

## 2. 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.**

### 2.1 PRINCIPAL DETAILS OF 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.

No. of Shares to be issued under Public Issue	117,791,000
No. of Shares to be offered under the Offer for Sale entirely for private placement to selected investors	21,416,600
Enlarged no. of Shares upon Listing	428,331,001
IPO Price per Share	RM[•]
Market capitalisation (calculated based on our IPO Price and enlarged no. of Shares upon Listing)	RM[•]

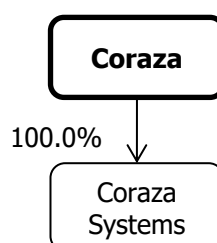
Further details of our IPO are set out in Section 4.

Our Promoters' entire shareholdings after IPO will be held under moratorium for 6 months from the date of Listing. Thereafter, our Promoters' shareholdings amounting to 45% of our share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of their shares held under moratorium upon expiry of the second 6 month period. Further details on the moratorium on our Shares are set out in Section 3.2.

### 2.2 GROUP STRUCTURE, BUSINESS MODEL AND OPERATIONAL HIGHLIGHTS

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.

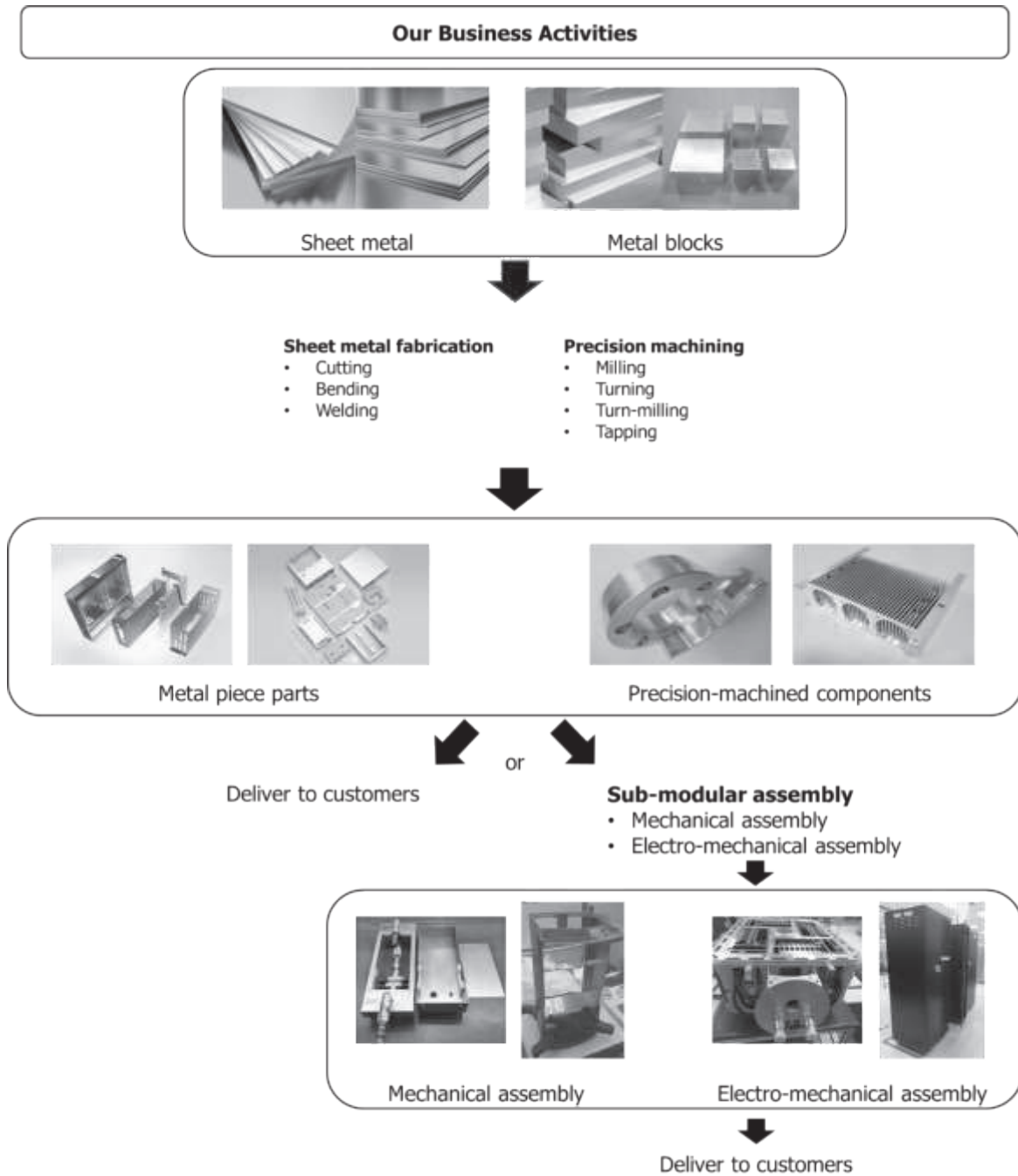
Our principal activity is that of an investment holding company. Our Group structure as at LPD is as follows:



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. We support customers in various industries including semiconductor, instrumentation, life science and medical devices, telecommunications, aerospace, and E&E.

**2. PROSPECTUS SUMMARY (Cont'd)**

Our production process is depicted as follows:



Our Group is an integrated engineering supporting services provider. We provide fabrication services involving various processes of working with metal such as cutting, bending, welding, milling, turning, and other associated processes such as polishing to produce intermediate metal products, ranging from metal piece parts to precision machined components. These intermediate metal products, which we fabricate according to our customers' designs and specifications, are then used to produce various finished products by our customers in a diverse range of industries such as, among others, semiconductor, instrumentation, life science and medical devices, telecommunications, aerospace and E&E.

## **2. PROSPECTUS SUMMARY (Cont'd)**

We also provide value-added sub-module mechanical or electro-mechanical assembly services whereby we assemble the intermediate metal products into frames, structures, or enclosures according to the designs and specifications provided by our customers.

In addition to metal fabrication and assembly services, we also conduct joint product development with our customers. We will collaborate with them on the D&D of their products to produce a prototype of the product. Once the prototype has been confirmed then the planning for production begins. We implement an AQP process during our production process that facilitates communication and collaboration between our Group and our customers to achieve production efficiency by reducing cost and improving production cycle time.

As at LPD, we occupy a 1.5-storey factory measuring 8,660.4 square metres, running 2 12-hour shifts a day in a 6-day work week. We have 70 units of machinery, comprising bending, punching, cutting, milling, welding and tapping machinery, which cater to various customer requirements.

Our focus is to provide integrated engineering support to our customers, several of whom are large MNCs involved in various industries. These include semiconductor, instrumentation, life science and medical devices, telecommunications, aerospace, and E&E industries. For FYE 2018, 2019, and 2020, our top 5 customers comprise such MNCs, who contributed 91.7%, 90.1% and 86.2% of our Group's total revenue respectively.

We deal with our customers mainly through their operations in Malaysia, and some in Singapore. For FYE 2018, 2019, and 2020, our revenue from Malaysia and Singapore contributed 91.7%, 90.1% and 86.2% of our Group's total revenue respectively.

Further details of our Group and our business model are set out in Sections 6 and 7.

### **2.3 IMPACT OF COVID-19 AND MCO**

The Government has imposed the MCO to curb the spread of the COVID-19 virus throughout Malaysia from 18 March 2020 to 3 May 2020, conditional MCO from 4 May 2020 to 9 June 2020 and recovery MCO from 10 June 2020 to 31 December 2020. During the end of 2020, the number of COVID-19 cases increased and led to the Government imposing a second MCO in various states beginning 13 January 2021. The country transitioned into a CMCO beginning 5 March 2021. However, increasing COVID-19 cases saw the MCO re-imposed nationwide beginning 12 May 2021.

On 18 March 2020, we temporarily ceased operations, but received approval from MITI to resume operations on 28 March 2020 at 30% management capacity. Subsequently, we have since 10 June 2020 fully resumed our operations.

Despite the MCO restrictions, our operations were not significantly impacted, and we managed to record an increase in revenue for FYE 2020 of RM83.7 million compared to RM58.6 million for FYE 2019. The cost incurred in relation to COVID-19 and SOP compliance amounted to approximately RM178,000 up to LPD which covers the cost of implementing the various SOP, COVID-19 tests, quarantine accommodation, and sanitisation and disinfection activities.

On 27 May 2021, we conducted a plant-wide mass testing exercise which resulted in approximately 18% of our employees being tested positive for COVID-19. As a result, the MOH issued Coraza Systems a shutdown notice effective 31 May 2021. Upon a follow up check by MOH, we were able to resume our operations on 8 June 2021.

## **2. PROSPECTUS SUMMARY (Cont'd)**

In FYE 2021, our production activities were temporarily halted due to our shutdown notice on 31 May 2021, leading to delay in delivery to our customers. We have not experienced and do not expect any penalties from our customers on the delay and are in constant communication with them. We also continue to receive new orders from customers during this period and up to LPD. As a result, we believe that the delays in delivery will not have any significant adverse impact on our business and financial performance for FYE 2021.

Further details on the impact of COVID-19 and MCO and our measures to commence and continue operations are set out in Section 7.8.1.

### **2.4 COMPETITIVE STRENGTHS**

Our Directors believe that our business sustainability and future growth is built on the following competitive strengths:

- (a) We are an integrated engineering supporting services provider, with a wide range of services. These services encompass fabrication of sheet metal, precision engineering, as well as provision of related services, such as D&D and value-added sub-module assembly services.
- (b) We have an established track record and long-standing relationships with our customers. 4 of our major customers have more than 10 years of business relationships with us.
- (c) We are led by a team of experienced and knowledgeable personnel. Our Executive Chairman, Ng Fook San has over 40 years of experience in the E&E industry, and our Managing Director, Lim Teik Hoe also has over 30 years of experience in the E&E industry. They are supported by a team of experienced key personnel who have extensive experience in their respective fields.
- (d) We continuously invest in new and advanced machinery in line with improving technology and the requirements of our customers. As such, we are able to meet our customers' advanced requirements as well as keep up with the demands of the market and capture new customers in new markets.

Further details of our competitive strengths are set out in Section 7.16.

### **2.5 BUSINESS STRATEGIES**

Our business objectives are to maintain sustainable growth and create long term shareholder value. To achieve our business objectives, we will implement the following business strategies over the period of 36 months from the date of our Listing:

- (a) We plan to construct a new factory on Lot 2773 & 2776, which is adjacent to our current factory in Nibong Tebal, Pulau Pinang over 3 phases, within the next 2 years. This is to expand our production capacity and enable us to provide new services to our customers in the future. Phase 1 of the construction is expected to be completed by November 2022 and we expect to commence operations therein by December 2022.
- (b) In conjunction with the construction of our new factory, we plan to purchase new machinery over the next 3 years for our existing and new factories, which will improve our production capacity as well as our service offerings. As at LPD, we have ordered machinery which will be ready for commissioning by the third quarter of 2021, and will increase our capacity by approximately 22.0%. Thereafter, we will progressively acquire machinery over 3 years which will increase our capacity by a further 27.0%.

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## **2. PROSPECTUS SUMMARY (Cont'd)**

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Further details of our business strategies are set out in Section 7.19.

### **2.6 RISK FACTORS**

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 9. Some of the more important risk factors are summarised below:

- (a) We are dependent on our top 3 major customers. They collectively contribute a total of approximately 76.8%, 75.8%, and 75.8% of our Group's revenue for FYE 2018, 2019, and 2020 respectively. Any adverse changes to the business relationship between our Group and our major customers such as cancellation of orders or a termination of the relationship may lead to a negative impact on our operations and financial performance.
- (b) Our manufacturing activities are dependent on the supply of skilled workers such as engineers and production workers. Although we have automated machinery in our factory, we are still reliant on production workers. We face the risk of competing for our skilled workers among other companies involved in engineering supporting services. In the event that we are unable to retain or replace them, our business operations and financial performance may be negatively affected.
- (c) The success and achievements of our Group can be attributed to the efforts of our Directors and key management, who are directly involved in developing our business strategies and managing our operations. The loss of our Directors and key management without suitable or timely replacements may affect our business operations and our ability to compete with our competitors, thus affecting the financial performance of our Group.
- (d) We experienced a few disruptions over the course and various phases of the MCO, further details of which are set out in Section 7.8.1. Despite these disruptions, and operating at a lower capacity during the various MCO phases, we did not experience any significant negative impact on our production output nor did we experience any decrease in demand from our customers. However, if there is any tightening of restrictions in the future or resurgence of COVID-19 cases in our factory that may lead to closure of our factory or further reduction in our workforce, there can be no assurance that our manufacturing activities will not be materially affected. This may result in an adverse financial impact on our operations and financial performance.
- (e) LLM, aluminium and cold rolled steel contributed a total of 77.9%, 76.1%, and 84.1% of our raw material purchases for FYE 2018, 2019 and 2020 respectively. The prices of LLM, aluminium, and steel are affected by factors including but not limited to the supply and demand conditions. During FYE 2021, our raw materials costs increased between 10% to 70%, depending on the type of materials. We are in the midst of re quoting our selling prices to our customers to reflect the increased cost of raw materials. Moving forward, if the cost of our raw materials continue to increase, and we are unable to pass such increase to our customers, our margins may be affected which will adversely affect our Group's financial performance and operations.
- (f) For 3 FYE 2018 to 2020, our export sales contributed 25.6%, 29.4% and 29.3% of our total revenue respectively. Our export revenue is mainly denominated in USD. A fluctuation of 10% in RM against USD will result in a fluctuation in our PBT for FYE 2020 by RM1.6 million. There can be no assurance that fluctuations in foreign currency will not affect the revenue and earnings of our Group.

**2. PROSPECTUS SUMMARY (Cont'd)**

- (g) The business of our Group is dependent on the end-user markets of our customers which may be adversely affected by numerous factors such as political, economic, and regulatory risks; changes in technology; and decrease in demand for their products. A negative performance in the end-user markets of our customers may affect the demand for our products and may lead to an adverse impact on our business operations and financial performance.
- (h) We are subject to changes and advancements in technology in the various industries that our customers are involved in. In the event that we are unable to anticipate the changes in technology and develop new products and services in a timely manner, we may be unable to retain our customers or attract new customer. This may lead to an adverse effect on our earnings and financial performance.

**2.7 DIRECTORS AND KEY MANAGEMENT**

Our Directors and key management are as follows:

<b>Name</b>	<b>Designation</b>
<b>Directors</b>	
Ng Fook San	Executive Chairman
Sazali Bin Mohd Nor	Independent Non-Executive Deputy Chairman
Lim Teik Hoe	Managing Director
Paul Heng Weng Seng	Non-Independent Non-Executive Director
Ng Hong Kiat @ Ng Han Kiat	Independent Non-Executive Director
Rusmin Alwani Binti Shukery	Independent Non-Executive Director
<b>Key management</b>	
Kor Han Chin	Head of Operations and Head of Production
Tan Hooi Siam	Head of Finance
Bathumavathy A/P Suppiah	Head of Planning
Tan Guit See	Head of Engineering
Yeesperan A/L Jagesperan	Head of Quality Assurance

Further details of our Directors and key management are set out in Section 5.

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**2. PROSPECTUS SUMMARY (Cont'd)**

**2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS**

The shareholdings of our Promoters and substantial shareholders in our Company before and after IPO are set out below:

	<sup>(1)</sup> Before IPO			<sup>(2)</sup> After IPO		
	Direct	Indirect		Direct	Indirect	
<b>Name</b>	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>No. of Shares</b>	<b>No. of Shares</b>	<b>%</b>
Paul Heng Weng Seng	217,378,000	70.0	-	206,669,700	-	48.3
Liew Sow Ying	93,162,001	30.0	-	82,453,701	-	19.3
Lim Teik Hoe	-	-	<sup>(3)</sup> 93,162,001	-	<sup>(3)</sup> 82,453,701	19.3
						30.00

**Notes:**

- (1) Based on the share capital of 310,540,001 Shares before IPO.
- (2) Based on the enlarged share capital of 428,331,001 Shares after IPO.
- (3) Deemed interest by virtue of the shareholdings of his spouse pursuant to Section 59(11)(c) of the Act.

Further details of our Promoters and substantial shareholders are set out in Section 5.

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**2. PROSPECTUS SUMMARY (Cont'd)****2.9 UTILISATION OF PROCEEDS**

The gross proceeds to be raised by our Company from the Public Issue of RM[•] million shall be utilised in the following manner:

<b>Utilisation of proceeds</b>	<b>RM'000</b>	<b>%</b>	<b><sup>(1)</sup>Estimated timeframe for utilisation</b>
Purchase of new machinery	[•]	[•]	Within 36 months
Construction of factory	[•]	[•]	Within 36 months
Implementation of ERP system	[•]	[•]	Within 12 months
Extension of existing building	[•]	[•]	Within 12 months
Repayment of bank borrowings	[•]	[•]	Within 12 months
Estimated listing expenses	[•]	[•]	Within 1 month
<b>Total</b>	<b>[•]</b>	<b>100.0</b>	

**Note:**

(1) From the date of listing of our Shares.

There is no minimum subscription to be raised from IPO.

Detailed information on our utilisation of proceeds is set out in Section 4.9.

**2.10 FINANCIAL HIGHLIGHTS**

The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

**2.10.1 Combined statements of comprehensive income**

The following table sets out the financial highlights based on our combined statements of comprehensive income for FYE 2018 to 2020:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	56,023	58,594	83,686
GP	13,542	14,719	21,322
Adjusted PBT <sup>(1)</sup>	4,916	4,361	8,623
Adjusted PAT <sup>(1)</sup>	3,451	3,417	6,305
Basic EPS (sen) <sup>(2)</sup>	1.11	1.10	2.03
Diluted EPS (sen) <sup>(3)</sup>	0.81	0.80	1.47

Further details on the financial information are set out in Sections 12 and 13.

**Notes:**

(1) Included in our other income in FYE 2020 is a gain from disposal of property, which is non-recurring. Our adjusted PBT and PAT for FYE 2020 exclude the said other income net of real property gains tax.

(2) Calculated based on Adjusted PAT and share capital of 310,540,001 Shares in issue before Public Issue.



**2. PROSPECTUS SUMMARY (Cont'd)**

(3) Calculated based on Adjusted PAT and enlarged share capital of 428,331,001 Shares after Public Issue.

There were no exceptional items during the financial years under review. Our audited combined financial statements for the past financial years under review were not subject to any audit qualifications.

**2.10.2 Pro forma statements of financial position**

The following table sets out a summary of the pro forma statements of financial position of our Group to show the effects of the Acquisition, Public Issue and utilisation of proceeds. It is presented for illustrative purposes only and should be read together with the pro forma statements of financial position as set out in Section 14.

	<b>As at 31 December 2020</b>	<b>I After Acquisition</b>	<b>II After I and Public Issue</b>	<b>III After II and utilisation of proceeds</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>				
Total non-current assets	-	23,344	[•]	[•]
Total current assets	(1)-	36,110	[•]	[•]
<b>TOTAL ASSETS</b>	(1)-	<b>59,454</b>	[•]	[•]
<b>EQUITY AND LIABILITIES</b>				
Share capital	(1)-	29,253	[•]	[•]
Retained profits	-	26,755	26,755	[•]
Reserves	(5)	(26,753)	(26,753)	(26,753)
<b>TOTAL EQUITY</b>	<b>(5)</b>	<b>29,255</b>	[•]	[•]
Total non-current liabilities	-	11,423	11,423	[•]
Total current liabilities	5	18,776	18,776	[•]
<b>TOTAL LIABILITIES</b>	<b>5</b>	<b>30,199</b>	<b>30,199</b>	[•]
<b>TOTAL EQUITY AND LIABILITIES</b>	(1)-	<b>59,454</b>	[•]	[•]
No. of Shares in issue ( '000)	(2)-	310,540	428,331	428,331
NA per Share (RM)	(5)	0.09	[•]	[•]
Borrowings	-	15,168	15,168	[•]
Gearing (times)	-	0.52	[•]	[•]

**Notes:**

(1) Representing RM1.00.

(2) Representing 1 share.

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**2. PROSPECTUS SUMMARY (Cont'd)**

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**2.11 DIVIDEND POLICY**

Our Company presently does not have any formal dividend policy. It is our intention to pay dividends to shareholders in the future, however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Further details of our dividend policy are set out in Section 12.16.

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