

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS RELATING TO OUR IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:

Number of Shares to be issued under the Public Issue	207,440,000
- <i>Malaysian Public</i>	40,000,000
- <i>Eligible Person(s)</i>	24,000,000
- <i>Private placement to selected investors</i>	43,440,000
- <i>Private placement to selected Bumiputera Investors approved by MITI</i>	100,000,000
Enlarged issued share capital upon Listing	RM[●] comprising 800,000,000 Shares
IPO Price	RM[●]
Market capitalisation upon Listing (based on the IPO Price and our enlarged issued share capital after the IPO)	RM[●]

Further details on our IPO are set out in Section 4.1 of this Prospectus.

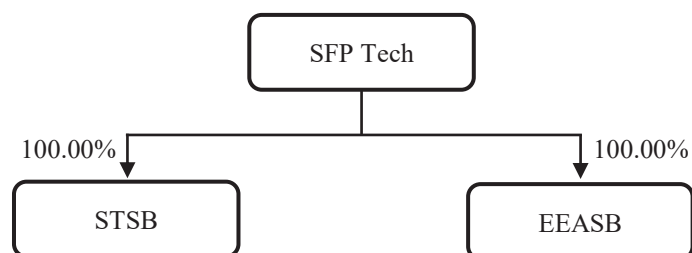
Our Promoter's entire shareholdings after IPO will be held under moratorium for 6 months from the date of our Listing. Thereafter, our Promoter's shareholdings amounting to 45.00% of our total number of issued Shares (adjusted for any bonus issue or subdivision of shares) will remain under moratorium for another 6 months. Our Promoter may sell, transfer or assign up to a maximum of one third (1/3) per year (on a straight-line basis) of its Shares held under moratorium upon expiry of the second 6-month period.

3.2 BACKGROUND AND OVERVIEW

Our Company was incorporated in Malaysia under the Act on 8 February 2021 as a private limited company under the name of SFP Tech Holdings Sdn Bhd and was subsequently converted to a public limited company on 3 September 2021. SFP Tech is an investment holding company and is engaged in the provision of management services to our Subsidiaries.

We are an engineering supporting service provider of sheet metal fabrication, CNC machining, mechanical assembly and automation equipment solutions.

Our corporate Group structure is as follows:

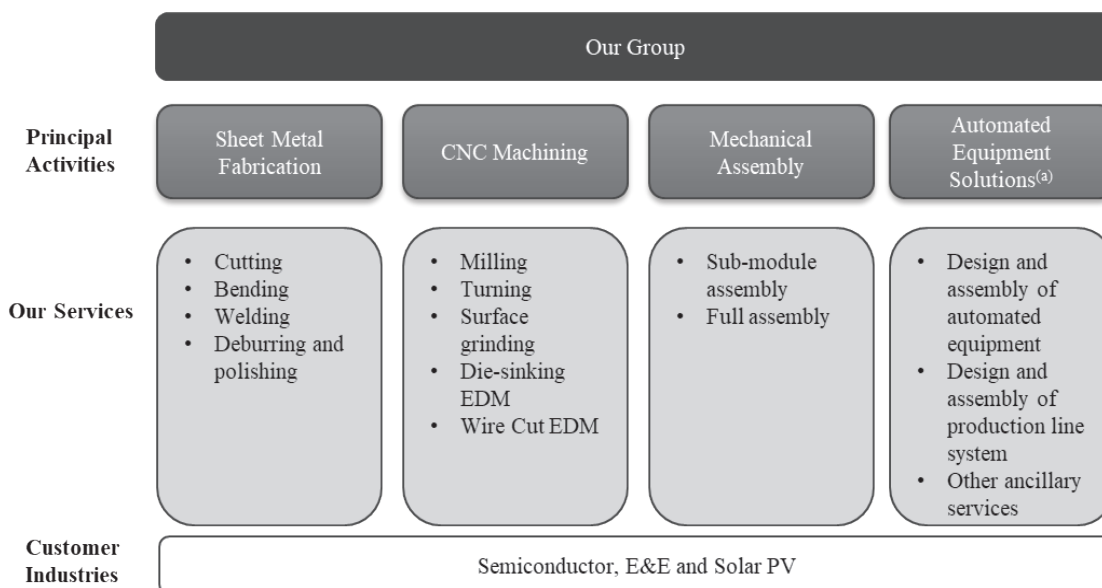


3. PROSPECTUS SUMMARY (Cont'd)

The principal activities of our Subsidiaries are as follows:

Subsidiaries	Principal activities
STSB	Provision of sheet metal fabrication, CNC machining and mechanical assembly services
EEASB	Provision of automation equipment solutions and trading of spare parts

The following is an overview of our Group's products and services:



Note:

(a) This segment is contributed by EEASB.

We are an engineering supporting service provider, principally involved in the provision of sheet metal fabrication, CNC machining and mechanical assembly services. Subsequent to the acquisition of EEASB, we are also involved in the provision of automation equipment solutions.

We utilise various fabrication processes working with metal such as cutting, bending, and welding, and machining processes such as milling, turning, surface grinding, EDM cutting, as well as other processes such as deburring and polishing to produce intermediate metal products, ranging from metal piece-parts to precision-machined components. These intermediate metal products that we produce according to our customers' designs and specifications, are then used to produce various machines and / or finished products by our customers in a diverse range of industries, such as, amongst others, semiconductor, E&E and Solar PV.

We also provide mechanical assembly services for sub-module and full assembly, whereby we assemble the intermediate metal products into metal chassis, frames, structures, and enclosures, according to our customers' designs and specification.

Further, we provide automated equipment solutions ranging from designing, assembling, and commissioning of automated equipment and production line systems (comprising multiple automated equipment) for our customers' manufacturing processes. These types of automated equipment are used in the manufacturing of automotive products, E&E and semiconductor. We also supply related consumable spare parts, as well as modification and upgrading on automated equipment.

3. PROSPECTUS SUMMARY (Cont'd)

The breakdown of our revenue by business segments for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Sheet metal fabrication	10,515	38.07	7,704	25.42	8,434	20.52
CNC machining	7,827	28.34	16,853	55.61	25,408	61.82
Mechanical assembly	9,275	33.59	5,749	18.97	7,258	17.66
Total	27,617	100.00	30,306	100.00	41,100	100.00

The breakdown of our revenue by geographical locations for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	6,921	25.06	17,699	58.40	24,579	59.80
Foreign markets						
USA	5,192	18.80	3,536	11.67	9,026	21.96
Singapore	12,836	46.48	7,994	26.38	7,479	18.20
Vietnam	1,617	5.85	-	-	-	-
Thailand	1,032	3.74	1,077	3.55	-	-
Others ^(a)	19	0.07	-	-	16	0.04
Sub-total	20,696	74.94	12,607	41.60	16,521	40.20
Total	27,617	100.00	30,306	100.00	41,100	100.00

Note:

(a) Others comprise Denmark and France.

Please refer to Section 6 of this Prospectus for further details of our Group and our business.

3.3 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths are set out below:

(a) Integration capabilities to provide engineering supporting services and automated equipment solutions

We provide services ranging from sheet metal fabrication, CNC machining to mechanical assembly services for our customers which are predominantly in the semiconductor, E&E and Solar PV industries. With the inclusion of the automated equipment solution business segment through the Acquisition of EEASB in 2021, we are in a unique position with integrated capabilities within the ESI which enables us to better serve our customers.

(b) Established track record and business relationship with customers

We have an established track record and business relationship with our customers which includes well-established MNCs in the semiconductor industry, namely Customer S (as defined in Section 6.18 of this Prospectus), Electro Scientific Industries group of companies (through Electro Scientific Industries Pte Ltd and Electro Scientific Industries, Inc) and Teradyne, Inc. ("Teradyne"). Our ability in establishing a track record and maintaining strong relationships with our customers are attributable to, amongst others, providing quality products and services, prompt delivery of our products and ability to comply with the supplier selection processes.

3. PROSPECTUS SUMMARY (*Cont'd*)

(c) Continuous investment in advanced machinery and equipment

We have continuously invested in advanced machinery and equipment in order to expand our range of products and services, as well as to support our customers from various industries. We use a variety of machineries and equipment to produce metal workpieces and metal piece-parts in accordance to the designs and specifications of our customers. As at the LPD, we own and utilise 117 material machinery and equipment comprising of, amongst others, CNC machines, laser cut and punch machines, as well as welding machines.

For the FYE 2018, FYE 2019 and FYE 2020, we invested RM1.53 million, RM13.71 million and RM3.78 million respectively in various machinery and equipment to support our production activities. Our continuous capital expenditure in advanced machinery and equipment allows us to increase our production efficiency through higher precision fabrication and machining at a faster speed, tighter tolerance finishes and better quality control.

(d) Experienced management and technical team

We have an experienced management team with vast knowledge and experience in their respective fields. The growth of our Group has been spearheaded by our Managing Director, Keoh Beng Huat, who has more than 37 years of experience in the engineering supporting services industry.

Please refer to Section 6.1.4 of this Prospectus for further details of our competitive advantages and key strengths.

3.4 BUSINESS STRATEGIES

Our Group's business strategies are summarised below:

(a) Expansion of product and service offerings

We plan to venture into the semiconductor back-end inspection industry by manufacturing vision inspection equipment handler platforms embedded with camera imaging and electronics system. Various specialised and purpose-built vision guided inspection equipment are used in the semiconductor front-end wafer fabrication industry whereby semiconductor wafers, dies, wires and components positioning, amongst others, are inspected for non-compliance and defects. Cameras installed in the machines will be able to capture and produce a combination of 2D imaging and 3D metrology to detect and pinpoint the positioning, defects and other detectable criteria. Designing and manufacturing of the generic machine frame is expected to begin in the second half of 2022.

(b) Expansion of our production capacity and capabilities

We intend to expand our production capacity and capabilities via the construction of Manufacturing Plant 3 and purchase of new machineries, which would enable us to take on additional business opportunities. The land filling and earthworks were completed in December 2020 and the construction works had begun in January 2021. The construction of Manufacturing Plant 3 is expected to be completed by the end of the second quarter of 2022 and fully operational by the fourth quarter of 2022.

In addition, we intend to purchase 1 new laser tube cutting machine and 41 new CNC 5-axis machines over the next 3 years. The purchases of new machineries are in preparation for anticipated increasing sales order over the longer term. The new machineries are expected to cumulatively increase our maximum manufacturing production hour capacity by approximately 35.90%.

3. PROSPECTUS SUMMARY (Cont'd)

(c) Local market expansion

Upon completion of Manufacturing Plant 3, we will have additional space to increase our manufacturing capacity and take on larger and more orders. Moving forward, we intend to diversify our revenue stream by expanding into the vision inspection industry.

Further, we intend to expand into other industries when the opportunity arises. Malaysia's economy is widely diversified with companies operating in many different industries, such as, healthcare and automotive industry. To increase efficiency and productivity, companies have started to incorporate automated systems and production lines. With the vast knowledge and experience of our Group, we will be able to provide solutions which are customised specifically to each customer's requirement.

(d) In-house D&D expansion

We intend to expand our in-house D&D activities which will allow us to customise our products and services to better serve our customers. The D&D activities of our Group would also include the design and development of generic vision guided inspection machines which would allow us to venture into the vision inspection industry and other industries when the opportunity arises.

In anticipation of the increase in D&D activities, we intend to allocate a built-up area of approximately 2,000 sq ft in Manufacturing Plant 2 for a D&D centre. The D&D centre is expected to be operational by the end of the second quarter of 2022. The D&D centre will comprise analytical tools, vision station, lifters, carriers, pick-and-place machines, in-line curing and inspection machines for developing designs and prototypes of our products, machines and automated systems.

Please refer to Section 6.25 of this Prospectus for further details of our future plans, strategies and prospects.

3.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations (which may occur either individually or in combination, at the same time or around the same time) that may have a significant impact on our future financial performance. The following are some of the key risk factors that we are facing or may develop in the future:

(a) Dependency on our major customers

We are dependent on 3 of our major customers, namely, Electro Scientific Industries group of companies, Customer S (as defined in Section 6.18 of this Prospectus) and Teradyne. These companies in aggregate contributed approximately 78.09%, 86.44%, and 92.16% to our revenue for the FYE 2018, FYE 2019 and FYE 2020 respectively.

Our ability to continue to secure purchase orders from these major customers are dependent on several factors including, amongst others, our ability to meet customers' specification and requirements, competitive pricing, prompt delivery of products, as well as continued customer service. Any disruptions in customer orders which may result in the loss and / or any reduction in purchase orders could adversely affect our Group's business operations and financials. Further, even if we are able to secure new customers, there is no assurance that we will be able to register the same level of sales volume and / or profit margins. As such, if any adverse events occur, our financial performance would be adversely affected.

Further details on our major customers are disclosed in Section 6.18 of this Prospectus.

3. PROSPECTUS SUMMARY *(Cont'd)*

(b) We are subject to risk of fluctuation of foreign exchange rate

Our Group has foreign currency exposure arising from sales to both local and foreign country customers, as well as purchases of imported raw materials. For the FYE 2018, FYE 2019 and FYE 2020, our Group recorded approximately 92.00%, 94.64%, and 95.98% of sales in USD while approximately 17.59%, 3.30% and 5.85% respectively, of our purchases were in foreign currencies.

We are exposed to foreign currency exchange gains or losses arising from timing differences between billings / invoices and actual receipt from customers / actual payment to suppliers. Therefore, any unfavourable fluctuations in these foreign exchange rates may have an adverse impact on our financial performance and profitability.

(c) We are dependent on our Managing Director, Executive Director and Key Senior Management of the continuing success of our Group

The continuing success of our Group's business is dependent on the experience, knowledge and skills, efforts and capabilities of our Managing Director, Executive Director and Key Senior Management who play a significant role in our day-to-day operations as well as the development and implementation of our business strategies. Our Chief Executive Officer and Chief Financial Officer, who play significant roles in running our operations and implementing our business strategies are on service contracts up to 31 January 2024 and 30 November 2023, respectively. Please refer to Section 5.7 of this Prospectus for further details on our Chief Executive Officer and Chief Financial Officer's service contracts. As such, the loss of services from our Managing Director, Executive Director and / or any of our Key Senior Management without any suitable and prompt replacement may adversely impact on our business operations and financial performance.

The profiles of our Managing Director, Executive Director and Key Senior Management are set out in Section 5 of this Prospectus.

(d) Our financial performance may be materially affected in the event of revocation or expiry of the pioneer status of our Subsidiaries

Both our Subsidiaries have been granted pioneer status by MITI. STSB's pioneer status entitles it for tax exemption for design, development and manufacture of semi-conductor test head manipulator while EEASB's pioneer status entitles it for tax exemption for the production of factory automation machine and related modules.

The tax incentive period for the pioneer status of STSB is for a period of 5 years effective on 22 January 2015 to 21 January 2020, and has subsequently been extended for another 5-year period up to 21 January 2025. The tax incentive period for the pioneer status of EEASB is for a period of 5 years effective 1 November 2018 to 31 October 2023.

Subsequent to the Acquisition of EEASB, EEASB had submitted an application to MIDA for the waiver to comply with a condition which states that "20% and above of the paid-up capital in respect of ordinary shares of the first mentioned company and the related company cannot be directly or indirectly owned by another company having shareholders' funds of more than RM500,000.00" ("**Waiver Application**"). As at the LPD, this Waiver Application is still pending approval from MITI.

The effective tax rate of our Group for the FYE 2018, FYE 2019 and FYE 2020 were 5.95%, 12.78% and 5.91%, respectively. Assuming that the Subsidiaries are not able to maintain their respective pioneer status, the tax payable will be based on the prevailing tax rate of 24%. As such, upon expiry and / or revocation of the pioneer status of any / all our Subsidiaries, income generated from the respective Subsidiaries will be subject to the applicable statutory tax rates and this will directly affect our financial performance.

3. PROSPECTUS SUMMARY (Cont'd)

(e) We are dependent on skilled workers and the availability of foreign workers for our manufacturing operations

Majority of our manufacturing operation is semi-automated with customised instructions programmed in the machineries. Notwithstanding the above, we are still dependent on skilled workers to program and operate the machineries to meet the specifications and requirements of each customer. In addition, the skilled workers are required to oversee the transfer process of intermediary products from one machine to another for the next step in the fabrication process.

As at the LPD, our Group has 46 foreign workers (representing approximately 24.08% of our total workforce), comprising 9 from Myanmar and 37 from Nepal. Apart from 2 foreign workers from Nepal who are security guards, the rest of the foreign workers are responsible in the production operations and such foreign workers account for approximately 30.34% of our production workforce. The total number of employees in the production operations is 145. As such, our Group, to a certain extent, is dependent on foreign workers for our production operations.

Further details on our foreign workers are disclosed in Section 6.17 of this Prospectus.

(f) Absence of long-term contracts with our customers

Our Group's sales are secured based on confirmed purchase orders placed by our customers on an as-needed basis as we do not have any long-term contracts with our customers. The absence of long-term contracts with our customers is due to the nature of the industry that our customers operate in, which is subject to technological changes, market trends and rapid improvements in industry standards that would result in frequent changes in product design and specifications.

The absence of long-term contracts may pose a risk as our customers are not obliged to purchase products from us. The loss of any customer or reduction in any sale order or quantity from any customers, particularly our major customers, if not replaced with new customers or with additional orders from other existing customers in a timely manner, may result in a loss of revenue and adversely affect our financial condition and results of operation.

Over the years, despite the absence of long-term contracts with our customers, we have managed to increase our purchase orders from our customer by providing customised solutions and building strong relationships with them. Further, we aim to ensure customer satisfaction by meeting their product specifications and requirements, strengthening relationships with existing customers and establishing relationships with new customers to grow our customer base.

Please refer to Section 8 of this Prospectus for the full list of risk factors which should be considered before investing in our Shares.

3.6 PROMOTER AND SUBSTANTIAL SHAREHOLDER

The details of our Promoter and substantial shareholder and his shareholding in our Company before and after our IPO are as follows:

Promoter and substantial shareholder	Nationality	Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(a)%	No. of Shares	(a)%	No. of Shares	(b)%	No. of Shares	(b)%
Keoh Beng Huat	Malaysian	550,770,000	92.95	-	-	550,770,000	68.85	-	-

Notes:

- (a) Based on our issued share capital of 592,560,000 Shares after the Acquisitions but before the IPO.
 (b) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

Please refer to Section 5.1.2 of this Prospectus for further details on our Promoter and Substantial Shareholder.

3. PROSPECTUS SUMMARY (Cont'd)

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT OF OUR GROUP

Our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
Dato' Hamzah Bin Mohd Salleh	Independent Non-Executive Chairman
Keoh Beng Huat	Managing Director
Chang Chee Jia	Executive Director cum Chief Executive Officer
Dato' Cheok Lay Leng	Independent Non-Executive Director
Chan Foong Ping	Independent Non-Executive Director
Yeoh Su Hui	Independent Non-Executive Director
Key Senior Management	
Thiang Koe Tat	Chief Financial Officer
Hong Lai Guan	Chief Technical Officer
Ooi Chong Soon	Head of Sales & Marketing
Foo Yee Chung	Head of Engineering

Please refer to Section 5 of this Prospectus for further details on our Directors and Key Senior Management.

3.8 USE OF PROCEEDS FROM OUR IPO

The total gross proceeds from our Public Issue amounting to RM[●] million are intended to be used in the following manner:

Purposes	(RM'000)	(%)	Estimated time frame for use (from the Listing date)
Purchase of new machinery and equipment	[●]	[●]	Within 36 months
Construction of Manufacturing Plant 3	[●]	[●]	Within 24 months
Repayment of bank borrowings	[●]	[●]	Within 12 months
Working capital expenditure	[●]	[●]	Within 12 months
Estimated listing expenses	[●]	[●]	Within 3 months
D&D centre	[●]	[●]	Within 12 months
Total	[●]	[100.00]	

There is no minimum subscription level in terms of proceeds to be raised from our IPO. Further details on the use of proceeds are set out in Section 4.4 of this Prospectus.

The financial impact of the use of proceeds from our Public Issue is illustrated in the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 set out in Section 11.5 of this Prospectus.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

3. PROSPECTUS SUMMARY (Cont'd)

3.9 FINANCIAL HIGHLIGHTS

The combined historical financial information of our Group has been prepared as if the Group had been operating as a single economic entity throughout the Financial Years Under Review. SFP Tech was only incorporated on 8 February 2021. As such, the historical audited combined financial information of our Group only represents those of STSB since SFP Tech and STSB were under common control throughout the Financial Years Under Review by virtue of a common controlling shareholder. The financial results of EEASB were not incorporated into the historical combined financial information of the Group as EEASB was not under common control. The financial results of EEASB will only be incorporated from [●], being the date of completion of the Acquisition of EEASB.

The following table sets out the key financial highlights based on our historical audited combined financial statements for the Financial Years Under Review:

	Audited		
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Revenue	27,617	30,306	41,100
Cost of sales	(13,316)	(13,545)	(17,791)
GP	14,301	16,761	23,309
PBT	9,880	12,074	18,756
PAT	9,292	10,531	17,647
GP margin (%) ^(a)	51.78	55.31	56.71
PBT margin (%) ^(b)	35.78	39.84	45.63
PAT margin (%) ^(c)	33.65	34.75	42.94

Notes:

- (a) GP margin is calculated based on GP divided by revenue.
- (b) PBT margin is calculated based on PBT divided by revenue.
- (c) PAT margin is calculated based on PAT divided by revenue.

Please refer to Section 11.1 of this Prospectus for further discussion on our historical audited combined financial information.

3.10 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy. For the Financial Years Under Review and up to the LPD, our Group has not declared and paid any dividends

Please refer to Section 11.4 of this Prospectus for further details on our dividend policy.

3. PROSPECTUS SUMMARY (Cont'd)

3.11 OUTBREAK OF COVID-19 PANDEMIC

The imposition of the MCO throughout Malaysia from 18 March 2020 to 3 May 2020 by the Government to curb the spread of COVID-19 had resulted in mandatory closure of all government and private premises during this period, except those involved in essential services, or unless written permission was obtained from MITI. On 1 May 2020, the Government announced a CMCO starting from 4 May 2020 to 9 June 2020 and allowed more businesses to operate under a set of strict SOPs. On 7 June 2020, the Government announced a RMCO starting from 10 June 2020 to 31 August 2020 with further easing of regulations such as interstate travel and recreational activities. Subsequently from 1 September 2020 and up to January 2021, the Government had re-imposed various stages of MCO nationwide that are targeted at specific states or areas, depending on the severity of the COVID-19 cases. The country transitioned into CMCO beginning 5 March 2021. However, increasing COVID-19 cases saw the MCO being re-imposed nationwide beginning 12 May 2021.

During the initial MCO periods, all businesses were required to temporarily suspend operations, except for essential services such as healthcare, food and beverage and manufacturing of essential goods. Our Group is considered an essential service as we are a part of the engineering supporting industry and involved in the supply chain of E&E products. As such, STSB and EEASB were permitted to resume its operations during the MCO after receiving approval from MITI on 3 April 2020 and 17 April 2020 respectively, but at a reduced capacity of 50% of our total workforce. We resumed operations with a full workforce during the CMCO and RMCO period. We have not had to reduce our production workforce during the subsequent MCO and CMCO periods.

In light of increases in COVID-19 positive cases nationwide, the Government announced on 28 May 2021 that it would impose a FMCO effective 1 June 2021, where all social and economic activities would not be allowed to operate, with exemptions provided to certain industries deemed as essential services. Like the initial MCO period in 2020, STSB and EEASB received approval from the MITI to continue operating during the FMCO, albeit with a reduced capacity of 60% of total workforce.

On 15 June 2021, the Government announced the NRP, which is a 4-phase strategy based on 3 indicators, which are number of symptomatic new hospital admissions, capability of public healthcare system based on the bed utilisation rate in intensive care unit (ICU) wards and percentage of the population protected against COVID-19, based on the number of people that have received two doses of vaccines. The Penang state has since 7 July 2021 entered the second phase of the NRP which allow up to 100% workforce capacity subject to percentage of employees fully vaccinated. As at the LPD, 95.81% of our employees are fully vaccinated, therefore, we are currently operating at 100.00% of total workforce.

As we are categorised as a company providing essential services, we are allowed to operate during the various MCO periods and NRP period. We have not experienced material disruptions to our business operations as the production activities were not affected.

Please refer to Section 6.24.1 of this Prospectus for further details of the impact of COVID-19 and the MCO on our Group.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK