipment. Accurate placement is essential for solder joint integrity and overall assembly reliability.

  - reflow soldering**,** where the assembled FPCs undergo a controlled heating process to harden the solder, firmly securing the components in their designated position on the FPCs.

  - initial inspections, where mounted components are inspected using inline inspection systems, including automated optical inspection systems. The automated optical inspection machine uses high-speed cameras to scan and capture the image of completed FPCs to detect defects, scratches, stains, misaligned or missing components, and solder quality issues.

- **Final inspection:** In addition to automated inspection, manual and final inspections are conducted to ensure that all components are mounted according to customer specifications.

7. BUSINESS OVERVIEW (CONT'D)

Our FPC assembly capabilities are summarised as follows:-

Processes	Capabilities
Solder paste printing	Tolerance level for solder printing alignment accuracy: ±30 µm
Component placement	Minimum component size: 0.3 mm x 0.6 mm
	Maximum component size: 45 mm x 100 mm
	Minimum FPC size: 20 mm x 20 mm
	Maximum FPC size: 250 mm x 2,000 mm
	Tolerance level for placement accuracy: ±50 µm

Circuit verification (Quality control)

Some common quality assurance tests for our FPC include the following:-

Our SMT line

- **electrical performance testing**, which is performed to verify continuity, insulation resistance, high-voltage withstand capability, and impedance, ensuring circuit integrity and stable electrical performance. Examples include flying probe testers, 2-wired or 4-wired electrical tests, impedance control systems, and high voltage testing;

- **dimensional and microstructural inspection**, which is performed to confirm that the FPC meets geometric tolerances. Examples include automated optical inspection, three-dimensional optical measurement systems, and metallographic microscopes;

- **chemical composition and surface analysis**, which is performed to ensure that surface finishes and materials meet the quality standard, and to detect impurities or defects that could compromise reliability. Examples include surface finishing thickness measurement using atomic absorption spectroscopy, and ionic contamination testers;

- **mechanical reliability testing**, which is performed to evaluate FPC's ability to withstand dynamic bending, folding, peeling, and tensile stress, ensuring long-term flexibility and robustness. Examples include peeling tests, flexural endurance tests, and folding endurance testers; and

- **environmental and reliability stress testing** to simulate extreme operating conditions such as temperature cycling, high humidity, and thermal shock to assess the durability under bending, handling, and environmental extremes typical for flexible electronics. Examples include constant-temperature, constant-humidity test chambers and thermal stress tests.

7. BUSINESS OVERVIEW (CONT'D)

7.7.3 FPC applications

Both FPCs and rigid PCBs serve to provide electrical interconnections between electronic components, but each serves different needs based on design requirements.

- Rigid PCBs are designed to provide a solid, stable platform for electronic components. They are suited for static applications where the circuit does not require bending, such as computers, industrial control systems, power supplies, and other conventional electronics.

- FPCs are designed to be flexible, lightweight, and thin, allowing circuits to bend, fold, or fit into tight, irregular, or moving spaces. They are ideal for applications where space-saving, weight reduction, or mechanical flexibility are critical, such as smartphones, wearable devices, cameras, and medical equipment. FPCs also reduce the need for additional connectors and wires, improving reliability and simplifying assembly.

Our FPC are commonly used in the following applications:-

- **Communications devices**: FPCs are used to interconnect radio frequency modules, antennas, displays, keypads, audio components, and power systems within compact enclosures in communication equipment, including 2-way radios, mobile terminals, base stations, and related communication infrastructure. Their flexibility enables efficient internal routing in space-constrained designs, while their ability to support controlled impedance and stable signal transmission makes them suitable for high-frequency and high-reliability communication applications.

- **Medical devices**: FPCs are used in medical applications as their flexibility allows circuits to conform to body shapes and fit into compact or irregular spaces. Applications include catheters and endoscopes, where flexible circuits enable sensors and imaging components in constrained areas. FPCs are also integral to wearable health monitors, which may include devices that track blood oxygen, heart rate, or other vital signs, providing reliable and comfortable monitoring for patients.

- **Consumer electronics**: FPCs are used to connect displays, cameras modules, touchscreens, and batteries in the compact spaces of devices such as smartphones, cameras, tablets, and laptops. Their flexibility and thin profile allow designers to optimise space, reduce weight, and enable foldable or curved designs. In wearable devices, FPCs are critical as they can conform to small and irregular shapes while maintaining reliable electrical connections under repeated movement. In cameras and imaging devices, FPCs are used to connect moving components such as autofocus lenses and image sensors. Their ability to withstand repeated bending without breaking ensures stable signal transmission, thereby supporting consistent imaging accuracy and reliability.

- **Automotive electronics**: FPCs support complex routing in tight or curved spaces, making them ideal for infotainment systems, transmission systems, sensors, lighting modules, battery management systems, and Advanced Driver Assistance Systems (ADAS). Their lightweight and flexible nature reduces wiring complexity, improves assembly efficiency, and ensures reliability under vibration and thermal stress common in automotive environments.

- **Industrial equipment**: FPCs are used in control modules, sensors, human-machine interfaces, instrumentation, robotics, and automation systems. They enable compact and reliable interconnections between control boards, displays, actuators, and sensing elements. FPCs provide enhanced durability under harsh operating conditions, including vibration, temperature variation, and repeated flexing, making them suitable for industrial control systems, measurement instruments, and smart manufacturing equipment.

7. BUSINESS OVERVIEW (CONT'D)

7.8 IC substrate segment

For the Financial Years Under Review, revenue from our IC substrate manufacturing segment accounted for 17.11% (RM53.7 million), 19.77% (RM67.3 million) and 19.94% (RM73.3 million) of our total revenue for FYE 2023, FYE 2024 and FYE 2025, respectively.

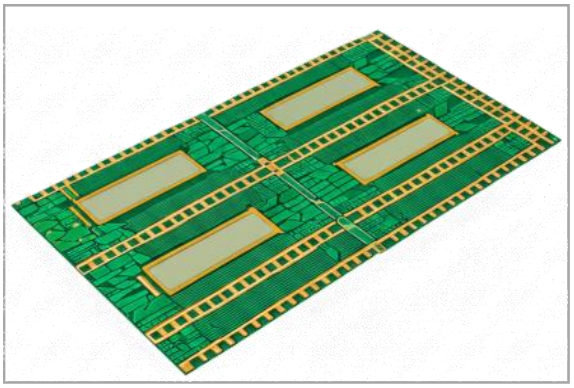
7.8.1 Types of IC substrates that we manufacture

An IC substrate is a semiconductor package-level interconnect platform that bridges silicon devices to the electronic systems. The semiconductor package typically contains the silicon die (or chip), forming the core of the electronic device's functionality. This die is often encased in a protective material, typically plastic resin or another encapsulant, to protect it from physical and environmental damage.

The main IC substrate types that we manufacture include the following:-

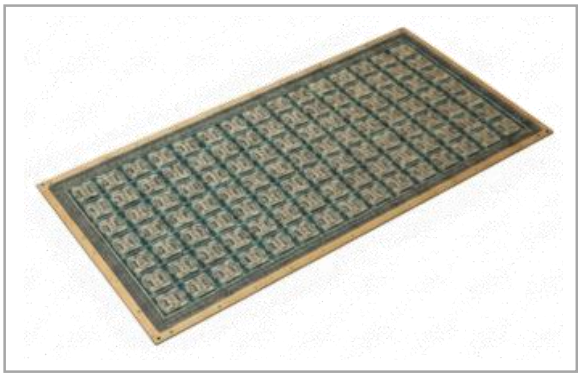
- **Sputtered-core IC substrates** use a thin sputtered tie layer (nickel-chromium alloy or chromium), followed by sputtered copper seed layers and electroplated copper, applied either to a thin core or to a special grade polyimide film. This structure creates ultra-thin, highly stable layers for fine-pitch redistribution layers and advanced packaging. The sputtered tie layers enables high-temperature processing capabilities needed for die assembly methods such as thermo-compression bonding, while also ensuring high dimensional stability and high-density interconnect capability.

Sputtered-core IC substrates



- **Coreless IC substrates** are manufactured by depositing thin build-up dielectric layers on a temporary carrier, which is removed after processing, leaving a thin, flexible multilayer structure with embedded traces. The absence of a rigid core allows higher wiring density, finer line and space capability, and reduced package thickness, making them suitable for high-density applications. Typical applications include flip-chip packages for high-performance mobile system-on-chips, AI accelerators, and thin flip-chip packages, where ultra-thin, high-input/output count substrates are essential.

Coreless IC substrates



7. BUSINESS OVERVIEW (CONT'D)

7.8.2 IC substrate manufacturing operations

Our IC substrate manufacturing operations leverage advanced semi-additive process technology to develop ultra-fine copper interconnects and high-density multilayer structures. These structures provide reliable, compact, and high-speed electrical connectivity from the IC die through the substrate to the overall system. The key processes in our IC substrate manufacturing operations include design support, circuit formation, circuit protection, circuit finishing, mechatronics, and circuit verification.

IC substrate design support

Similar to FPCs, we provide IC substrate design support to our customers, collaborating closely to co-develop new products with enhanced circuit design, focusing on design-for-manufacturability. Some of the considerations for our IC substrate manufacturing include fine line and space capability, signal integrity and power delivery, thermal and mechanical stability, package compatibility, material selection for sputtered-core IC substrates, and budgetary constraints.

This approach ensures that IC substrates are optimised for efficient production, helping to accelerate time-to-market, improve yields, and reduce engineering costs. Our team supports all phases of the product lifecycle, from prototyping and new product introduction to high-volume mass production, ensuring our customised solutions meet our customers' technical specifications and operational requirements.

Our manufacturing facilities and IC substrate manufacturing process

The manufacturing of IC substrates is carried out at our production facility at Batu Kawan Plant, which carries out the following key processes in IC substrate manufacturing:-

- **Circuit seed layer formation**

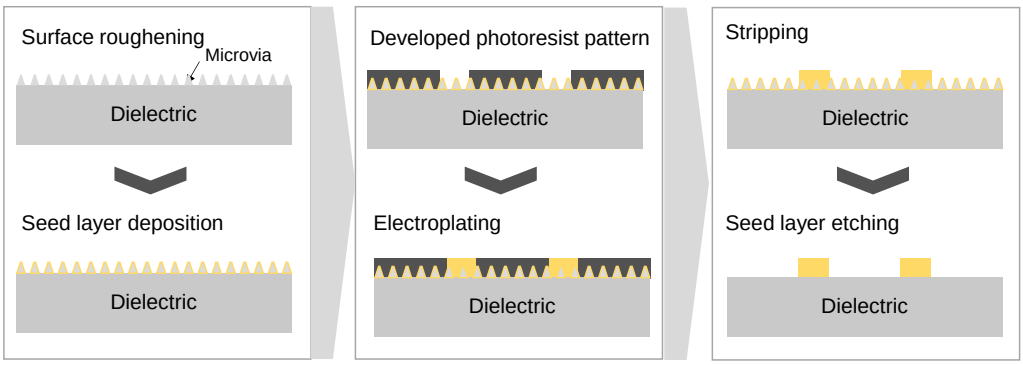
  This stage ensures the availability of the seed conductor layer, which is extremely thin and uniform, providing the base for subsequent semi-additive circuit formation.

  - For sputtered-core substrates, the manufacturing process commences with the deposition of ultra-thin sputtered tie layer and copper seed layers onto a thin polyimide layer, which serves as a stable structural base for further circuit formation.

  - For coreless substrates, the manufacturing process commences with the deposition of thin organic dielectric layers onto a temporary carrier, forming a flexible multilayer structure after the carrier is removed.

- **Circuit trace formation**

  The general circuit trace formation for both types of IC substrates is as follows:-



7. BUSINESS OVERVIEW (CONT'D)

- **Surface roughening and seed layer deposition:** Dielectric surface undergoes a roughening process to enhance metal adhesion. A thin conductive seed layer is deposited over the dielectric surface, and within the microvias using sputtering or electroless copper plating. This seed layer provides electrical continuity and adhesion for subsequent electroplating.

- **Circuit patterning:** A photoresist film is placed on the electroplated surface.

  Photolithography is then used to define the photoresist pattern on the IC substrate using a photomask. This defines the copper areas that will be added to form horizontal copper wiring for signal and power routing on each layer.

Our LDI exposure machine

- **Electroplating, stripping, and seed layer etching:** Copper is electroplated onto the patterned areas to form the desired conductor thickness and copper features. This step enables the substrate to support high current density, controlled impedance, and stable signal transmission. The photoresist is subsequently stripped, and the excess seed layer is etched away. This semi-additive process enables ultra-fine line and space dimensions and ensures precise layer-to-layer alignment.

The steps above are repeated as needed to build complete multilayer interconnect structures, enabling IC substrates to meet high-density and high-performance requirements.

- **Circuit protection**

  - **Solder masking**: A thin protective layer, namely solder mask, is applied to the substrate surface, except for designated copper pads. This coating protects the copper traces from oxidation and prevents solder bridging during component assembly. Component assembly is performed by a third-party assembler.

- **Circuit finishing**

  - **Surface finishing**: Depending on customer requirements, surface finishes are applied to the exposed copper pads to improve solderability, protect the copper circuitry, and enhance adhesion for subsequent assembly. Common finishes include organic solderability preservative, electrolytic direct gold plating, electrolytic nickel palladium gold plating, and silver plating.

7. BUSINESS OVERVIEW (CONT'D)

- **Mechatronics**

  The substrate is cut and shaped to its final dimensions using punching, laser cutting, or mechanical dicing. Warpage control measures are applied to ensure planarity, which is essential for reliable assembly of IC packages such as flip-chip ball grid or land grid array. Warpage is the deformation or bending of a substrate from its intended flat plane, which can adversely affect assembly, soldering, and long-term reliability.

Our IC substrate manufacturing capabilities are summarised as follows:-

Processes	Capabilities
Circuit trace formation	Minimum line width: 20 µm Minimum line space: 20 µm Copper thickness: 15 µm – 120 µm Minimum package size: 0.3 mm x 0.6 mm Maximum package size: 65 mm x 75 mm

Circuit verification (Quality control)

Some common quality assurance tests for our IC substrates include the following:-

- **electrical performance testing**, which is performed to verify continuity, insulation resistance, high-voltage withstand capability, and impedance, ensuring circuit integrity and stable electrical performance. Examples include flying probe testers, 2-wired or 4-wired electrical tests, impedance control systems, high voltage testing, and ionic contamination testers;

- **dimensional and microstructural inspection**, which is performed to confirm that the IC substrates meet geometric tolerances. Examples include automated optical inspection, three-dimensional optical measurement systems and a metallographic microscope;

- **chemical composition and surface analysis**, which is performed to ensure that surface finishes and materials meet the quality standard, and to detect impurities or defects that could compromise reliability. Examples include surface finishing thickness measurement, scanning electron microscopy and energy-dispersive X-ray spectroscopy;

- **mechanical reliability testing**, which is performed to evaluate the IC substrate's ability to withstand handling, assembly, and thermal stress. Examples include warpage measurement, peel and adhesion tests, and bend tests for coreless and sputtered substrates; and

- **environmental and reliability stress testing** to simulate extreme operating conditions such as temperature cycling, high humidity, and thermal shock to assess the long-term reliability and structural integrity of the IC substrates. Examples include thermal cycling, as well as humidity and high-temperature storage.

7. BUSINESS OVERVIEW (CONT'D)

7.8.3 IC substrate applications

Our IC substrate manufacturing operations leverage semi-additive process technology compared to conventional subtractive etching technology, as these approaches enable ultra-fine line and space, high-density interconnects, and precise multilayer registration.

Our IC substrates are commonly used in the following applications:-

- **High-performance computing and networking**: IC substrates are used for power management ICs that enable vertical power distribution. These applications typically use coreless substrates in FCBGA or FCLGA packages, providing reliable high-speed signal and power delivery, mechanical stability, and standard package thickness.

- **Industrial equipment and medical devices**: IC substrates are used in micro-electro-mechanical systems devices for industrial printing, automated dispensing, and pharmaceutical analytics. These applications typically use coreless substrates and sputtered-core substrates in thin FCLGA packages, enabling ultra-thin form factors, high input/output density, and fine wiring capability.

- **Automotive electronics:** IC substrates are used in power management ICs, inverters, and analog-to-digital converters. These applications typically use coreless substrates in FCBGA or FCLGA packages, depending on mechanical, thermal, and environmental requirements.

7.9 Operational facilities

The locations of our operational facilities as at the LPD are as follows:-

Company	Main functions	Approximate built-up area (sqm)	Ownership status	Address
QFSB	Headquarters, manufacturing facility **(Bayan Lepas Plant)**	8,786	Owned	No.99, Lebuhraya Kampung Jawa Bayan Lepas 11900 Penang, Malaysia
QTSB[(1)]	Office, manufacturing facility **(Batu Kawan Plant)**	11,883	Owned	PMT 743 Persiaran Cassia Selatan 4 Taman Perindustrian Batu Kawan 14110 Bandar Cassia, Penang, Malaysia
SHTEI	Office, manufacturing facility **(Xiamen Plant)**	16,193	Owned	1776 Lvling Road Siming Area Xiamen, Fujian Province PRC
SHTEI	Office	44,227	Owned	1778 Lvling Road Siming Area Xiamen, Fujian Province, PRC

Note:-

(1) The Batu Kawan Plant is operated by QISB, whereas the land on which the Batu Kawan Plant is situated is owned by QTSB.

7. BUSINESS OVERVIEW (CONT'D)

7.10 Major machinery and equipment

As at 31 May 2025, the major machinery and equipment that we utilise for our operations are as follows:-

Types of major machinery and equipment	As at 31 May 2025		
	Number	Average age (years)	NBV (RM'000)
Malaysia FPC operations			
Circuit formation equipment: including equipment for photolithography, DES and electroplating.	17	12	2,598
Mechatronic equipment: including equipment for drilling, outlining, cutting and punching.	20	10	1,566
Circuit protection equipment: including equipment for coverlay lamination.	17	7	1,552
FPC assembly facilities: including machinery and equipment for 4 SMT lines.	14	10	800
Circuit verification equipment: including equipment for inspection and testing.	10	9	467
Surface finishing equipment: including equipment for gold plating.	5	13	109
Malaysia IC substrates operations			
Circuit formation equipment: including equipment for lamination, drilling, circuit patterning and imaging, electroplating, cleaning and etching.	26	6	11,580
Mechatronic equipment: including equipment for outlining, cutting and punching.	8	3	3,965
Circuit protection equipment: including equipment for surface preparation, grinding and ABF lamination.	5	5	2,063
Surface finishing equipment: including equipment for gold plating.	3	6	1,782
Circuit verification equipment: including equipment for inspection and testing.	6	8	276
PRC FPC operations			
Circuit formation equipment: including equipment for photolithography, DES and electroplating.	16	6	4,257
Mechatronic equipment: including equipment for drilling, outlining, cutting and punching.	27	5	3,398
Circuit protection equipment: including equipment for coverlay and stiffener lamination.	31	5	3,084
FPC assembly facilities: including machinery and equipment for 2 SMT lines.	8	12	1,992
Circuit verification equipment: including equipment for inspection and testing.	18	6	1,258
Surface finishing equipment: including equipment for gold plating.	9	6	1,123
Total			**41,870**

7. BUSINESS OVERVIEW (CONT'D)

7.11 Production capacity and output

7.11.1 FPC segment

The methodology used to calculate our actual output and utilisation rates for the manufacturing of FPC during the FYE 2023, FYE 2024 and FYE 2025 is as follows:-

- capacity is calculated based on the copper trace circuit formation machine capacity, with working hours of 24 hours per day, less public holidays (14 official public holidays for Malaysia Operations and 7 official public holidays for PRC Operations), and less 15.00% taking into account stoppages for maintenance and product changes;

- actual output refers to the number of FPC manufactured during each of the financial years; and

- utilisation rate is calculated by dividing the actual output by the capacity multiplied by 100%.

FPC	Capacity (million pieces)	Actual output (million pieces)	Utilisation rate (%)
Malaysia Operations – Bayan Lepas Plant			
FYE 2023	50	24	48
FYE 2024	50	28	56
FYE 2025	50	33	66
PRC Operations – Xiamen Plant			
FYE 2023	62	43	69
FYE 2024	62	44	71
FYE 2025	62	44	71
Group Total			
FYE 2023	112	67	60
FYE 2024	112	72	64
FYE 2025	112	77	69

7.11.2 IC substrate segment

The methodology used to calculate our actual output and utilisation rates for the manufacturing of IC substrates during the FYE 2023, FYE 2024 and FYE 2025 is as follows:-

- capacity is calculated based on the copper trace circuit formation machine capacity, with working hours of 24 hours per day, less public holidays (14 official public holidays for Malaysia Operations), and less 15.00% taking into account stoppages for maintenance and product changes;

- actual output refers to the number of IC substrates manufactured during each of the financial years; and

- utilisation rate is calculated by dividing the actual output by the capacity multiplied by 100.00%.

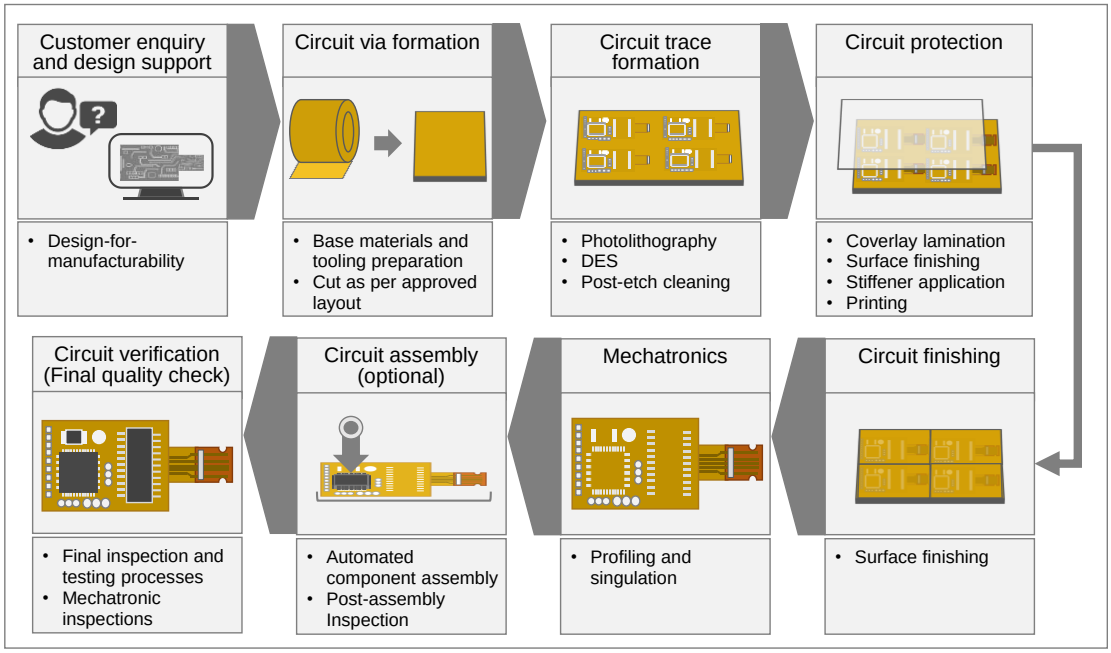
7. BUSINESS OVERVIEW (CONT'D)

IC substrates	Capacity (million pieces)	Actual output (million pieces)	Utilisation rate (%)
Malaysia Operations – Batu Kawan Plant			
FYE 2023	600	324	54
FYE 2024	600	356	59
FYE 2025	600	378	63

7.12 Process flow

7.12.1 FPC operations

The general process flow for our FPC operations, comprising the manufacturing operations and value-added assembly services, is depicted as follows:-



Customer enquiry and design support

Our FPC manufacturing process begins with prospective customers contacting our sales and marketing team with their requirements. Customers typically provide details on the intended application, performance specifications, and preliminary design concepts. Our FPC development and engineering team works closely with customers to support design-for-manufacturability, including the co-development and optimisation of circuit layouts. Key considerations include line width and spacing, circuit configuration, FPC dimensions (shape, length, and thickness), material selection, performance requirements, and overall cost.

Circuit via formation

This stage involves preparing the base materials and tooling required for production. All incoming input materials, primarily flexible copper-clad laminates, are inspected to ensure compliance with the specifications of the intended application. Materials are stored under controlled humidity and temperature to maintain dimensional stability before entering production.

7. BUSINESS OVERVIEW (CONT'D)

Flexible copper-clad laminates are cut into production panels per the approved panel layout and undergo pre-treatment processes, including baking, to remove absorbed moisture and improve process stability in subsequent manufacturing steps.

For single-sided FPCs, the prepared panels may proceed directly to circuit formation after material preparation and pre-treatment are complete. For double-sided and multilayer FPCs, additional preparation steps are required. Panels are mechanically drilled or laser-processed to form through-holes or microvias that provide electrical interconnection between conductive layers. Following drilling, the panels undergo cleaning to remove micro-debris, resin smear, and organic residues generated during the drilling operation. Where required, plasma treatment is applied to remove residual organic contaminants and activate the surface, improving plating adhesion and ensuring strong copper adhesion during subsequent plating. Vertical continuous plating (VCP) is then performed to deposit a uniform copper layer on hole walls and panel surfaces, establishing electrical connectivity across layers. After plating, polishing is carried out to remove excess copper, improve surface flatness, and ensure consistent copper thickness.

Circuit trace formation

Circuit trace formation involves creating conductive patterns on the flexible substrate in accordance with the approved design. Specific processes vary depending on the FPC type and design complexity. For single-sided and double-sided FPCs, circuit patterns are defined on the existing copper-clad substrate using photolithography, development, etching, and stripping. For multilayer FPCs, additional lamination of copper foils and dielectric layers is required to build up the multiple conductive layers, followed by photolithography, development, etching, and stripping. During photolithography, a precision subtractive etching process is employed, in which photoresist is selectively patterned to protect designated circuit areas, and the unprotected copper is removed by etching, leaving the intended copper traces on the substrate.

Following development, etching and stripping, post-etch cleaning is performed to remove residues and improve adhesion for subsequent processes, thereby ensuring reliable electrical performance and manufacturability.

Circuit protection

After circuit patterns are formed, the panels undergo circuit protection processes to enhance functionality, reliability, and readiness for applications. Circuit protection includes coverlay lamination to provide electrical insulation and mechanical reinforcement of the copper trace formed. Stiffeners are attached to the FPCs after coverlay lamination to provide local mechanical reinforcement, prior to surface finishing processes. FPC panels are then marked with identification labels, component polarity indicators, QR codes, traceability markings, or assembly guides.

Circuit finishing

We subsequently carry out surface finishing to prevent oxidation and improve solderability. Common surface finishes include gold plating such as electroless nickel/immersion gold (ENIG), electrolytic nickel/electroless palladium/immersion gold (ENEPIG), electrolytic hard and soft gold, as well as tin plating, silver plating, and anti-tarnish coatings.

Mechatronics

Finishing processes prepare FPCs for delivery or subsequent assembly, ensuring compliance with mechanical, electrical, and cosmetic specifications. FPC panels undergo profiling and singulation processes to separate individual units to the final dimensions.

7. BUSINESS OVERVIEW (CONT'D)

FPC assembly (optional)

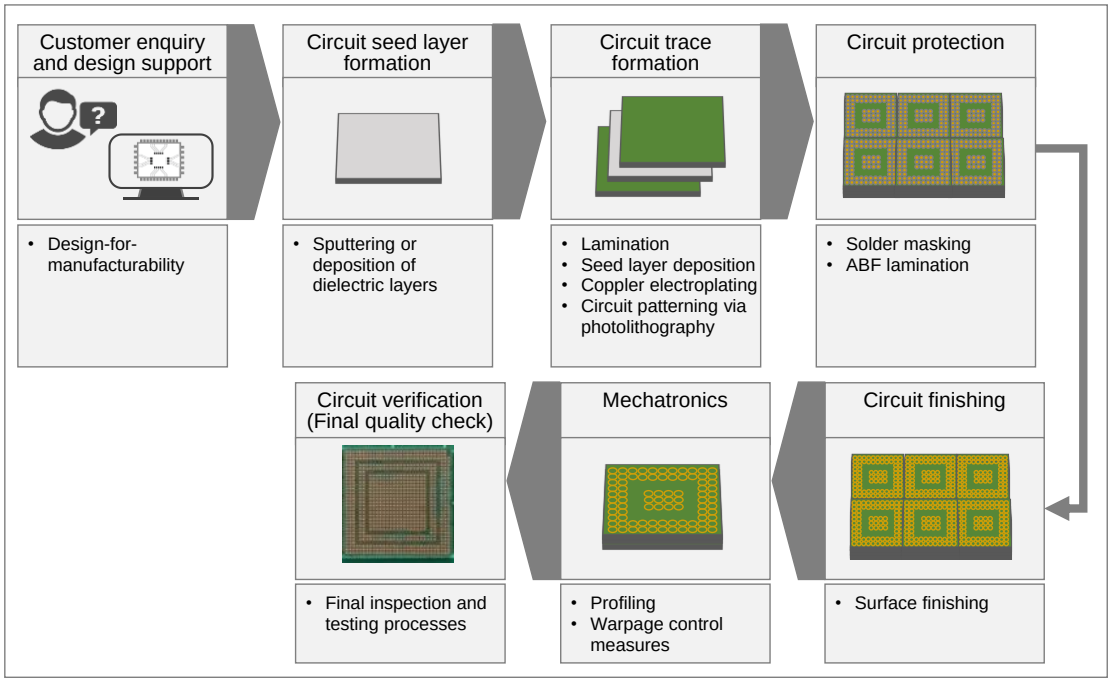
For customers requiring value-added services, we offer surface-mount technology (SMT) assembly. This includes solder paste printing, component placement, reflow soldering, and post-assembly inspection, enabling customers to receive fully or partially assembled FPC modules.

Circuit verification (Final quality check)

Before shipment, all products undergo a final quality inspection and testing process that includes automated optical inspection, visual inspection, electrical testing, dimensional checks, and reliability verification to ensure compliance with customer requirements. Where applicable, mechatronic inspection systems are used to ensure alignment, functional movement, and integration performance. Please refer to **Section 7.13** of this Prospectus for further details of the list of common tests that we carry out.

7.12.2 IC substrate manufacturing operations

The general manufacturing process flow for our IC substrates is depicted as follows:-



Customer enquiry and design support

Our IC substrate manufacturing process begins with prospective customers contacting our sales and marketing team with their requirements. Customers typically provide details on the intended application, performance specifications, and preliminary design concepts. Our IC substrate R&D team works closely with customers to support design-for-manufacturability, including the co-development and optimisation of circuit layouts. Some of the considerations include fine-line and space capability, signal integrity and power delivery, thermal and mechanical stability, package compatibility, material selection and overall cost.

7. BUSINESS OVERVIEW (CONT'D)

Circuit seed layer formation

This stage ensures dimensional stability and proper electrical characteristics for subsequent processing. For sputtered-core substrates, ultra-thin inorganic dielectric layers and copper seed layers are deposited onto a thin core. They are deposited using the sputtering process under vacuum conditions to achieve high uniformity and precision. For coreless substrates, thin organic dielectric layers are deposited onto a temporary carrier to create a flexible multilayer structure that will later support copper circuitry. The dielectric layers are typically polymer-based materials.

Circuit trace formation

Circuit trace formation involves creating interconnect patterns on the substrate in accordance with the approved design. Specific processes vary depending on the substrate type and design complexity.

During photolithography, a semi-additive process is employed, in which copper is selectively electroplated onto patterned areas. The photoresist is subsequently stripped, and excess seed layers are etched away. These steps are repeated as required to build the complete multilayer interconnect structure, enabling IC substrates to meet high-density and high-performance requirements.

Circuit protection

After circuit patterns are formed, substrates undergo solder mask lamination to enhance performance and long-term reliability. A solder mask is applied as a thin protective layer over the substrate surface to prevent copper oxidation and minimise the risk of solder bridging during component assembly. Coreless ABF substrates go through ABF lamination and grinding process. The subsequent layer is formed through another round of circuit formation on top of the ABF layer.

Circuit finishing

Depending on customer requirements, surface finishes are applied to improve solderability, protect copper circuitry, and enhance adhesion for subsequent assembly. Component assembly is performed by a third-party assembler. Common finishes for our IC substrates include organic solderability preservative, electrolytic direct gold plating, electrolytic nickel palladium gold plating, and silver plating.

Mechatronics

Finishing processes prepare IC substrates for delivery or subsequent assembly, ensuring compliance with mechanical, electrical, and cosmetic specifications. IC substrates are cut or slit and shaped to final dimensions, and warpage-control measures are applied to ensure substrate planarity and handling stability.

Circuit verification (Final quality check)

Before shipment, all products undergo a final quality inspection and testing process that includes automated visual inspection, electrical testing, dimensional checks, and reliability verification to ensure compliance with customer requirements. Please refer to **Section 7.13** of this Prospectus for further details of the list of common tests that we carry out.

7. BUSINESS OVERVIEW (CONT'D)

7.13 Research and development

In general, our R&D activities aim to create value for our customers in the semiconductor and electronics industries. As at the LPD, our R&D activities are supported by 140 development and engineering personnel. Of which, 51 personnel are part of our product development team in our PRC Operations, and the remaining 89 personnel are in our FPC and IC substrate operations in Malaysia.

Our R&D focuses on FPC and IC substrate, leveraging testing and analysis to optimise circuit layouts and maximise performance, efficiency, and cost-effectiveness. The following is a list of common tests that we carry out:-

Common testing	Main objective of the test
Testing for FPC and IC substrate	
• **Electrical performance testing**	
- Flying probe testers	To check individual circuits for opens, shorts, and correct connectivity
- 2-wired or 4-wired electrical tests	To measure resistance and continuity, the 4-wire method provides higher accuracy for low-resistance circuits
- Impedance control systems	To ensure copper traces meet precise impedance requirements for signal integrity
- High-voltage testing equipment	To detect insulation breakdown or leakage
• **Dimensional and microstructural inspection**	
- Automated optical inspection	To detect surface defects, missing features, and pattern misalignment
- Three-dimensional optical measurement systems	To measure thickness, height, and geometry with high precision
- Metallographic microscope	To examine microstructure of metal layers and interfaces
• **Chemical composition and surface analysis**	
- Surface finishing thickness measurement	To measure plating thickness, such as gold, nickel, or other coatings
- Atomic absorption spectroscopy	To determine elemental composition and detect contaminants in metal layers
- Ionic contamination testers	To measure residues that could cause corrosion or electrical failure
FPC-specific testing	
• **Mechanical reliability testing**	
- Peeling tests	To measure the adhesion strength of copper to the FPC substrate
- Flexural endurance tests	Bends the FPC repeatedly to evaluate flexibility and durability
- Folding endurance testers	Tests resistance to repeated folding or bending at specific points

7. BUSINESS OVERVIEW (CONT'D)

Common testing	Main objective of the test
• **Environmental and reliability stress testing**	
- Constant-temperature, constant-humidity test chambers	Expose FPCs to controlled heat and humidity to evaluate durability and material stability in a humid and hot environment
- Thermal stress tests	Exposes FPCs to repeated temperature cycling to simulate real-world thermal expansion and contraction
IC substrate-specific testing	
• **Chemical composition and surface analysis**	
- Scanning electron microscopy	To examine surface morphology and microstructure
- Energy-dispersive x-ray spectroscopy	To identify elemental composition and detect material mix-ups or impurities
• **Mechanical reliability testing**	
- Warpage measurement	To ensure substrate flatness after lamination or processing
- Peel and adhesion tests	To verify the adhesion of copper and dielectric layers
- Bend tests	To evaluate flexibility and risk of cracking for coreless and sputtered substrates
• **Environmental and reliability stress testing**	
- Thermal cycling	Repeated heating and cooling to detect delamination or mechanical failure
- Humidity and high-temperature storage	To evaluate corrosion resistance, dielectric stability, and adhesion over long-term use

Our R&D expenses were equivalent to 6.61%, 5.79% and 5.69% of our total revenue for FYE 2023, FYE 2024 and FYE 2025, respectively. The details of our R&D expenses are set out below:-

	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
R&D related staff salaries	12,670	61.11	12,847	65.23	13,497	64.48
Consumables and other related expenses	6,508	31.39	5,866	29.79	6,361	30.38
Purchase of supporting tools	1,556	7.50	981	4.98	1,075	5.14
Total R&D expenses	**20,734**	**100.00**	**19,694**	**100.00**	**20,933**	**100.00**

Through our R&D and product development efforts, we have developed several technological innovations in the manufacturing of FPC and IC substrates. We actively file patents to protect our intellectual property and secure rights to these inventive solutions. As at the LPD, we have 54 patents registered in Malaysia, Chinese Mainland and the USA, including 45 patents relating to FPC, and 9 patents relating to IC substrates.

7. BUSINESS OVERVIEW (CONT'D)

7.14 Technology used

During the Financial Years Under Review, we primarily use the following technologies in our production operations:-

- **Precision subtractive etching technology:** Using our imaging and photolithography equipment, we remove unwanted copper from FPC substrate surfaces to form accurate circuit patterns. This technology enables fine-feature designs, precise dimensional control, and high repeatability, ensuring our FPCs meet stringent electrical performance and customer specifications. For the Financial Years Under Review and up to the LPD, our FPC manufacturing capability supports various application requirements, including layer counts up to 10 layers, as well as achieving fine-line features down to 20 µm (±5 µm tolerance) for line width, and down to 35 µm (±5 µm tolerance) for air gap (line space). In addition, we have developed rigid-flex FPC prototypes with capabilities up to 16 layers for medical applications.

  As at the LPD, our FPC development and engineering team comprises 97 personnel. We have also registered 45 patents relating to FPC out of a total of 54 patents that have been registered in Malaysia, Chinese Mainland, and the USA.

- **SMT:** We use SMT lines for the precise placement and soldering of electronic components onto our FPCs. By integrating pick-and-place machines with automated inspection systems, we achieve consistent assembly quality, reduced defect rates, and enhanced production throughput, supporting both standard and complex circuit designs. As at the LPD, we have a total of 6 SMT lines, including 4 in Malaysia and 2 in the PRC. Our SMT capabilities include automated solder paste printing with a tolerance level of ±30 µm, as well as the ability to handle fine-pitch components and high component density boards, achieving placement accuracy of ±50 µm.

- **Semi-additive processes technology:** Using our imaging and photolithography equipment, we deposit ultra-thin copper layers and sequentially build multi-layer circuits on our IC substrates. These processes allow the creation of high-density interconnections, fine-feature circuitry and reduced substrate warpage. They are critical for producing next-generation IC substrates that meet the demands of high-performance, miniaturised electronic devices. For the Financial Years Under Review and up to the LPD, our IC substrate manufacturing capabilities support a range of application requirements, including layer counts of up to 8 layers, as well as achieving fine-line features with line width and space down to 20 µm, with copper thickness of at least 20 µm. In addition, we have developed prototypes with capabilities up to 12 layers, as well as achieving fine-line features down to 15 µm for line width and air gap (line space).

  As at the LPD, our IC substrate development and engineering team comprises 43 personnel. We have also registered 9 patents relating to IC substrates out of a total of 54 patents that have been registered in Malaysia, Chinese Mainland, and the USA. In addition, as at the LPD, we maintain a subsisting technology licence with a technology partner, pursuant to which we pay royalty fees for the licence to manufacture certain licensed products relating to our IC substrate segment until 2033. For the Financial Years Under Review, the royalty fee that we paid accounted for less than 1.00% of our administrative and marketing expenses.

As part of our FPC capabilities expansion plans, we plan to undertake R&D to adopt new process technologies focused on advanced fine-line manufacturing processes. These technologies encompass high-precision process capabilities that enable ultra-fine line widths and spacing, high interconnection density, and enhanced electrical performance in FPC manufacturing. Further details of our FPC capabilities expansion plans are set out in **Section 7.28.1(i)(c)** of the Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.15 Seasonality

During the Financial Years Under Review, we did not experience any material seasonality in our business as demand for our services and products is not subject to periodic or seasonal factors, and we are diversified across many industry applications.

7.16 Material interruptions to our business and operations

We did not experience any material interruptions to our business and operations during the Financial Years Under Review and up to the LPD.

7.17 Employees

As at the LPD, we have a total workforce of 1,247 employees, of which 757 employees or 60.71% of our total workforce are located in Malaysia Operations, whilst the remaining 490 employees or 39.29% of our total workforce are in the PRC Operations. All of our employees are employed on a permanent basis. The breakdown of our employees as at 31 May 2025 and as at the LPD are as follows:-

(i) Our Group

Category	As at 31 May 2025	As at the LPD
Malaysia Operations	711	757
PRC Operations	522	490
Total	**1,233**	**1,247**

(ii) Malaysia Operations

Category	As at 31 May 2025	As at the LPD
Management	39	46
Technical professionals	137	143
Sales and marketing	15	18
Clerical and administration	38	42
Production floor		
• Skilled	150	204
• Semi skilled	332	304
Total	**711**	**757**

Category	As at 31 May 2025	As at the LPD
Local (Malaysian)	308	390
Foreign (non-Malaysians)	403	367
Total	**711**	**757**

(iii) PRC Operations

Category	As at 31 May 2025	As at the LPD
Management	42	41
Technical professionals	93	97
Sales and marketing	14	13
Clerical and administration	41	40
Production floor		
• Skilled	131	109
• Semi skilled	201	190
Total	**522**	**490**

7. BUSINESS OVERVIEW (CONT'D)

Category	As at 31 May 2025	As at the LPD
Local (PRC)	519	487
Foreign (non-PRC)	3	3
Total	**522**	**490**

All foreign employees have valid work permits as at the LPD. None of our employees belong to any labour union and as at the LPD, there has been no labour dispute between our management and our employees. Further, during the Financial Years Under Review and up to the LPD, we have not experienced any strikes or major industrial disputes and we did not face any labour shortage that has led to any disruption to our business operations.

7.18 Market positioning and sales activities

We are a manufacturer and assembler of FPCs and a manufacturer of IC substrates, both of which are essential components in the semiconductor and electronic value chains. We position ourselves in the market defined by the following strengths:-

- **Proven expertise**: With 33 years of experience in FPC manufacturing and 13 years in IC substrate production, we have a strong track record in the semiconductor and electronics industries.

- **Advanced manufacturing capabilities**: Our extensive expertise is backed by continuous investment in R&D and on-going commitment to advance our manufacturing capabilities, process technologies as well as supporting infrastructure and equipment across our 3 manufacturing facilities in Malaysia and the PRC.

- **Flexible product offering**: We offer high-mix, low-volume FPC and high-volume IC substrates, offering tailored solutions to meet the diverse needs of our customers.

- **Commitment to quality**: Our products and services are backed by certifications, including ISO 9001, ISO 14001, ISO 13485 and IATF 16949. Additionally, our FPCs and IC substrates are independently tested and certified to meet safety and performance standards, with certifications such as RoHS and REACH.

- **Global reach**: We serve a broad range of international markets, supported by manufacturing operations in Malaysia and the PRC.

We adopt proactive sales and marketing strategies by identifying target customers, engaging them early in the design process, and leveraging our technical capabilities to develop customised solutions and expand our customer base. Our sales and marketing team comprise 31 employees as at the LPD.

We continue to enhance our marketing initiatives to address growth opportunities in the semiconductor and electronics industries. As at the LPD, we have appointed representatives/distributors for the sales of our FPC products.

7. BUSINESS OVERVIEW (CONT'D)

7.19 Major customers

The table below list the top 5 major customers of our Group for the Financial Years Under Review:-

Customers*	Shipment destinations	Length of business relationship up to the LPD (years)	FYE 2023		FYE 2024		FYE 2025	
			(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Customer A Group(1)	Malaysia, Singapore, USA	6	43,089	13.74	53,931	15.84	55,171	15.01
Customer B(2)	Japan	13	15,091	4.81	22,771	6.69	30,714	8.35
BCM Electronics Corporation Sdn Bhd	Malaysia	19	17,276	5.51	16,354	4.80	25,946	7.06
Customer C Group(3)	Chinese Mainland	20	23,265	7.42	20,201	5.93	21,528	5.86
Customer D Group(4)	Chinese Mainland, USA, Austria, Finland	11	^	^	^	^	15,912	4.33
Pan-International Electronics (M) Sdn Bhd(5)	Malaysia	13	^	^	15,116	4.44	^	^
Shantou Goworld Display Technology Co Ltd(6)	Chinese Mainland	10	16,870	5.38	^	^	^	^
Subtotal			**115,591**	**36.86**	**128,373**	**37.70**	**149,271**	**40.61**
Total revenue			**313,708**	**100.00**	**340,425**	**100.00**	**367,658**	**100.00**

Notes:-

^ *A customer of our Group, but was not amongst the top 5 major customers of our Group in the respective financial years*.

* *The names of certain top 5 customers have not been disclosed as our Group is bound by certain confidentiality clauses relating to the disclosure of their names as well as to safeguard the competitive position of our Group and our major customers in the markets in which they operate. Further, we had sought consent from Customer A Group, Customer B, Customer C Group and Customer D Group for disclosure of the information required pursuant to the IPO but such consent was not granted.*

(1) Customer A Group comprises Customer A and its subsidiaries (comprising 2 entities for the Financial Years Under Review). Customer A is listed on the New York Stock Exchange, and is involved in the development, manufacturing, and distribution of personal systems, printers, and related supplies and solutions, with headquarters located in the USA. We provide IC substrates to Customer A Group.

(2) Customer B is a private limited company incorporated in Japan, involved in the supply of the PCBs. We provide FPCs to Customer B.

7. BUSINESS OVERVIEW (CONT'D)

(3) Customer C Group comprises Customer C and its subsidiaries (comprising 4 entities for the FYE 2023 and FYE 2024, and 5 entities for the FYE 2025). Customer C is listed on the Shenzhen Stock Exchange, and is involved in design, development, manufacture and distribution of medical devices with headquarters located in the PRC. We provide FPCs to Customer C Group.

(4) Customer D Group comprises subsidiaries of a listed entity on the Nasdaq Stock Market LLC (comprising 8 entities for the FYE 2023, 10 entities for the FYE 2024 and 9 entities for the FYE 2025), where the listed entity has headquarters located in the USA. Customer D Group is involved in the provision of global healthcare solutions. We provide FPCs to Customer D Group.

(5) Pan-International Electronics (M) Sdn Bhd is a subsidiary of P.I.E. Industrial Berhad, a listed entity on Bursa Securities. We provide FPCs to Pan-International Electronics (M) Sdn Bhd.

(6) We provide FPCs to this customer.

The top 5 major customers of our Group collectively contributed 38.86%, 37.70 and 40.61% to our total revenue in the FYE 2023, FYE 2024 and FYE 2025, respectively. Save for Customer A Group, which purchased IC substrates from our Group, the remaining major customers had purchased FPC products. During the Financial Years Under Review, the revenue from Customer A Group accounted for more than 10.00% of our total revenue for the Financial Years Under Review. Within our IC substrate manufacturing segment, Customer A Group contributed 80.30%, 80.15% and 75.24% of our total revenue from the IC substrate manufacturing segment for the FYE 2023, FYE 2024 and FYE 2025, respectively.

In view of the high contributions to our Group's IC substrate manufacturing segment from Customer A Group for the Financial Years Under Review, our Group is subject to concentration risk for the revenue derived from Customer A Group for our IC substrate manufacturing segment. Nevertheless, our dependence on Customer A Group is mitigated due to the following factors:-

(i) we strive to maintain long-standing working relationships with our major customers, including Customer A Group, and treat these relationships as collaborative in nature. We work closely with our major customers to support design-for-manufacturing, including co-development and optimisation of circuit layouts. Our length of relationship up to the LPD with Customer A Group is 6 years, we have never encountered any material disruption in supply with Customer A Group;

(ii) due to the rigorous pre-qualification process and extended length of time required to become an approved manufacturer in the IC substrate industry, our Group has been able to secure repeat purchase orders from our customers over the years. Our commitment to customer support has contributed to our ability to establish and maintain long-term relationships with our major customers. Given these restrictions and the lengthy process, it is unlikely that our major customers will cease sourcing our products, provided that our Group continues to deliver our products that fulfil their requirements; and

(iii) for the Financial Years Under Review, we served a customer base of approximately 25 customers for the IC substrates manufacturing segment.

In addition to the above, we strive to maintain a diversified customer base across various industry application segments, such as communication devices, semiconductors, medical devices, consumer electronics, automotive electronics and industrial equipment. For the Financial Years Under Review, we served a total customer base of approximately 380 customers across approximately 33 shipment destination markets.

7. BUSINESS OVERVIEW (CONT'D)

7.20 Major suppliers

The table below list the top 5 major suppliers of our Group for the Financial Years Under Review:-

Suppliers*	Supplier's location of origin	Type of products/services provided to our Group	Length of business relationship as at the LPD (years)	FYE 2023		FYE 2024		FYE 2025	
				(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Circuitworks Group(1)	Malaysia, Singapore	Gold-based chemical compounds	13	15,321	10.30	17,662	10.99	18,181	11.08
Taiflex Scientific Co., Ltd	Taiwan	Copper-based materials, and protective materials	13	10,100	6.79	13,020	8.10	12,446	7.58
Supplier A Group(2)	Singapore, Chinese Mainland	Copper-based materials, and protective materials	7	7,758	5.21	11,125	6.92	8,429	5.14
Supplier B(3)	Taiwan	Electronic components	6	6,575	4.42	^	^	7,881	4.80
Supplier C(4)	Taiwan	Copper-based materials	6	6,663	4.48	7,336	4.56	5,657	3.45
Xiamen Enjoygreen Environmental Protection Technology Co., Ltd.	Chinese Mainland	Gold-based chemical compounds	8	^	^	5,593	3.48	^	^
Subtotal				**46,417**	**31.20**	**54,736**	**34.05**	**52,594**	**32.05**
Total purchases of input materials and services				**148,811**	**100.00**	**160,751**	**100.00**	**164,101**	**100.00**

Notes:-

^ *A supplier of our Group but was not amongst the top 5 major suppliers of our Group in the respective financial years.*

* *The names of certain top 5 suppliers have not been disclosed as our Group is bound by certain confidentiality clauses relating to the disclosure of their names as well as to safeguard the competitive position of our Group and our major suppliers in the markets in which they operate. Further, we had sought consent from Supplier A Group, Supplier B and Supplier C for disclosure of the information required pursuant to the IPO but such consent was not granted.*

(1) Circuitworks Group comprises Circuitworks Technologies Sdn Bhd and Circuitworks Asia Pte Ltd.

(2) Supplier A Group comprises subsidiaries of a listed entity on the New York Stock Exchange (comprising 3 entities for the Financial Years Under Review), where the listed entity has headquarters located in the USA. Supplier A Group is involved in the development and provision of products for electronics, automotive, water, protection, and industrial technologies.

(3) Supplier B is a subsidiary of a listed entity on the Tokyo Stock Exchange, where the listed entity is involved in the manufacturing of resistors and automotive electronic components, with headquarters located in Japan. Supplier B is a company incorporated in Taiwan, involved in the distribution of resistors and automotive electronic components.

(4) Supplier C is a private limited company incorporated in Taiwan, involved in the manufacturing of electronic materials.

7. BUSINESS OVERVIEW (CONT'D)

The top 5 major suppliers of our Group collectively contributed 31.20%, 34.05% and 32.05% to our total purchases of input materials and services in the FYE 2023, FYE 2024 and FYE 2025, respectively. During the Financial Years Under Review, the purchase of gold-based chemical compounds, a main material used for gold plating from Circuitworks Group accounted for more than 10.00% of our total purchases of input materials and services.

Notwithstanding the above, we are not dependent on and not subject to any concentration risk with respect to Circuitworks Group as these gold-based chemical compounds can be sourced from other suppliers. Further, we have also purchased gold-based chemical compounds from 3 other suppliers for the Financial Years Under Review. Accordingly, our Group is not dependent on any single supplier and is not exposed to concentration risk from its top 5 major suppliers.

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7. BUSINESS OVERVIEW (CONT'D)

7.21 Types and sources of input materials and services

The following are the types of input materials and services that we purchased for our business operations during the Financial Years Under Review:-

Purchases of input materials and services	FYE 2023		FYE 2024		FYE 2025	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
FPC operations	**113,164**	**76.04**	**122,933**	**76.49**	**130,956**	**79.80**
Electronic components[(1)]	38,832	26.10	33,671	20.95	46,483	28.33
Coverlays, films, and lamination materials	21,306	14.32	28,181	17.53	26,629	16.23
Copper-based materials	17,488	11.75	22,369	13.92	19,234	11.72
Gold-based chemical compounds	14,047	9.44	11,804	7.34	11,349	6.92
Equipment upkeep and related expenses	4,810	3.23	5,034	3.13	6,389	3.89
Chemicals[(2)]	6,759	4.53	6,728	4.18	6,532	3.97
Others[(3)]	9,922	6.67	15,146	9.44	14,340	8.74
IC substrates operations	**35,647**	**23.96**	**37,818**	**23.51**	**33,145**	**20.20**
Gold-based chemical compounds	5,744	3.86	11,719	7.29	13,371	8.15
Copper-based materials	7,081	4.76	7,719	4.80	6,010	3.66
Chemicals[(2)]	5,086	3.42	5,098	3.17	4,188	2.55
Equipment upkeep and related expenses	3,540	2.38	3,752	2.33	3,028	1.85
Tooling services	8,562	5.75	563	0.35	300	0.18
Others[(4)]	5,634	3.79	8,967	5.57	6,248	3.81
Total purchases of input materials and services	**148,811**	**100.00**	**160,751**	**100.00**	**164,101**	**100.00**

Notes:-

(1) Electronic components for FPC operations mainly comprise LEDs, amplifiers, diodes, capacitors, thermistors, fixed inductors and transistors.

(2) Chemicals for FPC and IC substrate operations mainly comprise cleaning solutions and general process chemicals.

(3) Others for FPC operations mainly comprise production consumables, tooling services, and subcontracted FPC assembly services.

(4) Others for IC substrate operations mainly comprise circuit protective materials and production consumables.

7. BUSINESS OVERVIEW (CONT'D)

The breakdown of input materials and services purchased by source of supply for the Financial Years Under Review is set out below:-

Purchases of input materials and services[1]	FYE 2023[1]			FYE 2024[1]			FYE 2025[1]		
	(RM'000)	Domestic (%)	Imported (%)	(RM'000)	Domestic (%)	Imported (%)	(RM'000)	Domestic (%)	Imported (%)
Malaysia operations	97,828	34.30	65.70	110,978	36.41	63.59	116,427	35.07	64.93
PRC operations	50,983	74.88	25.12	49,773	78.31	21.69	47,674	78.02	21.98
Total purchases of input materials and services	**148,811**	**48.20**	**51.80**	**160,751**	**49.38**	**50.62**	**164,101**	**47.55**	**52.45**

Note:-

(1) Domestically sourced refers to input materials sourced from the subsidiaries' respective operational base, while imported refers to input materials sourced from outside their operational base.

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7. BUSINESS OVERVIEW (CONT'D)

FPC operations

For our FPC manufacturing and assembly operations in Malaysia and the PRC, some of the input materials that we purchase include the following:-

(i) electronic components include amplifiers, diodes, capacitors, thermistors, fixed inductors, and transistors, which are mainly used for our FPC assembly operations;

(ii) coverlays, films, and lamination materials, which are mainly used for base materials and circuit protective processes during our FPC manufacturing operations;

(iii) copper-based materials include copper-clad laminates and foils, which are mainly used as the input materials for our FPC manufacturing operations; and

(iv) gold-based chemical compounds, which are mainly used for our circuit plating processes during our FPC manufacturing operations.

The remaining input materials and services that we purchase include equipment upkeep and related expenses, chemicals for cleaning and processing processes, as well as other input materials and services for the FPC manufacturing and assembly operations.

IC substrate operations

For our IC substrate manufacturing operations in Malaysia, we purchase the following types of input materials:-

(i) gold-based chemical compounds, which are mainly used for our circuit plating processes during our IC substrate manufacturing operations; and

(ii) copper-based materials include copper-clad laminates and foils, which are mainly used as the input materials for our IC substrate manufacturing operations.

The remaining input materials and services that we purchase include chemicals for cleaning and processing processes, equipment upkeep and related expenses, tooling services, as well as other input materials and services for the IC substrate manufacturing operations.

Overall, our input materials and services are sourced from both overseas and domestic sources. For the Financial Years Under Review, our input materials and services from foreign countries accounted for 51.80%, 50.62% and 52.45% of our total purchases of input materials and services for the FYE 2023, FYE 2024 and FYE 2025, respectively. The remaining 48.20%, 49.38% and 47.55% of our total purchases of input materials and services for the FYE 2023, FYE 2024 and FYE 2025, respectively were sourced from domestic suppliers.

7.22 Material trademarks, brand names and other intellectual property rights

Further details of our material trademarks, brand names and other intellectual property rights are set out in **Annexure A** of this Prospectus.

7.23 Major certificates, licences, permits and approvals

Further details of our major certificates, licences, permits and approvals are set out in **Annexure B** of this Prospectus.

7.24 Material properties

Further details of our material properties are set out in **Annexure C** of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.25 Dependency on contracts, agreements, documents or other arrangements

As at the LPD, there are no contracts, agreements, documents or other arrangements or other matters entered into by or issued to us which we are materially dependent on, or which are material to our business and profitability.

7.26 Governing laws and regulations

Our Group's business is regulated by, and in some instances required to be licensed under specific laws of Malaysia and Chinese Mainland. The relevant laws and regulations governing our Group and which are material to our operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to:-

7.26.1 Governing laws and regulations relating to Malaysia

(i) Local Government Act 1976 ("LGA") and the Licensing of Trades, Businesses and Industries (Pulau Pinang City Council) 1991 ("LTBI Penang")

The LGA is enacted to revise and consolidate the laws relating to local government in Peninsular Malaysia. Every license or permit granted by the local authority shall be subject to such conditions and restrictions as the local authority thinks fit and shall be revocable by the local authority at any time without assigning any reason therefor. Factories and warehouses are therefore required to have business and signboard/advertising licences, to display said licences at the factory/warehouse premises, and to produce said licences upon request.

Pursuant to the Section 107(6) of the LGA, a person who fails to exhibit or produce his license on the licensed premises shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

Further to the above, by the power given to city councils in Malaysia by virtue of the LGA, the LTBI Penang states that for any person who operates without a licence, the penalty shall be a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both. An additional fine of not more than RM200 would also be imposed for every day that the offence continues after conviction.

(ii) National Land Code 2020 ("NLC")

The NLC regulates land matters within Peninsular Malaysia, where our material properties are situated. Pursuant to Section 120 of the NLC, the state authority may alienate land subject to such express conditions and restrictions in interest conformable to law as it may think fit and determined when the land is approved for alienation. Every condition or restriction in interest imposed shall be endorsed on or referred to in the document of title to the land.

Pursuant to Sections 127, 128 and 129 of the NLC, any breach of an express condition imposed on alienated land renders the land liable to forfeiture by the State Authority. If no satisfactory cause why a fine should be imposed is shown, a fine of not less than RM 500.00 may be imposed, and in the case of a continuing breach, a further fine of not less than RM 100.00 for each day during which the breach continues. If the breach remains unremedied, or if the Land Administrator deems the breach incapable of remedy, forfeiture proceedings may thereafter be initiated under Sections 128 and 129.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Industrial Co-ordination Act 1975 ("ICA") and Industrial Co-ordination (Exemption) Order 1976 ("Industrial Exemption Order")

The ICA provides for the co-ordination and orderly development of manufacturing activities in Malaysia. It also prescribes the licensing requirements for manufacturing activities.

A "manufacturing activity" is defined as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with 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 ICA and the Industrial Exemption Order mandates the existence of a manufacturing licence where a person engages in manufacturing activities and has shareholders' funds of RM2.5 million and above or engages 75 or more full-time paid employees. Contravention of which would render such person guilty of an offence and liable to a fine of not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

(iv) Street, Drainage and Building Act 1974 ("SDBA") and Uniform Building By-Laws 1984 ("UBBL")

The SDBA is enacted to amend and consolidate the laws relating to street, drainage and building in local authority areas in Peninsular Malaysia, and for the purposes connected therewith.

Under the UBBL which was issued pursuant to the SDBA, a certificate of completion ("**CCC**") will only be issued by the local authority upon receipt of certification in relevant forms by a qualified person i.e., an architect, registered building draughtsman or engineer.

A qualified person must be satisfied that, to their best knowledge: (i) the relevant building has been constructed in accordance with UBBL; (ii) any conditions imposed by the local authority have been satisfied; (iii) all essential services have been provided; and (iv) responsibilities have been accepted for the portions that are being concerned with.

Pursuant to Section 70(27)(f) of the SDBA, any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable on conviction, to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

(v) Occupational Safety and Health Act 1994 ("OSHA"), Occupational Safety and Health (Plant Requiring Certificate of Fitness) Regulations 2024 ("Certificate of Fitness Regulations") and the Occupational Safety and Health (Licensed Person) Order 2024 ("Licensed Person Regulations")

The OSHA provides that it is the general duty of every employer to ensure, so far as is practicable, the safety, health and welfare at work of all employees.

7. BUSINESS OVERVIEW (CONT'D)

Pursuant to Section 15 of the OSHA, general duties include, in particular:-

(a) the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health;

(b) the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;

(c) the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of his employees;

(d) so far as is practicable, as regards any place of work under the control of the employer, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks;

(e) the provision and maintenance of a working environment for his employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for their welfare at work; and

(f) the development and implementation of procedures for dealing with emergencies that may arise while his employees are at work.

An occupier of a workplace that has been gazetted as requiring a safety and health officer must appoint a person who is competent to act as a safety and health officer to ensure the due observance of the provisions of the OSHA and any related regulations, and for promoting safe work conduct at the workplace.

Any person who contravenes any of the above will be guilty of an offence and will, on conviction, be liable to a fine not RM50,000 or to imprisonment for a term not exceeding 6 months or to both.

Every employer is also required to establish a safety and health committee if there are 40 or more persons employed at the place of work or if directed by the Director General of DOSH, failing which the employer shall be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or to both. The safety and health committee will, among others, keep under review the measures taken to ensure the safety and health of persons at the workplace.

The OSHA also prescribes standards for the certification and inspection of plants, ensuring their operational safety and compliance, and the Certificate of Fitness Regulations and the Licensed Person Regulations detail requirements for plant operations and certifications.

Any person who operates or causes or permits any plant requiring a certificate of fitness to be operated must ensure that the plant has a valid certificate of fitness, failing which such person will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or both.

7. BUSINESS OVERVIEW (CONT'D)

(vi) Fire Services Act 1988 ("FSA") and Fire Services (Designated Premises) (Amendment) Order 2020 ("Designated Premises Order")

The FSA is enacted to make necessary provisions for the effective and efficient functioning of the Fire Services Department. It is also enacted for the protection of persons and property from fire risks and for purposes connected therewith.

According to Section 28(1) of the FSA, every designated premise shall require a fire certificate. "Designated" premises are defined in the Designated Premises Order, which includes factories. Fire certificates are therefore needed for factories of a single storey with a size of 2000 square meters and over where sprinkler systems are installed. The same also applies to factories of 2 storeys of the same layout.

Pursuant to Section 33 of the FSA, where there is no fire certificate in force in respect of any designated premises, the owner of the premises shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both.

(vii) Environmental Quality Act 1974 ("EQA") and Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Order 1989 ("Scheduled Waste Order")

The EQA is enacted for the prevention, abatement, control of pollution and enhancement of the environment.

According to Section 34B of the EQA, no person shall place, deposit or dispose of, or cause or permit to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters. Prescribed premises are provided for in the Scheduled Wastes Order. A person found in contravention of Section 34B of the EQA shall be upon conviction, be punished with a fine of not less than RM100,000 and not exceeding RM10,000,000 and also be liable to imprisonment for a term not exceeding 5 years.

According to Section 49A of the EQA, an owner or occupier of a premise shall employ a person who has been certified by the Director General as a competent person to conduct all or any of the following activities:-

(a) The operation of a control equipment;

(b) The management of scheduled wastes;

(c) The conduct of studies; and

(d) The preparation and submission of reports, plans, proposals, engineering drawings or other documents relating to environmental matters.

Contravention of which would according to Section 41 of the EQA, hold a person liable to a fine of not less than RM5,000 and not exceeding RM250,000.

(viii) Employment Act 1955 ("EA"), National Wages Consultative Council Act 2011 ("NWCCA"), Minimum Wages Order 2024 ("MWO") and Employment (Part-Time Employees (Regulations) 2010 ("Part-Time Regulations")

The EA regulates all labour relations including, amongst others, contracts of service, payment of wages, rest days, hours of work and termination. According to Section 99A of the EA, a general penalty of a fine not exceeding RM50,000 is prescribed to whomever that contravenes any section of the EA where no specific penalty is provided.

7. BUSINESS OVERVIEW (CONT'D)

The EA also provides regulations for the employment of foreign employees. Pursuant to Section 60(K)(1) of the EA, it is a requirement for employers to obtain approval from the Director General of Labour before a foreign employee can be employed. Any employer who contravenes this section commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 5 years or to both.

Pursuant to the NWCCA, an employer who fails to pay the basic wages, as specified in the minimum wages order, to his employees commits an offence and shall, on conviction, be liable to a fine not of not more than RM10,000 for each employee. According to the MWO, the minimum wage, effective 1 February 2025, is RM1,700 monthly and RM8.72 hourly for employers who employ 5 or more employees.

The Part-Time Regulations govern the overtime pay, holidays, annual leave, sick leave, and rest day for part-time employees. Any employer who contravenes the regulation commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000.

(ix) Employees' Minimum Standards of Housing, Accommodation and Amenities Act 1990 ("EMSHAAA") and Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 ("Employees' Accommodation Regulations")

The EMSHAAA is the legislative framework that compels employers to ensure that the minimum standards of housing and amenities are provided to workers.

According to Section 24D(3) of the EMSHAAA, an employer who provides an accommodation not certified with a Certificate for Accommodation to an employee, commits an offence and shall on conviction, be liable to a fine not exceeding RM50,000. For a centralized accommodation provider that contravenes, they would be committing an offence and upon conviction, be liable for a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 1 year or to both.

The Employees' Accommodation Regulations also provides for further minimum requirements that an accommodation must have. Contravention of said regulations would upon conviction, lead to a fine of RM1,000 or to imprisonment for a term not exceeding 6 months or to both.

(x) Customs Act 1967

The Customs Act 1967 ("**CA**") provides for the procedures and measures applied by officers of customs before the release of goods. It also governs the licensing of manufacturing warehouses.

Pursuant to Section 65 and 65A of the CA, the Director General may, on payment of such fees as may be fixed by him in each case, grant a licence to any person ("licensee"), and when granted, withdraw any licence, for warehousing goods liable to customs duties in a place or places specified in such licence and to carry on any manufacturing process and other operation in respect of the goods liable to customs duties and any other goods. In each case, the Director General may also impose conditions on the licences which are to be adhered to.

According to Section 138 of the CA, an omission or neglect to comply with, and every act done or attempted to be done contrary to, the provisions of the CA, or any breach of the conditions and restrictions subject to, or upon which, any licence is issued or any exemption is granted under the CA, shall be an offence and where no penalty is expressly provided for, the offender shall be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both.

7. BUSINESS OVERVIEW (CONT'D)

7.26.2 Governing laws and regulations relating to the Chinese Mainland

(i) The Company Law of the Chinese Mainland

The Company Law of the Chinese Mainland (the "**Company Law**") was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 1993. It was last amended on 29 December 2023 and the amendments came into effect on 1 July 2024. According to the Company Law, companies established in the PRC are either limited liability companies or joint stock limited companies. A company is an enterprise legal person with independent legal person property, and is entitled to legal person property rights. The company is liable for its debts with all its assets. The shareholders of a limited liability company is liable to the extent of their respective subscribed capital contribution. The shareholders of a joint stock limited company is liable to the extent of their respective subscribed shares. The Company Law is applicable to foreign-invested limited liability companies and joint stock limited companies, unless otherwise provided by foreign investment laws, in which case such laws shall prevail.

(ii) The Foreign Investment Law of the Chinese Mainland, The Regulations for the Implementation of the Foreign Investment Law, and The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024) (the "2024 Negative List")

(a) Foreign Investment Law

On 15 March 2019, the SCNPC adopted the Foreign Investment Law, which took effect on 1 January 2020. The State Council subsequently issued the Regulations for the Implementation of the Foreign Investment Law on 26 December 2019, also effective from 1 January 2020, providing further clarification of the Foreign Investment Law. The organizational form, structure, and operations of foreign-invested enterprises are governed, among others, by the Company Law of the Chinese Mainland and the Partnership Enterprise Law of the Chinese Mainland. Foreign-invested enterprises established before the Foreign Investment Law came into effect may retain their original organizational structure for 5 years thereafter.

According to the Foreign Investment Law, foreign investment is subject to a pre-entry national treatment and negative list management system. Pre-entry national treatment ensures that foreign investors receive treatment no less favorable than domestic investors at the market access stage. The negative list management system means that the state implements special administrative measures for access to foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields. Foreign investors' investment, earnings and other legitimate rights and interests within the territory of China shall be protected by law, and foreign-invested enterprises enjoy equal access to national policies supporting enterprise development.

Following the implementation of the Foreign Investment Law, the Ministry of Commerce of China (the "**MOFCOM**") and the State Administration for Market Regulation (the "**SAMR**"), jointly promulgated the Foreign Investment Information Reporting Measures (the "**Information Report Measures**"), on 30 December 2019, effective 1 January 2020. The Information Report Measures require foreign investors or foreign invested enterprises to report their investment related information to the competent local counterpart of the MOFCOM through the Enterprise Registration System and National Enterprise Credit Information Notification System.

(b) Foreign Investment Industrial Policy

The 2024 Negative List was promulgated on 6 September 2024 and took effect on 1 November 2024. It specifies areas in which foreign investment is prohibited and permitted only subject to certain conditions. Foreign investment in areas not listed in the 2024 Negative List is treated equally with domestic investment. The relevant provisions of the opinions of the state council on implementing negative list system for market access promulgated by the state council issued on 2 October 2015, and effective from 1 December 2015, shall apply equally to both domestic and foreign investors. Moreover, according to the 2024 Negative List, PRC entities operating in areas prohibited to foreign investment shall obtain approval from competent PRC authorities before seeking offshore listings. Foreign investors shall not participate in operations and management, and their shareholding ratio shall comply with PRC laws.

(iii) The Land Administration Law of the Chinese Mainland, The Implementing Regulations for the Land Administration Law of the Chinese Mainland, and The Provisional Regulations of the Chinese Mainland Concerning the Grant and Transfer of the Right to Use State Land in Urban Areas

According to the Land Administration Law of the PRC, which was issued by the SCNPC on 25 June 1986 and implemented on 1 January 1987, and last amended on 26 August 2019 and implemented on 1 January 2020, land in China is classified into agricultural land, construction land and unused land. Land in urban areas is owned by the state; land in rural areas and suburban areas is owned collectively by the peasants, except for those which belong to the state under the law. Homestead and reserved land and hilly land reserved for private use are collectively owned by peasants. Land collectively owned by peasants which belongs to village peasants collectively in accordance with the law shall be operated and managed by the village collective economic organization or village committee.

Pursuant to the Land Administration Law of the Chinese Mainland, the Implementing Regulations for the Land Administration Law of the Chinese Mainland, and the Provisional Regulations of the Chinese Mainland Concerning the Grant and Transfer of the Right to Use State Land in Urban Areas, except for the allocation of state-owned land use rights within the scope prescribed by law, the PRC implements a paid-use system for state-owned land in accordance with the law. The methods of compensated use of state-owned land mainly include transfer of state-owned land use rights, leasing of state-owned land, and using state-owned land use rights as a way of capital contribution or investment in exchange for equity. Transfer of land use rights can be conducted by means of agreement, tender, and auction. Transfer of land use rights requires the signing of a land use right transfer contract and payment of land premium.

(iv) The Environmental Protection Law of the Chinese Mainland, The Environmental Impact Assessment Law of the Chinese Mainland, and The Category-based Management Directory on the Environmental Impact Assessment for Construction Projects

The Environmental Protection Law, which was adopted in 1989, last amended in 2014 and became effective in 2015, established the legal framework for environment protection in China. The Environmental Protection Law requires the Ministry of Ecology and Environment of China (the "**MEE**") to implement uniform supervision and administration of environmental protection work nationwide and establishes national waste discharge standards. Enterprises producing environmental contamination and other public hazards must incorporate environmental protection work into their planning and establish environmental protection systems. As of the date of this prospectus, the business of us and our subsidiaries complied with the relevant provisions of the Environmental Protection Law.

Through the adoption of the Environmental Impact Assessment Law of the Chinese Mainland in 2018 and the Category-based Management Directory on the Environmental Impact Assessment for Construction Projects, which was recently amended in 2020 and became effective on 1 January 2021, the PRC government established a system to appraise the environmental impact of construction projects and classify the appraisal based on the degree of environmental impact caused by such construction project. Entities undertaking construction projects with potential environmental impacts are required to produce either a report, statement, or a registration form regarding such environmental impacts, depending on the severity of the potential effects on the environment.

(v) The Administrative Measures for Pollutant Discharge Licensing, The Catalogue for Classified Administration List of Pollutant Discharge Permits for Stationary Pollution Sources, and The Regulations on Pollutant Discharge Permit Administration

Pursuant to the Administrative Measures for Pollutant Discharge Licensing, which was promulgated by the MEE on 1 April 2024 and took effect on 1 July 2024, enterprises, public institutions and other producers and operators that are subject to pollutant discharge permit administration shall apply for a pollutant discharge permit and discharge pollutants in accordance with the requirements of the pollutant discharge permit. Any enterprise that fails to obtain a pollutant discharge permit shall not discharge pollutants.

According to the Catalogue for Classified Administration List of Pollutant Discharge Permits for Stationary Pollution Sources, which was promulgated by the MEE on 20 December 2019 and took effect on the same date, based on factors such as the amount of pollutants generated and discharged, and the degree of impact on the environment, focused management, streamlined management, and registration management of pollution discharge permits are implemented. Pollutant-discharging entities subject to discharge registration are not required to apply for a pollutant discharge permit but should fill in a pollutant discharge registration form on the National Pollutant Discharge Permit Administration Information Platform.

The Regulations on Pollutant Discharge Permit Administration issued by the State Council on 24 January 2021 and implemented on 1 March 2021, further enhance the pollutant discharge administration. Pollutant-discharging entities shall practice focused and streamlined management pursuant to the amount of pollutants generated and discharged and the degree of impact on the environment. The review, decision and information disclosure of pollutant discharge permit shall be handled through the National Pollutant Discharge Permit Administration Information Platform. The pollutant discharge permit is valid for 5 years and the discharging entities should apply for renewal of the pollutant discharge permit 60 days before its expiry.

7. BUSINESS OVERVIEW (CONT'D)

(vi) The Labor Law of the Chinese Mainland, the Labor Contract Law of the Chinese Mainland, the Regulations on Implementing the Labor Contract Law of the Chinese Mainland, the Social Insurance Law of the Chinese Mainland and The Regulations on the Management of Housing Fund

(a) Labor

Pursuant to the Labor Law of the Chinese Mainland, which was promulgated by the SCNPC on July 5, 1994, last amended on December 29, 2018 and came into effect on the same date, the Labor Contract Law of the Chinese Mainland, which was promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and came into effect on July 1, 2013, and the Regulations on Implementing the Labor Contract Law of the Chinese Mainland, which were promulgated by the State Council on September 18, 2008 and came into effect on the same date, a written labor contract shall be entered into to establish a labor relationship between an employer and his or her employee. Wages may not be lower than the local standards of minimum wages. Employers shall establish their respective system of occupational safety and sanitation, implement the rules and standards issued or imposed by PRC from time to time, provide education regarding occupational safety and sanitation to their employees, provide their employees with labor safety and sanitation conditions and necessary articles of labor protection supplies conforming to the provisions of the Chinese Mainland, and provide regular health examination for employees engaged in work involving occupational hazards. Employers are prohibited from forcing employees to work above certain time limit and employers shall pay employees for overtime work in accordance with national regulations.

(b) Social Insurance and Housing Fund

Under the Social Insurance Law of the Chinese Mainland that was promulgated by the SCNPC on 28 October 2010, and came into force as of 1 July 2011, and last amended on 29 December 2018, together with other laws and regulations, employers are required to pay basic pension insurance, unemployment insurance, basic medical insurance, employment injury insurance, maternity insurance, and other social insurance for their employees at specified percentages of the salaries of the employees, up to a maximum amount specified by the local government regulations from time to time. When an employer fails to fully pay social insurance premiums, relevant social insurance collection agency shall order it to make up for any shortfall within a prescribed time limit and may impose a late payment fee at the rate of 0.05% per day of the outstanding amount from the due date. If such employer still fails to make up for the shortfalls within the prescribed time limit, the relevant administrative authorities shall impose a fine of 1 to 3 times the outstanding amount upon such employer.

In accordance with the Regulations on the Management of Housing Fund which was promulgated by the State Council on 3 April 1999 and recently amended on 24 March 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employers and employees are also required to pay and deposit housing funds, with an amount of no less than 5.00% of the monthly average salary of the employee in the preceding year in full and on time.

If an enterprise fails to pay in full or in part its housing funds contributions, such enterprise will be ordered by the housing funds enforcement authorities to make such contributions and may be compelled by the people's court that has jurisdiction over the matter to make such contributions.

7. BUSINESS OVERVIEW (CONT'D)

(vii) The Regulations on the Control of Foreign Exchange, Circular on Reforming the Management Approach regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprise ("SAFE Circular 19"), Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts ("SAFE Circular 16"), Circular on Further Promoting Cross-border Trade and Investment Facilitation, Measures for Information Reporting on Foreign Investment, and Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment ("SAFE Circular 13")

According to the Regulations on the Control of Foreign Exchange, which were promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and were last amended on 5 August 2008, payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies may not repatriate foreign currency payments received from abroad or retain the same abroad. RMB is convertible into other currencies for current account items, such as trade-related receipts and payments of interest and dividends. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the State Administration of Foreign Exchange (the "**SAFE**") or its local office. According to regulations on foreign exchange settlement of foreign-invested enterprises ("**FIEs**"), they may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

The Circular on Reforming the Management Approach regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprise, or SAFE Circular 19, which was promulgated by the SAFE on 30 March 2015 and last amended on 24 March 2023, allows FIEs to settle their foreign exchange capital at their discretion. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it needs to provide supporting documents and proceed with the review process with the banks. Furthermore, SAFE Circular 19 stipulates that the use of capital by FIEs shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in Renminbi obtained by the FIEs from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate not for self-use (except for the foreign-invested real estate enterprises).

The Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which was promulgated by the SAFE and became effective on 9 June 2016, provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by Chinese Mainland Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

7. BUSINESS OVERVIEW (CONT'D)

The Circular on Further Promoting Cross-border Trade and Investment Facilitation, which was promulgated on 23 October 2019 by the SAFE and became effective on the same date, further cancels restrictions on the domestic equity investment by non-investment-oriented foreign-funded enterprises with their capital funds and provides that non-investment-oriented foreign-funded enterprises are allowed to make domestic equity investment with their capital funds in accordance with the law on the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and the projects invested thereby in China are true and compliant.

On 30 December 2019, the MOFCOM and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on 1 January 2020. Pursuant to these measures, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

Pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or the SAFE Circular 13, became effective on 1 June 2015 and was amended on 30 December 2019, and other laws and regulations relating to foreign exchange, when setting up a new foreign invested enterprise, the foreign invested enterprise shall register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including without limitation any increase in its registered capital or total investment, the foreign invested enterprise must register such changes with the bank located at its registered place after obtaining the approval from or completing the filing with competent authorities. Pursuant to the relevant foreign exchange laws and regulations, the above-mentioned foreign exchange registration with the banks will typically take less than 4 weeks upon the acceptance of the registration application.

(viii) The Enterprise Income Tax Law of the Chinese Mainland (the "EIT Law"), the Value-Added Tax Law of Chinese Mainland (the "VAT Law"), The Regulations for the Implementation of the Value-Added Tax Law of Chinese Mainland, The Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Treaties, and The Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises

(a) Enterprise Income Tax

On 16 March 2007, the SCNPC promulgated the Enterprise Income Tax Law of the Chinese Mainland, which was amended on 24 February 2017 and 29 December 2018. Under the EIT Law, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in China in accordance with Chinese Mainland laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC.

Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25.00% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10.00% with respect to their income sourced from inside the PRC. According to the EIT Law and relevant regulations, subject to the permission or approval of competent tax authorities, the income tax of an enterprise that has been determined to be a high and new technology enterprise shall be reduced to a preferential rate of 15.00%.

(b) Value-Added Tax

On 25 December 2024, the State Council promulgated the Value-Added Tax Law of the Chinese Mainland and the regulations for the implementation of the value-added tax law of PRC, which came into effect on 1 January 2026. According to the VAT Law, entities and individuals (including individual businesses) that sell goods, services, intangible assets, or immovable property within the territory of the PRC, or import goods, are VAT taxpayers and shall pay value-added tax in accordance with regulations. The regulations for the implementation of the value-added tax law of the Chinese Mainland clarifies critical definitions (e.g., taxable transactions, place of supply, time of tax liability), specifies the detailed application of VAT rates (13%, 9%, 6%, and 0%), and sets out clear rules for tax calculation, input tax credit, invoice management, tax filing, and withholding. Unless otherwise stipulated, the tax rate for taxpayers selling goods, providing processing, repair and replacement services, leasing tangible movable property, or importing goods is 13%.

(c) Dividends Withholding Tax

Pursuant to the EIT Law and its implementation rules, dividends from income generated from the business of a PRC subsidiary after 1 January 2008 and distributed to its foreign investor are subject to withholding tax at a rate of 10.00% if the Chinese Mainland tax authorities determine that the foreign investor is a non-resident enterprise, unless there is a tax treaty with China that provides for a preferential withholding tax rate. On 14 October 2019, SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Treaties, or SAT Circular 35, which became effective on 1 January 2020. SAT Circular 35 provides that non-PRC resident enterprises are not required to obtain pre-approval from the relevant tax authorities in order to enjoy the reduced withholding tax. Instead, non-PRC resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and include necessary forms and supporting documents in the tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities.

7. BUSINESS OVERVIEW (CONT'D)

(d) Tax on Indirect Transfer

On 3 February 2015, the SAT issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or the SAT Circular 7. Pursuant to the SAT Circular 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets, whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China, and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure. SAT Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange.

On 17 October 2017, the SAT issued the Circular on Issues of Tax Withholding regarding Source of Non-PRC Resident Enterprise Income Tax, or the SAT Circular 37, which further elaborates on the relevant implemental rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises.

(ix) The Customs Law of the Chinese Mainland, and The Regulations of the Chinese Mainland Customs on Administration of Recordation of Declaration Entities

Pursuant to the Customs Law of the Chinese Mainland adopted by the SCNPC on 22 January 1987, amended on 29 April 2021 and effective on the same date, imported goods shall be subjected to PRC customs' supervision and administration from time of their entry into the PRC territory to customs' clearance. Moreover, the PRC customs supervise exported goods as well as transit, transshipment and through-shipment goods throughout the period where the goods were declared or arrived, to the goods' departure from PRC territory.

Pursuant to the Regulations of the Chinese Mainland Customs on Administration of Recordation of Declaration Entities, adopted by the General Administration of Customs on 19 November 2021 and effective from 1 January 2022, customs declaration entities acting as consignees and consignors of import and export goods must apply for recordation to obtain market entity qualifications. The recordation is valid for an indefinite long term, while temporary recordation is valid for 1 year and may be renewed upon expiry.

7.26.3 Environmental, social and governance practices

We recognise the importance of adopting ESG practices such as ensuring environmentally responsible operations, providing conducive workplaces for employees and a high standard of corporate governance for sustainable value creation and maintaining the confidence of our shareholders and stakeholders. As such, we will focus on the following 3 broad categories:-

7. BUSINESS OVERVIEW (CONT'D)

(i) Environmental sustainability

Our Group is committed to complying with all applicable environmental, health and safety laws and regulations. Climate and environmental risks, including energy use and emissions, are assessed and monitored to support effective risk management, operational continuity, and regulatory compliance.

Our Group seeks to minimise the environmental footprint of our operations through responsible resource management. Our management team actively promotes initiatives to expand sustainable capacity, enhance energy efficiency through solar power integration in all our 3 manufacturing facilities and reducing reliance of non-renewable resources. Our Group also endeavours to educate and raise awareness amongst our employees on the importance of waste segregation and recycling.

In addition, our Group also places an emphasis on cultivating environmental, health, and safety awareness among our employees and continuously enhancing our processes, policies and practices. These efforts support continuous improvement in our environmental performance and demonstrate our commitment to sustainable and responsible operations.

(ii) Social Sustainability

Our Group's social practices focus on supporting employee welfare, maintaining a safe and inclusive workplace, promoting fair employment practices and fostering responsible conduct across our operations. We value diversity by ensuring all employees have equal opportunities for growth and development. Our human resource policies are aligned with the national labour laws, namely, the Employment Act 1955, Malaysian Anti-Corruption Commission Act 2009 and Personal Data Protection Act 2010. Discrimination, harassment, abusive conduct, and bullying are strictly prohibited, ensuring a safe and respectful work environment for everyone.

Our Group implements human capital and employee welfare initiatives aimed at safeguarding health and safety, supporting employee well-being and enhancing skills and capabilities. These initiatives include workplace safety measures, training and development programmes and practices designed to promote compliance with internal policies and applicable requirements. We seek to maintain a positive and productive working environment that supports employee engagement and long-term organisational sustainability.

Our Group engages with a wide range of stakeholders, including employees, customers and suppliers to understand their expectations and incorporate relevant considerations into our sustainability practices. Community initiatives are undertaken in line with our corporate social responsibility efforts to ensure consistent and responsible support for our local community, such as engaging in coastal clean-up programs to help remove waste and protect the environment.

ESG and climate-related risks are embedded into our strategic planning and Group wide risk management processes and are reviewed periodically to support long-term resilience and responsible growth.

(iii) Governance

Our Group's governance framework is underpinned by a strong commitment to ethical conduct, accountability and compliance with all applicable laws and regulatory requirements. Our management has established a comprehensive set of internal policies that set clear standards of behaviour for our directors and employees, address risks relating to corruption, conflicts of interest and financial crime and promote responsible and transparent business practices. These policies form part of our broader internal control environment and support our effective management of ESG-related risks.

7. BUSINESS OVERVIEW (CONT'D)

Our Group maintains a whistleblowing framework that provides secure and confidential channels for our employees and external parties to report any actual or suspected misconduct, breaches of law or non-compliance with our internal policies. Our management ensures that all reports are taken seriously and investigated in a fair, consistent and timely manner, with appropriate safeguards in place to protect whistleblowers from retaliation. We continue to enhance our governance, monitoring and disclosure practices to ensure ongoing regulatory compliance and alignment with evolving sustainability standards and stakeholder expectations.

7.27 Non-compliances with the relevant laws, regulations, rules and requirements governing the conduct of the operations of our Group

Save for the non-compliances as disclosed below, as at the LPD, our Group is in compliance with the relevant laws, regulations, rules and requirements governing the conduct of the business of our Group:-

(i) Malaysia

As at the LPD, there are 121 Bumiputera employees out of a total of 498 employees, representing 24.30% of the total workforce at the Bayan Lepas Plant owned by QFSB.

This does not comply with 1 of the express conditions stated on the land title of the Bayan Lepas Plant as clause (iv) of the express conditions stipulates that *"30% of the employees engaged in the business conducted on this land shall consist of Bumiputera (Menetapkan bahawa 30% daripada pekerja-pekerja yang diambil dalam perniagaan untuk tanah yang diberi milik ini hendaklah terdiri dari kaum Bumiputra)"* ("**Condition**").

The land surveyor appointed by us had submitted the application to the Southwest District and Land Office ("***Pejabat Daerah dan Tanah Barat Daya***") for the removal of the Condition from the land title of the Bayan Lepas Plant on 21 January 2026 and the estimated processing time for the application to remove the Condition is approximately 6 months, from the date of submission.

The estimated cost of rectification is RM15,254 comprising of RM10,000 (being the estimated fee payable to the land office), RM4,754 (being the cost to appoint the land surveyor) and RM500 for the conversion fee.

Notwithstanding that the non-compliance of the Condition may remain unresolved at the time of our Listing, we will continue to make the necessary applications and/or engage with the relevant authorities even after our Listing to resolve and address the said non-compliance in accordance with the directions of the relevant authorities.

Our management is following up closely and liaising with relevant authorities to resolve the said non-compliance in the best interest of our Company. We will update our shareholders on the status of the non-compliance incident in our annual reports.

Impact to business operations or financial condition of our Group

While we have applied for the removal of the Condition which is still pending, the impact to the business operations or financial condition of our Group is not material, as the estimated cost of rectification of RM15,254 and maximum potential penalty of RM37,000 per annum (calculated based on an initial fine of RM500 and a further fine of RM100 per day, if continuing breach), which if simultaneously imposed on a maximum basis would amount to less than 0.10% of our Group's PBT for the FYE 2025 is not material to our Group.

7. BUSINESS OVERVIEW (CONT'D)

(ii) PRC

During the Financial Years Under Review, SHTEI did not make housing provident contributions for certain employees with non-Xiamen urban household registration; and SHTEI and RPM did not make sufficient social insurance and housing provident fund contributions based on the statutory contribution base.

This does not comply with the relevant Chinese Mainland laws and regulations, specifically:-

(a) Article 58 and Article 60 of the Social Insurance Law of the Chinese Mainland (中华人民共和国社会保险法), which stipulate that an employer shall perform social insurance registration for its employees and shall declare and pay social insurance premiums in full and on time on its own; and

(b) Article 15 and Article 20 of the Regulations on the Management of Housing Provident Fund (住房公积金管理条例), which stipulates that an employer shall perform Housing Provident Fund registration for its employees and pay the housing provident fund for its employees in full and on time, and shall not pay it in arrears or underpay it.

Pursuant to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《关于稳妥有序做好社会保险费征管有关工作的通知》) issued by the State Administration of Taxation (the "**SAT**"), responsible for the collection of social insurance contributions, in September 2018 and the Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《关于实施进一步支持和服务民营经济发展若干措施的通知》) issued by the SAT in November 2018, local authorities are generally prohibited from organising centralised collection of historical arrears from enterprises.

Furthermore, the Notice on Issuing the Comprehensive Plan for the Reduction of Social Insurance Premium Rate 《关于印发降低社会保险费率综合方案的通知》 which was promulgated by the General Office of the State Council in April 2019 underlines that the duties for collection of social insurance premiums paid by enterprises in any province shall not conduct centralised collection of historical fees and charges owed by enterprises on their own and shall not adopt any practices that would increase the actual contribution burden on small and micro enterprises, so as to avoid causing operational difficulties for such enterprises.

It is common practice for enterprises in the Chinese Mainland to have instances of non-payment or underpayment of social insurance and/or housing provident fund contributions due to history industry practices, legacy employment arrangements, as well as circumstances where certain employees opted not to participate in specific social insurance or housing provident fund schemes notwithstanding the employer's obligations.

According to the public credit information report from Credit China, during the Financial Years Under Review, neither SHTEI nor RPM has been subject to any penalties from the relevant authorities related to social insurance or housing provident fund matters. As at the LPD, neither SHTEI nor RPM has received any notice from the relevant authorities ordering it to make contributions.

Based on consultation with the Xiamen Labor Supervision Administration and the Xiamen Housing Provident Fund service hotline, authorities typically will not retroactively require the company to make shortfall contributions for social insurance and or housing provident fund based on the employees' average monthly wages of the preceding year, nor will it impose late payment fees or administrative penalties for such matters.

7. BUSINESS OVERVIEW (CONT'D)

Impact to business operations or financial condition of our Group

Our Group and our Board are of the view that no immediate rectification is required as at the LPD, and any future financial impact is not expected to have a material impact on our Group's operations after taking into consideration of the following:-

(a) Potential disciplinary actions

According to Chinese Mainland's Social Insurance Law and Regulations on the Management of Housing Provident Fund, Chinese Mainland authorities could order Chinese Mainland entities to pay the shortfall plus late surcharges. Penalty of 1 to 3 times the overdue amount would only be imposed if we fail to comply with such a payment order. Save for the payment of the shortfall plus late surcharges, no disciplinary action (i.e. imprisonment), will be imposed on SHTEI and RPM.

Given that (1) neither SHTEI nor RPM was subject to any penalties related to social insurance premiums and housing provident fund matters during the Financial Years Under Review; and (2) As at the LPD, neither SHTEI nor RPM have received any notice from the authorities ordering it to make contributions. SHTEI and RPM will make such payments, if ordered to do so, within the timeframe required by the authorities to avoid any penalties; therefore, the risk of SHTEI and RPM being subject to administrative penalties for failure to make sufficient social insurance and/or housing provident fund contributions for their employees is relatively low.

(b) Impact to financial conditions

Given that (1) neither SHTEI nor RPM was subject to any penalties nor received any notice from the authorities ordering us to make contributions; (2) pursuant to the relevant policies, local authorities generally shall not conduct centralised collection of historical arrears, and based on consultation with the relevant local authorities confirmed that they typically do not retroactively require shortfall contributions unless specific complaints are filed; and (3) As at the LPD, no complaints raised by our employees with respect to the above, and under the premise that there are no significant changes to the current Chinese Mainland policies and regulations or to the enforcement and supervision requirements of local governments, and assuming no employee complaints are filed, our Chinese Mainland Legal Adviser, are of the view that the likelihood that SHTEI and RPM would be subject to administrative penalties due to the failure to make social insurance premiums and/or housing provident fund contributions for their employees is remote.

In the unlikely event we are ordered to rectify the non-compliance for the Financial Years under Review, the estimated shortfall is approximately RM3.9 million, RM3.3 million and RM3.1 million, respectively, which represent 5.0%, 3.9% and 3.4% of our Group's PBT for the FYE 2023, FYE 2024 and FYE 2025, respectively. SHTEI and RPM will make such payments, if any, within the timeframe required by the authorities to avoid any penalties.

We have been advised that such non-compliance gives rise to administrative liabilities only and would not result in any criminal liability or imprisonment.

Premised on the above, this non-compliance will not have a material adverse effect on the business operations and financial condition of our Group.

7. BUSINESS OVERVIEW (CONT'D)

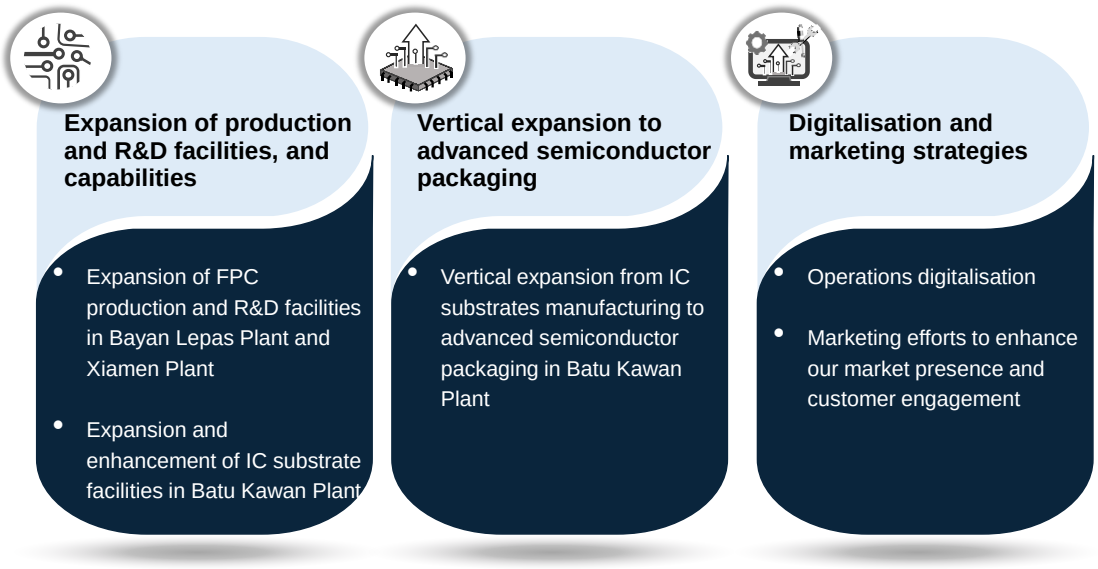
7.28 Overview of our business strategies and plans

Moving forward, we will continue to focus our existing business activities, leverage our core competencies to enter new growth areas, and capitalise on opportunities to sustain and grow our business.

Our business strategies and plans include expanding, modernisation and enhancing our facilities in Malaysia and the PRC to support our growth and venturing into new businesses by vertically expanding from IC substrates into advanced semiconductor packaging in Malaysia.

The summary of our business strategies and plans is as follows:-

Our business strategies and plans



7.28.1 Expansion of production, and R&D facilities, and capabilities

(i) FPC expansion

We plan to expand the production facilities and capabilities of our FPC manufacturing at the Bayan Lepas Plant and Xiamen Plant, and undertake R&D initiatives at the Xiamen Plant. This will involve enhancing product robustness and manufacturing efficiency, with a particular focus on precision and performance.

(a) Expanding and modernising production facilities and capabilities

The expansion and modernisation of our FPC operational facilities and capabilities in our Bayan Lepas Plant and Xiamen Plant involves the purchase and installation of additional equipment to strengthen our manufacturing and assembly capabilities and support future business growth. This mainly includes the acquisition of the following equipment:-

- circuit formation equipment to support finer capabilities;
- mechatronic equipment to enhance process precision and efficiency, while minimising handling-related defects;
- circuit protection equipment to increase automation for the surface protection process focusing on improvements in mechanical strength and uniformity across large panel FPC;

- circuit verification equipment to expand quality assurance capabilities;

- surface finishing equipment for additional precision surface treatment lines; and

- FPC assembly facilities to upgrade our existing SMT lines through the integration of equipment, enhancing quality control and improving production efficiency.

This expansion will increase the annual production capacity of our Bayan Lepas Plant and Xiamen Plant, with total FPC manufacturing capacity expected to increase by approximately 50.00%, from approximately 112 million pieces as at the LPD to 168 million pieces by the 4th quarter of 2029.

(b) Factory upgrade

Further, as part of our modernisation plan for the Xiamen Plant, we intend to undertake renovations works and upgrades key supporting systems. The renovation works will involve the reorganising and expansion of existing productions area, which would allow our Group to accommodate additional equipment and improve workflow efficiency. The upgrading key supporting systems will include the wastewater treatment systems and cold storage facilities. We intend to commence factory upgrade work progressively between 1st quarter and 4th quarter of 2027.

(c) Expanding R&D facilities and capabilities

In addition to our FPC capabilities expansion plan in our Xiamen Plant, we also plan to undertake R&D to adopt new process technologies focused on advanced fine-line manufacturing processes. While the expansion and modernisation of production facilities described in **Section 7.28.1(i)(a)** above are primarily focus on scaling up and upgrading our existing production processes to increase capacity, yield and operational efficiency, these R&D initiatives are differentiated in that they are aimed at evaluating, developing and qualifying new process technologies and process flow. Through the R&D initiatives, we intend to develop new advanced process technologies that enable ultra-fine line widths and spacing, high interconnection density and enhanced electrical performance, thereby strengthening our technology competitiveness in FPC manufacturing.

As at the LPD, our Xiamen Plant utilises precision subtractive etching process, where circuit patterns are formed through photolithography and controlled chemical etching to remove unwanted copper from a full copper layer to forms the fine-pitch copper circuitry on the flexible substrates. While this process technology continues to meet current production requirements, our Group plans to progressively enhance our process technology through R&D to address increasingly stringent customer and market demands. In this regard, we intend to adopt new advanced fine-line manufacturing process technologies, which include, amongst others, modified semi addictive process (mSAP) technologies (which involved the selectively plating copper onto patterned areas on the FPC rather than etching unwanted copper from a full copper layer), upon successful R&D effort. In addition, we intend to expand our rigid-flex FPC capabilities, leveraging both the precision subtractive etching process and new advanced fine-line manufacturing process technologies. These efforts are intended to support the continuous advancement of our fine-line FPC manufacturing capabilities, which are increasingly required for advanced FPC applications involving high-density circuitry in industries such as advanced medical imaging and instrumentation.

7. BUSINESS OVERVIEW (CONT'D)

Our R&D activities will involve the development of pilot prototypes leveraging the advanced fine-line technologies, the optimisation of photolithography and etching process parameters, the evaluation of materials and plating control and carrying out performance validation and process refinement, to ensure reliable electrical and mechanical performance.

In addition, we intend to invest in analytical equipment to support our continuous research and development activities for our FPC manufacturing capabilities. Such equipment is intended to support process development, product evaluation and technical validation activities for fine-line circuit formation, coverlay and bonding processes, roll-to-roll chemical processing, surface finishing and assembly-related processes, as well as the evaluation of materials performance and process reliability in FPC production.

Our Group has been continuously conducting market research and engaging with our customers to gain a better understanding of the latest technological advancements and future demand for advanced process technologies. The timing and scope of adoption of such technologies will be dependent on market trends, customer requirements and commercial feasibility and our Group may adopt alternative advanced process technologies where appropriate.

(d) Estimated costs

The total estimated costs for the expansion of our production facilities at our Bayan Lepas Plant and Xiamen Plant are set out below, of which the entire cost will be funded through IPO proceeds:-

	Estimated costs			
	Bayan Lepas Plant RM'000	**Xiamen Plant RM'000**	**Total RM'000**	**(1)Expected timeline**
Expansion of FPC production facilities and capabilities	**[●]**	**[●]**	**[●]**	**2026 – 2029**
- *Circuit formation equipment(2)*	*[●]*	*[●]*	*[●]*	*2026 - 2029*
- *Mechatronic equipment(3)*	*[●]*	*[●]*	*[●]*	*2026 - 2029*
- *Circuit protection equipment(4)*	*[●]*	*[●]*	*[●]*	*2026 - 2029*
- *Circuit verification equipment(5)*	*[●]*	*[●]*	*[●]*	*2026 - 2029*
- *Surface finishing equipment(6)*	*[●]*	*[●]*	*[●]*	*2026 - 2029*
- *FPC assembly facilities(7)*	*[●]*	*[●]*	*[●]*	*2026 - 2029*
- *Analytical equipment(8)*	*[●]*	*[●]*	*[●]*	*2026 - 2029*
- *Factory upgrades(9)*	*[●]*	*[●]*	*[●]*	*2027*
Expansion of FPC R&D facilities and capabilities	**[●]**	**[●]**	**[●]**	**2027 - 2029**
- *Circuit formation equipment(10)*	*[●]*	*[●]*	*[●]*	*2027 - 2029*
- *Circuit verification equipment(11)*	*[●]*	*[●]*	*[●]*	*2027 - 2029*
- *Analytical equipment(12)*	*[●]*	*[●]*	*[●]*	*2027 - 2029*
Total	**[●]**	**[●]**	**[●]**	

7. BUSINESS OVERVIEW (CONT'D)

Notes:-

(1) Expected timing based on the planned implementation schedule.

(2) Circuit formation equipment includes photolithography and DES systems, drilling equipment, photoresist lamination and related equipment.

(3) Mechatronic equipment includes automated and precision punching equipment, and automated handling equipment.

(4) Circuit protection equipment includes automated and precision lamination equipment, and solder mask printing equipment.

(5) Circuit verification equipment includes automated inspection equipment, an electrical testing machine, and dimensional inspection equipment.

(6) Surface finishing equipment includes gold and tin plating lines.

(7) FPC assembly facilities include the purchase of a fully automated high-precision SMT line, as well as upgrades of our existing SMT lines with the purchase of automated soldering equipment, tower systems for automated component storage and material handling, and in-line automated inspection equipment.

(8) Analytical equipment includes microscopy and spectroscopy for materials characterisation, process analysis and other analyses.

(9) Factory upgrades include renovation works.

(10) Circuit formation equipment for R&D includes photolithography and DES equipment, lamination equipment, and automated optical shaping equipment.

(11) Circuit verification equipment for R&D includes a coordinate measuring machine.

(12) Analytical equipment for R&D includes microscopy and spectroscopy for materials characterisation, process analysis and other analyses for the FPCs manufactured using advanced fine-line manufacturing processes.

(ii) IC substrate expansion

Similarly, the expansion and enhancement of our IC substrate facilities at our Batu Kawan Plant involves purchasing additional equipment to strengthen our manufacturing capabilities and support our future business growth. This mainly includes the acquisition of the following equipment:-

- circuit formation equipment to support finer capabilities;
- mechatronic equipment to enhance production efficiency and consistency;
- circuit protection equipment to improve yield and product reliability; and
- circuit verification equipment to further strengthen quality assurance and process control.

The expansion will increase the annual production capacity of our Batu Kawan Plant, with total annual IC substrate manufacturing capacity expected to increase by approximately 40.00% from 600 million pieces to 840 million pieces by the 4th quarter of 2029.

7. BUSINESS OVERVIEW (CONT'D)

The total estimated cost for the expansion of our production facilities at our Batu Kawan Plant, is set out below, of which the entire cost will be funded through IPO proceeds:-

Batu Kawan Plant	Estimated costs RM'000	(1)Expected timeline
Expansion and enhancement of IC substrate facilities	**[●]**	**2026 – 2029**
- *Circuit formation equipment(2)*	*[●]*	*2026 – 2029*
- *Circuit protection equipment(3)*	*[●]*	*2026 – 2029*
- *Mechatronic equipment(4)*	*[●]*	*2026 – 2029*
- *Circuit verification equipment(5)*	*[●]*	*2026 – 2029*
Total	**[●]**	

Notes:-

(1) Expected timing based on the planned implementation schedule.

(2) Circuit formation equipment includes high-precision circuit patterning and imaging equipment and mechanical cutting equipment.

(3) Circuit protection equipment includes substrate lamination and coating equipment, surface preparation equipment and solder mask imaging equipment.

(4) Mechatronic equipment includes laser cutting and marking equipment, and mechanical cutting equipment.

(5) Circuit verification equipment includes electrical testing equipment.

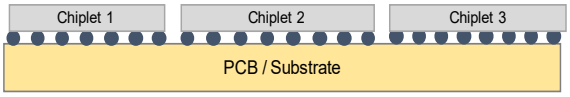
7.28.2 Vertical expansion to advanced semiconductor packaging

Our strategy is to address new business opportunities through vertical expansion from IC substrate manufacturing into advanced semiconductor packaging at our Batu Kawan Plant. Our IC substrate business has continued to grow since the commencement of our pilot production in 2013. This was reflected in our revenue trajectory, with a CAGR of 16.90% from our IC substrate manufacturing operations between FYE 2023 and FYE 2025.

Our vertically integrated production plan will encompass the entire manufacturing process, from IC substrate manufacturing to advanced semiconductor packaging. Our initial investment will focus on establishing an R&D production facility dedicated to advanced semiconductor packaging, where multiple dies or chiplets and associated components are integrated directly onto our in-house manufactured IC substrates. This enables us to accelerate innovation and enhance package performance to meet growing demand for high-density, high-performance semiconductors. The capacity of the new pilot production facility for advanced semiconductor packaging is estimated at 30 million units per year. Through this initiative, we aim to enhance our technical capabilities in semiconductor component assembly and advanced packaging markets and enhance product performance. Over time, this is expected to broaden our product offerings and diversify our revenue streams.

The R&D production facility is designed to support a series of manufacturing processes, including assembly and packaging, that combine multiple chiplets/dies into a single semiconductor package, such as a system-in-package (SiP). This involves the following processes:-

Illustration of multi-die SiP



- Wafer thinning and dicing to prepare individual dies for assembly;
- Chiplet/die bonding to attach the chiplet/die onto the IC substrate;
- Reflow soldering to form an electrical and mechanical interconnection between the chiplet/die and substrate;
- Underfill dispensing and curing to enhance mechanical strength and thermal reliability;
- Moulding and encapsulation to protect the assembled package from environmental and mechanical stress;
- In-process testing, including automated electrical and functional tests to ensure assembly integrity and performance;
- Singulation to cut the moulded panel into individual units; and
- Inspection and quality verification process, such as optical and electrical checks.

The total estimated cost for the R&D production facility at our Batu Kawan Plant is set out below, of which the entire cost will be funded through IPO proceeds:-

Batu Kawan Plant	**Units**	**Estimated costs RM'000**	**(1)Expected commencement and completion period**
Expanding R&D facilities	**[●]**	**[●]**	**2027 - 2029**
- *wafer and package preparation equipment(2)*	*[●]*	*[●]*	*2027 - 2029*
- *die attach and bonding equipment(3)*	*[●]*	*[●]*	*2027 - 2029*
- *moulding equipment(4)*	*[●]*	*[●]*	*2027 - 2029*
- *laser marking and packaging equipment(5)*	*[●]*	*[●]*	*2027 - 2029*
- *inspection and testing equipment(6)*	*[●]*	*[●]*	*2027 - 2029*
Total	**[●]**	**[●]**	

Notes:-

(1) Expected timing based on the planned implementation schedule.

(2) Wafer and package preparation equipment includes wafer thinning and dicing equipment.

(3) Die attach and bonding equipment includes equipment for precision die placement onto substrates, die bonding equipment and SMT chip placement line.

(4) Laser marking and packaging equipment includes equipment for substrate and package identification, laser-based marking, labelling, singulation and automated tape-and-reel handling.

(5) Inspection and testing equipment includes systems for optical inspection, and mechanical and electrical testing, such as ball shear and die shear.

7.28.3 Digitalisation and marketing strategies

(i) Operations digitalisation

We plan to progressively digitalise our operational processes to enhance production planning and monitoring. This will improve data accuracy and traceability across manufacturing and administrative functions, while strengthening interdepartmental coordination. We aim to invest in software applications that will optimise our business operations, as outlined below:-

7. BUSINESS OVERVIEW (CONT'D)

(a) Circuit design and engineering software

We intend to invest in circuit design and engineering software to streamline our product development activities and engineering workflows. This software is expected to improve design accuracy and consistency, facilitate better collaboration and information sharing among technical teams, and enable more efficient design reviews and modifications. The use of integrated design tools will also enhance documentation control and support the transition from design to manufacturing.

(b) Operational software

We plan to implement software solutions to support administrative and management functions. These include customer relationship management (CRM) software, a cloud-based enterprise resource planning (ERP) system and AI-enabled manufacturing systems with statistical process control capabilities. These systems will integrate data across various business functions and provide analytical insights into production, inventory, and operational performance. Ultimately, these solutions will improve the monitoring and control of manufacturing processes, enabling more informed, timely decision-making and enhancing overall operational coordination.

In addition, we plan to digitalise and upgrade operational facilities at our manufacturing facilities as follows:-

(a) Smart warehousing solutions and an automated packing system

We plan to invest in smart warehousing solutions and an automated packing system for our Bayan Lepas Plant, to optimise our warehouse and logistics operations. These digitalisation initiatives are expected to improve inventory accuracy, enhance material tracking and handling efficiency and streamline the order fulfilment process. The adoption of automated and digitally enabled systems will also reduce reliance on manual handling and improve workflow coordination within the warehouse.

(b) Chiller system and an AI-enabled energy-efficient building management system

We plan to invest in a chiller system and an AI-enabled energy-efficient building management system for our Batu Kawan Plant, to enhance facility and utilities management. These systems are expected to support stable and controlled production environments, enable real-time monitoring and optimisation of energy use, and improve the management of utilities and building infrastructure. Implementing these systems will also enable more efficient energy management.

The abovementioned digitalisation will be based in the Malaysia Operations, with the resources and capabilities to be shared between both the Malaysia Operations and PRC Operations. We plan to commence the digitalisation of our operations progressively between 2027 and 2028, with a total estimated cost of RM[●] million, to be funded through IPO proceeds.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Marketing strategies

We plan to expand our marketing efforts to enhance our market presence and customer engagement. These initiatives aim to raise awareness of our technical capabilities, manufacturing capacity and service offerings, while fostering long-term relationships with both existing and potential customers.

Our sales and marketing team will focus on participating in industry trade fairs, exhibitions and shows in key markets, including Japan, Europe, and the USA. This will allow us to engage directly with customers, industry stakeholders and potential business partners.

For the Financial Years Under Review, our marketing and related expenses represented 7.54% (RM3.6 million), 5.70% (RM2.5 million), and 2.87% (RM1.2 million) of our total administrative and marketing expenses for the FYE 2023, FYE 2024, and FYE 2025, respectively.

We plan to allocate approximately RM[●] million to support these marketing activities, which will be funded from our IPO proceeds and utilised within 36 months from the date of listing.

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