

6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON CORAZA

Our Company was incorporated in Malaysia under the Act on 30 November 2020 as a private limited company under the name of Coraza Integrated Technology Sdn Bhd. On [●], we converted into a public limited company and adopted our present name.

Our Company is principally an investment holding company. There has been no material change in the manner in which we conduct our business or activities since our incorporation and up to LPD. Through our subsidiary, we are principally involved in the fabrication of sheet metal and precision machined components, as well as the provision of related services, such as D&D and value-added sub-module assembly services. Please refer to Section 7.1 for detailed information of our Group's history.

As at LPD, our share capital is RM29.3 million comprising 310,540,001 Shares, all of which have been issued and fully paid-up. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration/ Types of issue	Cumulative share capital RM
30 November 2020 [●]	1 310,540,000	RM1/ Subscriber's share RM29,252,868/ Consideration for Acquisition	1 29,252,869

As at LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon completion of our IPO, our enlarged share capital will increase to RM[●] million comprising 428,331,001 Shares.

6.2 DETAILS OF THE ACQUISITION

In preparation for our Listing, we have undertaken the Acquisition. On 8 June 2021, we entered into a conditional share purchase agreement with Coraza Holdings to acquire the entire equity interest in Coraza Systems comprising 2,500,000 ordinary shares for a purchase consideration of RM29.3 million which was satisfied by the issuance of 310,540,000 new Shares to Coraza Holdings at an issue price of RM0.0942 each.

The purchase consideration for the Acquisition of RM29.3 million was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Coraza Systems as at 31 December 2020 of RM29.3 million.

The Acquisition was completed on [●]. Thereafter, Coraza Systems became our wholly-owned subsidiary.

Based on the terms of the conditional share purchase agreement for the Acquisition, Coraza Holdings had irrevocably agreed that the total consideration payable by us shall be satisfied by the issuance of 310,540,000 new Shares at an issue price of RM0.0942 per Share to Paul Heng Weng Seng and Liew Sow Ying in the following proportion:

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	Allocation of Shares	
	No. of Shares issued	% allocation
Paul Heng Weng Seng	217,378,000	70.00
Liew Sow Ying	93,162,000	30.00
	310,540,000	100.0

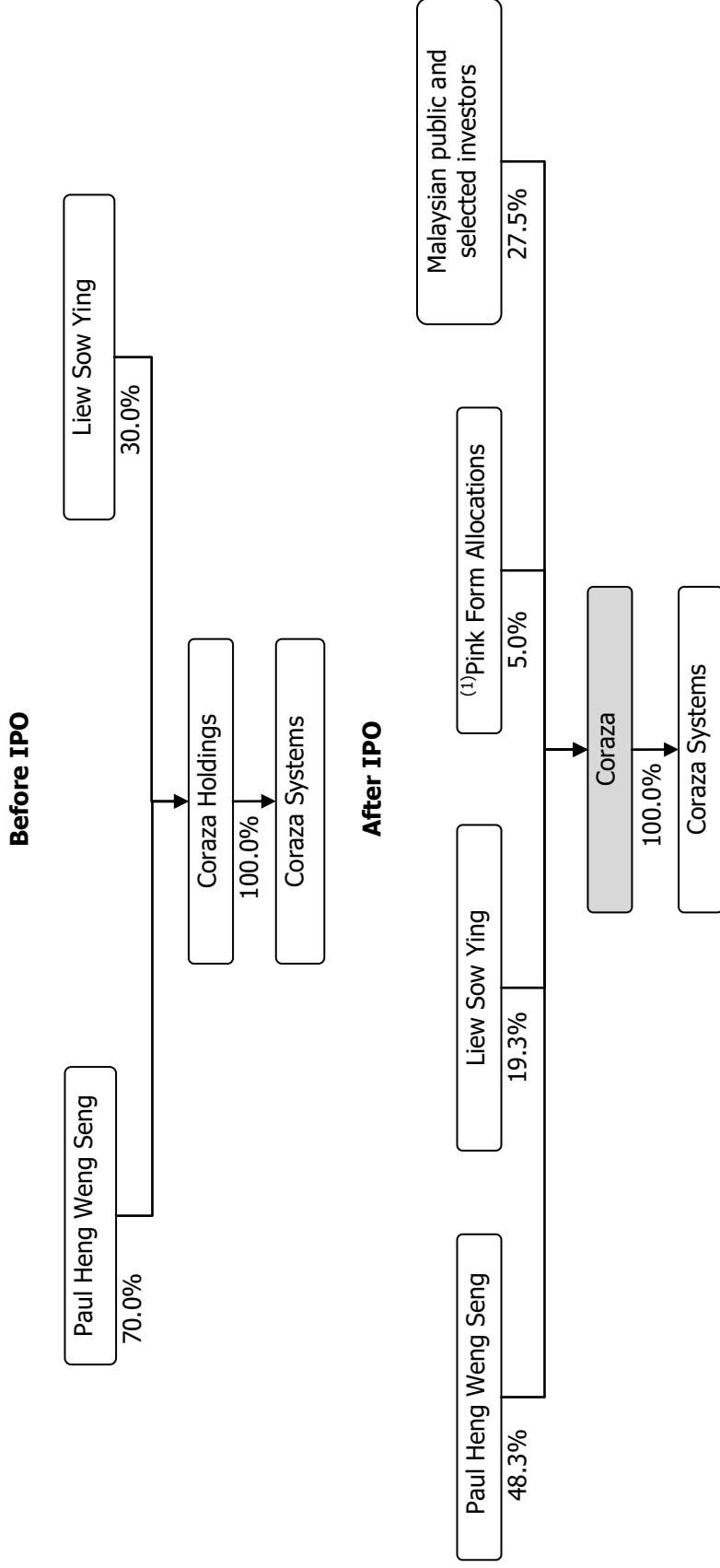
Coraza Holdings is owned by Paul Heng Weng Seng (70.0%) and Liew Sow Ying (30.0%) via their direct shareholdings in the company. Both Paul Heng Weng Seng and Liew Sow Ying are also Directors of Coraza Holdings.

The new Shares issued under the Acquisition rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.3 GROUP STRUCTURE



Note:

⁽¹⁾ Assuming that all our eligible Directors, employees and persons who have contributed to the success of our Group will subscribe for the Pink Form Allocations.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4 SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of our subsidiary as at LPD are summarised as follows:

Company	Date/ Place of incorporation	Principal place of business	Issued share capital RM	Effective equity interest %	Principal activities
Coraza Systems	18 September 2001/ Malaysia	Malaysia	2,500,000	100.0	Fabrication of sheet metal and precision machined components, as well as the provision of related services, such as D&D and value-added sub module assembly services

Details of the share capital of our subsidiary are set out in Section 15.2.

As at LPD, we do not have any associated company.

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6.5 MATERIAL CONTRACTS

Save as disclosed below, there were no contracts which are or may be material (not being contracts entered into in the ordinary course of business) entered into by our Group for FYE 2018 to 2020 and up to LPD:

- (a) Sale and purchase agreement dated 23 July 2018 between Coraza Systems and Macro Dimension Concrete Sdn Bhd to purchase a piece of vacant industrial land held under GM 1510, Lot 2773, Mukim 07, Jalan Bukit Panchor, Daerah Seberang Perai Selatan, Negeri Pulau Pinang for a cash consideration of RM2,251,810, the transfer of which was completed on 27 December 2018;
- (b) Sale and purchase agreement dated 23 July 2018 between Coraza Systems and Macro Dimension Concrete Sdn Bhd to purchase a piece of vacant industrial land held under Geran 59350, Lot 2776, Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang for a cash consideration of RM1,353,669, the transfer of which was completed on 26 December 2018;
- (c) Sale and purchase agreement dated 30 December 2020 between Coraza Systems and Coraza Holdings for the disposal of a piece of industrial land held under GM1536, Lot 4093, Mukim 07, Jalan Bukit Panchor, Daerah Seberang Perai Selatan, Negeri Pulau Pinang bearing assessment address at 14, Lorong Industri 5, Kawasan Industri Bukit Panchor, 14300 Nibong Tebal, Seberang Perai Selatan, Pulau Pinang together with 1½-storey detached factory erected thereon for a cash consideration of RM2,800,000, which was completed on 30 December 2020;
- (d) Purchase order dated 5 February 2021 from Coraza Systems to Alam Setia Bina Sdn Bhd for expansion of our existing factory at a contract value of RM840,000. The construction is expected to complete in the third quarter of 2021;
- (e) Purchase order dated 25 February 2021 from Coraza Systems to Alam Setia Bina Sdn Bhd for the construction of firewall at our existing factory at a contract value of RM152,483.67. The construction was completed in June 2021;
- (f) Share purchase agreement dated 8 June 2021 between our Company and Coraza Holdings for the Acquisition, which was completed on [•]; and
- (g) Underwriting agreement dated [•] between our Company and M&A Securities for the underwriting of 42,833,100 Issue Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of Issue Shares underwritten.

6.6 PUBLIC TAKE-OVERS

During the last financial year and the current financial year up to LPD, there were:

- (a) No public take-over offers by third parties in respect of our Shares; and
- (b) No public take-over offers by our Company in respect of other companies' shares.

6. INFORMATION ON OUR GROUP (Cont'd)

6.7 MAJOR APPROVALS AND LICENCES

As at LPD, there are no other major approvals, major licences and permits issued to our Group in order for us to carry out our operations other than those disclosed below:

No.	Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
(a)	Coraza Systems	MITI	11 October 2006/ Nil	Manufacturing licence for the fabrication of sheet metal parts and components for machinery/equipment such as instrument chassis, internal bracketry, front panel, instrument housing, cover, card cages, etc. at Lot 2777, Lorong Industri 5, Kawasan Perindustrian Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	(a) Location: Lot 2777, Lorong Industri 5, 14300 Nibong Tebal, Pulau Pinang is subject to the approval from relevant state authority and Department of Environment. (b) MITI is to be notified of the sale of shares of this company. (c) This company should train Malaysians so that technology transfer and expertise could be channeled at all levels of position. (d) This company must implement its project as approved and in accordance with the laws and regulations of Malaysia.	Complied Noted and complied Noted and complied Noted and complied
(b)	Coraza Systems	MITI	22 September 2006/ Nil	Manufacturing licence for the manufacturing of parts for orthopaedic instruments and equipment at Lot 2777, Lorong Industri 5, Kawasan	(a) Location: Lot 2777, Lorong Industri 5, 14300 Nibong Tebal, Pulau Pinang is subject to the approval from relevant state authority and Department of Environment. (b) MITI is to be notified of the sale of shares of this company.	Complied Noted and complied

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No. Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
(c)	Coraza Systems	1 March 2021/ -	Perindustrian Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang Manufacturing licence for the manufacturing of fabricated metal products at 24, Lorong Industri 9, Kawasan Perindustrian Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang and 136, Jalan Suasa 7, Kawasan Industrial Taman Suasa, 09000 Kulim, Kedah	(c) This company should train Malaysians so that technology transfer and expertise could be channeled at all levels of position. (d) This company must implement its project as approved and in accordance with the laws and regulations of Malaysia. (a) Ensure that the industrial siting is in compliance with the Structure Plan or Local Plan and the "Environmental Essentials for Siting of Industries in Malaysia, EESIM (2017)" issued by Department of Environment. (b) Submit an Environmental Impact Assessment Report if the activity is subject to the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015 to the Department of Environment for assessment and approval before any earthworks or construction are commenced at the proposed project site. (c) Submit notification of installation of environmental pollution control equipment which is subject to the Environmental Quality Act 1974 and its regulations to the Department of Environment for approval before the installation.	Noted and complied Noted and complied Noted Noted Noted

6. INFORMATION ON OUR GROUP (Cont'd)

No. Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
				(d) For construction of manufacturing facilities involving services:	Noted
				(i) Architects, companies (including appointed contractor companies) are required to use the service or collaborate with Architectural Consultancy Practice governed by the Board of Architects Malaysia (LAM). Please refer to the latest website of LAM; and/or	
				(ii) Engineering, companies (including appointed contractor companies) are required to use the service or collaborate with Engineering Consultancy Practice governed by the Board of Engineers Malaysia (BEM). Please refer to the latest website of BEM.	
				(e) For preparation of the manufacturing licence, you are required to submit the following documents (if not already done so):	To be complied
				(i) Memorandum and Articles of Association (M&A)/ corporate profile from Companies Commission of Malaysia;	
				(ii) A copy of the no objection letter in respect of project siting from state government or local authorities at the following address: Pengurus Besar Invest-in-Penang Berhad No. 1, Jalan Sultan Azlan Shah PSDC Building, Bayan Lepas 11900 Penang Pulau Pinang	

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No. Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
				(iii) Declaration letter for item mentioned under paragraph 4 of the letter in the form of Appendix B.	
(f)				All the above documents shall be submitted within 6 months from the date of this letter to: Ketua Pegawai Eksekutif Lembaga Pembangunan Pelaburan Malaysia MIDA Sentral No 5, Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur (u.p Pengarah Bahagian Jentera dan Logam, Tingkat 28)	Noted
(g)				In the event that MIDA does not receive the aforesaid documents in paragraph (e) as well as response relating to the project siting within the stipulated period, you will be deemed as not interested to carry out the project and this approval will be revoked.	Noted
(h)				The Company is advised to consult with the department/ company providing utilities in respect of the actual need of electricity, water and telecommunications soonest possible.	Complied
(i)				To comply with all rules and regulations under Industrial Co-ordination Act 1975 and other acts under the relevant ministry or agency.	Noted

6. INFORMATION ON OUR GROUP (Cont'd)

No. Licensee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
(j)				The company is also required to submit the pre-requisite compliance status of the manufacturing licence after the company has appointed or cooperated with Architectural Consultancy Practice to the Machinery and Metals Division within 24 months from the date of this approval letter. The report of pre-requisite condition compliance status of the manufacturing licence is as in Appendix C.	Noted
(k)				If your company intends to make additional production capacity or diversification of product, you are required to obtain approval from the licensing officer (Secretary General, MITI) by submitting an application using the relevant form that can be obtained from the website of MITI (www.mida.gov.my) or nearest MIDA office.	Noted
(l)				Location: 24, Lorong Industri 9, Kawasan Perindustrian Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang (is subject to approval from relevant state authority).	Complied
(m)				Location: 136, Jalan Suasa 7, Kawasan Industrial Taman Suasa, 09000 Kulim, Kedah (is subject to approval from relevant state authority).	Complied
(n)				MITI and MIDA is to be notified of the sale of shares of this company.	Noted and complied
(o)				This company should train Malaysians so that technology transfer and expertise could be channelled at all levels of positions.	Complied
(p)				Company shall fulfill at least RM140,000.00 of the Capital Investment Per Employee (CIPE).	Noted and will comply by 2023

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No. Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
(q)				The total full time employment of the company must consist of at least 80% Malaysians by 31 December 2022. The employment of foreigners including workers obtained through outsourcing is subject to current policies.	Complied as at LPD
(r)				The Company shall submit information on investment performance and project implementation under the Industrial Co-ordination Act 1975 or Malaysian Industrial Development Authority (Incorporation) Act 1965 when requested by MIDA, failing which:	Noted
(i)				it is an offence and the company may be fined not exceeding RM1,000 or subject to imprisonment for term not exceeding 3 months or both and shall be liable for further fine not exceeding RM500 for each day the offence continues; or	
(ii)				it is an offence if the company provides any statement or information that is false or misleading in any material particulars and may be fined not exceeding RM2,000 or to imprisonment for term not exceeding 6 months or to both.	
(s)				This company must implement its project as approved and in accordance with the laws and regulations of Malaysia.	Complied

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No. Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
(d) Coraza Systems	Royal Malaysian Customs Department	27 November 2019/ 30 November 2021	Warehouse licence for Lot 2777, Lorong Industri 5, Kawasan Perindustrian Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	(a) Application for licence may be submitted in writing/online. (b) Address for company/ premise includes principal place of business and all branches. (c) Activity means manufacturing, bottling and movement of intoxicating liquor, tapping of toddy, warehousing, selling dutiable/approved goods or providing taxable services. (d) Issuance of this licence is subject to conditions imposed by the Director General of Customs under Customs Act 1967, Sales Tax Act 1972, Service Act 1975 and Excise Act 1976. (e) Renewal of the licence shall be made to the Customs Office in writing/online at least one month before the expiry date of the existing licence and subject to any condition imposed by the Director General of Customs. Particulars of the renewal of the licence will be automatically updated in the Department's database.	Noted Noted Complied Noted Complied
				(f) No goods other than goods specified in the licence may be stored in any licensed warehouse, duty free shop or inland clearance shop. (g) The issuance of this licence does not relieve the licensee from his duty to comply with the requirements of any other written law related to his business.	Complied Noted

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
(d)	Coraza Systems	Royal Malaysian Customs Department	27 November 2019/ 30 November 2021	Manufacturing warehouse licence for Lot 2777, Lorong Industri 5, Kawasan Perindustrian Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	(a) Application for licence may be submitted in writing/online. (b) Address for company/ premise includes principal place of business and all branches. (c) Activity means manufacturing, bottling and movement of intoxicating liquor, tapping of toddy, warehousing, selling dutiable/approved goods or providing taxable services. (d) Issuance of this licence is subject to conditions imposed by the Director General of Customs under Customs Act 1967, Sales Tax Act 1972, Service Act 1975 and Excise Act 1976.	Noted Noted Complied Noted
(e)					Renewal of the licence shall be made to the Customs Office in writing/online at least one month before the expiry date of the existing licence and subject to any condition imposed by the Director General of Customs. Particulars of the renewal of the licence will be automatically updated in the Department's database.	Complied
(f)					No goods other than goods specified in the licence may be stored in any licensed warehouse, duty free shop or inland clearance shop.	Complied
(g)					The issuance of this licence does not relieve the licensee from his duty to comply with the requirements of any other written law related to his business.	Noted

6.8 TRADEMARKS

Our Group does not own any other trademark.

6. INFORMATION ON OUR GROUP (Cont'd)

6.9 PROPERTY, PLANT AND EQUIPMENT

6.9.1 Properties owned by our Group

The summary of the material properties owned by our Group as at LPD are set out below:

No.	Postal address/ Title details	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)	Land area/ Built-up area	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 December 2020 RM'000
(a)	1, Lorong Industri 5 Kawasan Industri Bukit Panchor 14300 Nibong Tebal Seberang Perai Selatan Pulau Pinang/ Lot 2777 held under Geran 59351; and Lot 2783 held under GM1515 both of Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang	Industrial land and a 1½-storey detached factory annexed with a double storey office building erected thereon/ Headquarters of Coraza Systems comprising office and factory/ Freehold/ Industrial	Lot 2777 (11,357 square metres) Lot 2783 (13 square metres)/ 8,660.4 square metres	21 June 2004/ 11 May 2006	Charged to Public Bank Berhad	6,297
(b)	GM 1510, Lot 2773, Mukim 07 Jalan Bukit Panchor Daerah Seberang Perai Selatan Negeri Pulau Pinang	Vacant land/ For the construction of Coraza Systems' factory/ Freehold/ Industrial	5,230 square metres/ Not applicable	23 July 2018/ Not applicable	Charged to Malaysian Industrial Development Finance Berhad	2,328
(c)	Geran 59350, Lot 2776, Mukim 07 Daerah Seberang Perai Selatan Negeri Pulau Pinang	Vacant land/ For the construction of Coraza Systems' factory/ Freehold/ Industrial	3,144 square metres/ Not applicable	23 July 2018/ Not applicable	Charged to Malaysian Industrial Development Finance Berhad	1,398

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The properties owned by our Group are not in breach of any other land use conditions and/or non-compliance with current requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD. As at LPD, a firewall has been constructed at our existing factory and will be inspected by the Fire and Rescue Department of Malaysia prior to its issuance of a new fire certificate for our existing factory. The inspection has been delayed due to the full MCO imposed by the Government effective 1 June 2021.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.9.2 Properties rented by our Group

The summary of the material properties rented by our Group as at LPD are set out below:

No.	Postal address	Landlord/ Tenant	Description/ Existing use	Land area	Period of tenancy / Rental per annum
(a)	136, Jalan Suasa 7, Kawasan Industrial Taman Suasa, 09000 Kulim	Kalungan Prestij Sdn Bhd/ Coraza Systems Kalungan Prestij Sdn Bhd is a related party. Please refer to Section 10 for further details.	Single storey industrial lot/ Electronic components manufacturing including welding	669 square metres	2 years from 1 December 2019 to 30 November 2021 (with option to renew for 1 year subject to renegotiation of rent of not more than 20% increase of the existing monthly rent)/ RM24,000
(b)	24, Lorong Industri 9, Kawasan Industri Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	Cheah Khee Tiang/ Coraza Systems	1 1/2-storey terrace factory/ Production purpose - Polishing	296 square metres	1 year from 1 September 2020 to 31 August 2021 (with option to renew for 1 year subject to renegotiation of rent of not more than 10% increase of the existing monthly rent)/ RM24,312
(c)	68, Lorong Bukit Panchor 5, Taman Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	Teoh Ah Leek, Ng Guek Eng and Teoh Jia Ni/ Coraza Systems	Double storey terrace house/ Workers' accommodation	102 square metres	2 years from 1 January 2021 to 31 December 2022/ RM6,600
(d)	18, Lorong Bukit Panchor 6, Taman Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	Loh Kok Aun/ Coraza Systems	Double storey terrace house/ Workers' accommodation	111 square metres	1 year from 10 November 2020 to 9 November 2021/ RM7,200

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Postal address	Landlord/ Tenant	Description/ Existing use	Land area	Period of tenancy / Rental per annum
(e)	32, Lorong Panchor Indah 23, Taman Pancur Permai, 14300 Nibong Tebal, Pulau Pinang	Teoh Lee Ling/ Coraza Systems	Double storey semi-detached house / Workers' accommodation	228 square metres	2 years from 1 March 2021 to 28 February 2023 (with option to renew for 1 year subject to renegotiation of rent)/ RM21,600
(f)	24, Lorong Bukit Panchor 7, Taman Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	Loh Soon Beng/ Coraza Systems	Double storey terrace house/ Workers' accommodation	102 square metres	1 year from 1 November 2020 to 31 October 2021/ RM6,000
(g)	72, Lorong Bukit Panchor 4, Taman Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	H'ng Shew Tiang/ Coraza Systems	Double storey terrace house/ Workers' accommodation	97 square metres	1 year from 1 November 2020 to 31 October 2021/ RM4,200
(h)	56, Jalan Industri 2, Taman Seri Bayu, 14300 Nibong Tebal, Pulau Pinang	Ang Eng Eow & Ang Ming Quan/ Coraza Systems	Double storey terrace house/ Workers' accommodation	112 square metres	2 years from 1 May 2020 to 30 April 2022 (with option to renew for 1 year subject to renegotiation of rent)/ RM8,400
(i)	39, Lorong Cenderawasih 2, Taman Cenderawasih, 14300 Nibong Tebal, Pulau Pinang	Ang Suan Kee/ Coraza Systems	Double storey terrace house/ Workers' accommodation	130 square metres	2 years from 1 January 2020 to 31 December 2021/ RM3,600
(j)	29, Lorong Industri 2, Taman Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	Jaganathan A/L Retnam/ Coraza Systems	Double storey terrace house/ Workers' accommodation	116 square metres	3 years from 15 October 2020 to 14 September 2023/ RM8,640
(k)	116, Lorong Bukit Panchor 1, Taman Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang	Lim Seong Jou/ Coraza Systems	Double storey shop house/ Workers' accommodation	127 square metres	2 years from 1 October 2020 to 30 September 2022/ RM26,400

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No.	Postal address	Landlord/ Tenant	Description/ Existing use	Land area	Period of tenancy / Rental per annum
(l)	3, Lorong Seri Pancur 3, Taman Seri Pancur, 14300 Nibong Tebal, Pulau Pinang	Loo Pei Chin/ Coraza Systems	Double storey terrace house/ Workers' accommodation	143 square metres	3 years from 16 March 2020 to 15 March 2023 (with option to renew for 3 years subject to renegotiation of rent of not more than 10% increase of the existing monthly rent)/ RM18,000

Under the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (as amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019), all employers who provide accommodation to their employees must obtain a CFA from the Director General of Labour to accommodate the employees in the premises. As at LPD, the application for the CFA for our workers' accommodations has been submitted, and the accommodations have been inspected by Department of Labour Peninsular Malaysia. All shortcomings highlighted during the inspections have been rectified and notified to Department of Labour Peninsular Malaysia. As such, the CFA for our workers' accommodations are pending issuance.

The properties rented by our Group are not in breach of any other land use conditions and/or non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.9.3 Acquisition of properties

Save as disclosed below, we have not acquired nor entered into any agreements to acquire any properties during FYE 2018 to 2020 and up to LPD:

No.	Date of purchase	Title details	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)	Land area/ Built-up area	Date of Certificate of Completion and Compliance	Audited	Purchase
						NBV as at 31 December 2020	value
						RM'000	RM'000
(a)	23 July 2018	GM 1510, Lot 2773, Mukim 07, Jalan Bukit Panchor, Daerah Seberang Perai Selatan, Pulau Pinang	Vacant land/ For the construction of Coraza Systems' factory/ Freehold/ Industrial	5,230 square metres/ Not applicable	Not applicable	(1)2,328	2,252
(b)	23 July 2018	Geran 59250, Lot 2776, Mukim 07, Daerah Seberang Perai Selatan, Pulau Pinang	Vacant land/ For the construction of Coraza Systems' factory/ Freehold/ Industrial	3,144 square metres/ Not applicable	Not applicable	(1)1,398	1,354

Note:

(1) Including transaction costs such as legal fees and stamp duty.

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6.9.4 Material machinery

Details of our Group's material machinery are as follows:

No.	Material machinery	Year of purchase	No. of units	No. of units fully depreciated	Audited NBV as at 31 December 2020	
					RM'000	RM'000
(a)	Bending	2001 - 2017	9	7		17
	CNC					
(b)	- Laser and turret punching	2010 - 2020	3	1		5,565
(c)	- Milling	2008 - 2020	8	4		1,805
(d)	- Turret punching	2001 - 2006	2	2		-
	Welding					
(e)	- Welding	2006 - 2020	31	5		135
(f)	- Manual laser	2014 - 2019	3	1		212
(g)	- Spot welding	2003 - 2019	6	4		43
	Robotic welding					
(h)	- Robotic laser welding	2017	1	-		2,032
	Machining					
(i)	- Conventional milling	2006 - 2020	3	1		32
(j)	- Tapping	2003 - 2017	3	1		1
	Others					
(k)	- Laser cut	2003 - 2017	1	1		-

We conduct periodic inspections and maintenance of our machinery and undertake certain repair works when necessary. Our maintenance procedures include oiling, corrosion prevention and cleaning. The machinery that we own are commonly used in the engineering industry and are generally available from the overseas market.

6. INFORMATION ON OUR GROUP (Cont'd)**6.9.5 Material capital expenditures and divestitures****(a) Material capital expenditures**

Save for the expenditures disclosed below, there were no other capital expenditures (including interests in other corporations) made by us for FYE 2018 to 2020 and up to LPD:

	At cost			
	FYE 2018	FYE 2019	FYE 2020	1 January 2021 up to LPD
Capital expenditures	RM'000	RM'000	RM'000	RM'000
Freehold land	3,712	14	-	-
Freehold buildings	220	-	24	-
Machinery and equipment	970	1,546	4,475	430
Furniture, fittings and office equipment	802	422	591	278
Tooling	109	-	11	-
Renovation	48	-	122	-
Motor vehicles	41	-	395	-
Capital work-in-progress	-	90	302	543
	5,902	2,072	5,920	1,251

The above capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. Our capital expenditures are mainly driven by our business growth as well as for replacement purposes.

(b) Material capital divestitures

Save for the divestitures disclosed below, there were no other capital divestitures (including interests in other corporations) made by us for FYE 2018 to 2020 and up to LPD:

	At cost			
	FYE 2018	FYE 2019	FYE 2020	1 January 2021 up to LPD
Capital divestitures	RM'000	RM'000	RM'000	RM'000
Freehold land	-	-	310	-
Freehold buildings	-	-	828	-
Machinery and equipment	379	891	1,990	120
Furniture, fittings and office equipment	81	-	86	-
Motor vehicles	-	-	91	-
	460	891	3,305	120

The disposal of freehold land and building in FYE 2020 refers to the industrial land held under GM1536, Lot 4093, Mukim 07, Jalan Bukit Panchor, Daerah Seberang Perai Selatan, Pulau Pinang with a 1½-storey detached factory, which was disposed to Coraza Holdings for a cash consideration of RM2.8 million. We had disposed the subject property as it is not used for our Group's business. We recorded a net gain of RM1.7 million from the disposal.

6. INFORMATION ON OUR GROUP (Cont'd)

Other than the disposal of the above freehold land and building, all the other capital divestitures were carried out in the ordinary course of business as part of the periodic review of our fixed asset register to identify and eliminate those assets which have been fully depreciated or no longer in use or obsolete or surpassed their useful lives.

Moving forward, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9.1, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

6.9.6 Material plans to construct, expand or improve our facilities

Save for the proposed utilisation of proceeds from our IPO to finance the capital expenditure as set out in Section 4.9.1, our Group does not have any other immediate plans to construct, expand and improve our facilities as at LPD.

6.10 RELEVANT LAWS, REGULATIONS, RULES OR REQUIREMENTS

The following is an overview of the major laws, regulations, rules and requirements governing the conduct of our Group's business and environmental issue which may materially affect our business operations:

(a) Industrial Co-Ordination Act 1975 ("ICA")

Pursuant to Section 3(1) of the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Failure to comply is an offence and such person shall be liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

"Manufacturing activity" is defined under the ICA as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

As at LPD, our subsidiary, Coraza Systems, which carries out manufacturing activity, holds valid manufacturing licences issued by the MITI.

(b) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSH 1990")

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

6. INFORMATION ON OUR GROUP (Cont'd)

The EMSH 1990 was amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 ("Amended Act") where effective from 1 June 2020, employers must abide by enhanced minimum standards on accommodation for employees which includes obtaining a CFA from the Department of Labour Peninsular Malaysia. Notwithstanding, a three months' grace period up to 31 August 2020 was granted to allow employers to making necessary arrangements to ensure compliance with the EMSH 1990.

As at LPD, our workers' accommodations comply with the minimum standards required under EMSH 1990 and the applications for the CFA for our workers' accommodations have been submitted, and the accommodations have been inspected by Department of Labour Peninsular Malaysia. All shortcomings highlighted during the inspections have been rectified and notified to Department of Labour Peninsular Malaysia. As such, the CFA for our workers' accommodations are pending issuance.

Please refer to Section 6.9.2 for further details of these accommodations.

Details of the major approvals, licences and permits issued to our Group in order for us to carry out our operations are set out in Section 6.7. Save as disclosed therein, as at LPD, there are no other material laws, regulations, rules or requirements governing the conduct of our business and/or major environmental issue which may materially affect our operations.

6.11 EMPLOYEES

As at LPD, we have a total workforce of 488 full time local employees and 79 foreign employees. All our foreign employees have valid working permits.

The breakdown of our employees as at 31 December 2020 and LPD are as follows:

Category of employees	No. of employees	
	As at 31 December 2020	As at LPD
Management/ Managerial	13	16
Sales and marketing	2	2
Technical/ Engineers	58	59
Executives	79	83
Clerical/ Administrative	25	24
Technicians/ Welders	69	76
Operators/ Quality assurance inspectors/ Storehands	298	305
Cleaners	2	2
	546	567

Nationality	No. of employees	
	As at 31 December 2020	As at LPD
Malaysian	466	488
Foreign	80	79
	546	567

6. INFORMATION ON OUR GROUP (Cont'd)

There were no significant changes in the number of employees of our Group for FYE 2020 and up to LPD.

None of our employees belong to any labour union and as at LPD, there is no material dispute between our management and our employees. Over FYE 2018 to 2020, there has not been any incident of work stoppage or labour disputes that has materially affected our operations.

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