
7. BUSINESS OVERVIEW

7.1 OUR HISTORY AND BACKGROUND

Our beginning and changes in ownership

The history of our Group began with the establishment of Coraza Systems on 18 September 2001 with our manufacturing operations located at Seberang Perai, Pulau Pinang with a built-up area of approximately 46,000 square feet. The company was initially involved in sheet metal fabrication to produce metal piece parts for a single MNC involved in the instrumentation industry. In August 2002, Coraza Systems was sold to Coraza Holdings (previously known as Senzoon Enterprise Sdn Bhd). The owners of Coraza Holdings at that time were Liew Sow Ying (50%) and Loh Choon Khiang (50% stake). Subsequently, in 2003, Liew Sow Ying, Loh Choon Khiang, Paul Heng Weng Seng and Loh Choon Piew subscribed for new shares in Coraza Holdings, resulting in the following shareholdings - Paul Heng Weng Seng (50%), Liew Sow Ying (20%), Loh Choon Khiang (15%) and Loh Choon Piew (15%). In 2014, Paul Heng Weng Seng and Liew Sow Ying, bought over the 30% stake collectively held by Loh Choon Khiang and Loh Choon Piew. As a result, the shareholdings of Coraza Holdings became - Paul Heng Weng Seng (70%) and Liew Sow Ying (30%).

Our growth

Coraza Holdings acquired Coraza Systems as they saw an opportunity for growth in the engineering supporting industry in Malaysia during a time when various MNCs were setting up operations in Pulau Pinang. Coraza Systems experienced internal growth under the new ownership team and began to produce additional metal piece parts with an expanded customer base.

In 2003, we focused on attaining a better internal QMS and were eventually awarded the ISO 9001:2000 by DQS GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal Products". This represented our first step towards ensuring the quality of our service offerings were aligned to international standards. It also enabled us to offer our services to more customers and helped expanded our customer base to different industry sectors as many of them require their suppliers to be ISO certified.

Construction of our current factory and production expansion

In 2004, Coraza Systems purchased a piece of industrial land in Nibong Tebal, Pulau Pinang, and commenced construction of our current factory cum office with a built-up area of approximately 8,660.4 square metres. The decision to purchase the land and build a new, bigger factory was driven by the increased demand from more clients as well as to plan for future expansion of the business. Construction was completed in 2005, and we moved from the rented Seberang Perai factory to our current factory in 2006. In the same year, with a bigger production area, we invested in additional machinery and increased our production capacity.

In 2006, we successfully obtained a grant amounting to RM250,000 under the Technology Acquisition Fund by Malaysian Technology Development Corporation Sdn Bhd. As part of our strategic intent to serve market sectors beyond the instrumentation sector with high flexibility and capabilities, as well as more stringent quality requirements, we further invested in CNC machinery to improve our flexibility, productivity, and quality.

In 2007, we were awarded with the internationally-recognised certifications by TÜV NORD Cert GmbH namely, the ISO 14001:2004 (Environmental Management System) and the OHSAS 18001:2007 (Occupational Health and Safety Management System). These certifications further differentiate us from other small and medium enterprises and enables us to cater to MNC requirements.

7. BUSINESS OVERVIEW (Cont'd)

In 2010, we updated our QMS certification to ISO 9001:2008 under the scope of "Fabrication and Assembly of Precision Sheet Metal Products" from DQS GmbH. In the same year, we began to offer our existing customers parts that meet the aerospace industry standards, which comply with the AS9100C certification from DQS GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal Products for the Aerospace Industry". This certification was officially issued to us in 2012, and allows us to better engage aerospace OEMs.

New leadership

In 2012, Ng Fook San was recruited into the board of Coraza Systems to transform the company. He brought with him over 40 years of experience in various semiconductor companies such as the Infineon group of companies and OSRAM Opto Semiconductors (Malaysia) Sdn Bhd.

In 2013, under the guidance of Ng Fook San as Chairman of the board, Coraza Systems put in place enhanced corporate management practices in a systematic corporate framework for the long-term success of the company.

In 2014, we also appointed Lim Teik Hoe as the Chief Executive Officer of Coraza Systems. Prior to joining Coraza Systems, he was a co-founder and executive director of D'nonce Technology Bhd, which is involved in the E&E sector. He oversaw the business development, sales and marketing of the company.

Under the leadership of Lim Teik Hoe, our Group put in place a 5-year plan to expand our engineering competency and resources, invest in technology, engage new sectors, and double our revenue. We also put in place modern operational management practices to improve productivity, quality and delivery.

Since his joining, we have doubled our engineering resources which strengthened our engineering competency encompassing mechanical, aerospace, material, and manufacturing engineering. As a continuous development strategy, we regularly engage with local education institutes such as colleges or universities for engineering development.

In 2016, we were selected as one of the 10 companies in the Entry Point Project 8 (EPP8): Developing SMEs In The Global Aerospace Manufacturing Industry Programme, an initiative by SME Corporation Malaysia under the auspices of MITI towards the development of Malaysian aerospace SME manufacturing supply chain ecosystem.

To further strengthen our position in providing services for the aerospace industry, we have been working with a European-based aerospace engineering company since 2018. This has enabled our Group to enhance our engineering capability and quality required for the aerospace industry. With the help of the European-based aerospace engineering company, we adopted AQP into our quality control system. For Industry 4.0 readiness, we have invested in a new ERP system which is scheduled to be launched in early 2022.

Throughout 2017 and 2018, we were also awarded government grants from MIDA, which reimbursed us for capital expenditure on modernisation of specified machinery and equipment.

In 2018, we updated our QMS certification to ISO9001:2015 and AS9100D from DQS GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal and Machined Products for Aerospace Industry" from DQS GmbH. During the same year, we also purchased 2 adjoining pieces of land (Lot 2773 & 2776) located in Nibong Tebal, Pulau Pinang, measuring 5,230 square metres and 3,144 square metres respectively. The land is earmarked for our future expansion plan involving the construction of a new factory. We expect to increase our production capacity as well as service offerings when the new factory is completed. As at LPD, plans are finalised for the first phase development of the land and are targeted for submission in July 2021.

7. BUSINESS OVERVIEW (Cont'd)

Today, we are an established integrated engineering supporting services provider in Malaysia with more than 20 years of operating history with an annual sales of over RM80 million and growing. We have grown from producing metal piece parts to enclosures and precision-machined components and finally structural racks and frames where we are able to include sub-modular mechanical and electro-mechanical assembly services. We support customers in various industries including semiconductor, instrumentation, life science and medical devices, telecommunications, aerospace, and E&E.

7.2 KEY ACHIEVEMENTS AND MILESTONES

The key milestones and achievements of our Group since the commencement of our business are as follows:

Year	Key Milestones and Achievements
2001	Incorporated Coraza Systems to produce metal piece parts for the instrumentation industry. Set up our factory cum office with a built-up area of 46,000 sq ft in Seberang Perai, Pulau Pinang.
2002	Coraza Systems was bought over by Coraza Holdings (previously known as Senzoon Enterprise Sdn Bhd).
2003	Attained ISO 9001:2000 certification from DQS GmbH under the scope "Fabrication and Assembly of Precision Sheet Metal Products".
2004	Purchased a piece of industrial land in Nibong Tebal, Pulau Pinang and commenced construction on our current factory cum office with a built-up area of approximately 8,660.4 square metre.
2005 - 2006	Completed construction of our factory and moved our operations from Seberang Perai, Pulau Pinang, to the new factory in Nibong Tebal, Pulau Pinang.
2006	Invested in technology and purchased a CNC machine that improved the quality of our products. Obtained a grant from Malaysian Technology Development Corporation Sdn Bhd under the Technology Acquisition Fund in recognition of our investment in technology.
2007	Attained ISO 14001:2004 certification from TÜV NORD Cert GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal Products" and Attained BS OHSAS 18001:2007 certification from TÜV NORD Cert GmbH under the scope of "Fabrication and Assembly of Sheet Metal Products" Ventured into the aerospace industry Began to offer welding of metal piece parts
2010	Updated our QMS certification to ISO 9001:2008 under the scope of "Fabrication and Assembly of Precision Sheet Metal Products" from DQS GmbH

7. BUSINESS OVERVIEW (Cont'd)

Year	Key Milestones and Achievements
2012	<p>Appointed Ng Fook San as director of Coraza Systems</p> <p>Attained AS9100C certification from DQS GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal Products for the Aerospace Industry"</p>
2013	<p>Began to offer precision machining services</p>
2014	<p>Appointed Lim Teik Hoe as Chief Executive Officer of Coraza Systems</p>
2015	<p>Began to offer sub-modular assembly services</p> <p>Began to produce metal frames and enclosures</p>
2016	<p>Selected as one of the 10 companies in the Entry Point Project 8 (EPP8): Developing SMEs In The Global Aerospace Manufacturing Industry Programme</p>
2018	<p>Purchased Lot 2773 & 2776 for future expansion of our Group's manufacturing activities</p> <p>Updated our QMS certification to ISO9001:2015 under the scope of "Fabrication and Assembly of Precision Sheet Metal and Machined Products for Aerospace Industry" from DQS GmbH</p> <p>Updated our QMS certification to AS9100D from DQS GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal and Machining Products for Aerospace Industry"</p>
2019	<p>Updated our occupational health and safety management system to ISO 45001:2018 from TÜV NORD Cert GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal and Machined Products"</p> <p>Updated our environmental management system ISO 14001:2015 certification from TÜV NORD Cert GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal and Machined Products"</p>

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7. BUSINESS OVERVIEW (Cont'd)

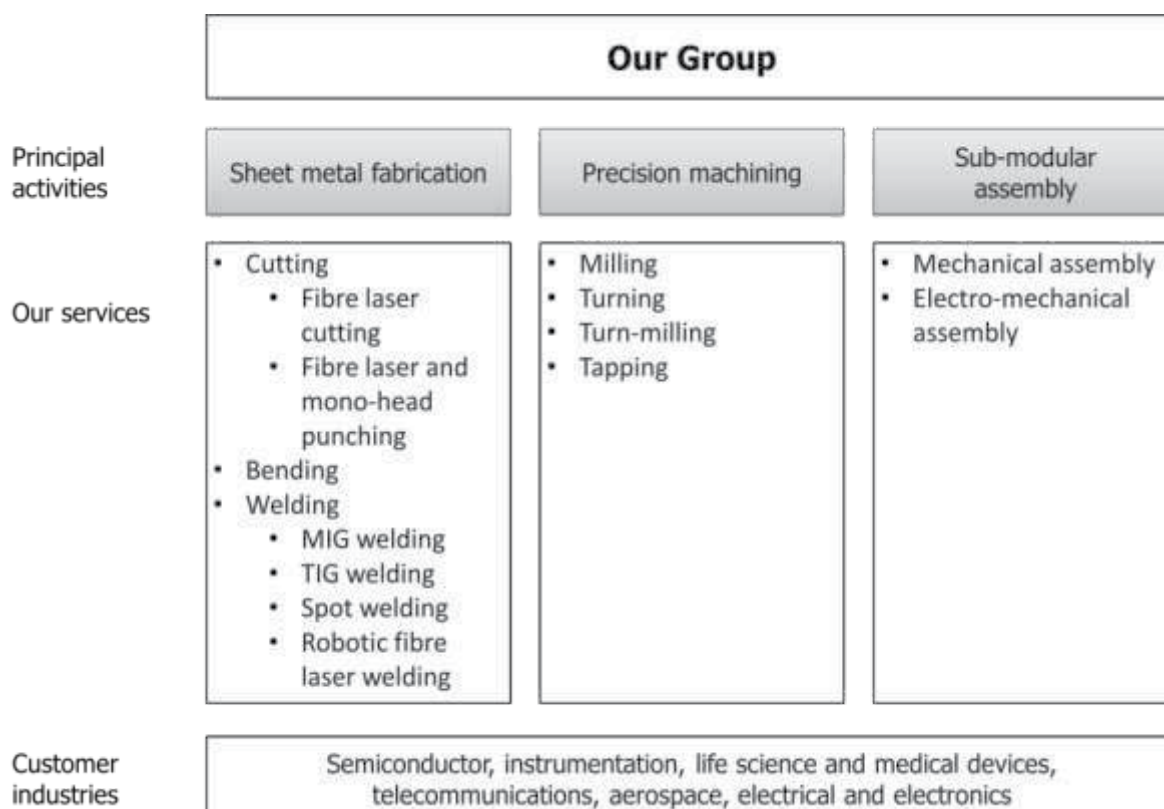
7.3 PRINCIPAL ACTIVITIES

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.

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.

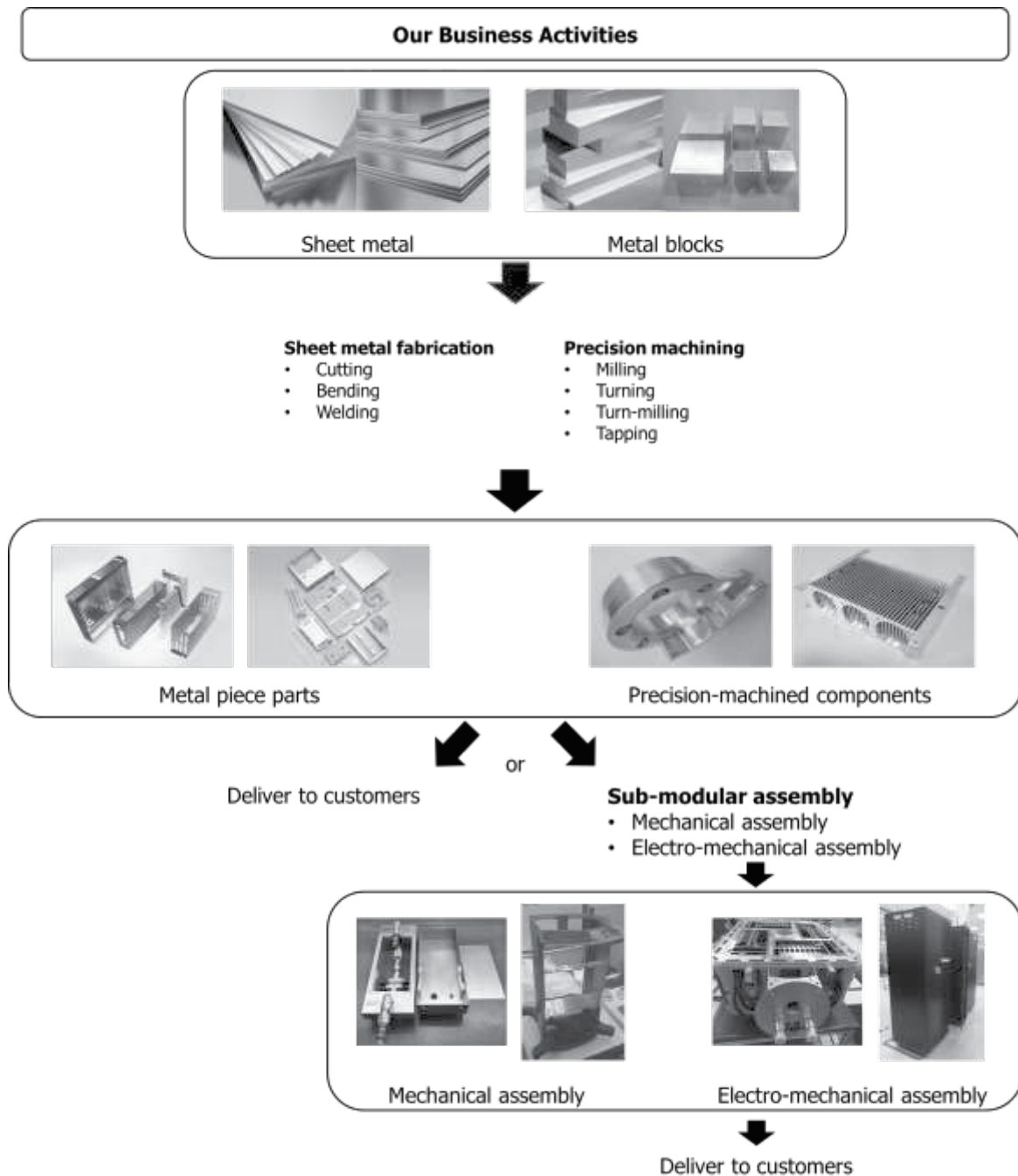
In addition to metal fabrication and assembly services, we also conduct joint product development with our customers. We will collaborate with them on the D&D of their products to produce a prototype of the product. Once the prototype has been confirmed then the planning for production begins. We implement 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.

Our principal activities above can be summarized in the following diagram:



7. BUSINESS OVERVIEW (Cont'd)

The following diagram illustrates our production process:



7. BUSINESS OVERVIEW (Cont'd)

7.3.1 Sheet metal fabrication

Sheet metal fabrication refers to the processing of sheet metal and metal blocks into intermediate metal products such as metal piece parts through various types of processes such as cutting, bending, and welding. The metal piece parts that we produce undergo more than one of these processes to reach the desired shape. We use various CNC machinery for these processes in order to achieve the precision required by our customers. Once the sheet metal has undergone the various fabrication processes, metal piece parts if required, may undergo finishing treatment such as sand-blasting or glass-blasting, surface conversion, anodizing, plating, electropolish, ultrasonic cleaning, painting, laser marking and silkscreening. Our Group does not carry out finishing treatments and outsources them to our subcontractors. Where a fabrication requires specialised processes such as metal casting or high tonnage stamping, such processes are outsourced to subcontractors. Once completed, if required, the metal piece parts are then ready for sub-module assembly.

Details on the processes we use are as follows:

(a) Cutting

Cutting involves the use of cutting tools or machinery to remove excess metal from the metal sheet to create a metal piece part according to the specifications of its design. Our Group uses 2 main processes to cut sheet metal, namely fibre laser cutting and a combination of laser technology (fibre or carbon dioxide) and mono-head punching.

(i) Fibre laser cutting

Fibre laser cutting process



Fibre laser cutting is a fast and efficient thermal cutting process that involves the use of a laser beam to cut the desired shapes into the sheet metal or to cut the sheet metal to the required shapes. When the laser beam is focused onto the sheet metal, the light energy is absorbed and converted to heat energy which causes the metal to heat up and melt. The molten metal is removed from the sheet, leaving behind cuts in the sheet metal. We are able to cut unique materials such as mirror surface, perforated with consistent edge, and wire mesh cloth.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Fibre laser and mono-head punching

Fibre laser and mono-head punching process



This process combines both fibre laser cutting and mono-head punching in one machine, enabling the sheet metal to be processed via laser cutting and mono-head punch press methods in a single sequence. A mono-head punch press is a type of punch press that uses a single tool on the punching head. Different tools can be exchanged into the punching head to form different shapes into the sheet metal. Mono-head punching allows for production of more complex shapes including in 3-dimensional forms. This set up enables us to conduct a high mix, low volume production without purchasing multiple expensive hard tools.

(b) Bending

Bending process



Bending is a process that applies force on a sheet of metal, causing it to bend at an angle to form the desired shape. The sheet metal is placed between a punch on the top and a die on the bottom and the press brake machine is programmed to press the punch against the sheet metal into the die, exerting the required amount of force to bend the sheet to its desired angle or bend. The CNC bending machines we utilise enable us to bend the sheet metal using limited effort and achieve a variety of bends at tight tolerances. The CNC programme also enables us to create unique bend radius profiles based on our customers' demands.

(c) Welding

Welding is a process that joins together 2 or more separate pieces of metal. The process involves melting the separate metal pieces and at times adding a filler to form a joint. We are capable of performing various types of welding, namely metal inert gas ("MIG") welding, tungsten inert gas ("TIG") welding, spot welding, brazing, stud welding, flux core arc welding, laser welding and robotic fibre laser welding.

7. BUSINESS OVERVIEW (Cont'd)

We provide different types of welding in order to cater to our customers' needs. Our customers may have a specific type of weld to use for specific products, which is specified in the drawings provided by the customers. Our welding capabilities meet the America Welding Society's codebook of welding standards. Additionally, we have machinery for peening to allow for stress relief of the sheet metal, a water cooling jig to reduce heat distortion, and a tungsten grinder to achieve an accurate tungsten angle tip to reduce welding penetration.

MIG welding



TIG welding



Spot welding



Robotic fibre laser welding machine



(i) MIG welding

MIG welding is a form of gas metal arc welding, which uses heat from an electric arc formed between a consumable metal electrode (filler) and sheet metal pieces. An inert gas is used as a shielding gas that protects the joint from contamination. MIG welding has a continuous feed of the consumable metal electrode resulting in a faster welding process and suitable for welding larger or thicker materials.

(ii) TIG welding

TIG welding is a form of welding that produces a weld using a non-consumable tungsten electrode. An electric arc formed between the tungsten electrode and the metal pieces melts the metal and forms the joint. An inert gas is used as a shielding gas that protects the joint from contamination. TIG welding is a slower process and requires more skill to achieve proper precision. This form of welding is usually used for welding thinner-gauge materials. TIG welding also results in a better post-welding surface and less post-welding works needed.

7. BUSINESS OVERVIEW (Cont'd)

(iii) Spot welding

Spot welding is a form of resistance welding whereby 2 or more metal sheets are welded together without the use of a filler. The metal sheets are clamped between 2 electrodes that will convey an electrical current through the metal sheets. The heat from the electrical current causes the metal sheets to melt at the point of contact. Pressure is maintained after the electrical current is removed in order to join the 2 metal sheets as the melted metal cools and solidifies. Spot welding is usually used for producing smaller welds and joining thinner materials with less heat distortion.

(iv) Robotic fibre laser welding

Robotic fibre laser welding uses automation for clean and precise welding of 2 or more metal sheets. The accuracy and low heat generated using robotic laser welding allows for welding of thinner or more delicate metal sheets as it does not cause distortion or spatter. This form of welding provides a neater and cleaner weld and finish due to the focused heat which customers may prefer for certain products.

(v) Brazing

Brazing is a joining process whereby the parts of the same or different types of materials are joined. It is different from welding as the brazing process joins the different materials together by melting and flowing a filler metal into the joint. It also differs from welding as the brazing process does not melt the different material pieces.

(vi) Flux core arc welding

Flux core arc welding uses heat generated by an electric arc to fuse the sheet metal pieces in the weld joint area. The arc is formed between the sheet metal piece and the continuously-fed consumable filler wire. The sheet metal piece and the wire are melted together to form a weld joint. There are 2 types of flux core arc welding; one that uses an external shielding gas and one that relies on the flux core to protect the welding area. We primarily use flux core arc welding with an external shielding gas as it allows us to weld thicker materials and produces welds with better and more consistent mechanical properties.

(vii) Stud welding

Stud welding is a process where a metal fastener is welded to the sheet metal piece using an electric arc. Stud welding enables cleaner joining without deformation. Stud welding is compatible with most type of metals and are used for both round and rectangular cross-sections. There are 2 types of stud welding, namely drawn arc stud welding and capacitor discharge stud welding.

7. BUSINESS OVERVIEW (Cont'd)

Our Group produces intermediate metal parts for our customers in various industries including the semiconductor, instrumentation, life science and medical devices, telecommunications, aerospace, and E&E. Examples of our intermediate metal parts can be seen below:

(a) Semiconductor industry

- Semiconductor module chassis
- Semiconductor frame
- Semiconductor enclosure

Semiconductor module chassis and frame after sub-module assembly



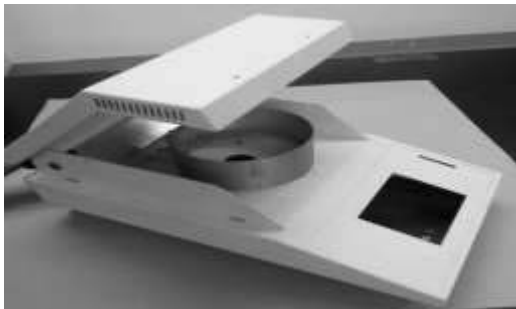
Semiconductor enclosure



(b) Instrumentation industry

- Instrument frame
- Instrument enclosure

Instrument frame



Instrument enclosure



(c) Life science and medical devices

- Medical instrument frame
- Measuring instrument frame

Medical instrument frame



Measuring instrument frame



7. BUSINESS OVERVIEW (Cont'd)

(d) Telecommunications

- Telecommunications frame
- Telecommunications structure
- Telecommunications enclosure

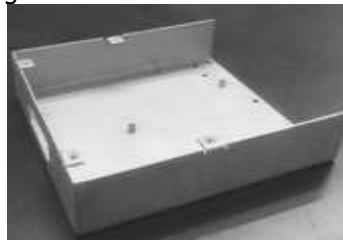
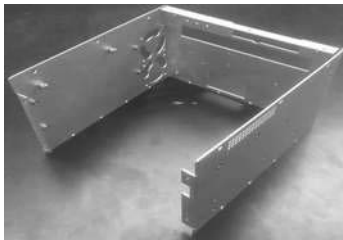
Telecommunications frame, structure and enclosure, after sub-module assembly



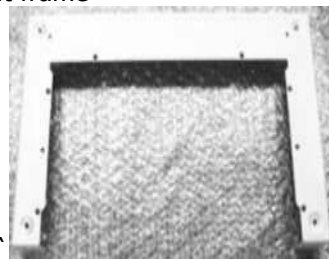
(e) Aerospace

- Aerospace frame
- Aerospace enclosure

In-flight entertainment unit enclosure



In-flight entertainment unit frame

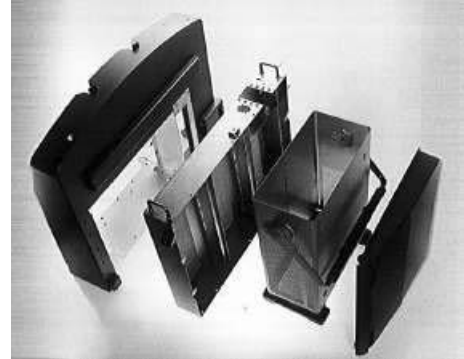


7. BUSINESS OVERVIEW (Cont'd)

(f) E&E

- E&E frame
- E&E enclosure

E&E frame and enclosure



7.3.2 Machining

We also provide precision machining services to our customers to produce intermediate metal products such as precision-machined components according to the design and specifications required. We use CNC machining processes such as milling, turning, and turn-milling to produce precision-machined components with close tolerance finishes in a highly-precise and consistent manner. During the aforementioned processes, excess metal is removed from metal blocks to change its shape according to the customer's design and required specifications. Prior to undergoing sub-modular assembly processes, the precision-machined components may undergo various finishing treatments.

The processes we conduct for machining are as follows:

(a) Milling

CNC milling process



During the milling process, a metal block is held stationary while a rotating cutting tool is held against the metal block to remove excess material and shape the metal block according to the design and specifications. Different cutting tools can be used depending on the type of cuts that are required. This process is suitable for cutting flat surfaces into the metal blocks or cutting deep cavities into the metal blocks. We are able to mill metal blocks of sizes up to 2 metres wide by 4 metres long.

7. BUSINESS OVERVIEW (Cont'd)

(b) Turning

CNC turning process



Turning is a process where the secured metal block is rotated and a stationary cutting tool is pressed against the rotating metal block to cut away excess material to shape the metal block. This process is suitable for producing cylindrical parts with varying diameters in different sections.

(c) Turn-milling

CNC turn-milling process



Turn-milling combines the processes of milling and turning. A secured metal block is rotated and a rotating cutting tool is pressed against the metal block in order to remove excess material. Turn-milling is an efficient process as it reduces processing time and reduces the need for transferring the metal block from one machine to another.

(d) Tapping

Tapping process

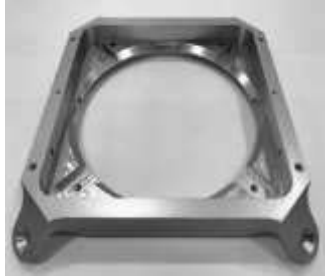


Tapping is a machining process that cuts a thread inside a hole so that a screw or bolt can be threaded into the hole.

7. BUSINESS OVERVIEW (Cont'd)

We produce precision-machined components for our customers in various industries including semiconductor, instrumentation, life science and medical devices, telecommunications, aerospace, and E&E. Examples of our precision-machined components are as follows:

Precision milling part



Precision milling part



Precision turn-milling part



Precision turn-milling part



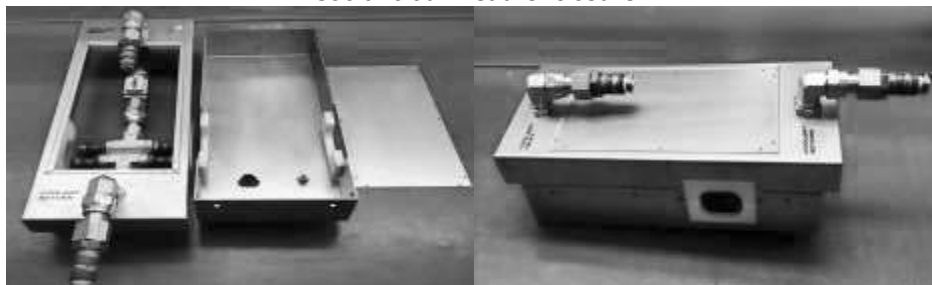
7.3.3 Sub-modular assembly

Our Group also provides sub-modular assembly services such as mechanical assembly and electro-mechanical assembly for our customers. After the sheet metal fabrication and precision machining process, we sub-assemble the intermediate metal products such as metal piece parts and precision-machined components into sub-modular assembled products such as frames, structures, and enclosures. These sub-modular assembled products are then delivered to our customers to undergo further processing or full assembly into finished products.

(a) Mechanical assembly

The mechanical assembly process involves the assembly of multiple intermediate metal products into sub-modular assembled products such as frames or enclosures. Examples of mechanical assembly are as follows:

Coolant bulkhead enclosure



7. BUSINESS OVERVIEW (Cont'd)

Medical instrument frame



Medical instrument frame



(b) Electro-mechanical assembly

Electro-mechanical assembly is the process of assembling various electrical components such as wiring with intermediate metal products into sub-modular assembled products. The electrical components are required to move or control the mechanical parts in the sub-modular assembled products. Examples of sub-modular assembled products that have undergone electro-mechanical assembly are as follows:

Power supply rack



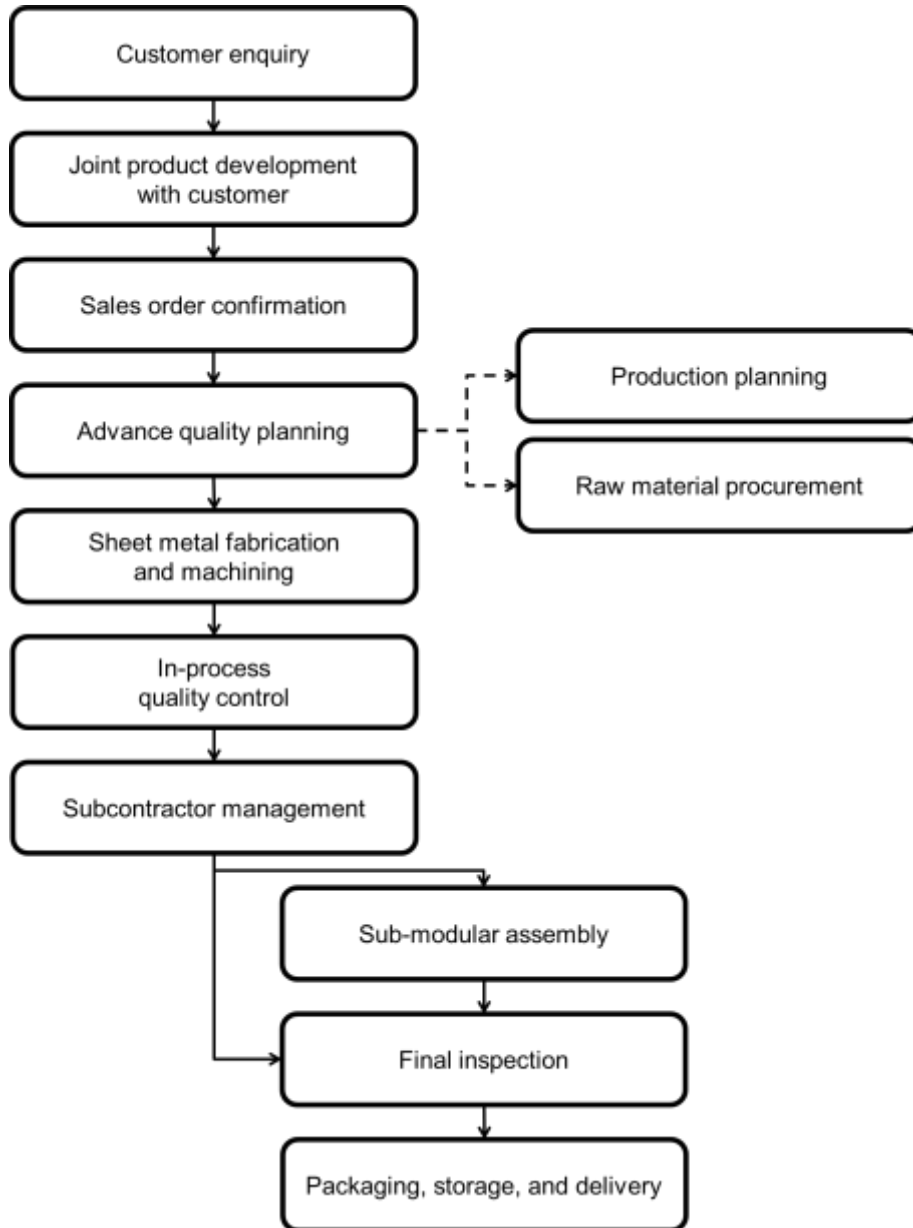
Electro-mechanical assembly of frame and enclosure for semiconductor industry



7. BUSINESS OVERVIEW (Cont'd)

7.4 BUSINESS PROCESS

The diagram below represents our main business processes:



7. BUSINESS OVERVIEW (Cont'd)

7.4.1 Customer enquiry

A customer will approach us and enquire about our services. We provide them with information on our capabilities and a quotation for our services.

7.4.2 Joint product development with customer

During this step, our engineering team are involved in the D&D process with our customers. We conduct design for manufacturability based on the customer's designs and specifications which is then reviewed by our customers. Upon approval, we will begin to develop a prototype of the product based on the product design and technical information. We will test the prototype accordingly to ensure it meets the specifications and design from the customer. The final prototype will then be approved by the customer. Further details of our D&D process with our customers for new products can be found in Section 7.15.

7.4.3 Sales order confirmation

Upon approval of the prototype from the customer, they will issue a sales order to us, and we will notify our customers on the delivery schedule

7.4.4 Advance quality planning

AQP is a structured process aimed at ensuring customer satisfaction with new products and/or processes. The process uses tools and techniques such as failure mode effect analysis, measurement system analysis, statistical process control, and production part approval process to ensure that the new products or processes being introduced are up to standard. AQP facilitates communication and collaboration between our Group and our customers which translates to clear understanding of product and/or process requirements.

AQP begins with new product and/or process introduction, whereby the product/process design, technical information, and customer feedback from the joint product development stage are taken into account to produce the new product for the customer. We explore various manufacturing processes to find the most efficient manner of production and determine the testing criteria to check on the quality and specifications of the product. We will then commence production planning and raw materials procurement.

(a) Production planning

Our engineering team will work together with our planning team and quality team to develop a production schedule, taking into account factors such as raw material availability and production capacity in preparation for mass production.

(b) Raw material procurement

After the production planning stage, our purchasing team source the raw materials required such as aluminium, stainless steel, and cold-rolled steel or along with LLM such fasteners, hinges, wires and other various electrical parts from our approved suppliers. When the raw materials arrive at our factory, they are checked by our incoming quality team to ensure the quantity and quality. The raw materials are then verified and sent for storage.

We will implement AQP during our manufacturing process as well. We will reduce process variation, identify any issues that arise during the manufacturing process, and continuously collect customer feedback in order to improve our process. This enables us to improve the quality of our products, manufacture them on a consistent basis, and meet the needs of our customers.

7. BUSINESS OVERVIEW (Cont'd)

7.4.5 Sheet metal fabrication and machining

The sheet metal fabrication and machining process refers to the various processes such as cutting, bending, welding, and precision machining that are used to produce the intermediate metal products according to the design and specifications of our customers. The various processes involved can be seen in Section 7.2.

In order to ensure that our products meet the design specifications and quality standards, we carry out in-process quality control after every sheet metal fabrication and machining process.

7.4.6 In-process quality control

Once all the relevant processes have been carried out on the specific component, we carry out additional quality control. During this stage, we check the component's visual, dimensional and functional compliance against the product design drawings.

We follow an in-process control plan to carry our process control during each manufacturing process. In order to ensure that the products conform to customer requirements, all critical dimensions of the products are highlighted and verified.

We also carry out different modes of inspection for each manufacturing process, making sure that the most appropriate method is used during each step. For example, we may conduct machine inspection instead of manual visual inspection to eliminate possible human error.

Components that pass the inspection are then taken to storage to await delivery or sent to our sub-modular assembly area where they will undergo further processing.

7.4.7 Subcontractor management

Subcontractor service is an important part of the manufacturing chain. In order to guarantee that our subcontractors provide us with products and services that meet our standards, we continuously monitor our subcontractors' capabilities, quality, and delivery.

7.4.8 Sub-modular assembly

We also provide sub-modular assembly services for our customers. Certain intermediate metal products are sent to the sub-modular assembly area to undergo sub-modular assembly according to the design and specifications of the customers.

7.4.9 Final inspection

The intermediate metal products or sub-modular assembled products will undergo a final outgoing quality assurance inspection to ensure that they conform to specified requirements.

7.4.10 Packaging, storage and delivery

The finished goods are packed and stored. Our customer service team will issue a picking list to the store for the specific finished goods to be kitted, packed, and labelled according to our customers' requirements. The logistics personnel will then arrange for delivery of the finished goods. For domestic customers, deliveries are carried out by our own fleet of delivery drivers. For international customers, deliveries are carried out by our appointed logistic service providers.

7. BUSINESS OVERVIEW (Cont'd)

7.5 BUSINESS SEGMENTS AND PRINCIPAL MARKETS

The breakdown of our revenue by business segments for the financial years under review is as follows:

Business Segment	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Fabrication of sheet metal	53,658	95.8	53,012	90.5	72,157	86.2
Precision machining	2,365	4.2	5,582	9.5	11,529	13.8
Total	56,023	100.0	58,594	100.0	83,686	100.0

The breakdown of our revenue by geographical locations for financial years under review is as follows:

Geographical Location	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	41,646	74.4	41,357	70.6	59,179	70.7
Singapore	12,887	23.0	13,136	22.4	17,977	21.5
USA	515	0.9	1,210	2.1	3,986	4.8
China	77	0.1	85	0.2	1,640	1.9
Other Asian countries ⁽¹⁾	43	0.1	762	1.3	148	0.2
European countries ⁽²⁾	855	1.5	2,044	3.5	756	0.9
Total	56,023	100.0	58,594	100.0	83,686	100.0

Notes:

- ⁽¹⁾ Other Asian countries consists mainly of Vietnam and Japan
- ⁽²⁾ European countries consists mainly of Germany

7. BUSINESS OVERVIEW (Cont'd)

7.6 SALES AND MARKETING STRATEGIES

Our sales and marketing team is headed by our Managing Director, Lim Teik Hoe and is responsible for growing our customer base as well as the accounts that we have with our existing customers, which they do so through the following methods highlighted below.

MNCs, OEMs and EMS companies generally like to work with well-established vendors with a proven track record and certification from recognised certifying bodies. In order to become a vendor for them, we have to go through a series of stringent processes for vetting and validation. We have account managers in our sales and marketing team that will actively approach the MNCs, OEMs, and EMS companies to market our services and showcase our engineering, quality and production capabilities. Our account managers will also handle the sales account for particular customers to develop and maintain our business relationships with them and also to drive repeat business from our existing customers. Our sales and marketing team will also keep track of new players in the E&E industry in Pulau Pinang and arrange meetings with them in order to exhibit our capabilities and offer them our services.

Our track record has also helped us to become a trusted and reliable engineering supporting services provider. Our high-quality products, timely delivery, as well as ability to service a variety of industries such as semiconductor, instrumentation, life science and medical devices, telecommunications, aerospace, and E&E have also helped us achieve brand loyalty and goodwill with our existing customers. Through this, we are able to receive referrals to potential new customers. We are also able to leverage on the network of our senior management due to their experience in the engineering supporting industry to market our products and services to potential new customers.

We also participate in various exhibitions organised by various third-party organisers. We participated in the Kuala Lumpur International Aerospace Business Convention organised by BCI Aerospace in 2016 and the Langkawi International Maritime and Aerospace Exhibition organised by the Government in 2017. In 2018, we participated in the Singapore International Airshow organised by Experia Events and in 2019, we again participated in the Langkawi International Maritime and Aerospace Exhibition organised by the Government. We set up booths at the exhibitions and provide resources such as product catalogues to showcase our capabilities to potential customers. In 2020, since travel restrictions were imposed arising from the COVID-19 and MCO situation, we have participated in various virtual events, namely The Airbus Malaysia Connect Webinar.

In addition, we also have a corporate website (<http://www.corazaintech.com>) which provides details on our profile, our products and services as well as contact details. As the website can be accessed around the world, it can help to raise global awareness of our Group and our capabilities to potential new international customers.

7.7 TECHNOLOGY USED OR TO BE USED

We utilise the following technology in our manufacturing process:

(a) CNC machinery

We utilise CNC machinery for the cutting, bending, milling, and turning processes used in the fabrication of sheet metal and precision machining. Drawings produced by our technical personnel using CAD software are translated into numbers by computers. These numbers act as coordinates for the CNC machinery to determine where to cut the material, thus controlling the movement of the CNC machinery.

7. BUSINESS OVERVIEW (Cont'd)

(b) Computer software

We use CAD software to create 2-dimensional and 3-dimensional computer models of the intermediate metal products. This software enables our engineers to design detailed components according to our customers' specifications. We are experienced in using various CAD software such as AutoCAD, SolidWorks, Siemens NX to design our products.

We also use CAM software such as Mastercam and Siemens NX to generate the programme for our CNC machines to produce the metal parts according to the designs made using CAD software.

(c) Robotic machinery

We are currently using robotic machinery in the form of a robotic laser welding machine. The robotic laser welding machine enables our Group to increase productivity while reducing wastage and reducing reliance on skilled labour. As it is more precise than manual welding, it also minimises or eliminates post-welding processing.

7.8 INTERRUPTIONS IN BUSINESS

Save for the impact of COVID-19 on our business, we did not experience any material interruptions in our business activities, which had a significant effect on our operations, during the past 12 months prior to the date of this Prospectus.

7.8.1 Impact of COVID-19

COVID-19 was officially declared a pandemic by the Director General of the World Health Organisation on 11 March 2020. The Government announced the imposition of a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which began on 18 March 2020 for a period of 2 weeks and was subsequently extended to 4 May 2020. A conditional MCO ("CMCO") was then imposed from 4 May 2020 until 9 June 2020 followed by recovery MCO ("RMCO") from 10 June 2020 until 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.

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, our Group was permitted to continue our operations during the MCO after receiving approval from the MITI on 26 March 2020. We continued our operations on 28 March 2020 with 30% of our production staff while non-production staff worked remotely from home. We resumed operations with a full workforce during the RMCO period. We have not had to decrease our production workforce during the subsequent MCO and CMCO periods.

In light of further increases in COVID-19 positive cases nationwide, the Government imposed a full MCO ("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. Similarly to the initial MCO period in 2020, we had received approval from the MITI to continue operating during the FMCO, albeit with a reduced production workforce of 60% and a work-from-home policy for managerial and administrative staff.

7. BUSINESS OVERVIEW (Cont'd)

As of 27 May 2021, prior to the announcement of the FMCO, our management team had noticed an increasing incidence of employees testing positive for COVID-19. Our management team then decided to conduct a plant-wide mass testing exercise of our employees. All our employees underwent COVID-19 testing and results showed that approximately 18% of our employees tested positive for COVID-19. We then contacted the MOH which then directed the affected employees to be quarantined at designated centres while the rest of our employees to be home quarantined. As a result of the COVID-19 cases, the MOH also issued Coraza Systems a shutdown notice effective 31 May 2021. Following this incident, plant-wide sanitisation took place on 5 and 6 June 2021. Upon a follow up check by MOH, we were cleared to resume our operations on 8 June 2021.

(i) Measures to commence and continue our business operations

As part of the conditions set forth by MITI permitting companies providing essential services to operate during the MCO period, we were required to follow and implement strict SOP imposed by the Government which included the following:

- (a) submitting a list of employees who are involved in operations and ensuring that their movement is limited to travelling from home to work only;
- (b) providing thermometers at the entrance of the premises to measure employees' body temperature and to record the readings on a daily basis;
- (c) contacting the MOH or the nearest government hospital if an employee's body temperature is found to be higher than the normal level;
- (d) providing hand sanitizer at the entrance and other common areas in the premises as well as ensuring that face masks are worn by employees and that social distancing is practiced at all times;
- (e) sanitising and disinfecting common areas of the premises such as production floor, lobbies, and elevators; and
- (f) disinfecting the premises before each shift change and disinfecting vehicles such as employee transportation vehicles as well as delivery vehicles.

In addition to the SOPs implemented by the Government, we have also provided our employees with plastic face shields as additional safeguards.

In the event that our employee has tested positive for COVID-19, our Group will cooperate with the MOH and abide by their instructions for the next course of action. Our SOP in case an employee tests positive for the virus will include measures such as the following:

- (a) compulsory COVID-19 testing for employees close the same department/ section and employees who have come into contact with the affected employee;
- (b) sanitising and disinfecting the affected work area and other premises according to the MOH's guidelines; and
- (c) activating a work-from-home policy where possible for other employees in the same department/ section.

The cost incurred in relation to measures to prevent COVID-19 and to comply with the SOP amounted to approximately RM178,000 as at LPD. These costs include implementation of the various SOP, the cost of COVID-19 tests, quarantine accommodation, sanitisation and disinfection activities.

Our Group is also looking into purchasing COVID-19 vaccines and organising a mass vaccination for all our employees, depending on the availability of vaccines, to safeguard our employees and to prevent additional disruptions to our business operations due to positive COVID-19 cases.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Impact of COVID-19 and various movement control orders on our business**(a) Impact of COVID-19 on our production and product sales**

As we were permitted to operate during the initial MCO period, albeit at a lower capacity, we were able to continue manufacturing our products and did not experience a significant negative impact on our production output. We also did not experience any decrease in demand of products from our customers. However, the lockdown and movement control measures prevented us from conducting face-to-face meetings and site visits with potential customers, which in turn slowed down our business development process. Nevertheless, we did not experience a substantial adverse impact on our product sales for FYE 2020 due to COVID-19.

Following the shutdown notice effective 31 May 2021 and a number of our production workers testing positive for COVID-19, we are unable to carry out our production activities. We have informed our customers on our shutdown and have rescheduled several deliveries as a result. Our customers understand the situation and we have not incurred nor expect to incur any penalties from our customers due to the delayed delivery. Nevertheless, we remain in constant communication with our customers to update them on the situation.

During the periods of shutdown or reduced operational capacity, we continue to incur fixed costs such as the depreciation of our plant and machinery and staff costs amounting to approximately RM1.0 million for the period of 18 March 2020 to 27 March 2020, and approximately RM0.6 million for the period of 31 May 2021 to 7 June 2021, for which we generate less or no income.

Nonetheless, we have assessed the impact of the shutdown on 31 May 2021 on our financial performance and we believe that any shortfall of income experienced due to the shutdown will be made up in the remaining months of FYE 2021.

(b) Impact of COVID-19 on our supply chain

We had initially experienced minor disruption in our supply chain due to the lockdown measures. The delivery of raw material to our premises was affected briefly due to travel restrictions as well as MITI's deferred approval for businesses they deemed as non-essential. We did not experience material disruptions of products from our suppliers.

Delivery of finished goods to our local customers was minimally affected as they are carried out by our own fleet of delivery trucks, albeit subjected to strict SOPs implemented by the Government. We experienced slight delays in delivery of finished goods to our international customers due to difficulty in obtaining cargo space for air and sea freight. Despite the delays, our Group did not experience a material adverse effect in delivering products to our customers as most of them are local or based in Singapore.

We were also not significantly affected by the increase in air and sea freight rates during this time as our terms with our customers are mostly ex-works, which means that they will incur the logistics costs.

7. BUSINESS OVERVIEW (Cont'd)

As we were categorised as a company providing essential services and were allowed to operate during the various MCO periods, we have not experienced significant adverse effects on our business operations due to the COVID-19 pandemic and resulting lockdown measures for FYE 2020, as we managed to record an increase in revenue for FYE 2020 or RM83.7 million compared to RM58.6 million for FYE 2019.

However, 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 nor expect any penalties from our customers on the delay and are in constant communication with them. We have also continued to receive new orders from customers during this period. 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.

7.9 SEASONALITY

Our business is not affected by any seasonal trends.

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7. BUSINESS OVERVIEW (Cont'd)

7.10 MAJOR CUSTOMERS

Our top 5 major customers for FYE 2018 to 2020 is as follows:

No.	Major customer	Principal countries	Industry/ Business segment	Total sales		Length of relationship Years	
				RM'000	%		
FYE 2018							
1	Company J	Malaysia	Semiconductor/ Instrumentation/ and Life Science	Medical	25,818	46.1	11
2	Company A	Malaysia and Singapore	Medical and Life Science		8,867	15.8	17
3	Company P	Malaysia	Semiconductor/ Instrumentation/ and Life Science/ Aerospace	Medical	8,366	14.9	14
4	Company V	Malaysia	Instrumentation		4,314	7.7	8
5	Company K	Singapore and USA	Medical and Life Science		3,984	7.1	4
	Total				51,351	91.7	
FYE 2019							
1	Company J	Malaysia	Semiconductor/ Instrumentation/ and Life Science	Medical	21,754	37.1	12
2	Company P	Malaysia	Semiconductor/ Instrumentation/ and Life Science/ Aerospace	Medical	13,637	23.3	15
3	Company A	Malaysia and Singapore	Medical and Life Science		9,049	15.4	18
4	Company V	Malaysia	Instrumentation		4,735	8.1	9
5	Company K	Singapore and USA	Instrumentation		3,607	6.2	5
	Total				52,783	90.1	

7. BUSINESS OVERVIEW (Cont'd)

No.	Major customer	Principal countries	Industry/ Business segment	Total sales		Length of relationship Years	
				RM'000	%		
FYE 2020							
1	Company J	Malaysia	Semiconductor/ and Life Science	Instrumentation/ Medical	37,039	44.3	13
2	Company P	Malaysia	Semiconductor/ and Life Science/ Aerospace	Instrumentation/ Medical	16,080	19.2	16
3	Company A	Malaysia and Singapore	Medical and Life Science		10,260	12.3	19
4	Company M	Singapore and USA	Semiconductor		5,364	6.4	2
5	Company V	Malaysia	Instrumentation		3,418	4.1	10
Total					72,161	86.2	

Our top 5 major customers contributed 91.7%, 90.1% and 86.2% of our Group's revenue for FYE 2018, 2019, and 2020 respectively. We are dependent on 3 of our major customers, namely Customer J, Customer P, and Customer A. They have collectively contributed a total of approximately 76.8%, 75.8%, and 75.8% of our Group's revenue for FYE 2018, 2019, and 2020 respectively.

Our customers typically do not enter into long-term contracts with us and our sales are mostly based on purchase orders that we receive from time to time. As a result, the future performance of our Group is reliant, to a certain extent, on our ability to secure repeat orders from these customers. In particular, Customer J is our largest customer that contributed to 46.1%, 37.1% and 44.3% of our revenue for FYE 2018, 2019, and 2020 respectively. They have been our customer for 13 years, during which we have progressively expanded our products and services across various end-user industries, which began with the semiconductor, instrumentation, as well as medical and life sciences. As such, we are not reliant on a single end-user industry for Customer J.

Nevertheless, our Group has maintained good working relationships with our major customers. Specifically, we have been working with Customer A for 19 years, Customer P for 16 years, and Customer J for 13 years. Prior to servicing these customers, we were required to undergo a stringent qualification process and we have since become one of their approved/preferred vendors. We have also applied for and received certification for our QMS, which these customers require prior to working with us. We have also entered into various agreements which govern the relationship and obligations of all parties, as well as set out the standard terms and conditions for future sale and purchase transactions. There has been no dispute with these customers over time which has significantly affected our operations or financial performance. We believe that our track record, capabilities, and longstanding relationships with Customer J, Customer P, and Customer A will continue to grow as we expand our capabilities to service their needs.

7. BUSINESS OVERVIEW (Cont'd)

7.11 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The major types of raw materials purchased by our Group for FYE 2018 to 2020 are set out as follows:

Raw materials	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
LLM	5,671	44.0	6,999	43.7	12,858	53.6
Aluminium	3,365	26.1	3,768	23.5	5,452	22.7
Cold rolled steel	1,000	7.8	1,428	8.9	1,871	7.8
Brass/ copper	554	4.3	1,004	6.3	1,212	5.0
Packaging materials	599	4.6	820	5.1	1,079	4.5
Paint/ink/chemicals	738	5.7	507	3.2	802	3.3
Stainless steel	909	7.1	1,419	8.9	636	2.6
Polyvinyl chloride	47	0.4	58	0.4	90	0.4
Total	12,884	100.0	16,003	100.0	24,000	100.0

The majority of our raw materials are LLM. These are simpler materials purchased in minimum order quantities which are used with metal piece parts and precision-machined components to produce our customers' products based on their design and specification. The LLM we procure include brackets, fasteners, hinges, rivets, washers as well as wiring and various electronic parts. We also procure various metals for sheet metal fabrication and precision machining. Our raw materials are sourced from various local and foreign suppliers. We have not experienced any interruption in supply of raw materials in FYE 2018 to 2020. In order to ensure a stable supply of raw materials, we endeavour to maintain stock of our principal raw materials for at least 2 to 3 months.

As several of our raw materials are commodity based products such as aluminium, copper, and steel, they are subject to demand and supply conditions which may lead to fluctuation in market prices. Similarly, the prices of LLM products we procure are also affected by demand and supply conditions. We have not experienced any volatility of prices from our suppliers that have materially affected our business for FYE 2018 to 2020. Since the start of 2021, the price of raw materials such as aluminium, copper, and steel have increased due to lack of supply and the increases in demand. Raw material prices increased ranging from 10% to 70%. Correspondingly, as at LPD, we have informed our customers that our prices will increase to reflect the increase in raw material prices. We do not expect our GP margins to be significantly impacted by the recent increase in raw material prices.

7. BUSINESS OVERVIEW (Cont'd)

7.12 MAJOR SUPPLIERS

Our top 5 major suppliers for FYE 2018 to 2020 is as follows:

No.	Major supplier	Country	Total purchased		Length of relationship Years	Products purchased
			RM'000	%		
FYE 2018						
1	Garmco (S) Pte Ltd	Singapore	2,229	12.1	13	Cold rolled steel, aluminium, copper
2	Textran Industries (Penang) Sdn Bhd	Malaysia	1,491	8.1	17	LLM
3	Gerestu Sdn Bhd	Malaysia	817	4.5	3	LLM/machining/tooling
4	Fizco Manufacturing Sdn Bhd	Malaysia	802	4.4	4	LLM
5	Bossard (M) Sdn Bhd	Malaysia	771	4.2	8	LLM
	Total		6,110	33.3		
FYE 2019						
1	Garmco (S) Pte Ltd	Singapore	2,332	11.9	14	Cold rolled steel, aluminium, copper
2	Textran Industries (Penang) Sdn Bhd	Malaysia	1,565	8.0	18	LLM
3	Bossard (M) Sdn Bhd	Malaysia	910	4.6	9	LLM
4	Fizco Manufacturing Sdn Bhd	Malaysia	883	4.5	5	LLM
5	Tanika Steel Sdn Bhd	Malaysia	708	3.6	8	Cold rolled steel, aluminium, copper
	Total		6,398	32.6		
FYE 2020						
1	Garmco (S) Pte Ltd	Singapore	2,155	9.0	15	Cold rolled steel, aluminium, copper
2	Textran Industries (Penang) Sdn Bhd	Malaysia	1,741	7.2	19	LLM
3	Supplier A	USA	1,214	5.1	5	Cold rolled steel, aluminium, copper
4	Technical Manufacturing Corporation	USA	988	4.1	1	LLM
5	Bossard (M) Sdn Bhd	Malaysia	887	3.7	10	LLM
	Total		6,985	29.1		

7. BUSINESS OVERVIEW (Cont'd)

Our top 5 major suppliers contributed 33.3%, 32.6% and 29.1% of our Group's purchases for FYE 2018 to 2020 respectively. 3 of our major suppliers, namely Garmco (S) Pte Ltd, Textran Industries (Penang) Sdn Bhd, and Bossard (M) Sdn Bhd made up approximately 24.4%, 24.5%, and 19.9% of our total purchases for FYE 2018 to 2020 respectively.

Our suppliers are selected based on several criteria such as pricing, the quality of their products and their reliability. We have maintained good working relationships with our major suppliers and we have not experienced any material disputes or major disruption in supplies in the past and as at LPD. Despite our long working relationship with most of our major suppliers, there are alternative suppliers readily available, and as such, we are not reliant on any single major supplier.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.13 QUALITY CONTROL

We are committed to producing high-quality products in a consistent manner to our customers. As such, we have put in place various QC processes in the pre-production, production, and post-production stages to ensure the quality of our products and services.

Stage	QC Processes
Pre-production	Prior to full production launch, we undertake AQP taking into consideration customers inputs, process capability and product manufacturability to put in place preventative measures to ensure that the product meets or exceeds customer expectations; increase overall customer satisfaction; and enable continuous improvement by incorporating customer feedback and process improvement. We also carry out incoming quality assurance to ensure materials conform to specified quality requirements.
Production	We conduct in-process quality control during each stage of our manufacturing processes as specified in the process control plan and work instructions. Typically, this includes machines setups verification, people certification and first piece verification.
Post-production	Outgoing quality assurance is put in place to assure products manufactured conformed to customer specified requirements prior to delivering them to our customers.

7.13.1 Quality management systems

Our QMS was first accredited with ISO 9001:2000 in the scope of "Fabrication and Assembly of Precision Sheet Metal Products" from DQS GmbH in 2003. We subsequently updated our QMS accreditation to ISO 9001:2008 in 2010 in the scope of "Fabrication and Assembly of Precision Sheet Metal Products" from DQS GmbH. In 2018, our QMS accreditation was updated to ISO 9001:2015 in the scope of "Fabrication and Assembly of Precision Sheet Metal and Machining Products for Aerospace Industry" from DQS GmbH.

Our QMS for the aerospace industry was initially accredited with AS9100C in 2012 in the scope of "Fabrication and Assembly of Precision Sheet Metal Products for the Aerospace Industry" from DQS GmbH. This accreditation meant that our Group was able to venture into providing products and services for the aerospace industry. We are currently accredited with AS9100D in the scope of "Fabrication and Assembly of Precision Sheet Metal and Machining Products for Aerospace Industry" from DQS GmbH in 2018.

Our Group's QMS was put in place to ensure that we consistently provide high-quality products and services that can meet the requirements and standards of our customers, relevant authorities and regulatory bodies. It also enables us to look for areas where we can improve on customer satisfaction and to identify the potential risks and opportunities for our Group.

7. BUSINESS OVERVIEW (Cont'd)

7.14 HEALTH, SAFETY, AND ENVIRONMENTAL MANAGEMENT SYSTEMS

We are committed to ensuring the safety and health of our employees as well as assuring that our business activities do not severely harm the environment. Some of our customers also require our Group to obtain accreditation in such systems in order to become their supplier. In line with strict international standards, our environmental management system and occupational health and safety management system have been accredited with the following:

(a) ISO 14001:2015 (Environmental management system)

Our environmental management system was first accredited with ISO 14001:2004 in 2007 in the scope of "Fabrication and Assembly of Precision Sheet Metal Products" by TÜV NORD Cert GmbH, showing our ability and commitment to our environmental responsibilities. We subsequently updated our environmental management system to ISO 14001:2015 in 2019 from TÜV NORD Cert GmbH under the scope of "Fabrication and Assembly of Precision Sheet Metal and Machined Products" with a focus on developing processes and plans on how our Group interacts with the environment.

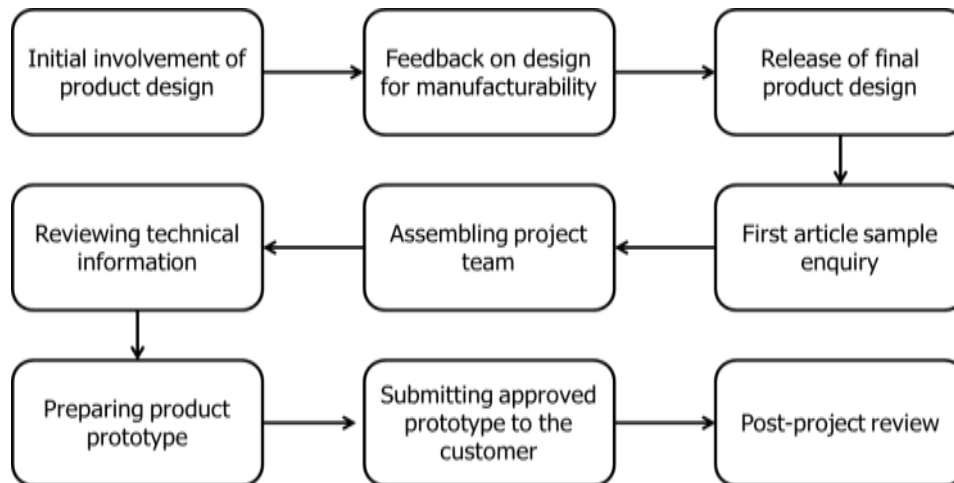
(b) ISO 45001:2018 (Occupational health and safety management system)

Our Group is committed to ensuring the health and safety of our employees and our occupational health and safety management system was first accredited with BS OHSAS 18001:2007 in 2007 from TÜV NORD Cert GmbH in the scope of "Fabrication and Assembly of Sheet Metal Products". We subsequently updated our accreditation to ISO 45001:2018 in the scope of "Fabrication and Assembly of Precision Sheet Metal and Machined Products" from TÜV NORD Cert GmbH in 2019. Published in 2018, ISO 45001:2018 replaces the BS OHSAS 18001 certification and focuses on preventing occupational health and safety hazards and minimising risks in the workplace.

7.15 DESIGN AND DEVELOPMENT ACTIVITIES

Our engineering team is actively involved in D&D activities with our customers' for new product development. Prior to commencing production, engineers from both parties will work together to develop and refine the product's design, finalise the required product, process and materials requirements, product assurance and quality and manufacturability. The nature of our D&D activities differs for each product as different customers have different product requirement and industry standards. The following diagram shows the typical processes involved during our D&D activity with our customers:

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7. BUSINESS OVERVIEW (Cont'd)**(a) Initial involvement of product design**

During the initial stages of product design, our customer's project team (comprising of engineering, quality, and purchasing personnel) will share the preliminary design of the product with our engineering team, who will then review the design.

(b) Feedback on design for manufacturability

Our engineers will provide feedback on the design for manufacturability in terms of product quality, manufacturing processes, raw material and unique functional requirement.

(c) Release of final product design

After receiving our feedback, our customer's engineering team will fine-tune the product/process design. The process of reviewing and refining the product design may occur several times before it is finalised by our customer.

(d) First article sample enquiry

Upon finalising the product design, our customer will provide us with a first article sample enquiry. The first article sample refers to the prototype which is produced according to the design and technical information specified by our customer.

(e) Assembling project team

The first sample enquiry is then provided to our engineering team, which will then assemble a project team with personnel from various teams including engineering, planning, purchasing, and quality.

(f) Reviewing technical information

The project team will review the technical information of the product, which may include quality requirements, resource requirements, manufacturing processes, inspection and test activities needed, and the criteria for the acceptance of the product. Once the review is completed, our project team will then prepare the schedule that covers material preparation, engineering, quality and manufacturing activities, customer inspection, and packaging and delivery. The schedule is then provided to the customer.

7. BUSINESS OVERVIEW (Cont'd)

(g) Preparing product prototype

Upon confirmation of the proposed project schedule by our customer, our project team will begin to prepare a product prototype as per the schedule. To ensure effective execution, we will also prepare an overall development plan of the product, list of raw materials required, the process flow, and the product quality plan. The product quality plan is a set of procedures used as a guide in various stages of development and manufacturing process.

Our project team will then produce a prototype of the product based on the technical information specified. The prototype is then inspected and tested by our quality control team before it is sent to our customer. A first article inspection report is issued by our quality department.

(h) Submitting approved prototype to the customer

The approved prototypes are submitted to our customers together with the test results from the preparation stage. Once the prototype is approved by our customer, we are able to commence production scheduling and raw material procurement in order to prepare for mass manufacturing.

(i) Post-project review

Upon completion of the entire project, our project team will conduct an internal post-project review which can be used to improve future projects. The project team will assess various issues experienced during the project and propose corrective actions and improvements for future projects.

7.16 COMPETITIVE STRENGTHS

7.16.1 We are an integrated engineering supporting services provider

Our Group is an integrated engineering supporting services provider. We provide a wide range of services, which include fabrication of sheet metal, precision engineering, as well as provision of related services, such as D&D and value-added sub-module assembly services. From the early D&D stage, we are able to collaborate with our customers to provide additional input on the design and manufacturability of the desired products. We implement AQP to ensure that we understand the needs of our customers and to assess the product design and manufacturing processes, which helps us to make sure that we are able to effectively manufacture the products with few issues or risks. Our experience in the engineering supporting industry ensures that we are able to assist our customers in creating the products they require.

Our ability to provide a wide variety of processes with varying complexities and high tolerances allows us to provide a more complete service to our customers. They do not have to outsource their manufacturing needs to multiple suppliers, thus streamlining their operations and making it more cost-effective.

In addition, we have more control over the manufacturing and sub-modular assembly of our products as we are involved in the entire process. In the event any issues arise during the manufacturing or sub-modular assembly process, we are able to easily trace the flow of operations and subsequently detect and diagnose the issues.

7. BUSINESS OVERVIEW (Cont'd)

7.16.2 Established track record and long-standing relationships with our customers

Our Group began with the fabrication of simple sheet metal parts and we have expanded our offerings to the sub-modular assembly of sheet metal structures and frames as well as production of precision metal components. Over the years, we have steadily established ourselves as a provider of quality fabricated parts, and we have implemented a QMS in our efforts to ensure customer satisfaction, to provide our customers with consistent parts and services, and to continuously improve our services. Throughout our years in operation, we have been awarded with various accreditations such as ISO 9001:2015 and AS9100D, as seen in Section 7.13.

Our ability to provide quality products and services in a consistent manner and our quality accreditations have enabled us to receive repeat orders from our customers and has eventually led to our Group becoming a preferred provider to these customers.

We believe that our ability to provide our customers with consistent quality products and services, in addition to prompt delivery of products and provision of integrated services has enabled us to develop long-standing relationships with our customers. As at LPD, our Group has business relationships of more than 10 years with 4 of our major customers.

7.16.3 Experienced and knowledgeable key management team

The success of our Group can be attributed to the experiences and knowledge of our management team. Our Executive Chairman, Ng Fook San has over 40 years of experience in the E&E industry including his tenure with Infineon Technologies AG, a global semiconductor firm headquartered in Germany where he was involved in leading its business expansion in the Asia Pacific region. Our Managing Director, Lim Teik Hoe also has over 30 years of experience in the E&E industry, including his time with D'Nonce Technology Berhad where he was involved in the growth of the company and its listing on the Main Board of Bursa Securities (now known as the Main Market).

They are supported by a team of key personnel which are our respective heads of departments. These key personnel have over 20 years of relevant working experience in their respective fields. We believe that the combined experiences, knowledge possessed, and relevant competencies of our key management team have contributed to our ability to better cater to our customer's needs. For example, our competencies allow us to produce product samples and finished goods with shorter lead times, which is a key customer demand.

For further information on our Directors and key management, please refer to Section 5.2 and Section 5.3 respectively.

7.16.4 Continuous investment in machinery

Our Group strives to continuously expand the range of services we provide to our customers that operate in various industries. In order to do so, we continuously invest in machinery in line with improving technology and the requirements of our customers. As such, we are able to meet our customers' more advanced requirements as well as keep up with the demands of the market and capture new customers in new markets.

In FYE 2018, we invested RM1.0 million in a CNC machine, laser welding machine, oven and forklift. In FYE 2019, we invested RM1.5 million in 2 units of welding machine and 3 units of CNC machines. In FYE 2020, we further invested RM4.5 million in a CNC punching and laser machine, 2 units of bending machines, and a visual quality control machine.

7. BUSINESS OVERVIEW (Cont'd)

The machinery we have acquired enables us not only to produce more complex parts but also to improve our production capacity, efficiency and quality. The machinery we possess also enables us to attract more potential customers as more advanced machinery allow for faster and more precise fabrication and machining.

7.17 OPERATING CAPACITY AND OUTPUT

Our Group operates 3 factories that are located at Nibong Tebal and Kulim. Our main production activities are carried out in our factory in Nibong Tebal, and we have 2 branches in Nibong Tebal and Kulim, which supports the polishing and welding processes of our production.

We utilise a variety of machinery to produce metal piece parts and precision-machined components based on the designs and specifications of our customers. Depending on the type of products required by our customers and the complexity of each part, the machinery used as well as the production time will differ.

Our Group's annual production capacity and utilisation at our production facilities for FYE 2020 are as follows:

Types of machinery	No. of units as of 31 December 2020	(1) Estimated maximum annual capacity (hour)	Actual production time per annum (hour)	Annual production capacity utilisation rates (%)
Bending	9	58,608	37,423	63.9
CNC				
Laser and turret punching	3	19,536	11,929	61.1
Milling	8	52,096	27,231	52.3
Turret punching	2	13,024	5,953	45.7
Welding				
Welding ⁽²⁾	31	100,936	70,873	70.2
Manual laser	3	19,536	13,425	68.7
Spot welding	6	39,072	23,324	59.7
Robotic welding				
Robotic laser welding ⁽²⁾	1	3,256	708	21.7
Machining				
Conventional milling ⁽²⁾	3	9,768	6,869	70.3
Tapping	3	19,536	9,683	49.6
Others				
Laser cut	1	6,512	4,344	66.7

Notes:

- (1) Our Group's estimated maximum annual capacity is calculated based on the number of machines available, the number of working hours per day, and 296 working days per annum. The number of working hours per day is based on 2 12-hour shifts per day with a 1-hour break per shift. The number of working days per annum is based on 365 days per annum subtracted by 52 Sundays and 17 public holidays.
- (2) Denotes machinery that is operated for a maximum of 12 hours per day including a 1-hour break per shift.

7. BUSINESS OVERVIEW (Cont'd)

We manage the utilisation of our machinery to ensure there is always spare capacity in anticipation of customers upside demands. Due to the complexities of the metal piece parts and precision-machined components we produce, as well as the availability of skilled operators, not all machinery are used in production at any one point in time. Depending on the specifications, a piece of sheet metal or metal block may not undergo each type of fabrication or precision machining process.

The robotic laser welding machine is mainly used for welding parts for the aerospace industry. As a result of the COVID-19 pandemic, the demand for parts for the aerospace industry has decreased, which has led to a lower utilisation rate for the robotic laser welding machine.

7.18 DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS

Our Group is not dependent on any contracts, agreements or other arrangements that could materially affect our business as at LPD.

7.19 BUSINESS STRATEGIES AND PROSPECTS

Our Group aims to improve our long-term growth potential by undertaking the following strategies.

7.19.1 Construction of a new factory

As we continue to grow our business, we have planned for construction of a new factory on Lot 2773 & 2776, which is adjacent to our current factory in Nibong Tebal, Pulau Pinang. We had in 2018 acquired Lot 2773 & 2776, with a total land area of approximately 8,374 square metres.

The construction will be carried out in 3 phases and targeted for completion by July 2023. Our new factory is expected to have a total built-up area of approximately 91,110.1 sq ft and expected to increase our production capacity and enable us to provide new services to our customers in the future.

The details of each phase of our new factory are as follows:

Phase	Description	Built up area (sq ft)	Construction cost (RM'000)	Activities
Phase 1	3-storey office and a 2-storey factory	40,101.0	6,624	Precision machining segment (new and existing machinery relocated from existing factory)
Phase 2	2-storey factory	25,858.1	3,879	Sheet metal fabrication involving frames and structures
Phase 3	2-storey factory	25,151.0	3,773	Finishing services
		91,110.1	14,276	

7. BUSINESS OVERVIEW (Cont'd)

The indicative timeline of construction for our new factory is as follows:

Timeframe			Milestones
Phase 1	Phase 2	Phase 3	
July 2021	October 2021	January 2022	Submit building plan
October 2021	January 2022	April 2022	Commencement of construction
November 2022	December 2022	June 2023	Completion of construction
			Certificate of Completion and Compliance obtained
December 2022	January 2023	July 2023	Installation / Relocation of machinery to new factory and commencement of operations

The total construction cost of the new factory is expected to be approximately RM[●] million. We have allocated RM[●] million of the proceeds from our Public Issue for the construction of the new factory. We will finance the remaining construction cost through bank borrowings which we have obtained from Malaysian Industrial Development Finance Berhad.

7.19.2 Acquisition of new machinery

As part of our strategy to grow our business, we plan to purchase new machinery to improve our production capacity and service offerings. We have allocated RM[●] million of the proceeds from our Public Issue to purchase various machinery over the next 3 years for our existing and new factory.

To this end, we have as at LPD placed orders and drawn down our trade lines amounting to RM[●] million for 2 new bending machines (RM[●] million), a sanding machine (RM[●] million) as well as design software specific for these machines (RM[●] million). The machinery is expected to be installed in our existing factory and will be ready for commissioning by the third quarter of 2021. These additional machinery will increase our capacity by approximately 22.0%.

For the aforementioned acquisitions totalling RM[●] million, the proceeds raised from our Public Issue will be used to repay the bank borrowings undertaken to finance their purchase.

The balance RM[●] million of machinery will be acquired progressively over the next 3 years following our Listing, in accordance with our plans to construct our new factory over 3 phases. These machinery comprise the following:

Machinery	No. of units	Cost (RM'000)	Location
Laser and turret punching machine	1	[●]	Existing factory
Laser machine	1	[●]	Existing factory
Bending machine	3	[●]	Existing factory
Finishing line	1	[●]	Phase 3 of new factory
		[●]	

These additional machinery will further increase our capacity by approximately 27.0%. As at LPD, our finishing for aerospace parts are outsourced. The new finishing line will enable us to provide such process in-house.

7. BUSINESS OVERVIEW (Cont'd)

7.19.3 Prospects of our Group

We believe that our prospects in the engineering support industry are favourable taking into consideration our competitive strengths in Section 7.16, our business strategies as set out above as well as the outlook of the engineering support industry as set out in the IMR Report. In this respect, Protégé Associates has projected the engineering support industry in Malaysia to expand by a CAGR of 11.6% from RM6.23 billion in 2020 to RM10.78 billion in 2025. This is driven by the following:

- (a) Growth in the global semiconductor industry is expected to expand from USD440.39 billion in 2020 to USD488.27 billion in 2021;
- (b) Growth in the life sciences and medical technology industry, which is supported by a growing ageing global population, in which persons aged 65 years and above is expected to increase from 727 million in 2020 to 1.5 billion in 2050;
- (c) Growth in the instrumentation industry, which is anticipated at a CAGR of 3.7% from USD26.0 billion in 2021 to reach USD30.1 billion in 2025, stemming from wide range of end-users and technological advancement;
- (d) Recovery and growth from the aerospace industry, which is expected to be at a CAGR of 5.0% from USD 343.3 billion 2021 to reach USD417.3 billion in 2025, supported by military spending and continuous improvements in aircraft technology; and
- (e) Resuming growth of the local machinery and equipment industry following the expected recovery from the COVID-19 pandemic.

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