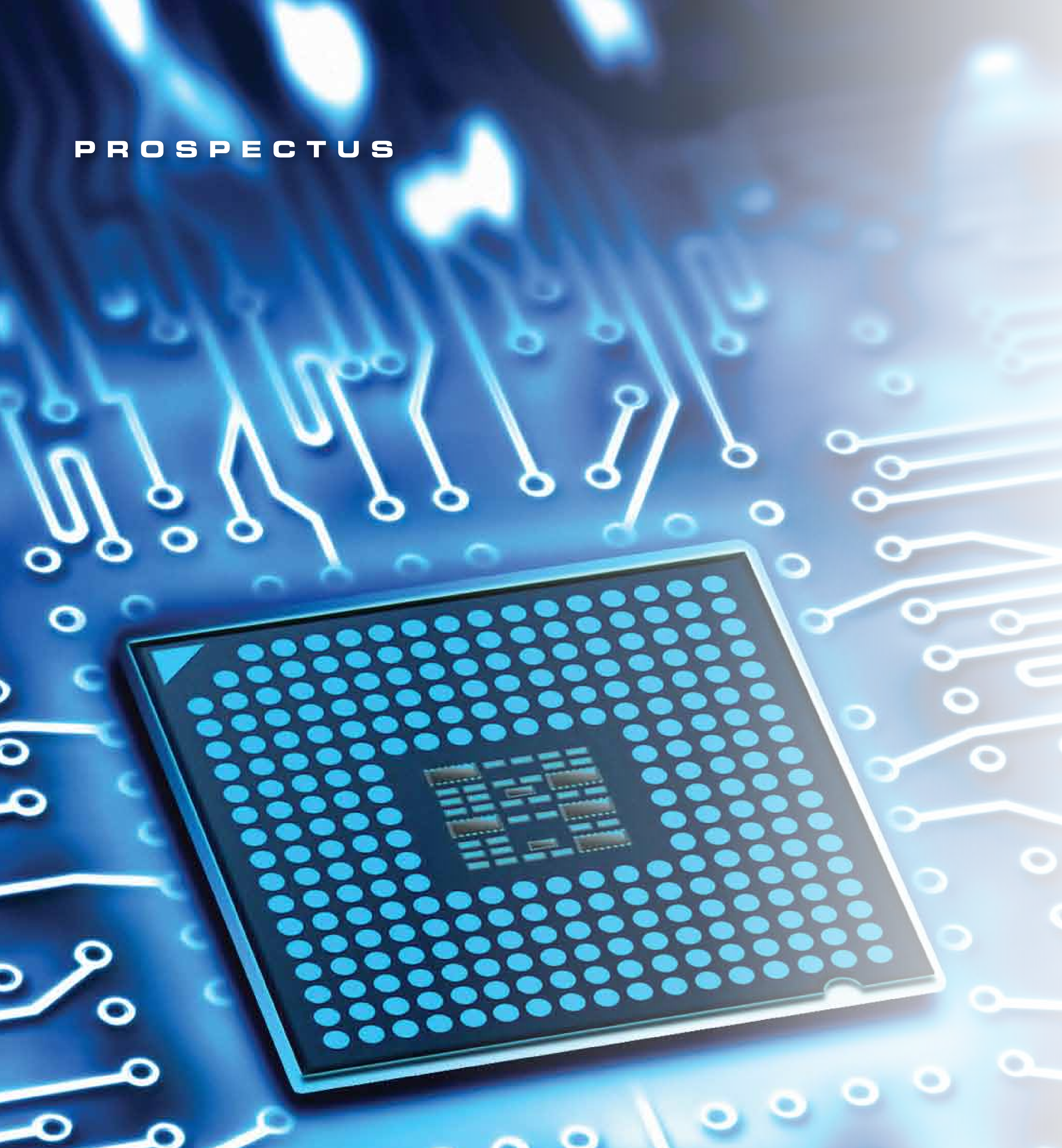

PROSPECTUS

**Headquarters**

**Oppstar Technology Sdn Bhd**

Level 6, I2U Building, Sains@USM
10, Persiaran Bukit Jambul
11900 Bayan Lepas
Pulau Pinang, Malaysia

Tel : +604 611 6693
Email : investor@oppstar.com.my

**www.oppstar.com.my**

OPPSTAR

OPPSTAR BERHAD PROSPECTUS

# PROSPECTUS

OPPSTAR

## OPPSTAR BERHAD

(Registration No. 202101031391 (1431691-M))
(Incorporated in Malaysia under the Companies Act 2016)

**INITIAL PUBLIC OFFERING ("IPO") IN CONJUNCTION WITH THE LISTING OF OPPSTAR BERHAD ("OPPSTAR") ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING THE PUBLIC ISSUE OF 165,479,000 NEW ORDINARY SHARES IN OPPSTAR ("IPO SHARES") IN THE FOLLOWING MANNER:**

**(I) 31,810,000 IPO SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**

**(II) 22,267,000 IPO SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES WHO HAVE CONTRIBUTED TO THE SUCCESS OF OPPSTAR AND ITS SUBSIDIARIES;**

**(III) 31,877,000 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**

**(IV) 79,525,000 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA**

**AT AN IPO PRICE OF RM0.63 PER IPO SHARE PAYABLE IN FULL UPON APPLICATION**

*Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter*

AFFIN HWANG INVESTMENT BANK

**AFFIN HWANG INVESTMENT BANK BERHAD**
(Registration No. 197301000792 (14389-U))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX (6) MONTHS FROM THE DATE OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 180 OF THIS PROSPECTUS.

THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES. THE APPROVAL OF OUR IPO AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSSLY DISCLAIMS ANY LIABLITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENT OF THIS PROSPECTUS.

THIS PROSPECTUS IS DATED 22 FEBRUARY 2023

All defined terms used in this Prospectus are defined under “Presentation of Information”, “Definitions” and “Glossary of Technical Terms”.

**RESPONSIBILITY STATEMENTS**

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Affin Hwang IB, being our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

**STATEMENTS OF DISCLAIMER**

Approval has been granted by Bursa Securities for the listing and quotation of our Shares being offered. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

**OTHER STATEMENTS**

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in Section 236 of the CMSA, is responsible.

This Prospectus is prepared and published solely in connection with the offering under the laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. Our Company, our Promoters and our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter have not authorised anyone to provide you with information which is not contained in this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

The distribution of this Prospectus and the offering are subject to the laws of Malaysia. Our Company, our Promoters and our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. No action has been taken to permit a public offering of the securities of our Company based on this Prospectus or the distribution of this Prospectus outside Malaysia.

This Prospectus may not be used for the purpose of and does not constitute an offer to sell or an invitation to buy the securities offered under the offering in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or is unlawful. This Prospectus shall also not be used to make an offer of or invitation to buy the securities offered under the offering to any person to whom it is unlawful to do so. Our Company, our Promoters and our Principal Adviser require you to inform yourselves of and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of the offering, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith. It shall be your sole responsibility, if you are or may be subject to the laws of any countries or jurisdictions other than Malaysia, to consult your legal and/ or other professional advisers as to whether your application for the offering would result in the contravention of any law of such country or jurisdiction which you may be subject to. Neither we nor our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter nor any other advisers in relation to the offering shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for the offering would be in compliance with the terms of this Prospectus and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you have accepted the offering in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

## ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the electronic Prospectus and the copy of this Prospectus registered with Bursa Securities are the same.

You are advised that the internet is not a fully secured medium and that your Internet Share Application may be subject to risks of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an electronic Prospectus, you should immediately request from us, our Principal Adviser or our Issuing House, a paper/ printed copy of this Prospectus. In the event of any discrepancies arising between the contents of the electronic Prospectus and the contents of the paper/ printed copy of this Prospectus for any reason whatsoever, the contents of the paper/ printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with Bursa Securities, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

(i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and

(iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer systems or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

(i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed through web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible for the integrity of the contents of an electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions, and subsequently communicated or disseminated in any manner to you or other parties; and

(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/ or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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## INDICATIVE TIMETABLE

The indicative timetable for our IPO is set out below:

| Event | Time / date |
|---|---|
| Opening of applications for our IPO Shares | 10.00 a.m., 22 February 2023 |
| Closing of applications for our IPO Shares | 5.00 p.m., 3 March 2023 |
| Balloting of applications for our IPO Shares | 7 March 2023 |
| Allotment of our IPO Shares to successful applicants | 14 March 2023 |
| Listing | 15 March 2023 |

If there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia and announce it on Bursa Securities' website accordingly.

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## TABLE OF CONTENTS

**TABLE OF CONTENTS *(CONT'D)***

**TABLE OF CONTENTS *(CONT'D)***

**TABLE OF CONTENTS *(CONT'D)***



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## PRESENTATION OF INFORMATION

All references to “our Company” or “Oppstar” in this Prospectus are to Oppstar Berhad. All references to “our Group” or “Oppstar Group” in this Prospectus are to our Company and our subsidiaries collectively. All references to “we”, “us”, “our” and “ourselves” in this Prospectus are to our Company and where the context otherwise requires, shall include our subsidiaries. Unless the context otherwise requires, references to “Management” in this Prospectus are to our Directors and Key Senior Management as at the date of this Prospectus, and statements to our beliefs, expectations, estimates and opinions are those of our Management.

All references to “you” are to our prospective investors.

All references to the “LPD” in this Prospectus are to 30 January 2023, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities.

Other abbreviations and acronyms used in this Prospectus are defined in the “Definitions” section and technical terms used in this Prospectus are defined in the “Glossary of Technical Terms” section. Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Any reference to persons shall, where applicable, include companies and corporations.

Any reference in this Prospectus to any provision of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to the provision of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

All references to times and dates in this Prospectus are references to times and dates in Malaysia, unless otherwise stated.

Certain amounts and percentage figures included in this Prospectus have been subjected to rounding adjustments. As a result, any discrepancy in the tables or charts between the amounts listed and totals in this Prospectus is due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the industry in which we operate as well as our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us or is extracted from the Independent Market Research Report (“**IMR Report**”) prepared by Smith Zander International Sdn Bhd (“**Smith Zander**”), an independent market researcher, as included in Section 7 of this Prospectus. In compiling their data for the review, Smith Zander had relied on its research methodology, industry sources, published materials, their private databanks and direct contacts within the industry. Further, third party projections, including the projections from the IMR Report, cited in this Prospectus are subject to uncertainties that could cause actual data to differ materially from the projected figures. We cannot give any assurance that the projected figures will be achieved and you should not place undue reliance on the statistical data and third party projections cited in this Prospectus.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail. The information on our website or any website, directly or indirectly, linked to such website does not form part of this Prospectus and you should not rely on the information for the purpose of your decision whether or not to invest in our Shares.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies and prospects are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminologies such as the words “expect”, “believe”, “anticipate”, “plan”, “aim”, “intend”, “estimate”, “forecast”, “may”, “will”, “would” and “could” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

(i) the general industry environment, including the demand for and supply of our products;

(ii) our future overall business development and operations plans;

(iii) our business strategies, trends and competitive position and the effect of such competition;

(iv) potential growth opportunities;

(v) our financial performance and financing plan including future earnings, cash flows and liquidity; and

(vi) the regulatory environment and the effects of future regulation.

Factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking statements in this Prospectus include those discussed in Section 8 of this Prospectus on “Risk Factors” and Section 11.3.2 of this Prospectus on “Significant Factors Affecting our Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made based on information available to us as at the LPD and made only as at the LPD.

Should we become aware of any subsequent significant change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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## DEFINITIONS

Unless the context otherwise requires, the following definitions shall apply throughout this Prospectus:

| | | |
|---|---|---|
| ACE Market | : | ACE Market of Bursa Securities |
| Acquisitions | : | Alpha Core Acquisition and Oppstar Technology Acquisition, collectively |
| Act | : | Companies Act 2016 |
| ADA | : | Authorised Depository Agent |
| Admission | : | Admission of our Shares to the Official List |
| Affin Hwang IB, Principal Adviser, Sponsor, Sole Placement Agent or Sole Underwriter | : | Affin Hwang Investment Bank Berhad (Registration No. 197301000792 (14389-U)) |
| AIRIS Labs Acquisition | : | The acquisition by Oppstar Technology of 260,000 ordinary shares in AIRIS Labs, representing the remaining 50% equity interest in AIRIS Labs from Lee Weng Fai and Lee Weng Fook for a purchase consideration of RM300,000, which was satisfied via cash. The AIRIS Labs Acquisition was completed on 19 May 2022 |
| Alpha Core Acquisition | : | The acquisition by Oppstar of the entire issued share capital of Alpha Core comprising 1,000 ordinary shares from Cheah Hun Wah, Chua Kar Keng, Tan Kim Pin, Ma Shing Yuan @ Beh Heng Guan, Lim Kean Harn, Yap Swee Leong, Chan Ying Poh, Ho Qiao Yee, Ho Yoon San, Tan Beng Hin, Koh Kok Siew, Leow Eng Chai, Liaw Kok Keong, Lou Jieying, Ng Hee Guan, Koh Kai Ngiap, Chin Fung Wei and Hu King Seng for a purchase consideration of RM705,600, which was satisfied via the issuance of 47,040,000 new Shares at an issue price of RM0.015 per Share. The Alpha Core Acquisition was completed on 22 December 2021 |
| Application | : | Application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application |
| Application Form | : | Application form for the application of our IPO Shares |
| APU | : | Asia Pacific University Sdn Bhd (Registration No. 200401033695 (672203-A)) |
| ATM | : | Automated teller machine |
| Authorised Financial Institution(s) | : | Authorised financial institution(s) participating in the Internet Share Application in respect of the payment for our IPO Shares |
| Bigcore Technology | : | Bigcore Technology Sdn Bhd (Registration No. 202101032935 (1433235-X)) |

| | | |
|---|---|---|
| Board | : | Board of Directors of our Company |
| Bursa Depository | : | Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)) |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| By-Laws | : | The rules, terms and conditions of the LTIP as may be modified, varied and/or amended from time to time |
| CAGR | : | Compound annual growth rate |
| CCC | : | Certificate of completion and compliance |
| CDS | : | Central depository system |
| CDS Account | : | An account established by Bursa Depository for a depositor to record his deposits or withdrawals of securities and to deal in such securities |
| CMSA | : | Capital Markets and Services Act 2007 |
| Constitution | : | Constitution of our Company |
| COVID-19 | : | Coronavirus disease 2019 |
| Dato' Margaret Yeo | : | Dato' Yeo Eng Hong |
| Director(s) | : | The director(s) of our Company and shall have the meaning given in Section 2 of the CMSA |
| EBITDA | : | Earnings before interest, taxation, depreciation and amortisation |
| Electronic Prospectus | : | A copy of this Prospectus that has been registered by Bursa Securities, which is being issued, circulated, distributed, stored or hosted on digital platforms or electronic storage mediums, including but not limited to website, mobile application, email, compact disc, thumb drive and cloud-based storage |
| Electronic Share Application | : | Application for our IPO Shares through a Participating Financial Institution's ATMs |
| Eligible Person(s) | : | Eligible Director(s), employee(s) and business associate(s) of our Group who have contributed to the success of our Group |
| EPS | : | Earnings per Share |
| Financial Periods Under Review | : | FPE 2022 and FPE 2023, collectively |

**DEFINITIONS *(CONT'D)***

| | | |
|---|---|---|
| Financial Years Under Review | : | FYE 2020, FYE 2021 and FYE 2022, collectively |
| FPE | : | Six (6)-month financial period ended 30 September |
| FYE | : | Financial year ended 31 March |
| GP | : | Gross profit |
| IMR or Smith Zander | : | Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)) |
| IMR Report | : | Independent market research report prepared by Smith Zander |
| Internet Participating Financial Institution(s) | : | Participating financial institution(s) for the Internet Share Application, as listed in Section 15.6 of this Prospectus |
| Internet Share Application | : | Application for our IPO Shares through an Internet Participating Financial Institution |
| INTI Penang | : | INTI International College Penang |
| IT | : | Information technology |
| IPO | : | Public Issue of 165,479,000 new Shares |
| IPO Price | : | RM0.63 for each IPO Share |
| IPO Share(s) | : | 165,479,000 new Share(s) to be issued pursuant to our IPO |
| Issuing House | : | Malaysian Issuing House Sdn Bhd (Registration No. 199301003608 (258345-X)) |
| Key Senior Management | : | Key senior management of our Group including our Executive Directors and those as set out in Section 4.5 of this Prospectus |
| Listing | : | Listing of and quotation for the entire enlarged issued share capital of Oppstar on the ACE Market |
| Listing Requirements | : | ACE Market Listing Requirements of Bursa Securities |
| LPD | : | 30 January 2023, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities |
| LTIP or Scheme | : | An establishment of a long term incentive plan of up to 15% of the total number of issued shares of our Company (excluding treasury shares, if any) at any point of time during the LTIP Period for the eligible Directors and employees of Oppstar Group (excluding subsidiary companies which are dormant) |
| LTIP Award(s) | : | SGP Award(s) and/or the SOP Award(s), as the case may be |
| LTIP Award Date(s) | : | The date of which the LTIP Award(s) is awarded to eligible Director(s) and/or employee(s) by the LTIP Committee from time to time |

**DEFINITIONS *(CONT'D)***

| | | |
|---|---|---|
| LTIP Committee | : | The committee comprising such persons as may be appointed and duly authorised by our Board pursuant to the By-Laws to implement and administer the LTIP |
| LTIP Participant(s) | : | SGP Participant(s) and/or the SOP Participant(s), as the case may be |
| LTIP Period | : | The duration of the Scheme in accordance with the By-Laws |
| Malaysian Public | : | Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia |
| Market Day | : | A day on which Bursa Securities is open for trading in securities |
| MCO | : | Movement control order |
| MFRS | : | Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board |
| MIDA | : | Malaysian Investment Development Authority |
| MITI | : | Ministry of International Trade and Industry of Malaysia |
| MNCs | : | Multinational corporations |
| MyIPO | : | Intellectual Property Corporation of Malaysia |
| N/A | : | Not applicable |
| NA | : | Net assets |
| NBV | : | Net book value |
| Official List | : | A list specifying all securities which have been admitted for listing and have not been removed from Bursa Securities |
| Oppstar Group or Group | : | Our Company and subsidiaries, collectively |
| Oppstar or Company | : | Oppstar Berhad (Registration No. 202101031391 (1431691-M)) |
| Oppstar Share(s) or Share(s) | : | Ordinary share(s) in our Company |
| Oppstar Technology Acquisition | : | The acquisition by Oppstar of the entire issued share capital of Oppstar Technology comprising 900,000 ordinary shares from Ng Meng Thai, Cheah Hun Wah, Tan Chun Chiat, Bigcore Technology, Lee Chun Keat, Willetts Lim Wei Lit and Chin Fung Wei for a purchase consideration of RM6,355,200, which was satisfied via the issuance of 423,680,000 new Shares at an issue price of RM0.015 per Share. The Oppstar Technology Acquisition was completed on 22 December 2021 |
| Option Price | : | The price at which SOP Participant(s) shall be entitled to subscribe for the Share(s) upon the exercise of the SOP Option(s), as initially determined and as may be adjusted, pursuant to the provisions of the By-Laws |

**DEFINITIONS *(CONT'D)***

| | | |
|---|---|---|
| Participating Financial Institution(s) | : | Participating financial institution(s) for the Electronic Share Application, as listed in Section 15.5 of this Prospectus |
| PAT | : | Profit after taxation attributable to common controlling shareholders of the combining entities/owners of the parent |
| PBT | : | Profit before taxation |
| Pink Form Allocations | : | 22,267,000 IPO Shares made available for application by the Eligible Persons |
| PRC or China | : | The People's Republic of China |
| Pre-IPO Investors | : | The pre-IPO investors of Oppstar, namely Chua Kar Keng, Tan Kim Pin, Ma Shing Yuan @ Beh Heng Guan, Lim Kean Harn, Yap Swee Leong, Chan Ying Poh, Ho Qiao Yee, Ho Yoon San, Tan Beng Hin, Koh Kok Siew, Leow Eng Chai, Liaw Kok Keong, Lou Jieying, Ng Hee Guan and Koh Kai Ngiap |
| Promoters or Specified Shareholders | : | The promoters of Oppstar, namely Ng Meng Thai, Cheah Hun Wah, Tan Chun Chiat and Bigcore Technology, details of which are set out in Section 4.1 of this Prospectus |
| Prospectus | : | This Prospectus dated 22 February 2023 in relation to our IPO |
| R&D | : | Research and development |
| Rules of Bursa Depository | : | The rules of Bursa Depository as issued under the SICDA |
| SC | : | Securities Commission Malaysia |
| Selected Investors | : | Being the investors that meet the requirements of Schedule 6 or 7 of the CMSA and subscribe for our IPO Shares through private placement |
| SGP | : | Share Grant Plan as stipulated in the By-Laws |
| SGP Award(s) | : | The award of such number of Share(s) to eligible Director(s) and/or employee(s) in the manner and subject to the terms and conditions provided in the By-Laws |
| SGP Award Date(s) | : | The date of which SGP Award(s) is awarded to eligible Director(s) and/or employee(s) pursuant to a LTIP Award letter |
| SGP Participant(s) | : | Eligible Director(s) and/or employee(s) who has accepted SGP Award(s) in the manner provided in the By-Laws |
| Share Registrar | : | Securities Services (Holdings) Sdn Bhd (Registration No. 197701005827 (36869-T)) |
| SICDA | : | Securities Industry (Central Depositories) Act 1991 of Malaysia |
| SOP | : | Share Option Plan as stipulated in the By-Laws |

**DEFINITIONS *(CONT'D)***

| | | |
|---|---|---|
| SOP Award(s) | : | The award of such number of SOP Option(s) to eligible Director(s) and/or employee(s) to subscribe for the Share(s) at the Option Price in the manner and subject to the terms and conditions provided in the By-Laws |
| SOP Award Date(s) | : | The date of which SOP Award(s) is awarded to eligible Director(s) and/or employee(s) pursuant to a LTIP Award letter |
| SOP Option(s) | : | The right of SOP Participant(s) to subscribe for the Share(s) at the Option Price in the manner provided in the By-Laws |
| SOP Participant(s) | : | Eligible Director(s) and/or employee(s) who has accepted the SOP Award(s) in the manner provided in the By-Laws |
| Sophic Automation | : | Sophic Automation Sdn Bhd (Registration No. 200701036965 (794994-D)) |
| Sophic Automation Subscription | : | The subscription by Sophic Automation of 425,000 new ordinary shares in Alpha Core, representing 42.50% equity interest in Alpha Core for a purchase consideration of RM425,000, which was satisfied via cash. The Sophic Automation Subscription was completed on 17 January 2022 |
| sq ft | : | square feet |
| UK | : | United Kingdom |
| Underwriting Agreement | : | The underwriting agreement dated 2 February 2023 entered into between our Company and our Sole Underwriter for the purpose of our IPO |
| UniMAP | : | Universiti Malaysia Perlis |
| USA | : | United States of America |
| USM | : | Universiti Sains Malaysia |
| UTAR | : | Universiti Tunku Abdul Rahman |
| Xiamen KirinCore | : | XiaMen KirinCore IOT Technology LTD *(in Chinese characters:厦门龙辉芯物联网科技有限公司)* |

**SUBSIDIARIES OF OUR COMPANY**

| | | |
|---|---|---|
| Alpha Core | : | Alpha Core Sdn Bhd (Registration No. 201901030114 (1339444-D)) |
| Oppstar Technology | : | Oppstar Technology Sdn Bhd (Registration No. 201401009402 (1085480-P)) |

**SUBSIDIARIES OF OPPSTAR TECHNOLOGY**

| | | |
|---|---|---|
| Oppstar Shanghai | : | Oppstar (Shanghai) Technology Co Ltd (Registration No. 91310000MA1HR62HXL) |
| AIRIS Labs | : | AIRIS Labs Sdn Bhd (Registration No. 202001015529 (1371849-T)) |

**CURRENCIES**

| | | |
|---|---|---|
| NTD | : | New Taiwan dollar, the lawful currency of Taiwan |
| RM and sen | : | Ringgit Malaysia and sen, the lawful currency of Malaysia |
| RMB | : | Renminbi, the lawful currency of the PRC |
| SGD | : | Singapore Dollar, the lawful currency of Singapore |
| USD | : | United States Dollar, the lawful currency of the USA |
| YEN | : | Japanese Yen, the lawful currency of Japan |

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## GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain terms used throughout this Prospectus in connection with and in the context of our business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

| | | |
|---|---|---|
| 2D | : | Two-dimensional, where an object is characterised in two dimensions, such as length and width |
| 3D | : | Three-dimensional, where an object is characterised in three dimensions, such as length, width and height |
| AI | : | Artificial intelligence, a simulation of human intelligence demonstrated by machines to perform human-like tasks such as problem-solving |
| AI ASIC | : | A type of ASIC which is specifically for artificial intelligence applications |
| ASIC | : | Application-specific integrated circuit, an IC designed for a customised use, instead of a general purpose designed IC |
| Assembly | : | The process of packaging IC into a packaged form |
| Back-end design | : | Back-end design involves design processes responsible for the physical implementation of an IC |
| CPU | : | Central processing unit, a principal part of any digital computer system, generally composed of the main memory, control unit, and arithmetic-logic unit |
| Custom layout | : | Back-end design activity of standard cells or analogue IPs which involves layout design of transistor level circuits |
| Debug | : | The process of finding and removing problems or defects within an IC design |
| Die | : | A small block of semiconducting material on which a given functional circuit is fabricated |
| Digital signal | : | Signal which has a finite set of possible values and can be defined as 1s or 0s |
| EDA | : | Electronic design automation, a software tool used in IC design |
| EMS | : | Electronic manufacturing services, refers to companies that provide manufacturing services within the electronics industry |
| Fabless companies | : | Semiconductor companies that design and sell their own semiconductor ICs but are not involved in the fabrication process. Fabrication of ICs is outsourced to foundries |

**GLOSSARY OF TECHNICAL TERMS *(CONT'D)***

| | | |
|---|---|---|
| Fab-lite companies | : | Semiconductor companies that design, manufacture and sell ICs but also engage foundries to complement their manufacturing capabilities |
| Fabrication | : | A multi-staged process of manufacturing IC onto a semiconductor wafer |
| Fidelity | : | A measure of the realism of a model or simulation |
| Finer process nodes | : | Fabrication process nodes that are able to achieve finer design geometries. For instance, a 5nm process is considered to be a finer process node compared to a 10nm process. |
| FinFET | : | Fin field-effect transistor, a type of 3D transistor. FinFET gate design is the dominant technology used in commercial fabrication of 14nm, 10nm, 7nm and 5nm based ICs |
| Foundries | : | Companies that provide semiconductor manufacturing services to other companies |
| FPGA | : | Field-programmable gate array, a type of IC which allows users to alter its functionality through programming of the IC after it has been manufactured |
| Front-end design | : | Front-end design involves design processes responsible to determine the functionality of an IC |
| Full IC design turnkey | : | Provision of complete design solution for a complete IC |
| GDSII | : | Geometrical data base standard for information interchange, the industry standard format for data exchange relating to IC layout designs |
| Gate-level designs | : | IC design represented by logic gates, which are the basic building blocks for digital electronics to carry out logical operations |
| IC | : | Integrated circuit, a set of electronic circuit which consist of a collection of interconnects and electronic elements fabricated on a semiconductor material |
| IC design | : | IC design is a discipline of electronics engineering, which aims to design an IC that performs a specific objective function |
| IC design houses | : | Companies that provide IC design services to other semiconductor companies including IDMs, fabless companies and fab-lite companies |
| IDMs | : | Integrated device manufacturers, refer to companies that design, manufacture and sell ICs |
| Interconnect | : | Structures that connect two or more circuit elements (such as transistors) together electrically |

## GLOSSARY OF TECHNICAL TERMS *(CONT'D)*

| | | |
|---|---|---|
| IoT | : | Internet of things, refers to a network of physical devices, machines, vehicles or other items embedded with sensors, processing ability, software and other technologies connected and exchange data with other data systems over the internet or other communication networks |
| IP | : | Intellectual property (IP) or sometimes referred to as semiconductor intellectual property (SIP) is a reusable unit of logic, cell or layout design that is the intellectual property of a company |
| IP design turnkey | : | Provision of complete design solution for a functional block (IPs) that reside within an IC |
| LVS | : | Layout versus schematic, a process of verifying a design and to determine if a layout design corresponds to the original circuit schematic |
| Machine learning | : | A subset of AI that involves algorithms which allow machines to learn based on experience |
| nm | : | Nanometer, an international system of units (SI) of length, equal to 10−9 m (a thousand-millionth of a meter) |
| ODC | : | Offshore/ Offsite design centre is a setup where our engineers provide design services away from our customer's premise |
| OSATs | : | Outsourced semiconductor assembly and test companies, refers to companies that offer services related to the assembly and testing of ICs |
| Packaging | : | A process of encapsulating the IC with plastic moulding compound or ceramic case to protect it from the external environment |
| Post-silicon validation | : | A process to validate that ICs function correctly, performed on IC prototypes before mass fabrication |
| Power distribution analysis | : | A process to ensure the effectiveness of the power distribution network within the IC and that the IC conforms to the device specifications |
| Power distribution network | : | The power network that ensures sufficient power |
| Process node technology | : | Process node refers to the specific semiconductor fabrication process. Each process node such as 16nm or 10nm implies the generation of the IC. A smaller number refers to a more advanced process node, which is able to provide better performance to an IC |
| RISC-V | : | Reduced instruction set computer (RISC) – V, an open source standard instruction set architecture for processor design |
| RTL | : | Register-transfer level, a design abstraction which models a digital circuit in terms of data flow. RTL abstractions are typically described in industry used languages such as VHDL and Verilog |

**GLOSSARY OF TECHNICAL TERMS *(CONT'D)***

| | | |
|---|---|---|
| Signal integrity | : | A set of measures of quality of an electrical signal |
| SoC | : | System on a chip, an IC that integrates components needed in a computer or electronic system, into a single IC |
| Tape-out | : | The stage where the final design for ICs is ready for manufacturing or fabrication |
| Transistor | : | One of the basic building blocks of modern electronics, the transistor is a device used to amplify or switch electrical signals and power. |
| Transistor density | : | The number of transistors that can be fabricated per unit area |
| VHDL | : | VHSIC (very high-speed integrated circuits) hardware description language, a hardware description language used to model electronic systems |
| Verilog | : | A hardware description language used to model electronic systems |

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## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

| Name | Designation | Nationality | Address |
|---|---|---|---|
| Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir | Independent Non-Executive Chairman | Malaysian | No. 3, Jalan Telukan 8/25<br>40000 Shah Alam<br>Selangor |
| Ng Meng Thai | Executive Director/ Chief Executive Officer | Malaysian | 26, Lorong Gemilang Permai 1<br>Taman Gemilang Permai<br>14000 Bukit Mertajam<br>Pulau Pinang |
| Cheah Hun Wah | Executive Director/ Chief Technology Officer | Malaysian | 18, Lorong Batu Nilam 2<br>Taman Sunway Mutiara<br>11900 Batu Maung<br>Pulau Pinang |
| Tan Chun Chiat | Executive Director/ Chief Operating Officer | Malaysian | No. 9, Persiaran Kelicap 2<br>11900 Bayan Lepas<br>Pulau Pinang |
| Dato' Margaret Yeo | Independent Non-Executive Director | Malaysian | A-1-1 Sri Langit<br>Jalan Taman Seputeh 7<br>58000 Kuala Lumpur |
| Foong Pak Chee | Independent Non-Executive Director | Malaysian | No. A3-28-3A, SOHO SUITES KLCC<br>20, Jalan Perak<br>50450 Kuala Lumpur |
| Dato' Dr. Mohd Sofi Bin Osman | Independent Non-Executive Director | Malaysian | Lot 9168, Kampung Punggai<br>Mukim Pantai Timur<br>81600 Pengerang<br>Johor |

### AUDIT AND RISK MANAGEMENT COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Foong Pak Chee | Chairman | Independent Non-Executive Director |
| Dato' Dr. Mohd Sofi Bin Osman | Member | Independent Non-Executive Director |
| Dato' Margaret Yeo | Member | Independent Non-Executive Director |

## CORPORATE DIRECTORY *(CONT'D)*

### NOMINATION COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Dato' Margaret Yeo | Chairman | Independent Non-Executive Director |
| Dato' Dr. Mohd Sofi Bin Osman | Member | Independent Non-Executive Director |
| Foong Pak Chee | Member | Independent Non-Executive Director |

### REMUNERATION COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Dato' Dr. Mohd Sofi Bin Osman | Chairman | Independent Non-Executive Director |
| Dato' Margaret Yeo | Member | Independent Non-Executive Director |
| Foong Pak Chee | Member | Independent Non-Executive Director |

**COMPANY SECRETARY** : Ooi Yoong Yoong
39 Irving Road
10400 George Town
Pulau Pinang

Telephone No. : +604 210 9828
Professional qualification : Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**") (MAICSA Membership No.: 7020753 / SSM PC. No.: 202008002042)

**REGISTERED OFFICE** : 39 Irving Road
10400 George Town
Pulau Pinang

Telephone No. : +604 210 9828

**HEAD/MANAGEMENT OFFICE** : Level 6, I2U Building, Sains@USM
10, Persiaran Bukit Jambul
11900 Bayan Lepas
Pulau Pinang

Telephone No. : +604 611 6693
Website : www.oppstar.com.my
E-mail : investor@oppstar.com.my

**CORPORATE DIRECTORY *(CONT'D)***

| | | |
|---|---|---|
| **PRINCIPAL ADVISER, SPONSOR, SOLE PLACEMENT AGENT AND SOLE UNDERWRITER** | : | Affin Hwang Investment Bank Berhad<br>27th Floor, Menara Boustead<br>69 Jalan Raja Chulan<br>50200 Kuala Lumpur<br><br>Telephone No. : +603 2142 3700 |
| **AUDITORS AND REPORTING ACCOUNTANTS** | : | BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206)<br>Chartered Accountants<br>51-21-F, Menara BHL<br>Jalan Sultan Ahmad Shah<br>10050 Pulau Pinang<br><br>Telephone No. : +604 222 0288<br>Partner in-charge : Koay Theam Hock<br>Approval No. : 02141/04/2023 J<br>Professional qualification : Chartered Accountant, Malaysian Institute of Accountants (Membership no. 6420) |
| **SOLICITORS** | : | Wong Beh & Toh<br>1st Floor, No. 173 & 174<br>Jalan Kelab Cinta Sayang<br>Taman Ria Jaya<br>08000 Sungai Petani<br>Kedah Darul Aman<br><br>Telephone No. : +604 442 9081 |
| **INDEPENDENT MARKET RESEARCHER** | : | Smith Zander International Sdn Bhd<br>15-01, Level 15, Menara MBMR<br>1 Jalan Syed Putra<br>58000 Kuala Lumpur<br><br>Telephone No. : +603 2732 7537<br>Person-in-charge : Dennis Tan Tze Wen<br>Professional qualification : Bachelor of Science from Memorial University of Newfoundland, Canada<br><br>*(Please refer to Section 7 of this Prospectus for the profile of the firm and signing partner)* |
| **SHARE REGISTRAR** | : | Securities Services (Holdings) Sdn Bhd<br>Level 7, Menara Milenium<br>Jalan Damanlela<br>Pusat Bandar Damansara<br>Damansara Heights<br>50490 Kuala Lumpur<br><br>Telephone No. : +603 2084 9000 |

## CORPORATE DIRECTORY *(CONT'D)*

| | | |
|---|---|---|
| **ISSUING HOUSE** | : | Malaysian Issuing House Sdn Bhd<br>11th Floor, Menara Symphony<br>No. 5, Jalan Prof. Khoo Kay Kim<br>Seksyen 13<br>46200 Petaling Jaya<br>Selangor Darul Ehsan<br><br>Telephone No. : +603 7890 4700 |
| **LISTING SOUGHT** | : | ACE Market of Bursa Securities |

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# 1. APPROVALS AND CONDITIONS

## 1.1 APPROVALS AND CONDITIONS

### 1.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 8 December 2022, approved the following:

(i) our Admission;

(ii) our Listing; and

(iii) up to 15% of the total number of issued shares in Oppstar pursuant to the LTIP.

The approval from Bursa Securities is subject to the following conditions:

| No. | Conditions | Status of Compliance |
|---|---|---|
| 1. | Submit the following information in respect of the moratorium on the shareholdings of promoters to Bursa Depository:<br><br>(i) Name of shareholders;<br>(ii) Number of Shares; and<br>(iii) Date of expiry of the moratorium for each block of Shares. | Complied |
| 2. | Confirmation that approvals from other relevant authorities have been obtained for implementation of the listing proposal. | Complied |
| 3. | The Bumiputera equity requirements for public listed companies as approved/exempted by the SC including any conditions imposed thereon. | Complied |
| 4. | Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements. | To be complied |
| 5. | Furnish to Bursa Securities with a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Oppstar on the first day of listing. | To be complied |
| 6. | In relation to the public offering to be undertaken by Oppstar, to announce at least two (2) market days prior to the listing date, the result of the offering including the following:<br><br>(i) Level of subscription of public balloting and placement;<br>(ii) Basis of allotment/ allocation;<br>(iii) A table showing the distribution for placement tranche as per the format in Appendix I of Bursa Securities' approval letter; and<br>(iv) Disclosure of placees who become substantial shareholders of Oppstar arising from the public offering, if any.<br><br>Please be reminded that the overall distribution of Oppstar's securities must be properly carried out to provide an orderly trading in the secondary market. | To be complied |

## 1. APPROVALS AND CONDITIONS *(CONT'D)*

| No. | Conditions | Status of Compliance |
|---|---|---|
| 7. | Oppstar or Affin Hwang IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Oppstar to the Official List of the ACE Market. | To be complied |
| 8. | Oppstar is required to furnish Bursa Securities on a quarterly basis a summary of the total number of Oppstar Shares listed pursuant to the LTIP as at the end of each quarter together with a detailed computation of listing fees payable. | To be complied |

### 1.1.2 SC

Our listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 12 December 2022, approved the resultant equity structure of our Company pursuant to our Listing under the equity requirements for public listed companies, subject to our Company allocating Shares equivalent to 12.50% of our enlarged number of issued Shares at the point of Listing to Bumiputera investors to be approved by the MITI. In addition, our Company is to make available at least 50.00% of the Shares offered to the Malaysian public investors via balloting to Bumiputera public investors at the point of listing.

The effects of our Listing on the equity structure of our Group are as follows:

| Category of shareholders | As at 30 June 2022[(i)] | | After our IPO | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| **Bumiputera** | | | | |
| - Bumiputera investors to be approved by the MITI | - | - | [(ii)]79,525,000 | 12.50 |
| - Bumiputera public investors via balloting | - | - | [(ii)]15,905,000 | 2.50 |
| **Total Bumiputera** | - | - | 95,430,000 | 15.00 |
| Non-Bumiputera | 468,604,200 | 99.55 | 538,653,200 | 84.67 |
| **Total Malaysians** | **468,604,200** | **99.55** | **634,083,200** | **99.67** |
| Foreigners | 2,116,800 | 0.45 | 2,116,800 | 0.33 |
| **Total** | **470,721,000** | **100.00** | **636,200,000** | **100.00** |

**Notes:**

(i) Being the latest practicable date, prior to the submission of our Listing to Bursa Securities.

(ii) Based on the assumption that Shares offered to Bumiputera investors to be approved by the MITI and Bumiputera public investors via balloting shall be fully subscribed.

## 1. APPROVALS AND CONDITIONS *(CONT'D)*

### 1.1.3 MITI

The MITI had, vide its letter dated 26 August 2022, taken note and has no objection to our Listing.

## 1.2 MORATORIUM ON OUR SHARES

As at the date of submission of our listing application to Bursa Securities, we have met the quantitative criteria for admission to the Main Market of Bursa Securities. Hence, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholders for a period of six (6) months from the date of our admission to the Official List ("**Moratorium Period**") in accordance with Rule 3.19(1A)(b) of the Listing Requirements.

In addition, in accordance with Rule 3.19A of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by the Pre-IPO Investors, who are the employees and/or external design engineers of our Group, for the Moratorium Period.

Details of our Specified Shareholders and Pre-IPO Investors, and their Shares which will be subject to the abovementioned moratorium, are set out below:

| | **No. of Shares** | **[(ii)]%** |
|---|---:|---:|
| **Specified Shareholders** | | |
| Ng Meng Thai | [(i)]127,605,000 | 20.06 |
| Cheah Hun Wah | [(i)]134,189,600 | 21.09 |
| Tan Chun Chiat | [(i)]85,236,000 | 13.40 |
| Bigcore Technology | 21,184,000 | 3.34 |
| | 368,214,600 | 57.89 |
| **Pre-IPO Investors** | | |
| Chua Kar Keng | 5,503,680 | 0.87 |
| Tan Kim Pin | 4,139,520 | 0.65 |
| Ma Shing Yuan @ Beh Heng Guan | 3,528,000 | 0.55 |
| Lim Kean Harn | 3,528,000 | 0.55 |
| Yap Swee Leong | 2,116,800 | 0.33 |
| Chan Ying Poh | 2,116,800 | 0.33 |
| Ho Qiao Yee | 2,116,800 | 0.33 |
| Ho Yoon San | 2,116,800 | 0.33 |
| Tan Beng Hin | 2,116,800 | 0.33 |
| Koh Kok Siew | 2,116,800 | 0.33 |
| Leow Eng Chai | 2,116,800 | 0.33 |
| Liaw Kok Keong | 2,116,800 | 0.33 |
| Lou Jieying | 2,116,800 | 0.33 |
| Ng Hee Guan | 2,116,800 | 0.33 |
| Koh Kai Ngiap | 1,881,600 | 0.30 |
| | 39,748,800 | 6.22 |
| **Total** | **407,963,400** | **64.11** |

## 1. APPROVALS AND CONDITIONS *(CONT'D)*

**Notes:**

(i) Assuming the Pink Form Allocations are fully subscribed by the Eligible Persons.

(ii) Based on the enlarged total number of 636,200,000 Shares after our IPO.

Our Specified Shareholders and Pre-IPO Investors have provided written undertakings to Bursa Securities that they will not sell, transfer or assign their respective shares under moratorium during the Moratorium Period.

The moratorium shall also apply to the shareholders of Bigcore Technology, namely Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat, who have collectively provided an undertaking that they will not sell, transfer or assign their respective shares in Bigcore Technology during the Moratorium Period in accordance with Rule 3.19(2) of the Listing Requirements.

The moratorium restriction, which is fully accepted by our Specified Shareholders and Pre-IPO Investors, will be specifically endorsed on the share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar does not register any sale, transfer or assignment that contravenes with the aforesaid restriction.

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## 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 OUR IPO

| | **No. of IPO Shares** |
|---|---|
| **Number of Shares to be issued pursuant to our IPO:** | |
| - For Malaysian Public | 31,810,000 |
| - For Pink Form Allocations | 22,267,000 |
| - For private placement to the Selected Investors | 31,877,000 |
| - For private placement to identified Bumiputera investors | 79,525,000 |
| **Total** | **165,479,000** |
| Enlarged number of issued Shares upon Listing | 636,200,000 |
| IPO Price | RM0.63 |
| Market capitalisation upon Listing (based on our IPO Price and enlarged number of issued Shares upon Listing) | RM400,806,000 |

Please refer to Section 3.3 of this Prospectus for further details of our IPO.

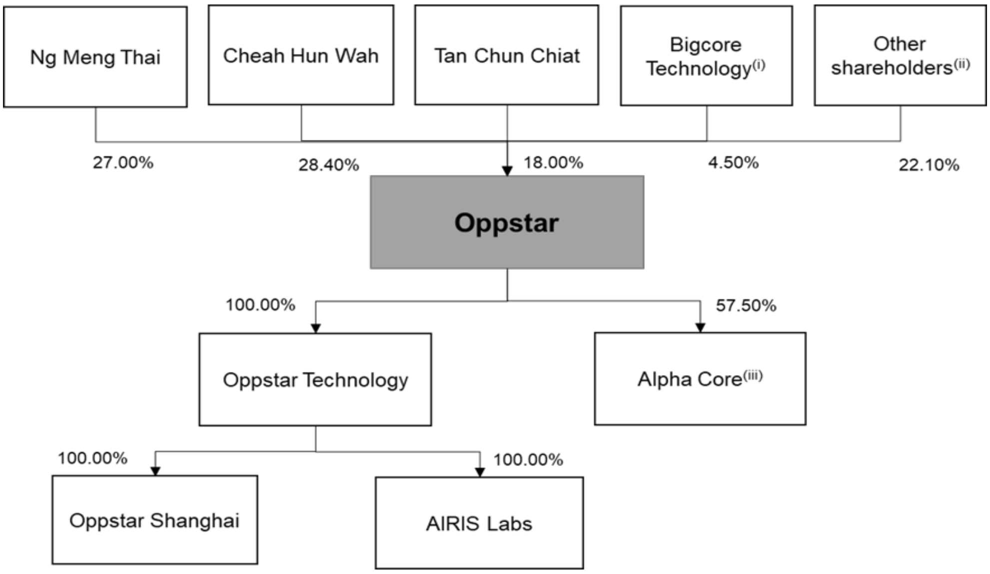
As at the date of submission of our listing application to Bursa Securities, we have met the quantitative criteria for admission to the Main Market of Bursa Securities. Hence, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholders for the Moratorium Period in accordance with Rule 3.19(1A)(b) of the Listing Requirements. In addition, in accordance with Rule 3.19A of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by the Pre-IPO Investors, who are the employees and/or external design engineers of our Group, for the Moratorium Period. Further details on the moratorium on our Shares are set out in Section 1.2 of this Prospectus.

### 2.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Act on 27 September 2021 as a private company limited by shares under the name of Oppstar Sdn Bhd. On 22 December 2021, we completed the Acquisitions which resulted in Oppstar Technology and Alpha Core becoming our wholly-owned subsidiaries. Subsequently, on 3 January 2022, our Company was converted to a public limited company to facilitate our Listing. After the completion of the Sophic Automation Subscription on 17 January 2022, Alpha Core became the 57.50% owned subsidiary of Oppstar. On 19 May 2022, we completed the AIRIS Labs Acquisition which resulted in AIRIS Labs becoming our indirect wholly-owned subsidiary via Oppstar Technology.

We are an investment holding company. Through our subsidiaries, we are principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions. We also provide other related services such as post-silicon validation services, training and consultancy services.

As at the LPD, our group structure is as follows:




**Notes:**

(i) Owned by Ng Meng Thai (33.33%), Cheah Hun Wah (33.33%) and Tan Chun Chiat (33.33%).

(ii) Consists of 19 shareholders, namely Chin Fung Wei (4.60%), Willetts Lim Wei Lit (4.50%), Lee Chun Keat (4.50%), Chua Kar Keng (1.17%), Tan Kim Pin (0.88%), Ma Shing Yuan @ Beh Heng Guan (0.75%), Lim Kean Harn (0.75%), Yap Swee Leong (0.45%), Chan Ying Poh (0.45%), Ho Qiao Yee (0.45%), Ho Yoon San (0.45%), Tan Beng Hin (0.45%), Koh Kok Siew (0.45%), Leow Eng Chai (0.45%), Liaw Kok Keong (0.45%), Lou Jieying (0.45%), Ng Hee Guan (0.45%), Koh Kai Ngiap (0.40%) and Hu King Seng (0.05%).

(iii) The remaining shareholder is Sophic Automation (42.50%), a company incorporated under the Act on 7 November 2007 which is principally engaged in the provision of automated digital solutions and product engineering services. Sophic Automation is not related to our Promoters, substantial shareholders and Directors. Please refer to Section 5.1 of this Prospectus for further details on Sophic Automation.

A summary of our business model is as follows:

| | | |
|---|---|---|
| **Principal Activity** | **Provision of IC design services and other related services** | |
| **Business Segments** | **IC design services**<br>**(i) Specific design services**<br>**(ii) Turnkey design services (i.e. IP design turnkey and full IC design turnkey)** | **Others**<br>**(i.e. post-silicon validation services, training and consultancy services)** |
| **Customers** | **IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses** | |
| **Applications** | ***Type: ASICs, SoCs, CPUs and FPGAs (typically fabricated on process node technology ranging in size from 20nm to 5nm, in the world's leading foundries)**<br><br>**Industry coverage: telecommunications, automotive, industrial electronics and consumer electronics** | |

**Note:**

* We are involved in the design of these types of ICs, but the ownership of the IPs, within an IC, belongs to our customers.

Our Group's revenue has grown from approximately RM15.97 million in FYE 2020 to approximately RM50.56 million in FYE 2022, at a CAGR of approximately 77.96%. In addition, our Group recorded a revenue of approximately RM28.82 million in FPE 2023. Our revenue from the overseas market grew from approximately RM8.94 million (approximately 56.02% of our revenue) in FYE 2020 to approximately RM42.91 million (approximately 84.87% of our revenue) in FYE 2022. For FPE 2023, our revenue from the overseas market was approximately RM22.02 million (approximately 76.41% of our revenue). Please refer to Sections 5 and 6 of this Prospectus for further details of our Group and business respectively.

## 2.3 OUR COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

**(i) We have capabilities to provide turnkey design services for ICs such as ASICs and FPGAs**

Our Group started with providing back-end design services back in 2014. We subsequently built up a team to offer front-end design services and expanded our offerings to include turnkey design services i.e. IP design turnkey and full IC design turnkey. Our ability to undertake turnkey design services allows our customers to deal with a single service provider instead of managing multiple service providers.

We have in the past successfully completed turnkey design projects involving ICs such as ASICs and FPGAs.

**(ii) We have capabilities in designing ICs fabricated using advanced process node technology**

At present, the most advanced process node technology that is currently in production is in the order of three (3) nm.

We delivered design projects using 14nm process node technology in 2015, 10nm process node technology in 2016, 7nm process node technology in 2018 and 5nm process node technology in 2021. Furthermore, in 2022, we had also secured projects using 3nm process node technology. We have been able to successfully deliver IC design projects based on these process node technologies due to our knowledge in FinFET technology, which is an enabling technology for ICs commercially fabricated using 14nm and finer process node technology.

**(iii) We have experience in working on IC designs fabricated by various foundries for our customers**

Typically, our customers engage us to perform IC design services, while engaging foundries for the fabrication process. Each IC design project is foundry-specific, as each foundry process has its own set of design rules.

We have completed IC design projects, where the ICs were fabricated by the world's leading foundries. Our experience with various foundry processes has also allowed us to secure projects from customers who were looking to perform process migration. Our ability to support IC design projects over multiple foundry processes provides us the flexibility to bid for various future projects.

**(iv) We have the ability to secure and retain global customers**

As a supplier to IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses, we have to comply with their quality control requirements and stringent supplier selection processes. Over the years, we have maintained a good working relationship with our customers by delivering IC design services that meet their specifications and requirements, on a timely basis. Testament to this, we have secured recurring orders/contracts from our customers.

**(v) We have an experienced management and technical team**

We have an experienced and capable management team who has been collectively contributing to the growth and development of our Group. Our Executive Directors have at least 25 years of experience in the IC design industry. They have contributed significantly to our Group's historical expansion and will continue to play pivotal roles in our Group's future growth. Under the management team, our Group has successfully grown and positioned ourselves as a complete IC design turnkey service provider.

Please refer to Section 6.6 of this Prospectus for further details of our competitive strengths.

## 2.4 OUR FUTURE PLANS AND BUSINESS STRATEGIES

Our future plans and business strategies are as follows:

**(i) Expansion of our workforce**

We plan to expand our workforce to support the demands of our existing and potential customers and to continue developing our human resources capabilities, thus ensuring our long-term sustainability. The scaling up of our operations and by gaining access to a larger workforce will allow us to compete for more orders/contracts. We intend to increase our total workforce by 280 comprising design engineers for IC design and/or engineers/technicians for post-silicon validation services over 36 months.

An important factor that potential customers consider before they engage us as a supplier is the availability of workforce capability and capacity. Due to majority of our design engineers being dedicated to the current contracts with our existing customers, we may face resource constraints to secure new orders/contracts from existing and/or potential customers. As such, the expansion of workforce is crucial to allow us to compete for more orders/contracts and to be in a stronger position to tap into larger potential customers previously not accessible to us.

**(ii) Expanding our geographical footprint both locally and overseas**

As at the LPD, we are operating from our rented offices in Penang, Kuala Lumpur and Shanghai. Currently, we have ODC facilities of approximately 10,500 sq ft in our rented offices in Penang and approximately 3,000 sq ft in our rented office in Kuala Lumpur. There is no ODC facility in our rented office in Shanghai.

We plan to establish, by renting, new offices in Penang ("**New Penang Office**"), India ("**India Office**"), Singapore ("**Singapore Office**") and Taiwan ("**Taiwan Office**") over 36 months to provide design services and support to our customers as well as to expand our design engineering team.

**(iii) Business expansion through investments and acquisitions**

Part of our future plans is to expand our business through investments and acquisitions that are largely complementary to our existing business or provide additional revenue streams while enhancing our competitive advantage. This strategy will allow our Group to tap into the potential growth in demand for IC design services or acquisition of assets that complement our design portfolio. Such expansion strategies would also potentially broaden our service offerings, widen our geographical reach and customer base while contributing to incremental growth of our Group.

**(iv) Expanding our post-silicon validation services**

The offering of post-silicon validation services will complement our IC design business and is expected to increase our revenue. The strategic partnership we forged with Sophic Automation in 2022 will further expand our customer base and capabilities in delivering post-silicon validation services. As at the LPD, we have hired 3 post-silicon engineers for our post-silicon validation services and started exploring new business opportunities with the existing customers of our Group and Sophic Automation in Malaysia and China by offering post-silicon validation services to them. Furthermore, the provision of post-silicon validation services allows us to further expand our service offerings.

**(v) We plan to develop our own IPs for RISC-V based SoC, IPs for AI and machine learning applications as well as IP for FPGA**

We intend to develop our own IPs for RISC-V based SoC, IPs for AI and machine learning applications as well as IP for FPGA. In doing so, this will provide us with readily available IPs. We would be able to licence these IPs separately or incorporate the IPs into our future IC design projects. Being able to licence our readily available IPs would also provide us an advantage when bidding for more projects in the future as it is able to shorten the IC design process. Licencing of IPs will provide us an additional source of income and improve the market profile of our Group.

**(vi) Expanding our collaborations with local and foreign tertiary institutions**

As part of our efforts to build knowledge workers in Malaysia and to also secure a future workforce of design engineers, we currently have collaborations with five (5) tertiary institutions, i.e. USM, INTI Penang, UniMAP, UTAR and APU. We intend to further collaborate with other local tertiary institutions by 2023. We are also likely to establish collaborations with foreign tertiary institutions.

Please refer to Section 6.7 of this Prospectus for further details of our future plans and business strategies.

## 2.5 RISK FACTORS

Our business is subject to a number of risk factors which may have a material adverse impact on our business, financial condition and results of operations. The following is a summary of the key risk factors that we face in our business operations:

**(i) We are dependent on certain major customers**

We are dependent on Xiamen KirinCore by virtue of its revenue contribution for the Financial Years Under Review and Financial Periods Under Review. Xiamen KirinCore was one of our Group's top five (5) major customers, accounting for approximately 15.57%, 70.73%, 68.43% and 62.67% of our Group's total revenue for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023 respectively.

In addition, our Group is also dependent on Customer A group of companies and Customer B by virtue of their revenue contributions for the Financial Years Under Review and Financial Periods Under Review as set out in Section 8.1.1 of this Prospectus.

Our ability to continuously secure purchase orders and/or contracts from our major customers is dependent on several factors including, amongst others, our ability to provide IC design services that meet the respective customers' specifications and requirements, changes to business fundamentals of the customers, competitive pricing of our services as well as timely delivery.

**(ii) Our profitability margin depends on the type of IC design services provided**

Generally, turnkey design service projects are usually of higher margins than specific design service projects as the turnkey design service projects are generally more complex in nature and our Group is able to utilise its resources more efficiently. Given the prevailing competitive market environment as well as the availability and capabilities of our design engineering workforce, there can be no assurance that GP margins for our new purchase orders and/or contracts in the future can be sustained at our historical GP margins (FYE 2020: 19.72%, FYE 2021: 40.39%, FYE 2022: 59.60% and FPE 2023: 58.95%).

**(iii) We may not be able to execute some of our future plans and business strategies which may adversely affect our business prospects and growth**

The execution of our future plans and business strategies is subject to additional expenditures including staff costs, R&D expenses, sales and marketing expenses and other working capital requirements. Furthermore, the implementation and commercial viability of our future plans and business strategies may be influenced by factors beyond our control.

Hence, there can be no assurance that the effort and expenditure spent on the implementation of our future plans and business strategies will yield expected results in growing our business in terms of financial performance and market presence. In addition, should we not be able to obtain a sufficient amount of turnkey design projects vis-à-vis the number of new design engineers to be hired, there can be no assurance that our GP margins in the future can be sustained at our historical GP margins (FYE 2020: 19.72%, FYE 2021: 40.39%, FYE 2022: 59.60% and FPE 2023: 58.95%).

**(iv) We are dependent on our ability to retain and attract skilled engineers**

As technical skills and engineering capabilities of our design engineering workforce will have an impact on the types and performance of IC design, it is necessary to hire personnel with the required expertise and capabilities in order to remain competitive in the industry. As such, we are dependent on the ability to retain and attract skilled engineers with a high level of competency in IC design.

In the event we are unable to hire and/or retain the skilled engineers with the required expertise and capabilities, it may create a material adverse impact on our operations and affect our capacity to secure new orders/contracts, which may negatively impact our ability to maintain and/or improve our overall financial performance.

**(v) We do not have long-term contracts and our financial performance is dependent on our ability to continually secure new purchase orders and/or contracts to ensure the continuity of our order book**

Our sales are primarily secured via purchase orders and/or contracts. Our contracts, if any, are generally for a period of up to two (2) years. However, our customers normally engage our IC design services by way of purchase orders. As such, our financial performance depends on our ability to secure new purchase orders and/or contracts to sustain our order book. If we are unable to do so, our order book may decline and this would adversely affect our sustainability and future business performance.

**(vi) We face changes and uncertainties in the semiconductor industry**

Our continued success and ability to grow is subject to the risk of future disruptive technologies that may unexpectedly displace the current technology in key verticals such as automotive, 5G communications, AI and IoT. We are exposed to the risk of our existing customers switching to other competitors if we are unable to keep up with the change in the latest technology and industry demands.

**(vii) We are dependent on our Executive Directors and Key Senior Management for continued success and growth of our business**

The continuing success of our Group is dependent, to a significant extent, on the efforts, commitment and abilities of our Executive Directors and Key Senior Management who play a significant role in the day-to-day operations as well as implementation of our business strategies. The loss of any of our Executive Directors and/or Key Senior Management, without any suitable and prompt replacement, may adversely impact our Group's business operations and financial performance.

**(viii) We are subject to risks resulting from consolidation of businesses within the semiconductor industry**

The global semiconductor industry is concentrated, with a relatively small number of IDMs, fabless companies and fab-lite companies having a sizeable market share.

Any consolidation in the semiconductor industry may impact the business processes of the affected companies as the newly merged entity may take a different approach in their supplier selection process. As a result, this may affect our position as a supplier to our customers.

Please refer to Section 8 of this Prospectus for further details of our risk factors.

## 2.6 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before and after our IPO are as follows:

| | | Before our IPO/ As at the LPD | | | | After our IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| Name | Nationality/ Country of incorporation | No. of Shares | (i)% | No. of Shares | (i)% | No. of Shares | (ii)% | No. of Shares | (ii)% |
| **Promoters and substantial shareholders** | | | | | | | | | |
| Ng Meng Thai | Malaysian | 127,105,000 | 27.00 | (iii)21,184,000 | 4.50 | (iv)127,605,000 | 20.06 | (iii)21,184,000 | 3.34 |
| Cheah Hun Wah | Malaysian | 133,689,600 | 28.40 | (iii)21,184,000 | 4.50 | (iv)134,189,600 | 21.09 | (iii)21,184,000 | 3.34 |
| Tan Chun Chiat | Malaysian | 84,736,000 | 18.00 | (iii)21,184,000 | 4.50 | (iv)85,236,000 | 13.40 | (iii)21,184,000 | 3.34 |
| **Promoter** | | | | | | | | | |
| Bigcore Technology | Malaysia | 21,184,000 | 4.50 | - | - | 21,184,000 | 3.34 | - | - |

**Notes:**

(i) Based on the total number of 470,721,000 Shares before our IPO/as at the LPD.

(ii) Based on the enlarged total number of 636,200,000 Shares after our IPO.

(iii) Deemed interest by virtue of his interest in Bigcore Technology pursuant to Section 8 of the Act.

(iv) Assuming full subscription of our IPO Shares reserved under the Pink Form Allocations.

Please refer to Section 4.1 of this Prospectus for further details of our Promoters and substantial shareholders.

## 2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

| Name | Designation |
|---|---|
| **Directors** | |
| Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir | Independent Non-Executive Chairman |
| Ng Meng Thai | Executive Director/ Chief Executive Officer |
| Cheah Hun Wah | Executive Director/ Chief Technology Officer |
| Tan Chun Chiat | Executive Director/ Chief Operating Officer |
| Dato' Margaret Yeo | Independent Non-Executive Director |
| Foong Pak Chee | Independent Non-Executive Director |
| Dato' Dr. Mohd Sofi Bin Osman | Independent Non-Executive Director |
| **Key Senior Management** | |
| Chin Fung Wei | Chief Financial Officer |
| Willetts Lim Wei Lit | Engineering Director |
| Lee Chun Keat | Engineering Director |

Please refer to Sections 4.2 and 4.5 of this Prospectus for further details of our Directors and Key Senior Management respectively.

## 2.8 USE OF PROCEEDS

We expect to use the gross proceeds from our IPO of approximately RM104.25 million in the following manner:

| Details of the use of proceeds | Estimated timeframe for the use of proceeds upon Listing | RM'000 | % of total gross proceeds from the IPO |
|---|---|---|---|
| Business expansion through expansion of our workforce | Within thirty-six (36) months | 50,000 | 47.96 |
| Establishment of new offices | Within thirty-six (36) months | 25,000 | 23.98 |
| R&D expenditure | Within thirty-six (36) months | 12,000 | 11.51 |
| Working capital | Within twenty-four (24) months | 12,652 | 12.14 |
| Estimated listing expenses | Within two (2) months | 4,600 | 4.41 |
| **Total** | | **104,252** | **100.00** |

Please refer to Section 3.7 of this Prospectus for further details of the use of proceeds.

### 2.9 IMPACT OF COVID-19 PANDEMIC ON OUR GROUP

On 30 January 2020, the World Health Organization ("**WHO**") declared the outbreak of COVID-19 a Public Health Emergency of International Concern. On 11 March 2020, WHO declared COVID-19 a global pandemic due to the rapid increase in cumulative number of cases globally.

The Malaysian Government implemented several measures to curb the spread of COVID-19 and these measures included restrictions on the movement of people within Malaysia and internationally as well as restrictions on business, economic, cultural and recreational activities. The details of which are set out in Section 6.19 of this Prospectus together with the impact on our business operations.

**Impact on our business and financial performance**

Prior to the outbreak of COVID-19, we predominantly carried out our services at our customers' premises. As a means to contain the spread of the virus, travel restrictions were first enforced in China in January 2020. During then, we had several on-going projects overseas. Due to travel restrictions, our design engineers were also unable to be present at the customers' premises to provide our services. In addition, during the first phase of MCO imposed by the Malaysian Government in March 2020 with the closure of all businesses, our customers in Malaysia were unable to operate, and as a result, our design engineers were unable to perform the works required and obliged to our customers. As such, our business operations and financials were affected, especially between February 2020 to May 2020, where some of our projects were delayed. As the delay was due to the COVID-19 outbreak, there were no extensions of time required and no penalty charge was imposed. During the COVID-19 outbreak, however, we did not experience any cancellation of orders from our customers.

Due to the business interruption between February 2020 to May 2020, our monthly revenue for the period declined from approximately RM3.49 million in January 2020 to approximately RM1.30 million in February 2020, approximately RM0.78 million in March 2020, approximately RM0.81 million in April 2020 and approximately RM0.51 million in May 2020. This was mainly due to the travel restrictions and various measures implemented to curb the spread of the COVID-19 pandemic as detailed in Section 6.19 of this Prospectus.

Our revenue rebounded in June 2020, as evidenced by the increase from approximately RM0.51 million in May 2020 to approximately RM3.64 million in June 2020.

**Impact on our business cash flows, liquidity, financial position and financial performance**

The interruption to our business operations as a result of the COVID-19 pandemic, had affected the project delivery schedules for some of our on-going projects. This had an impact on our financial results between February 2020 to May 2020. Nevertheless, the delays in project delivery schedules were not major as we managed to catch up with most of the timelines. As such, our billing schedules and our financial performance in the FYE 2021 were not materially affected.

Please refer to Section 6.19 of this Prospectus for further details of the impact of COVID-19 pandemic on our Group.

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## 2.10 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out the key financial and operational highlights of our Group for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 15,965 | 29,262 | 50,561 | 26,418 | 28,815 |
| PBT | 1,474 | 9,994 | 23,120 | 13,185 | 13,760 |
| PAT | 421 | 7,799 | 16,629 | 9,698 | 10,396 |
| Share capital/Invested equity | 901 | 901 | 7,062 | 901 | 7,062 |
| Total equity attributable to common controlling shareholders of the combining entities/Owners of the parent/ NA | 1,346 | 3,061 | 14,036 | 12,764 | 24,418 |
| Basic and diluted EPS(i) (sen) | 0.07 | 1.23 | 2.61 | 1.52 | 1.63 |
| Current ratio (times) | 1.71 | 1.25 | 3.21 | 2.00 | 3.87 |

**Note:**

(i) For comparative purposes, the basic EPS is computed based on the PAT divided by the total enlarged number of 636,200,000 Shares after our IPO. For information purposes, the diluted EPS is equal to the basic EPS as there were no potential dilutive securities in issue during the respective Financial Years Under Review and Financial Periods Under Review.

Please refer to Section 11 of this Prospectus for further details of our financial information.

## 2.11 DIVIDEND POLICY

Our Group has a dividend policy to distribute a dividend of at least 25% of our annual audited PAT. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting ("**AGM**").

As we are a holding company, our ability to pay dividends will depend on the dividends or other distributions that we receive from our subsidiaries. The payment of dividends by our subsidiaries is dependent on their distributable profits, financial performance, cash flow requirements for operations and capital expenditures and any other factors.

Any declarations and payment of dividends in the future will be at the discretion of our Board. No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

Please refer to Section 11.8 of this Prospectus for further details of our dividend policy.

# 3. DETAILS OF OUR IPO

## 3.1 OPENING AND CLOSING OF APPLICATIONS

The applications for our IPO Shares will open at 10.00 a.m. on 22 February 2023 and close at 5.00 p.m. on 3 March 2023. Late applications will not be accepted.

## 3.2 INDICATIVE TIMETABLE

The indicative timetable for our IPO is set out below:

| Event | Time / date |
|---|---|
| Opening of Applications | 10.00 a.m., 22 February 2023 |
| Closing of Applications | 5.00 p.m., 3 March 2023 |
| Balloting of Applications | 7 March 2023 |
| Allotment of our IPO Shares to successful applicants | 14 March 2023 |
| Listing | 15 March 2023 |

If there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia and announce it on Bursa Securities' website accordingly.

## 3.3 PARTICULARS OF OUR IPO

The IPO Shares are offered at the IPO Price which is payable in full upon application based on the terms and conditions of this Prospectus.

### 3.3.1 IPO

The IPO Shares of 165,479,000 new Shares, representing approximately 26.01% of our enlarged number of issued Shares, will be allocated in the following manner:

**(i) Malaysian Public**

31,810,000 IPO Shares, representing 5.00% of our enlarged number of issued Shares, will be made available for application by the Malaysian Public by way of balloting process as follows:

(a) 15,905,000 IPO Shares, representing 2.50% of our enlarged number of issued Shares, will be made available to the Bumiputera Malaysian Public; and

(b) 15,905,000 IPO Shares, representing 2.50% of our enlarged number of issued Shares, will be made available to the Malaysian Public.

## 3. DETAILS OF OUR IPO *(CONT'D)*

### (ii) Eligible Persons

22,267,000 IPO Shares, representing 3.50% of our enlarged number of issued Shares, will be made available for application by the Eligible Persons. The details are as follows:

| Eligible Persons | No. of persons | Aggregate no. of Shares allocated |
|---|---|---|
| Eligible Directors[(i)] | 7 | 3,650,000 |
| Eligible employees and other business associates who have contributed to the success of our Group[(ii)(iii)] | 200 | 18,617,000 |
| **Total** | **207** | **22,267,000** |

**Notes:**

(i) The allocation to eligible Directors is based on, amongst others, their respective roles, responsibilities and anticipated contributions to our Group. The allocation of IPO Shares reserved for the eligible Directors is as follows:

| Name | Designation | No. of Shares allocated |
|---|---|---|
| Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir | Independent Non-Executive Chairman | 650,000 |
| Ng Meng Thai | Executive Director/Chief Executive Officer | 500,000 |
| Cheah Hun Wah | Executive Director/Chief Technology Officer | 500,000 |
| Tan Chun Chiat | Executive Director/Chief Operating Officer | 500,000 |
| Dato' Margaret Yeo | Independent Non-Executive Director | 500,000 |
| Foong Pak Chee | Independent Non-Executive Director | 500,000 |
| Dato' Dr. Mohd Sofi Bin Osman | Independent Non-Executive Director | 500,000 |
| **Total** | | **3,650,000** |

(ii) The criteria of allocation to eligible employees (as approved by our Board) are based on, amongst others, the following:

(a) the eligible employee must be a full-time and confirmed employee of our Group and on our Group's payroll; and

(b) seniority, job grade, length of service, past performance and contributions to our Group and any other factors considered relevant by our Board.

(iii) The criteria of allocation to eligible business associates are based on, amongst others, their current and past contributions and support to our Group and as approved by our Board. This may include, amongst others, our customers, suppliers and business associates who have contributed to the success of our Group.

Save for the Pink Form Allocations, our Company is not aware as to whether any of our substantial shareholders, Directors or Key Senior Management have the intention to subscribe for our IPO Shares.

**(iii) Private placement to Selected Investors**

31,877,000 IPO Shares, representing approximately 5.01% of our enlarged number of issued Shares, will be made available for application by way of private placement to Selected Investors.

**(iv) Private placement to identified Bumiputera investors approved by the MITI**

79,525,000 IPO Shares, representing 12.50% of our enlarged number of issued Shares, will be made available for application by way of private placement to identified Bumiputera investors approved by the MITI.

### 3.3.2 Underwriting and allocation of the IPO Shares

In summary, our IPO Shares will be allocated in the following manner:

| | IPO | |
|---|---|---|
| | **No. of Shares** | **(i)%** |
| Malaysian Public (via balloting): | | |
| ▪ Bumiputera | 15,905,000 | 2.50 |
| ▪ Non-Bumiputera | 15,905,000 | 2.50 |
| Eligible Persons: | | |
| ▪ Directors | 3,650,000 | 0.57 |
| ▪ Employees and other business associates who have contributed to the success of our Group | 18,617,000 | 2.93 |
| Private placement to the Selected Investors | 31,877,000 | 5.01 |
| Private placement to identified Bumiputera investors approved by the MITI | 79,525,000 | 12.50 |
| **Total** | **165,479,000** | **26.01** |

**Note:**

(i) Based on the enlarged total number of 636,200,000 Shares after our IPO.

The 31,810,000 IPO Shares made available for application by the Malaysian Public (via balloting) and the 22,267,000 IPO Shares under the Pink Form Allocations are fully underwritten by our Sole Underwriter.

The 111,402,000 IPO Shares made available for application by way of private placement to the Selected Investors and identified Bumiputera investors approved by the MITI are not underwritten. Irrevocable undertakings will be obtained from the Selected Investors and identified Bumiputera investors approved by the MITI to subscribe for our IPO Shares made available under the private placement.

There is no over-allotment or "greenshoe" option that will increase the number of our IPO Shares.

### 3.3.3 Clawback and reallocation

Our IPO Shares shall be subject to the following clawback and reallocation provisions:

**(i) Malaysian Public**

In the event of under-subscription of our IPO Shares by the Malaysian Public, and subject to a corresponding over-subscription by the Eligible Persons or Selected Investors under the private placement, the remaining portion will be clawed back and reallocated to the Eligible Persons and/or offered to the Selected Investors under the private placement, at the discretion of our Sole Placement Agent and our Board.

Any remaining IPO Shares not subscribed for will be subscribed by our Sole Underwriter in accordance with the terms of the Underwriting Agreement.

**(ii) Eligible Persons**

In the event of under-subscription of our IPO Shares by the Eligible Persons under the Pink Form Allocations, the unsubscribed IPO Shares will be reallocated to other Eligible Persons who have applied for excess IPO Shares (if any) ("**Excess Shares**") in addition to their pre-determined allocation. Such Excess Shares will be allocated to the Eligible Persons who have applied for Excess Shares on a fair and equitable basis in the following manner:

(a) firstly, allocation on a proportionate basis based on the number of Excess Shares they applied for; and

(b) secondly, to minimise odd lots.

Our Board reserves the right to allocate to the Eligible Persons who have applied for Excess Shares in addition to their pre-determined allocation at the discretion of our Board in such manner as it deems fit and expedient in the best interest of our Company. Our Board also reserves the right to accept or reject any Excess Shares application, in full or in part, without assigning any reason.

In the event of under-subscription by the other Eligible Persons (after reallocation of Excess Shares to other Eligible Persons), and subject to a corresponding over-subscription by the Malaysian Public or Selected Investors under the private placement, the remaining portion will be clawed back and reallocated to the Malaysian Public and/or offered to the Selected Investors under the private placement, at the discretion of our Sole Placement Agent and our Board.

Thereafter, any remaining IPO Shares not subscribed for will be subscribed by our Sole Underwriter in accordance with the terms of the Underwriting Agreement.

**(iii) Private placement to the Selected Investors**

In the event of under-subscription of the IPO Shares by the Selected Investors under the private placement and subject to a corresponding over-subscription by the Malaysian Public or Eligible Persons, the remaining portion will be clawed back and reallocated to the Malaysian Public and/or offered to the Eligible Persons.

**(iv) Private placement to identified Bumiputera investors approved by the MITI**

In the event of under-subscription of our IPO Shares by identified Bumiputera investors approved by the MITI under the private placement and subject to a corresponding over-subscription by the Malaysian Public or Selected Investors, the remaining portion will be clawed back and reallocated as follows:

(a) firstly, to the Malaysian institutional investors which are part of the Selected Investors under Section 3.3.1(iii) of this Prospectus; and

(b) secondly, to the Bumiputera Malaysian Public which are part of the Malaysian Public under Section 3.3.1(i) of this Prospectus.

Thereafter, any remaining IPO Shares will be made available for other Malaysian Public under Section 3.3.1(i) of this Prospectus and/or offered to other Selected Investors under Section 3.3.1(iii) of this Prospectus, the proportion of which will be at the discretion of our Sole Placement Agent and our Board. If still under-subscribed, such IPO Shares will be made available for subscription by the Eligible Persons.

The clawback and reallocation provisions will not apply in the event there is an over-subscription in all of the allocations of our IPO Shares at the closing date of our IPO.

Our IPO Shares will be allocated in a fair and equitable manner and the basis of allocation for such IPO Shares shall take into account the desirability of distributing such IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirement of Bursa Securities and to establish a liquid market for our Shares.

To the best of our knowledge and belief, there is no person who intends to subscribe for more than 5.00% of our IPO Shares.

**3.3.4 LTIP**

In conjunction with our IPO and Listing, our Company will implement a LTIP of up to 15% of the total number of issued shares of our Company (excluding treasury shares, if any), comprising the SGP Award(s) and/or SOP Award(s) to eligible Directors and employees of our Group (excluding subsidiary companies which are dormant) at any point of time during the LTIP Period.

The LTIP shall comprise the SGP and SOP. The SGP is intended to award Oppstar Shares to Executive Directors and/ or senior management of our Group (excluding subsidiary companies which are dormant) whilst the SOP is intended to allow the Company to award share options to Directors and employees of our Group (excluding subsidiary companies which are dormant), subject to them fulfilling certain vesting conditions as determined by the LTIP Committee after the establishment of the LTIP.

The LTIP will be administered in accordance with the By-Laws by the LTIP Committee. The LTIP Committee shall be appointed by our Board. The LTIP Committee shall comprise not less than three (3) members, which may include a combination of executive Director, independent non-executive Director and/or senior management.

The actual number of LTIP Awards to be allocated to the eligible Directors and employees shall be determined by the LTIP Committee at its sole and absolute discretion after taking into consideration, which may include the eligible Directors and employees' position, job performance, seniority, duration of service, potential for future development and contribution to the success and development of our Group.

Notwithstanding the above, the LTIP Award(s) to be awarded to any eligible person, who is a Director, major shareholder or chief executive of the Company or persons connected with such Director, major shareholder or chief executive (as defined in the Listing Requirements), shall also be approved by the shareholders of the Company in general meeting to be convened unless such approval is no longer required under the Constitution, the Listing Requirements and any other prevailing guidelines issued by the authorities.

This is intended to incentivise our Directors for their contribution towards development, growth and success and strategic direction to drive long-term shareholder value enhancement of our Group and to incentivise our employees for their commitment, dedication and loyalty towards attainment of higher performance.

**3.3.4.1 SGP**

The SGP is intended to allow our Group to reward the eligible Executive Directors and/or senior management of our Group, which includes the key management personnel and design engineers who are crucial to our Group's business. As such, the compensation for the Directors and senior management will be more aligned to shareholders' value creation through the SGP Awards, subject to the terms and conditions of the By-Laws.

Upon acceptance of the SGP Awards by the SGP Participants, the SGP Awards will be vested to the SGP Participants at no consideration during the LTIP Period, subject to the SGP Participants fulfilling the vesting conditions as may be determined by the LTIP Committee in accordance with the By-Laws. The reference price of the SGP Awards to be awarded will be determined based on the fair value of the SGP Awards, which will take into account, amongst others, the market price of our Shares as at or prior to the SGP Award Date.

**3.3.4.2 SOP**

The SOP is intended to allow our Group to reward the eligible Directors and employees through the SOP Awards, subject to the terms and conditions of the By-Laws.

Upon acceptance of the SOP Awards by the SOP Participants, the SOP Awards will be vested to the SOP Participants at the Option Price during the LTIP Period, subject to the SOP Participants fulfilling the vesting conditions as may be determined by the LTIP Committee in accordance with the By-Laws.

Subject to any adjustments to be made under the By-Laws and pursuant to the Listing Requirements, the Option Price shall be based on a price to be determined by our Board upon recommendation of the LTIP Committee which will be based on the volume weighted average price of our Shares for the five (5) market days immediately preceding the SOP Award Date with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the LTIP Period.

The Option Price in respect of any offer which is made in conjunction with the Listing shall be the initial public price of our Shares.

The salient terms of the LTIP are as follows:

**(i) Maximum number of new Shares available under the LTIP**

The maximum number of Shares which may be made available under the LTIP shall not in aggregate exceed 15% of the total number of issued shares of our Company (excluding treasury shares, if any) at any point of time during the LTIP Period.

**(ii) Basis of allocation and maximum allowable allotment**

The allocation of Shares to be made available for the LTIP Awards under the LTIP shall be determined by the LTIP Committee.

Subject to the By-Laws, the maximum number of Shares to be awarded to any eligible Directors and employees under the LTIP at any point of time in each LTIP Award shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the eligible Directors' and employees' designation, length of service, work performance and/or such other factors as the LTIP Committee deems fit, and subject to the following conditions:

(a) the total number of Shares made available under the LTIP shall not exceed the amount set out in Section 3.3.4(i) of this Prospectus;

(b) not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of our Company made available under the LTIP shall be allocated to any eligible Directors and employees who, either singly or collectively through persons connected (as defined in the Listing Requirements) with the eligible Directors and employees, holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of our Company (excluding treasury shares, if any);

(c) up to 50% of the total number of Shares which may be made available under the LTIP could be allocated, in aggregate, to the Directors and senior management of our Group who are eligible Directors and employees (where "**senior management**" shall be subject to any criteria as may be determined at the sole discretion of the LTIP Committee from time to time); and

(d) the Directors and senior management of our Group shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any;

provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

The LTIP Committee shall determine the maximum number of Shares for the LTIP Awards that will be made available to the eligible Directors and employees under the LTIP, in the manner provided in the By-Laws in relation to each class or grade of Directors and employees and the aggregate maximum number of LTIP Awards that can be awarded to the Directors and employees under the LTIP from time to time, and the decision of the LTIP Committee shall be final and binding.

The LTIP Committee may at its sole and absolute discretion determine whether the LTIP Awards to the eligible Directors and employees will be made on a staggered basis over the LTIP Period or in a single award and/or whether the LTIP Awards are subject to any vesting period and if so, to determine the vesting conditions.

**(iii) Eligibility**

Subject to the sole discretion of the LTIP Committee, only eligible Directors and employees who fulfil the following conditions as at the LTIP Award Date shall be eligible to participate in the LTIP:

(a) in respect of an employee of our Group, the employee must fulfil the following criteria as at the LTIP Award Date:

(aa) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(bb) is employed by our Group on a full-time basis or serving in a specific designation under an employment contract with our Group for a fixed duration (or any other contract as may be determined by the LTIP Committee) and is on the payroll of any company within our Group and has not served a notice of resignation or received a notice of termination;

(cc) must have been in employment of our Group for a period of at least six (6) months prior to the LTIP Award Date;

(dd) is confirmed in writing as a full-time employee of our Group prior to and up to the LTIP Award Date; and

(ee) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(b) in respect of an executive Director, the executive Director must fulfil the following criteria as at the LTIP Award Date:

(aa) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(bb) is appointed as an executive Director of our Company or any company within our Group for such periods as may be determined by the LTIP Committee prior to and up to the LTIP Award Date; and

(cc) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(c) in respect of a non-executive Director, the non-executive Director must fulfil the following criteria as at the SOP Award Date:

(aa) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(bb) is appointed as a non-executive Director of our Company or any company within our Group for such periods as may be determined by the LTIP Committee prior to and up to the SOP Award Date; and

(cc) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

Notwithstanding the above, the LTIP Committee may, at its absolute discretion, waive any of the eligibility conditions as set out above. The eligibility and number of LTIP Awards to be awarded to the eligible Directors and employees under the LTIP shall be at the sole and absolute discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

Subject to Sections 3.3.4(iii) of this Prospectus, the LTIP Committee may from time to time at its own discretion decide on the performance targets to be achieved by the LTIP Participants before the LTIP Awards can be vested.

Eligibility under the LTIP does not confer on the eligible Directors and employees any claim or right to participate in or any right whatsoever under the LTIP and the eligible Directors and employees do not acquire or have any right over or in connection with the LTIP Awards unless the LTIP Awards have been made by the LTIP Committee to the eligible Directors and employees and the eligible Directors and employees have accepted the LTIP Awards in accordance with the provisions of the By-Laws.

**(iv) Duration and termination of the Scheme**

The LTIP, when implemented, shall be in force for a period of five (5) years from the date on which the last of the following approvals and/or conditions as set out in the By-Laws have been obtained and/or complied with ("**Effective Date**"):

(a) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Rule 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;

(b) receipt of the approval or approval-in-principle, as the case may be, from Bursa Securities for the listing of and quotation for the new Shares to be issued under the LTIP;

(c) receipt of the approval of any other relevant regulatory authorities whose approvals are necessary in respect of the LTIP; and

(d) fulfilment or waiver (as the case may be) of all conditions attached to any of the abovementioned approvals (if any).

Our Company may, if our Board deems fit and upon the recommendation of the LTIP Committee, extend the LTIP for a period of up to a maximum of five (5) years, commencing from the day after the date of expiration of the original five (5) years period, and shall not in aggregate exceed 10 years from the Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities.

Such extended Scheme shall be implemented in accordance with the terms of the By-Laws, save for any amendment and/or change to the relevant statutes and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals from the shareholders of our Company shall be required for the extension of the LTIP and our Company shall serve appropriate notices on each LTIP Participant and/or make any necessary announcements to any parties and/or Bursa Securities (if required) within 30 days prior to the date of expiry of the LTIP or such other period as may be stipulated by Bursa Securities.

The LTIP may be terminated by the LTIP Committee at any time before the date of expiry of the Scheme provided that an announcement is released to Bursa Securities on the following:

(a) the effective date of termination ("**Termination Date**");

(b) the number of Shares vested pursuant to the SGP and/or number of SOP Options exercised pursuant to the SOP; and

(c) the reasons and justifications for termination.

In the event of termination of the LTIP, the following provisions shall apply:

(a) no further LTIP Award(s) shall be awarded by the LTIP Committee from the Termination Date;

(b) all LTIP Award(s) which have yet to be accepted by the eligible Directors and employees shall automatically lapse and become null and void on the Termination Date; and

(c) any LTIP Awards which have yet to be vested or exercised (as the case may be and whether fully or partially) awarded under the LTIP shall be deemed cancelled and be null and void.

Subject to the requirements under the Listing Requirements, approval or consent of the shareholders of our Company by way of resolution in a general meeting and written consent of the LTIP Participants who have yet to vest their LTIP Awards and/or exercise their vested SOP Options are not required to effect a termination of the LTIP.

**(v) Rights attaching to Oppstar Shares**

The Shares arising upon vesting of the SGP Awards and/or exercising of the SOP Options shall, upon allotment and issuance, rank equally in all respects with existing Shares and together with our Shares procured by our Company, via the Trustee (as defined in (vii) below), for transfer, shall:

(a) be subject to the provisions of our Constitution; and

(b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date on which our Shares are credited into the CDS Accounts of the LTIP Participants and shall in all other respects rank equally with other existing Shares then in issue.

Notwithstanding any provision in the By-Laws, the LTIP Participants shall not be entitled to any rights, dividends or other distributions attached to our Shares prior to the date on which such Shares are credited into their respective CDS Accounts.

**(vi) Retention period**

The Shares arising upon vesting of the SGP Awards and/or exercising of the SOP Options will not be subjected to any retention period or restriction on transfer unless otherwise as stated in the LTIP Awards as determined by the LTIP Committee from time to time. However, LTIP Participants are encouraged to hold our Shares as a long-term investment and not for any speculative and/or realisation of any immediate gain.

Notwithstanding the above, the LTIP Committee shall be entitled at its discretion to prescribe or impose, in relation to any LTIP Awards, any condition relating to any retention period or restriction on transfer (if applicable) as the LTIP Committee sees fit.

An eligible Director who is a non-executive Director in our Group shall not sell, transfer or assign our Shares obtained through the exercise of the SOP Options granted to him within one (1) year from the SOP Award Date.

**(vii) Administration and Implementation of the LTIP**

The LTIP shall be administered by the LTIP Committee. The LTIP Committee shall, subject to the By-Laws, administer the LTIP in such manner as it shall deem fit and with such powers and duties as are conferred upon it by our Board. The decision of the LTIP Committee shall be final and binding.

Our Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the LTIP Committee as it shall deem fit.

In implementing the LTIP, the LTIP Committee may at its absolute discretion decide that the LTIP Awards be satisfied by the following methods:

(a) issuance of new Shares;

(b) acquisition of existing Shares from the open market of Bursa Securities;

(c) transfer of our Company's treasury shares (if any) or any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or

(d) a combination of any of the above.

In considering the method of satisfaction as referred to in (a) to (d) above, the LTIP Committee shall take into consideration, amongst others, factors such as the prevailing market price of our Shares, the potential cost arising from awarding the LTIP Awards and dilutive effects on our Company's capital base as well as applicable laws and/or regulatory requirements. The method of satisfaction to be made by our Company shall be at the discretion of the LTIP Committee.

For the purpose of facilitating the implementation of the Scheme, our Company and/or the LTIP Committee may, but shall not be obligated to, establish a trust to be administered by a trustee(s) to be appointed by our Company ("**Trustee**") ("**Trust**") in accordance with the trust deed to be entered into between our Company and the Trustee ("**Trust Deed**"). Accordingly, our Company shall have the power to appoint or rescind the appointment of any Trustee as it deems fit for the purpose of administering the Scheme, in accordance with the provisions of the Trust Deed. Our Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.

For the purpose of administering the Trust, if and when the Trust is established, the Trustee shall do all such acts and things and enter into any transaction, agreement, deed, document or arrangement or makes rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its absolute discretion direct for the implementation and administration of the Trust which are expedient for the purpose of giving effect to and carrying out the powers and duties conferred on the Trustee by the Trust Deed.

The Trustee shall, at such times as the LTIP Committee shall direct, subscribe for and/or acquire the necessary number of existing Shares from the open market of Bursa Securities to accommodate any transfer of our Shares to the CDS Accounts of the LTIP Participant(s). For this purpose, the Trustee will be entitled, from time to time, to the extent permitted by law and as set out under the By-Laws to accept funding and/or assistance, financial or otherwise from our Company and/or any company within our Group. The LTIP Committee shall have the discretion to instruct the Trustee to subscribe for new Shares and/or acquire existing Shares from time to time and also to revoke or suspend any such instruction that has earlier been given to the Trustee.

The appointment or involvement of a Trustee shall not be required in the event that the Shares to be awarded under the LTIP are to be satisfied solely via issuance of new Shares and/or transfer of treasury shares held by our Company, if any, pursuant to Section 127(7) of the Act.

**(viii) Listing of and quotation for the LTIP Shares**

The new Shares to be issued pursuant to the LTIP will be listed and quoted on the ACE Market.

In conjunction with our Listing, our Group intends to offer up to 15,905,000 SOP Awards ("**Initial SOP Awards**") to our eligible employees, who meet the eligibility criteria to participate in the LTIP as set out in the By-Laws in Section 13 of this Prospectus. For avoidance of doubt, none of these Initial SOP Awards are allocated to our Directors, Key Senior Management or persons connected with them.

The Initial SOP Awards will be offered to our eligible employees on the date of Listing whereby the Initial SOP Awards will comprise 15,905,000 new Shares after our Listing, upon full exercise. In compliance with Section 3.3.4.2 above, the exercise price for 15,905,000 SOP Options shall be the IPO Price.

**Effect of the LTIP**

Save for the potential impact of the MRFS 2, the grant of the LTIP Awards will not have an immediate effect on the consolidated NA and NA per Share until such time when Shares are issued/or transferred arising from the vesting of the SGP Awards and/or exercise of the SOP Options.

Any potential effect on the NA and NA per Share of our Group in the future would depend on factors such as the method of satisfaction of the LTIP Awards, actual number of Shares to be issued/or transferred which can only be determined at the point of the vesting of the SGP Awards and/or the exercise of the SOP Options and Option Price.

The EPS of our Group may be diluted, depending on the number of Shares issued/or transferred to the LTIP Participants pursuant to the vesting of the LTIP Awards. In accordance with MFRS 2, the potential cost arising from the awarding of the LTIP Awards is required to be measured at fair value as at the LTIP Award Date and recognised as an expense in the consolidated statements of comprehensive income of our Company over the vesting period of such LTIP Awards and may therefore reduce the future earnings of our Group, the quantum of which can only be determined at the LTIP Award Date.

The potential effects of the LTIP on the earnings and EPS of our Group in the future, as a consequence of the recognition of the expense cannot be determined at this juncture as it would depend on various factors, which may include, amongst others, the actual number of SGP Awards vested and/or SOP Options exercised, the Option Price, the prevailing market price of the Shares and the volatility of the Share price, which will affect the fair value of the LTIP Awards as at the LTIP Award Date. It should be noted that such potential cost of awarding the LTIP Awards does not represent a cash outflow but only an accounting treatment.

### 3.3.5 Minimum subscription level

There is no minimum subscription in terms of the amount of proceeds to be raised from our IPO. However, in order to comply with the public spread requirements of the Listing Requirements, the minimum subscription level will be the number of Shares required to be held by public shareholders.

Pursuant to the Listing Requirements, at least 25% of our enlarged number of issued Shares must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our Admission. Prior to our Admission, we will ensure that this requirement is met through the balloting process and the private placement exercise to ensure that a minimum 200 public shareholders holding not less than 100 Shares each is in place and at least 25% of our enlarged number of issued Shares are held by public shareholders.

## 3. DETAILS OF OUR IPO *(CONT'D)*

If the public spread requirement is not met, we may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full, without interest or any share of revenue or benefits arising therefrom. If such monies are not returned in full within 14 days after we become liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

### 3.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

| | No. of Shares | RM |
|---|---|---|
| Issued share capital as at the LPD | 470,721,000 | 7,061,800 |
| New Shares to be issued pursuant to our IPO | 165,479,000 | (i)102,588,746 |
| **Enlarged issued share capital upon Listing** | **636,200,000** | **109,650,546** |
| IPO Price | | 0.63 |
| Market capitalisation upon Listing (based on our IPO Price and enlarged number of issued Shares upon Listing) | | 400,806,000 |

**Note:**

(i) Calculated based on the IPO Price of RM0.63 per IPO Share and after deducting the estimated listing expenses totaling RM4,600,000 to be borne by our Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM2,500,000 had been incurred and expensed off to the statement of profit or loss and other comprehensive income as of 30 September 2022. Upon completion of the Listing, a total of RM1,663,024 is assumed to be directly attributable to our IPO and as such, will be debited against the share capital of our Company and the remaining expenses of RM436,976 will be expensed off to the statement of profit or loss and other comprehensive income.

As at the date of this Prospectus, we only have one (1) class of shares in our Company, namely ordinary shares.

The new Shares will, upon allotment and issuance, rank equally in all respects with our existing Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared after the date of allotment of the new Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special right attaching to any Share which we may issue in the future, our shareholders shall, in proportion to the amount paid on the Shares held by them, be entitled to share the profits paid out by us in the form of dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payment in accordance with the Act and our liabilities.

At our general meeting, each shareholder shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. Subject to the Listing Requirements, any resolution put to vote at the meeting shall be decided by way of poll. On a poll, each shareholder present either in person or by proxy, attorney or other duly authorised representative shall have one (1) vote for every Share held or represented. A proxy may but need not be a member of our Company. However, on a show of hands, each shareholder present either in person or by proxy, attorney or other duly authorised representative shall have one (1) vote.

## 3.5 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES

### 3.5.1 IPO Price

Our Directors, together with our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, have determined and agreed on the IPO Price of RM0.63 per IPO Share, after taking into consideration the following:

(i) our EPS of approximately 2.61 sen based on our PAT for FYE 2022 of approximately RM16.63 million and our enlarged total number of 636,200,000 Shares which translate into a price-to-earnings multiple of approximately 24.14 times;

(ii) our EPS of approximately 1.63 sen based on our PAT for FPE 2023 of approximately RM10.40 million and our enlarged total number of 636,200,000 Shares which translate into an annualised price-to-earnings multiple of approximately 19.33 times;

(iii) our pro forma NA per Share of RM0.20 as at 30 September 2022 based on our enlarged total number of 636,200,000 Shares after our IPO and subsequent to the use of proceeds from our IPO;

(iv) our business overview and financial performance as described in Sections 6 and 11 of this Prospectus respectively;

(v) our competitive strengths as set out in Section 6.6 of this Prospectus;

(vi) our future plans and business strategies as set out in Section 6.7 of this Prospectus; and

(vii) the overview and outlook of the global semiconductor industry and global IC design industry as described in Section 7 of this Prospectus.

You should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in our Shares. You are also reminded to carefully consider the risk factors as set out in Section 8 of this Prospectus before deciding to invest in our Shares.

### 3.5.2 Expected market capitalisation

Based on the IPO Price of RM0.63 per IPO Share, the total market capitalisation of our Company upon Listing will be approximately RM400.81 million.

## 3.6 DILUTION

Dilution is the amount by which the price paid by the investors for our IPO Shares exceeds our pro forma NA per Share immediately after our IPO.

Our pro forma NA per Share as at 30 September 2022 before our IPO was approximately RM0.05 per Share.

Pursuant to the issuance of 165,479,000 new Shares under our IPO and after adjusting for the use of proceeds from our IPO, our pro forma NA per Share based on our enlarged number of issued Shares upon Listing of 636,200,000 Shares would be approximately RM0.20 per Share.

## 3. DETAILS OF OUR IPO *(CONT'D)*

The table below illustrates such dilution on a per Share basis:

| | **RM** |
|---|---|
| IPO Price | 0.63 |
| Pro forma NA per Share as at 30 September 2022 before our IPO | 0.05 |
| Pro forma NA per Share as at 30 September 2022 after giving effect to our IPO and the use of proceeds from our IPO | 0.20 |
| Increase in pro forma NA per Share to our existing shareholders | 0.15 |
| Dilution in pro forma NA per Share to new investors | 0.43 |
| Dilution in pro forma NA per Share to new investors as a percentage of the IPO Price | 68.25% |

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## 3. DETAILS OF OUR IPO *(CONT'D)*

Save as disclosed below, none of our Directors, Key Senior Management, substantial shareholders or persons connected with them have acquired any securities in our Company, neither have they entered into any transaction which grants them the right to acquire any of our Shares since our incorporation up to the date of this Prospectus.

| | No. of Shares held after the Acquisitions and before our IPO | [i]No. of Shares from our IPO | Total consideration RM | Effective cost per Share RM |
|---|---|---|---|---|
| **Promoter** | | | | |
| Bigcore Technology | 21,184,000 | - | 317,760 | 0.015 |
| **Promoters, substantial shareholders and Directors** | | | | |
| Ng Meng Thai | 127,105,000 | 500,000 | 2,221,575 | 0.017 |
| Cheah Hun Wah | 133,689,600 | 500,000 | 2,320,344 | 0.017 |
| Tan Chun Chiat | 84,736,000 | 500,000 | 1,586,040 | 0.019 |
| **Directors** | | | | |
| Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir | - | 650,000 | 409,500 | 0.630 |
| Dato' Margaret Yeo | - | 500,000 | 315,000 | 0.630 |
| Foong Pak Chee | - | 500,000 | 315,000 | 0.630 |
| Dato' Dr. Mohd Sofi Bin Osman | - | 500,000 | 315,000 | 0.630 |
| **Key Senior Management** | | | | |
| Chin Fung Wei | 21,654,400 | 500,000 | 639,816 | 0.029 |
| Willetts Lim Wei Lit | 21,184,000 | 500,000 | 632,760 | 0.029 |
| Lee Chun Keat | 21,184,000 | 500,000 | 632,760 | 0.029 |
| **New investors from our IPO** | - | 165,479,000 | 104,251,770 | 0.630 |

**Note:**

(i) Assuming all Pink Form Allocations are fully subscribed.

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## 3. DETAILS OF OUR IPO *(CONT'D)*

### 3.7 USE OF PROCEEDS

We expect to use the gross proceeds from our IPO of approximately RM104.25 million in the following manner:

| Details of the use of proceeds | Estimated timeframe for the use of proceeds upon Listing | RM'000 | % of total gross proceeds from the IPO |
|---|---|---|---|
| Business expansion through expansion of our workforce | Within thirty-six (36) months | 50,000 | 47.96 |
| Establishment of new offices | Within thirty-six (36) months | 25,000 | 23.98 |
| R&D expenditure | Within thirty-six (36) months | 12,000 | 11.51 |
| Working capital | Within twenty-four (24) months | 12,652 | 12.14 |
| Estimated listing expenses | Within two (2) months | 4,600 | 4.41 |
| **Total** | | **104,252** | **100.00** |

#### 3.7.1 Business expansion through expansion of our workforce

Due to the nature of our business, our labour costs accounted for more than 90% of total cost of sales for the Financial Years Under Review and Financial Periods Under Review.

We intend to earmark approximately RM50.00 million for the expansion of our workforce to support the demands of our existing and potential customers and to continue developing our human resources capabilities, thus ensuring our long-term sustainability. We aim to achieve this by increasing our total workforce by 280 comprising design engineers for IC design and engineers/technicians for post-silicon validation services. Such amount is expected to be utilised over 36 months. We intend to hire the new design engineers and post-silicon engineers/technicians locally and may also hire expatriates from countries such as India and Indonesia. These design engineers and post-silicon engineers/technicians are expected to be based in Penang and Kuala Lumpur.

The details and number of design engineers and post-silicon engineers/technicians to be hired are as follows:

| Details | *No. of staff to be employed | |
|---|---|---|
| | Local | Foreign |
| Design engineers | | |
| - Managerial level (with more than 7 years of experience) | 20 | 10 |
| - Middle level (more than 3 years but less than 7 years of experience) | 40 | 15 |
| - Junior level (less than 3 years of experience and fresh graduates) | 120 | 10 |
| Post-silicon engineers/technicians | 65 | - |
| **Total** | **245** | **35** |

**Note:**

* The actual number of design engineers and post-silicon engineers/technicians to be employed by our Group as well as timing of recruitment is dependent on the availability of engineers and orders/contracts secured or to be secured at any point in time.

## 3. DETAILS OF OUR IPO *(CONT'D)*

The timing for our Group's recruitment plan is as follows:

| **Details** | ***No. of staff to be employed** | | | |
|---|---|---|---|---|
| | **Year 1** | **Year 2** | **Year 3** | **Total** |
| Design engineers | | | | |
| - Managerial level (with more than 7 years of experience) | 8 | 22 | - | 30 |
| - Middle level (more than 3 years but less than 7 years of experience) | 17 | 28 | 10 | 55 |
| - Junior level (less than 3 years of experience and fresh graduates) | 65 | 47 | 18 | 130 |
| Post-silicon engineers/technicians | 30 | 35 | - | 65 |
| **Total** | **120** | **132** | **28** | **280** |

**Note:**

* The number of additional staff to be employed in Years 1 to 3 is based on the current negotiations with our existing and potential customers for additional orders/contracts as well as enquiries/invites received from potential customers. However, the actual number of design engineers and post-silicon engineers/technicians to be employed by our Group as well as timing of recruitment is dependent on the availability of engineers and orders/contracts secured or to be secured at any point in time.

Typically, the time needed for our Group to recruit a new hire (i.e. from the date of job posting until the date of joining) is approximately three (3) to six (6) months.

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**3. DETAILS OF OUR IPO *(CONT'D)***

The cost for our Group's recruitment plan is as follows:

| Details | Annual salary range[(i)] (RM) | Year 1 No. of staff to be employed [(ii)] | Year 1 Total estimated cost (RM)[(iii)] | Year 2 No. of staff to be employed [(ii)] | Year 2 Total estimated cost (RM)[(iv)] | Year 3 No. of staff to be employed [(ii)] | Year 3 Total estimated cost (RM)[(v)] | Total estimated cost (cumulative) (RM)[(vi)] |
|---|---|---|---|---|---|---|---|---|
| Design engineers | | | | | | | | |
| - Managerial level (with more than 7 years of experience) | 130,000 – 220,000 | 8 | 1,400,000 | 22 | 5,250,000 | - | 5,250,000 | 11,900,000 |
| - Middle level (more than 3 years but less than 7 years of experience) | 80,000 – 130,000 | 17 | 1,785,000 | 28 | 4,725,000 | 10 | 5,775,000 | 12,285,000 |
| - Junior level (less than 3 years of experience and fresh graduates) | 55,000 – 80,000 | 65 | 4,387,500 | 47 | 7,560,000 | 18 | 8,775,000 | 20,722,500 |
| Post-silicon engineers/technicians | 30,000 – 45,000 | 30 | 1,125,000 | 35 | 2,437,500 | - | 2,437,500 | 6,000,000 |
| **Total** | | **120** | **8,697,500** | **132** | **19,972,500** | **28** | **22,237,500** | **50,907,500** |

**Notes:**

(i) Comprises basic salary, bonus and statutory contributions. The actual salary is dependent on the educational background, years of experience and job responsibilities.

(ii) The actual number of design engineers and post-silicon engineers/technicians to be employed by our Group as well as timing of recruitment is dependent on the availability of engineers and orders/contracts secured or to be secured at any point in time.

(iii) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1.

(iv) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1 and year 2.

(v) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1, year 2 and year 3.

(vi) Any shortfall will be funded out of the portion allocated for working capital, internally generated funds and/or bank borrowings. The actual cost will be dependent on the actual salary and number of design engineers and post-silicon engineers/technicians to be employed by our Group.

In line with the revenue growth of our Group for the Financial Years Under Review and Financial Periods Under Review, our Group has concurrently increased the number of design engineers. We have increased our design engineers from a total of 128 personnel in FYE 2020 to 155 personnel in FYE 2021 and further increased to 169 personnel in FYE 2022 and 203 personnel in FPE 2023. As at the LPD, we have a total of 214 design engineers and 3 post-silicon engineers. The engineers that we hire are mainly engineering degree holders in electrical and electronics or microelectronics.

The details of our engineers with their years of experience and years of service in our Group as at the LPD are as follows:

| | **Number of engineers** | | | | |
|---|---|---|---|---|---|
| | **Years of service in our Group** | | | | |
| **Years of experience** | **Less than 1 year** | **Between 1 to 3 years** | **Between 3 to 5 years** | **More than 5 years** | **Total** |
| Less than 3 years and fresh graduates | 34 | 35 | 3 | - | 72 |
| More than 3 years but less than 7 years | 13 | 25 | 34 | 8 | 80 |
| More than 7 years and less than 10 years | 3 | 3 | 7 | 5 | 18 |
| More than 10 years and less than 20 years | 5 | 4 | 8 | 11 | 28 |
| More than 20 years | 4 | 5 | 6 | 4 | 19 |
| **Total** | **59** | **72** | **58** | **28** | **217** |

In addition, the contract value for turnkey design projects is larger and it allows us to have flexibility and more efficient use of our skilled labour resources. In view of this, our Group decided to focus our business direction on securing more turnkey design projects since FYE 2020. For FYEs 2020, 2021 and 2022, approximately 52.76%, 76.62% and 79.06% of our total revenue respectively were derived from turnkey design services. For FPE 2023, approximately 81.36% of our total revenue was derived from turnkey design services. We expect our turnkey design services to continue to be our largest revenue contributor moving forward.

The undertaking of a turnkey design project entails the formation of a project team consisting of design engineers from the front-end, back-end, project management, and design automation departments. The number of design engineers needed in a turnkey design project varies based on its complexity, timeline and scope. The turnkey design projects could require the involvement of between 80 to 120 design engineers at any point in time, throughout the tenure of the project. Having sufficient design engineers with IC design knowledge and technical expertise will enable us to secure more orders/contracts and sustain the business of our Group.

Further, the turnkey design services that we offer to our customers require high cash commitment as the design engineers involved in such projects are hired under our Group's payroll. For turnkey design projects, we pay the salaries of our design engineers at the end of each month, but we invoice our customers on a milestone basis, typically ranging from three (3) to six (6) months. Furthermore, we provide credit terms of between 30 to 90 days to our customers.

For the Financial Years Under Review and Financial Periods Under Review, the revenue contribution from our post-silicon validation services was minimal (i.e. less than approximately 0.02% of our Group's total revenue) and carried out on an ad-hoc basis by our design engineers. Due to the high demand for our IC design services coupled with limited resources, we had allocated our workforce to focus on our IC design services.

As part of our future plan to expand our post-silicon validation services, we intend to grow this business through cross-selling opportunities with our existing IC design customer base. The offering of post-silicon validation services will require us to hire more post-silicon engineers/technicians and will complement our IC design business, further expanding our service offerings. We intend to hire 65 post-silicon engineers/technicians over the next two (2) years upon Listing. These post-silicon engineers/technicians will be placed in Alpha Core.

We had, in 2022, entered into a strategic partnership agreement with Sophic Automation to further strengthen our offerings in post-silicon validation services by leveraging on Sophic Automation's engineering resources and customer base. Sophic Automation has the technical expertise and experience in automated digital solutions and product engineering services, which enables Sophic Automation to carry out post-silicon validation services for semiconductor products, including those used in the fabrication of hardware for smart solutions that enable Industry 4.0. Sophic Automation's major customer in post-silicon validation services is an IDM in computer peripherals such as microprocessors.

An important factor that potential customers consider before they engage us as a supplier is the availability of workforce capability and capacity. The utilisation rate of our design engineers was approximately 57.86%, 73.27% and 89.82% for FYEs 2020, 2021 and 2022 respectively. For FPE 2023, the utilisation rate of our design engineers was approximately 85.17%. Please refer to Section 6.13 of this Prospectus for further details on the utilisation rate of our design engineers.

Due to the majority of our design engineers being dedicated to the current contracts with our existing customers, we may face resource constraints to secure new orders/contracts from existing and/or potential customers. There is minimal underutilisation at this current time. As such, the expansion of workforce is crucial to allow us to compete for more orders/contracts and to be in a stronger position to tap into larger potential customers previously not accessible to us. This also provides more flexibility in managing resources and delivering our services on a timely basis. Due to the nature of our business which requires no upfront capital investment, the resources can be easily transferred between different projects.

As part of our effort to build knowledge workers in Malaysia and to also secure a future workforce of design engineers, our Group currently has collaborations with five (5) tertiary institutions, i.e. USM, INTI Penang, UniMAP, UTAR and APU. The collaborations would involve creating a structured program to develop knowledge workers through activities such as R&D, industry lectures, on-site training, boot camps, internships and provide employment opportunities.

The expansion of our workforce is in line with the expected growth of the global IC design industry. According to the IMR Report, the global IC design sales increased from NTD3.37 trillion (RM433.39 billion) in 2016 to an estimated NTD5.60 trillion (RM827.13 billion) in 2022, at a CAGR of 8.83%.

The growth in the global IC design industry is driven by the following key drivers:

(i) Continuous technological advancements leading to innovation in end-user products drive the demand for ICs, which in turn drive the sales of IC design services

A major driving factor of the growth in the global demand for ICs is rapid technological advancements, which continue to promote new product innovation in the market as industry players need to ensure their products remain competitive.

Moving forward, it is expected that the introduction of new end-user products integrated with the lifestyle of today's society will continue to increase. The continuous technological advancements leading to product innovation will drive the sales of IC design services.

(ii) Increase in IC design service outsourcing creates growth opportunities for IC design houses

Following the evolution of process node technology, IC design has become increasingly complex and expensive.

In order to reduce IC design operational costs and to focus on the companies' core business, many semiconductor companies such as IDMs, fabless companies and fab-lite companies outsource all (e.g. full IC design basis) or parts (e.g. specific design or functional block basis) of their IC design processes to IC design houses. By outsourcing, these semiconductor companies will be able to increase the productivity of their business without having the need to increase the size of their team.

In light of this, IC design houses have emerged in various countries, including Malaysia, to cater to the growing need of the semiconductor companies. This outsourcing trend has, and is expected to continue to, create growth opportunities for IC design houses.

(iii) Growth in the semiconductor industry drives the sales of IC design services

As a supporting industry to the semiconductor industry, the demand for IC design services is driven by the growth in the semiconductor industry.

In 2019, global semiconductor sales decreased by 12.05% from USD468.78 billion (RM1.89 trillion) in 2018 to USD412.31 billion (RM1.71 trillion) in 2019, mainly due to uncertainties resulting from the escalation of the USA-China trade war. Nevertheless, driven by continuous technological advancements which led to increased usage of semiconductors in various end-user applications, global semiconductor sales recovered at a CAGR of 12.06% from USD412.31 billion (RM1.71 trillion) in 2019 to an estimated USD580.13 billion (RM2.55 trillion) in 2022. Further, the World Semiconductor Trade Statistics ("**WSTS**") expects global semiconductor sales to decrease by 4.06% from USD580.13 billion (RM2.55 trillion) in 2022 to USD556.57 billion (RM2.45 trillion) in 2023, in view of a slowdown in semiconductor sales in the Asia Pacific region which is largely exposed to weakened consumer demand for electrical and electronics ("**E&E**") products and expected to weaken the demand for memory ICs.

In Malaysia, the production of semiconductor related ICs and other semiconductor components registered a CAGR of 14.60% from 90.92 billion units in 2019 to 119.41 billion units in 2021, which signifies growing demand for semiconductors. Smith Zander estimates the production of semiconductor related ICs and other semiconductor components to have grown by 16.25% from 119.41 billion units in 2021 to 138.82 billion units in 2022.

The growth in semiconductor sales will also be driven by increasing usage of ICs in various end-user applications as contributed by technological advancement such as the prevalence of mobile and wireless devices, 5G wireless networks and AI. The continuing growth in the semiconductor industry is thus expected to continue to drive the sales of IC design services.

To ensure future profitability and sustainability of our Group, our Group requires the availability of workforce capability and capacity. This is an important factor that potential customers consider before they engage our Group as a supplier.

The increase of workforce capability and capacity is premised on the order book as at the LPD, the current negotiations with existing and potential customers for additional orders/contracts as well as enquiries/invites received from potential customers. As at the LPD, our order book stood at approximately RM34.29 million, and this is expected to be recognised in the next 12 months. Our current order book mainly consists of turnkey design service projects and these projects are generally more complex in nature and our Group is able to utilise its resources more efficiently. Hence, turnkey design service projects are usually of higher margins than specific design service projects and majority of the design engineers are currently dedicated to working on the existing contracts with our Group's customers. However, our order book may change at any particular point in time as a result of additions, deferrals or rescheduling due to customers' requests.

Generally, our customers such as Customer A group of companies, Customer D, Synkom Co. Ltd and Customer E group of companies engage our IC design services by way of purchase orders which last for a period of between three (3) to six (6) months. Further, we do not have any long-term contracts with our customers. Hence, our order book, at any specific point in time, is just an indication or a portion of the actual annual revenue of our Group. In the past, we had to decline projects due to resource constraints. As such, it is crucial for our Group to expand our workforce to secure more orders/contracts and hence allow us to grow our revenue and profitability.

As at the LPD, we have received enquiries from existing and potential customers from China, Malaysia, India, Japan and Taiwan for both specific design services and turnkey design services. The projects from the enquiries may require a total of up to 200 design engineers.

Should our Group be able to continuously secure such turnkey design service contracts as in FYE 2022, the GP margin of our Group is not expected to decrease upon the recruitment of the 280 design engineers as turnkey design services will command better margins as compared to specific design services and the securing of such turnkey design service contracts will contribute to our revenue and allow our Group to be able to maintain the revenue mix in FYE 2022 i.e. approximately 79.06% from turnkey design services and 20.76% from specific design services. For FPE 2023, the revenue mix of our Group was approximately 81.36% from turnkey design services and 18.64% from specific design services. Please refer to Section 8.1.5 of this Prospectus for further details on the risk factors in relation to our Group not having long-term contracts and for our financial performance being dependent on our ability to continually secure new purchase orders and/or contracts to ensure the continuity of our order book.

While our Group is in the progress of securing additional orders/contracts, our GP margin may be affected by the cost of expansion of workforce. However, we are in constant communication with our customers for them to share their development roadmap. We will then adjust the hiring and allocation of our workforce based on the feedback from our customers.

We also train our design engineers to be able to perform multiple technical functions within the IC design process. By doing so, this allows our Group to have flexibility in managing our workforce resources. This will minimise the risk of underutilisation of our workforce resources.

We believe that the expansion of our workforce will allow our Group to meet the demands of our existing and potential customers. This in turn will continue to enhance our Group's earnings and will also facilitate our business strategies.

In the event the allocated proceeds are insufficient for the business expansion through expansion of workforce, any shortfall will be funded out of the portion allocated for working capital, internally generated funds and/or bank borrowings.

### 3.7.2 Establishment of new offices

As at the LPD, we are operating from our rented offices in Penang, Kuala Lumpur and Shanghai.

Currently, we have ODC facilities of approximately 10,500 sq ft in our rented offices in Penang and approximately 3,000 sq ft in our rented office in Kuala Lumpur. There is no ODC facility in our rented office in Shanghai. ODC facilities represent the designated areas within our premises which provide design services for our customers. This will enable our customers to have their outsourced design centres and is based on our customers' requirements in terms of planning, analysing, designing and managing tasks. The ODC facilities consist of a dedicated design space with designated access and a server room with independent network infrastructure, fixed infrastructure protocol address and remote log in features.

We intend to use approximately RM25.00 million for the establishment of new offices, by renting, New Penang Office, India Office, Singapore Office and Taiwan Office.

The breakdown of the estimated costs of establishing these new offices are as follows:

| **Details** | **RM'000** |
|---|---|
| New Penang Office[(i)] | 9,700 |
| India Office[(ii)] | 5,500 |
| Singapore Office[(iii)] | 5,000 |
| Taiwan Office[(iv)] | 4,800 |
| **Total** | **25,000** |

The breakdown of the proceeds to be utilised as disclosed above is indicative and will be dependent on the operating requirement of our Group at the time of utilisation.

**Notes:**

(i) Currently, we have a total workforce of 192 employees who are based in our current offices in Penang. These employees provide services to our customers in various countries such as China, Japan, Singapore and USA.

In view of our business expansion plans which include the expansion of our workforce, our existing offices in Penang are insufficient to cater for such plans and strategies. As such, we intend to rent additional floor space of 20,000 sq ft in Penang by the first (1$^{st}$) half of 2023 to expand our design engineering team and to support our business operations such as the provision of IC design and post-silicon validation services and to conduct R&D activities. We will continue to rent the current offices in Penang. Our New Penang Office is expected to have ODC facilities with an estimated area of 16,000 sq ft and it is expected to cater for 200 additional employees.

As at the LPD, we are still in the midst of identifying the exact office location for our New Penang Office as we intend to rent an office space which meets with the criteria of having a floor space of approximately 20,000 sq ft, ample car parks and good amenities nearby, such as restaurants and a gymnasium.

## 3. DETAILS OF OUR IPO *(CONT'D)*

Our Group has been operating in Penang since our inception. There are various MNCs such as Intel Corporation Inc. ("**Intel**"), Advanced Micro Devices Inc., Renesas Electronics Corporation and Broadcom Inc. that have established operations in IC design in Penang.

Being situated in Penang provides us with proximity to some of our existing and potential customers to serve them better and secure more IC design projects in the future. In addition, we can have better access to more engineers with IC design experience from the semiconductor industry in Penang. We have also established collaborations with USM and INTI Penang. These collaborations provide us channels to hire new design engineers from the said institutions. As such, we intend to continue our expansion in Penang, which will continue to serve as our headquarters in the future and also serve our customers from other countries.

The estimated cost of establishing our New Penang Office includes initial purchase of office equipment and IT infrastructure, renovation works, rental expenses and other operating expenses over 36 months. The breakdown of these costs is as follows:

| **New Penang Office** | **RM'000** |
|---|---:|
| Rental expenses | 3,000 |
| IT infrastructure expenses which include laptops, servers, closed-circuit television (CCTV) system and network cabling and equipment | 2,500 |
| Renovation works | 2,100 |
| Initial purchase of office equipment | 1,500 |
| Other operating expenses which include utilities expenses | 600 |
| **Total** | **9,700** |

(ii) We intend to rent a new office in India by the second (2nd) half of 2023 to increase our market presence and expand our design engineering team.

For our India Office, we are currently exploring potential locations within Bangalore or Chennai. This would provide us with opportunities to hire design engineers as permanent employees to be based in India in the future. As at the LPD, we have engaged five (5) external design engineers, who are based in India, to provide IC design services for our customers from various countries. This would also allow us to tap into the talent pool in India and the India Office is intended to serve our customers in India as well as to support our Group's business in the markets that we may serve in the future. The estimated floor space for our India Office is 4,500 sq ft. As at the LPD, we have yet to identify the exact office location for our India Office.

India has an established IC design industry and has engineers who are experienced in designing ICs. MNCs such as Intel and Texas Instruments Incorporated have established offshore design teams in India since the 1980s and local IC design firms such as Infosys Limited, Tata Consultancy Services Limited and Wipro Limited have since emerged. Currently, India also houses other major semiconductor firms including Broadcom Inc., NXP Semiconductors N.V., Samsung Semiconductor and Micron Technology Inc.. Being able to operate in India would provide us the opportunity to better access the talent pool in India and increase our design capability and capacity. This would also allow us to explore business opportunities in India.

With the established IC design industry and availability of talent pool in India, we intend to establish an IC design team in India to provide us proximity to some of our existing customers (such as MNCs who have operations in India) and potential customers to serve them better and secure more IC design projects in the future. In addition, we also received recent enquiries from a potential customer in India.

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## 3. DETAILS OF OUR IPO *(CONT'D)*

The estimated cost of establishing our India Office includes initial company set-up costs and professional fees, rental expenses and initial purchase of IT infrastructure, and payroll expenses for 30 IC design engineers and other operating expenses over 36 months. The breakdown of these costs are as follows:

| **India Office** | **RM'000** |
|---|---|
| Payroll expenses | 4,430 |
| Rental expenses | 830 |
| IT infrastructure expenses which include laptops | 100 |
| Other operating expenses which include utilities expenses | 100 |
| Initial company set-up costs and professional fees | 40 |
| **Total** | **5,500** |

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## 3. DETAILS OF OUR IPO *(CONT'D)*

The details of our Group's recruitment plan for India Office are as follows:

| Details | Estimated salary (RM)(i) | Year 1 | | Year 2 | | Year 3 | | Total estimated cost (cumulative) (RM) |
|---|---|---|---|---|---|---|---|---|
| | | No. of staff to be employed(ii) | Total estimated cost (RM)(iii) | No. of staff to be employed(ii) | Total estimated cost (RM)(iv) | No. of staff to be employed(ii) | Total estimated cost (RM)(v) | |
| Design engineers | | | | | | | | |
| - Managerial level (with more than 7 years of experience) | 88,000 - 144,000 | 3 | 348,000 | 2 | 580,000 | - | 580,000 | 1,508,000 |
| - Middle level (more than 3 years but less than 7 years of experience) | 44,000 - 88,000 | 6 | 396,000 | 2 | 528,000 | - | 528,000 | 1,452,000 |
| - Junior level (less than 3 years of experience and fresh graduates) | 26,000 - 44,000 | 10 | 350,000 | 5 | 525,000 | 2 | 595,000 | 1,470,000 |
| **Total** | | **19** | **1,094,000** | **9** | **1,633,000** | **2** | **1,703,000** | **4,430,000** |

**Notes:**

(i) Comprises basic salary, bonus and statutory contributions. The actual salary is dependent on the educational background, years of experience and job responsibilities.

(ii) The actual number of design engineers to be employed by our Group as well as timing of recruitment is dependent on the availability of engineers and orders/contracts secured or to be secured at any point in time.

(iii) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1.

(iv) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1 and year 2.

(v) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1, year 2 and year 3.

## 3. DETAILS OF OUR IPO *(CONT'D)*

(iii) We intend to rent a new office in Singapore by the first (1st) half of 2024 to increase our market presence, enhance our sales and marketing presence and expand our design engineering team.

For our Singapore Office, we are currently exploring potential locations within the Central Business District or Jurong District. The estimated floor space for our Singapore Office is 2,000 sq ft. As at the LPD, we have yet to identify the exact office location for our Singapore Office.

Singapore has the presence of MNCs which have existing design teams, such as Infineon Technologies AG, Intel, MediaTek Inc. and Qualcomm Inc.. Being able to operate from Singapore would also provide us close proximity to foundries such as Global Foundries Inc., which has operations based in Singapore. The setting up of our Singapore Office will allow us to hire a team of experienced design engineers based in Singapore. Further, by establishing an office in Singapore, which is a regional hub selected by many MNCs, would provide us with sales and marketing access to the regional market.

The estimated cost of establishing our Singapore Office includes initial company set-up costs and professional fees, rental expenses, initial purchase of office equipment and IT infrastructure, and payroll expenses for one (1) sales and marketing employee and nine (9) IC design engineers for over 36 months. The breakdown of these costs is as follows:

| **Singapore Office** | **RM'000** |
|---|---:|
| Payroll expenses | 4,050 |
| Rental expenses and initial purchase of office equipment | 880 |
| IT infrastructure expenses which include laptops | 50 |
| Initial company set-up costs and professional fees | 20 |
| **Total** | **5,000** |

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## 3. DETAILS OF OUR IPO *(CONT'D)*

The details of our Group's recruitment plan for Singapore Office are as follows:

| Details | Estimated salary (RM)(i) | Year 1 | | Year 2 | | Year 3 | | Total estimated cost (cumulative) (RM) |
|---|---|---|---|---|---|---|---|---|
| | | No. of staff to be employed(ii) | Total estimated cost (RM)(iii) | No. of staff to be employed(ii) | Total estimated cost (RM)(iv) | No. of staff to be employed(ii) | Total estimated cost (RM)(v) | |
| Design engineers | | | | | | | | |
| - Managerial level (with more than 7 years of experience) | 280,000 - 320,000 | - | - | 2 | 600,000 | 1 | 900,000 | 1,500,000 |
| - Middle level (more than 3 years but less than 7 years of experience) | 200,000 - 280,000 | - | - | 2 | 480,000 | 1 | 720,000 | 1,200,000 |
| - Junior level (less than 3 years of experience and fresh graduates) | 180,000- 200,000 | - | - | 2 | 380,000 | 1 | 570,000 | 950,000 |
| Sales and marketing manager | 190,000 - 210,000 | - | - | 1 | 200,000 | - | 200,000 | 400,000 |
| **Total** | | **-** | **-** | **7** | **1,660,000** | **3** | **2,390,000** | **4,050,000** |

**Notes:**

(i) Comprises basic salary, bonus and statutory contributions. The actual salary is dependent on the educational background, years of experience and job responsibilities.

(ii) The actual number of design engineers to be employed by our Group as well as timing of recruitment is dependent on the availability of engineers and orders/contracts secured or to be secured at any point in time.

(iii) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1.

(iv) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1 and year 2.

(v) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1, year 2 and year 3.

## 3. DETAILS OF OUR IPO *(CONT'D)*

(vi) We intend to rent a new office in Taiwan by the second (2nd) half of 2023 to increase our market presence, enhance our sales and marketing presence and expand our design engineering team.

For our Taiwan Office, we are currently exploring potential locations within Hsinchu or Taipei due to close proximity to our potential customers in the semiconductor industry. This would provide us with opportunities to secure more IC design projects in the future. The estimated floor space for our Taiwan Office is 2,000 sq ft. As at the LPD, we have yet to identify the exact office location for our Taiwan Office.

Taiwan has an established IC design industry and has experienced engineers in designing SoCs and ASICs as well as being familiar with fabrication processes at foundries such as Taiwan Semiconductor Manufacturing Company Limited ("**TSMC**") and United Microelectronics Corporation ("**UMC**"). The setting up of our Taiwan Office will allow us to hire a team of experienced design engineers based in Taiwan. Further, the expansion into Taiwan would also provide us with increased market visibility and an improved business network. Being able to operate in Taiwan would also provide us with close proximity to foundries such as TSMC and UMC, hence potentially allowing us to further explore our business relationship with the foundries.

In addition, due to linguistic and cultural similarities, we will be able to, through our Taiwan Office, provide more effective IC design services and sales support to our potential customers.

The estimated cost of establishing our Taiwan Office includes initial company set-up costs and professional fees, rental expenses and initial purchase of IT infrastructure, and payroll expenses for one (1) sales and marketing employee and ten (10) IC design engineers over 36 months. The breakdown of these costs is as follows:

| **Taiwan Office** | **RM'000** |
|---|---:|
| Payroll expenses | 4,000 |
| Rental expenses | 740 |
| IT infrastructure expenses which include laptops | 50 |
| Initial company set-up costs and professional fees | 10 |
| **Total** | **4,800** |

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## 3. DETAILS OF OUR IPO *(CONT'D)*

The details of our Group's recruitment plan for Taiwan Office are as follows:

| Details | Estimated Salary (RM)[(i)] | Year 1 | | Year 2 | | Year 3 | | Total estimated cost (cumulative) (RM) |
|---|---|---|---|---|---|---|---|---|
| | | No. of staff to be employed[(ii)] | Total estimated cost (RM)[(iii)] | No. of staff to be employed[(ii)] | Total estimated cost (RM)[(iv)] | No. of staff to be employed[(ii)] | Total estimated cost (RM)[(v)] | |
| Design engineers | | | | | | | | |
| - Managerial level (with more than 7 years of experience) | 238,000 - 286,000 | 1 | 262,000 | - | 262,000 | 1 | 524,000 | 1,048,000 |
| - Middle level (more than 3 years but less than 7 years of experience) | 161,000 – 238,000 | 2 | 399,000 | - | 399,000 | - | 399,000 | 1,197,000 |
| - Junior level (less than 3 years of experience and fresh graduates) | 139,000 – 161,000 | - | - | 2 | 300,000 | 4 | 900,000 | 1,200,000 |
| Sales and marketing manager | 180,000 – 190,000 | 1 | 185,000 | - | 185,000 | - | 185,000 | 555,000 |
| **Total** | | **4** | **846,000** | **2** | **1,146,000** | **5** | **2,008,000** | **4,000,000** |

**Notes:**

(i) Comprises basic salary, bonus and statutory contributions. The actual salary is dependent on the educational background, years of experience and job responsibilities.

(ii) The actual number of design engineers to be employed by our Group as well as timing of recruitment is dependent on the availability of engineers and orders/contracts secured or to be secured at any point in time.

(iii) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1.

(iv) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1 and year 2.

(v) Computed based on the estimated average annual salary and number of staff to be employed based on respective level in year 1, year 2 and year 3.

## 3. DETAILS OF OUR IPO *(CONT'D)*

In the event the allocated proceeds are insufficient for the establishment of new offices, any shortfall will be funded out of the portion allocated for working capital, internally generated funds and/or bank borrowings. Any excess not used for this purpose will be used for our working capital purposes.

### 3.7.3 R&D expenditure

Currently, our customers engage us to develop IPs within an IC and these IPs are owned by them.

We have completed R&D on AI ASIC, which is an IC for AI and machine learning capabilities in 2020 (tape-out was completed in 2019).

As part of our continuing R&D efforts, we intend to earmark approximately RM12.00 million for the development of our own IPs for RISC-V based SoC, IPs for AI and machine learning as well as IP for FPGA. This is expected to further enhance and differentiate our service offerings. The development of our own IPs for RISC-V based SoC, IPs for AI and machine learning as well as IP for FPGA is expected to span over the next 36 months.

Typically, the designing of an IC involves development of IPs which provide specific functionalities. Some of these IPs can also be applied to other ICs which require such IPs. In doing so, the designing process will have a shorter product development cycle. Through the development of our own IPs, we can potentially increase our revenue stream by licensing of these IPs, which is an industry norm.

We intend to undertake the following:

**(i) IPs for RISC-V based SoC**

We intend to further enhance our competitiveness in SoC design by developing IPs which will complement our ability in offering our turnkey design services. We intend to focus on IPs suited for SoC based on RISC-V architecture, which is an open-source initiative to develop a new generation of processors through open standard collaborations.

We have commenced the following project:

| Project | Description | Actual commencement date | Target completion date |
|---|---|---|---|
| IPs for RISC-V based SoC | Development of IPs required in RISC-V based SoC. IPs developed will include peripheral IPs required for SoC. | Fourth (4$^{th}$) quarter of 2021 | Second (2$^{nd}$) quarter of 2025 |

**(ii) IPs for AI and machine learning applications**

We intend to further enhance our competitiveness by developing IPs for AI and machine learning applications. This would build upon our AI and machine learning capabilities established through our subsidiary, AIRIS Labs which has successfully developed IPs for AI and machine learning.

We have commenced the following project:

| Project | Description | Actual commencement date | Target completion date |
|---|---|---|---|
| IPs for AI and machine learning | Development of IPs for AI accelerator required for an AI and machine learning IC, along with required peripheral IPs | Fourth (4th) quarter of 2021 | First (1st) quarter of 2025 |

**(iii) IP for FPGA**

We intend to further enhance our competitiveness in FPGA by developing an IP which will complement our ability in offering our turnkey design services.

We intend to undertake the following project:

| Project | Description | Target commencement date | Target completion date |
|---|---|---|---|
| 3D-FPGA | Three-dimensional FPGA with structural hardening capabilities to improve reliability | Second (2nd) quarter of 2023 | First (1st) quarter of 2026 |

The estimated cost of our R&D expenditure includes purchase of software (which includes EDA tools), fabrication and packaging costs, payroll expenses for 12 R&D employees over the next 36 months and registration of intellectual property rights. The breakdown of these costs is as follows:

| | **RM'000** |
|---|---:|
| Purchase of software which includes EDA tools | 6,000 |
| Payroll expenses | 4,000 |
| Fabrication and packaging costs | 1,500 |
| Registration of intellectual property rights | 500 |
| **Total** | **12,000** |

The breakdown of the proceeds to be utilised as disclosed above is indicative and will be dependent on the operating requirement of our Group at the time of utilisation.

By undertaking the abovementioned R&D activities, this will provide us with readily available IPs. We would be able to license these IPs separately or incorporate the IPs into our future IC design projects. Being able to license our readily available IPs would also provide us an advantage when bidding for more projects in the future as it is able to shorten the IC design process. Licensing of IPs will provide us an additional source of income and improve the market profile of our Group.

In the event the allocated proceeds are insufficient for the R&D expenditure, any shortfall will be funded out of the portion allocated for working capital, internally generated funds and/or bank borrowings. Any excess not used for this purpose will be used for our working capital purposes.

### 3.7.4 Working capital

Our Group's working capital requirement is expected to increase in tandem with our business expansion through expansion of our workforce and establishment of new offices as detailed in Sections 3.7.1 and 3.7.2 above.

We intend to use approximately RM12.65 million for our Group's working capital requirements for a period of 24 months, the details of which are as follows:

| | **RM'000** |
|---|---:|
| Travelling expenses for IC design engineers | |
| - Transportation costs and travel allowances | 3,500 |
| - Accommodation expenses | 2,000 |
| Cost associated with the collaboration between our Group and potential local and foreign tertiary institutions | 2,500 |
| Miscellaneous expenses which include insurance and staff welfare expenses | 1,652 |
| External design engineers | 1,500 |
| Sales and marketing expenses | 1,000 |
| Training and development costs for our employees | 500 |
| **Total** | **12,652** |

The additional working capital is expected to enhance our Group's liquidity and cash flows. Additional funding for working capital, if required, will be met through internally generated funds and/or external borrowings.

### 3.7.5 Estimated listing expenses

Our listing expenses are estimated to be approximately RM4.60 million, the details of which are as follows:

| **Details** | **RM'000** |
|---|---:|
| Professional fees | 2,126 |
| Underwriting, placement and brokerage fees | 1,650 |
| Fees to authorities | 150 |
| Miscellaneous expenses and contingencies[(i)] | 394 |
| Printing and advertising expenses | 280 |
| **Total** | **4,600** |

**Note:**

(i) Includes any other incidental or related expenses in connection with our IPO (such as fees to be paid to public or investor relation consultants, related tax and funds reserved for contingency purposes).

In the event the allocated proceeds are insufficient for the listing expenses, any shortfall will be funded out of the portion allocated for working capital and/or internally generated funds. However, any excess not used for this purpose will be used for our working capital purposes.

Pending the use of proceeds from the IPO, we intend to place the proceeds (including accrued interest, if any) or any balance thereof in interest-bearing accounts with licensed financial institutions in Malaysia and/or in money market instruments.

## 3.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

### 3.8.1 Brokerage fee

We will pay the brokerage fee for the 54,077,000 IPO Shares made available for application by the Malaysian Public and the Eligible Persons under Sections 3.3.1(i) and 3.3.1(ii) of this Prospectus respectively, at the rate of 1.00% (exclusive of any applicable tax) on the IPO Price in respect of all successful applications which bear the stamp of either Affin Hwang IB, the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

### 3.8.2 Underwriting commission

Affin Hwang IB, as our Sole Underwriter has agreed to underwrite up to 54,077,000 IPO Shares made available for application by the Malaysian Public and the Eligible Persons under Sections 3.3.1(i) and 3.3.1(ii) of this Prospectus respectively. As stipulated in the Underwriting Agreement, we will pay our Sole Underwriter an underwriting commission at the rate of 1.90% (exclusive of any applicable tax) of the total value of the underwritten Shares.

### 3.8.3 Placement fee

We will pay our Sole Placement Agent a placement fee at the rate of 1.90% (exclusive of any applicable tax) of the value of the 111,402,000 IPO Shares reserved for the private placement to the Selected Investors and identified Bumiputera investors approved by the MITI under Sections 3.3.1(iii) and 3.3.1(iv) of this Prospectus respectively.

## 3.9 DETAILS OF THE UNDERWRITING ARRANGEMENT

We have entered into the Underwriting Agreement with our Sole Underwriter to underwrite 54,077,000 IPO Shares under Sections 3.3.1(i) and 3.3.1(ii) of this Prospectus ("**Underwritten Shares**"), subject to the clawback and reallocation provisions as set out in Section 3.3.3 of this Prospectus and upon the terms and subject to the conditions of the Underwriting Agreement.

Details of the underwriting commission are set out in Section 3.8.2 of this Prospectus while the salient terms of the Underwriting Agreement are as follows:

**(i) Conditions precedent for underwriting**

The obligations of our Sole Underwriter under the Underwriting Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:

(a) Bursa Securities' approval of our Listing remaining in full force and effect and that all conditions (except for any which can only be complied with after our IPO has been completed) have been complied with;

(b) the offer and issuance of the IPO Shares having been approved by the shareholders of our Company;

(c) the lodging with the Registrar of Companies of a copy of this Prospectus for lodgement in accordance with the requirements of Section 234 of the CMSA;

(d) the registration with Bursa Securities of this Prospectus and the submission to Bursa Securities of accompanying documents on or before their issue, circulation or distribution to the public;

(e) all necessary approvals and consents required in relation to our IPO including but not limited to governmental approvals having been obtained and are in full force and effect and that all conditions to the approvals (except for any which can only be complied with after our IPO has been completed) have been complied with;

(f) this Prospectus being issued not later than 16 May 2023 or such later date as may be agreed between our Sole Underwriter and our Company in writing;

(g) our IPO and the offering and subscription of our IPO Shares in accordance with the provisions not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities) or any jurisdiction within which such IPO Shares are offered;

(h) there not being, in the opinion of our Sole Underwriter, on or prior to the last day and time for the acceptance of and payment for our IPO in accordance with this Prospectus and the Application Form or any such date as may be extended from time to time by our Company together with the mutual agreement of our Sole Underwriter in writing, subject to the prior written approval of the relevant authorities, if required ("**Closing Date**"), any material adverse effect in the condition (financial, business, operations or otherwise) of our Group from that set out in this Prospectus which is material in the context of our IPO;

(i) the delivery to our Sole Underwriter on the Closing Date and date of delivery of the Applications Form(s) together with the remittance of subscription monies payable on the application of the unsubscribed Shares by our Sole Underwriter ("**Settlement Date**"), respectively a certificate in the agreed form of our Company, signed by a duly authorised officer of our Company, dated the Closing Date and the Settlement Date, to the effect that the person who provides such certificate has carefully examined the Underwriting Agreement and that;

    1. the representations, warranties and undertakings of our Company are true, accurate and correct and not misleading in all respects on and as of the Closing Date and Settlement Date (as the case may be), as though they had been given and made on the Closing Date and the Settlement Date (as the case may be), and our Company has complied with all the terms of the Underwriting Agreement and satisfied all the conditions on its part under the Underwriting Agreement to be performed and satisfied on or prior to the Closing Date and the Settlement Date (as the case may be);

    2. since the date of the Underwriting Agreement, there has been no change or development that may have a material adverse effect;

    3. the allotment and issuance of the public issue under our IPO are not being prohibited by any statutes or regulations promulgated or issued by any legislative or regulatory body in Malaysia; and

4. all the conditions set out in conditions precedent for underwriting of the Underwriting Agreement with respect to our Company have been fulfilled and that no event has occurred with respect to our Company that would give rise to a right for our Sole Underwriter to give notice to our Company to terminate the Underwriting Agreement.

**(ii) Termination by our Sole Underwriter upon the occurrence of adverse changes and consequence thereof**

Notwithstanding anything contained in the Underwriting Agreement, our Sole Underwriter, may by notice in writing to our Company given at any time before the date of our Listing, terminate, cancel and withdraw its underwriting commitment if in the opinion of our Sole Underwriter:

(a) there is any breach by our Company of any of the obligations, the representations, warranties or undertakings set out in the Underwriting Agreement in any respect; or in the case of any warranties or representations or undertakings which are not qualified by any materiality requirements, in any material respect; and in either event, where such misrepresentation or breach is capable of remedy, the same not being remedied within three (3) Market Days or on such other day which the parties may mutually agree in writing, but in any event no later than the Closing Date from the provision of a written notice to our Company, as the case may be, by our Sole Underwriter;

(b) our Company withholds any material information from our Sole Underwriter, which, in the opinion of our Sole Underwriter, is likely to have a material adverse effect;

(c) there shall have occurred, happened or come into effect any event or series of events beyond the control of our Sole Underwriter by reason of Force Majeure (as defined below) which would have or can be expected to have, a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of our IPO or which is likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms or our Company shall sustain any material loss or interference with the business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, in each case, that has had or could be expected to have a material adverse effect;

"**Force Majeure**" means causes which are unpredictable and beyond the control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:

1. war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;

2. riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power; or

3. natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God.

(d) any government requisition or other occurrence of any nature whatsoever which is reasonably likely to have a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of our IPO;

(e) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the opinion of our Sole Underwriter is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

1. on or after the date of the Underwriting Agreement; and

2. prior to the date of our Listing,

lower than 85%, of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

(f) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more;

(g) any new law or regulation or change in law, regulation, directive, policy or ruling in any applicable jurisdiction which is reasonably likely to prejudice the success of our Listing or which would have or is likely to have the effect of making it impracticable to enforce contracts to allot and/or to transfer the underwritten Shares or which is reasonably likely to have the effect of making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms;

(h) any part of the private placement or our IPO is stopped or delayed by our Company or the regulatory authorities for any reason whatsoever (unless such delay has been approved by our Sole Underwriter in writing);

(i) our Listing does not take place on or before 7 June 2023 or within five (5) Market Days after the Settlement Date, whichever is earlier, or such other extended date as may be agreed by our Sole Underwriter;

(j) approval for our IPO is withdrawn, modified and/or subject to terms and conditions which is, in the opinion of our Sole Underwriter, not acceptable to our Sole Underwriter;

(k) the Closing Date does not take place on or before 25 May 2023 or any later date as may be agreed by our Sole Underwriter;

(l) any commencement of legal proceedings or action against our Company or any of our Directors which in the opinion of our Sole Underwriter, would have or is likely to have a material adverse effect or make it impracticable to enforce contracts to allot and/or transfer the underwritten Shares;

(m) any of the approvals as referred in the Underwriting Agreement is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented and such revocation, suspension, cessation, variation or supplement upon terms that would have or is likely to have a material adverse effect; or

(n) any material statements contained in this Prospectus has become or been discovered to be untrue, inaccurate or misleading in any material aspect which would have or is likely to prejudice the success of our Listing or which would have or is likely to have the effect of making it impracticable to enforce contracts to allot and/or transfer the underwritten Shares or making any obligation under the Underwriting Agreement incapable of performance in accordance with its terms.

## 3.10 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will take effect in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, our Company will not deliver share certificates to the subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS Accounts, either directly in their names or through authorised nominees. Persons whose names appear in our Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

Shares held in CDS Accounts may not be withdrawn from the CDS except in the following instances:

(i) to facilitate a share buy-back;

(ii) to facilitate conversion of debt securities;

(iii) to facilitate company restructuring process;

(iv) where a body corporate is removed from the Official List;

(v) to facilitate a rectification of any error; and

(vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

**3. DETAILS OF OUR IPO *(CONT'D)***

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the second ($2^{nd}$) Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities about 10 Market Days after the close of the IPO. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfer to other CDS Account in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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# 4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

## 4.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Promoters are Ng Meng Thai, Cheah Hun Wah, Tan Chun Chiat and Bigcore Technology.

### 4.1.1 Shareholdings of our Promoters and substantial shareholders

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before and after our IPO are as follows:

| | | Before our IPO/ As at the LPD | | | | After our IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| Name | Nationality/ Country of incorporation | No. of Shares | (i)% | No. of Shares | (i)% | No. of Shares | (ii)% | No. of Shares | (ii)% |
| **Promoters and substantial shareholders** | | | | | | | | | |
| Ng Meng Thai | Malaysian | 127,105,000 | 27.00 | (iii)21,184,000 | 4.50 | (iv)127,605,000 | 20.06 | (iii)21,184,000 | 3.34 |
| Cheah Hun Wah | Malaysian | 133,689,600 | 28.40 | (iii)21,184,000 | 4.50 | (iv)134,189,600 | 21.09 | (iii)21,184,000 | 3.34 |
| Tan Chun Chiat | Malaysian | 84,736,000 | 18.00 | (iii)21,184,000 | 4.50 | (iv)85,236,000 | 13.40 | (iii)21,184,000 | 3.34 |
| **Promoter** | | | | | | | | | |
| Bigcore Technology | Malaysia | 21,184,000 | 4.50 | - | - | 21,184,000 | 3.34 | - | - |

**Notes:**

(i) Based on the total number of 470,721,000 Shares before our IPO/as at the LPD.

(ii) Based on the enlarged total number of 636,200,000 Shares after our IPO.

(iii) Deemed interest by virtue of his interest in Bigcore Technology pursuant to Section 8 of the Act.

(iv) Assuming full subscription of our IPO Shares reserved under the Pink Form Allocations.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Company as all our Shares before and after our IPO are of the same class.

Save as disclosed above, there is no other person who, directly or indirectly, jointly or severally, exercises control over our Company as at the LPD. There is also no arrangement between our Company and our shareholders with any third party, which may, at a subsequent date, result in a change in control of our Company.

### 4.1.2 Profiles of our Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:

#### (i) Ng Meng Thai

**Ng Meng Thai**, a Malaysian aged 59, is our Executive Director/Chief Executive Officer. He was appointed to our Board on 27 September 2021. He is responsible for overseeing our business functions as well as the strategic planning, formulation and implementation of our Group's business strategies.

He graduated from Universiti Sains Malaysia with a Bachelor of Engineering with Honours in Electronic Engineering in 1989. He also completed a Master of Business Administration from Royal Melbourne Institute of Technology (RMIT) in 2008.

Upon graduating from Universiti Sains Malaysia, he began his career as a Design Engineer at Hitachi Semiconductor (Malaysia) Sdn Bhd (now known as Renesas Semiconductor (Malaysia) Sdn Bhd), a company which is principally involved in the manufacture and sale of silicon transistors and IC, where he was responsible for designing and developing microcontroller ICs for electronic appliances such as CD players and remote controls. During his career with Hitachi Semiconductor (Malaysia) Sdn Bhd, he also had the opportunity to work alongside the design team in Japan.

After leaving Hitachi Semiconductor (Malaysia) Sdn Bhd in 1993, he joined Intel Microelectronics (M) Sdn Bhd, a company which is principally involved in R&D services performed for Intel and to operate the activities under the approved global service centre status, as Senior Engineer. He was responsible for designing microcontrollers and chipsets used in computing systems. During his tenure with Intel Microelectronics (M) Sdn Bhd, he was promoted several times before leaving Intel Microelectronics (M) Sdn Bhd in 2008. His last position held was Senior Design Manager where he was leading the CPU and chipset circuit design team which was involved in developing multiple generations of CPUs and chipsets covering various fabrication process nodes.

Subsequently, he joined Altera Corporation (M) Sdn Bhd (now part of Intel), a company which is principally involved in the design, research and develop components for the electronics industry and other related industry, as a Director (IC Engineering) in 2008. He was responsible for leading and overseeing the FPGA IC design team which was involved in delivering multiple generations of high-end, mid-range and low-cost FPGA chips. He left Altera Corporation (M) Sdn Bhd and incorporated Oppstar Technology in 2014.

With more than 25 years of experience in the IC design industry, he has the experience and in-depth understanding of the IC design industry. Building on his experience and industry knowledge, he plays an instrumental role in the growth and development of our Group. Under his leadership, our Group has grown from a team of 5 design engineers in 2014 to 217 engineers as at the LPD. He has also successfully expanded our customer network to include the overseas market.

As at the LPD, Ng Meng Thai also sits on the board of a private limited company as disclosed in Section 4.2.3 of this Prospectus.

**(ii) Cheah Hun Wah**

**Cheah Hun Wah**, a Malaysian aged 52, is our Executive Director/Chief Technology Officer. He was appointed to our Board on 21 January 2022. He is responsible for overseeing our Group's R&D activities, technology pathfinding as well as developing technology procedures to enhance our service offerings.

He graduated with a Higher National Diploma in Engineering (Electrical/Electronic) from Nottingham Trent University in 1994. He obtained a Bachelor of Engineering (Electrical/Electronic) from University of Lincoln in 2002. He also completed a Master of Science in Engineering Business Management from University of Warwick in 2011.

Upon graduating from Nottingham Trent University, he began his career as a Component Design Engineer at Intel Microelectronics (M) Sdn Bhd in 1994 where he was responsible for the back-end design activities for microcontrollers. During his tenure with Intel Microelectronics (M) Sdn Bhd, he was promoted several times with his last position held being the Senior Physical Design Engineering Manager. In his time at Intel Microelectronics (M) Sdn Bhd, he mainly focused on very large scale integration (VLSI) IC design, particularly in advanced back-end physical design in the auto place and route design domain. He was also leading the chipset physical design team which was involved in developing multiple generations of chipsets.

In 2012, he left Intel Microelectronics (M) Sdn Bhd and joined Altera Corporation (M) Sdn Bhd (now part of Intel) as a Senior Manager (Design Engineering). He was responsible for managing the back-end design teams for FPGA products and was involved in physical design and full IC integration for numerous products. In 2014, he left Altera Corporation (M) Sdn Bhd and joined Oppstar Technology as the Executive Director.

He is also our Chief Technology Officer where he is instrumental in the development of our Group towards being a complete IC design turnkey provider. He was also involved in the setting up of our subsidiaries, Oppstar Shanghai and Alpha Core as well as played a vital role in completing R&D in 2020 for an AI ASIC which involved ICs for AI and machine learning capabilities. He also serves as an Adjunct Professor at Collaborative Microelectronic Design Excellence Center, Universiti Sains Malaysia since 2021.

As at the LPD, Cheah Hun Wah also sits on the board of a private limited company as disclosed in Section 4.2.3 of this Prospectus.

**(iii) Tan Chun Chiat**

**Tan Chun Chiat**, a Malaysian aged 53 is our Executive Director/Chief Operating Officer. He was appointed to our Board on 21 January 2022. He is responsible for overseeing our day-to-day operational and administrative functions.

He graduated from Queen's University of Belfast with a Bachelor of Engineering (Electrical and Electronic Engineering) in 1992. He also completed a Master of Business Administration from University of Strathclyde in 2001.

In 1992, he began his career as a Quality Assurance Engineer at Conner Peripherals Sdn Bhd (changed its name to Perai Seagate Storage Products Sdn Bhd and was part of Seagate Technology Holdings Plc), a company which was principally involved in the manufacture and remanufacture of hard-disk drive and is currently dissolved. He was responsible for performing quality control functions through process controls and failure analysis as well as ensuring effectiveness and conformity of hard disc drives to ISO 9000/2 quality standards.

He left Conner Peripherals Sdn Bhd and joined Intel Technology Sdn Bhd, a company which is principally involved in assembling and testing of integrated semiconductor devices and the operation of warehousing services, as an Engineer in 1993. He was responsible for designing new generations of burn-in and test hardware for CPUs and chipsets. Subsequently, he served in various positions during his tenure with Intel Technology Sdn Bhd where he was leading a team involved in analysing tooling technology for high-speed microprocessors and chipsets testing as well as establishing new capabilities in high speed digital design, simulation and testing for electromagnetic interference. In addition, he was also involved in developing solutions for the next generation of computer laptop platform technology.

His last position held at Intel Technology Sdn Bhd was Department Manager for Assembly Test and Technology Development (Automation) for the Asia Pacific region (ATTD-Automation APAC). He was responsible for managing the software development engineering team, specialising in providing technology development in factory software automation solutions, equipment control, data analysis systems, yield management systems as well as solutions for capacity and productivity optimisation.

He left Intel Technology Sdn Bhd in 2015 and joined our Group as the Chief Operating Officer in the same year. Subsequently, in 2016, he became a Director of Oppstar Technology. He plays a vital role in assisting our Executive Director/Chief Executive Officer, Ng Meng Thai in implementing our business initiatives, particularly in the day-to-day operational functions as well as IT and human resource related matters.

As at the LPD, Tan Chun Chiat also sits on the board of a private limited company as disclosed in Section 4.2.3 of this Prospectus.

**(iv) Bigcore Technology**

Bigcore Technology was incorporated in Malaysia on 7 October 2021 under the Act as a private limited company. The principal activity of Bigcore Technology is investment holding.

As at the LPD, the issued capital of Bigcore Technology is RM3 comprising 3 ordinary shares.

As at the LPD, the directors of Bigcore Technology are Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat. The details of the shareholders and their respective shareholdings in Bigcore Technology are as follows:

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| **Name** | **Nationality** | **No. of shares** | **%** | **No. of shares** | **%** |
| Ng Meng Thai | Malaysian | 1 | 33.33 | - | - |
| Cheah Hun Wah | Malaysian | 1 | 33.33 | - | - |
| Tan Chun Chiat | Malaysian | 1 | 33.33 | - | - |

(The rest of this page has been intentionally left blank)

### 4.1.3 Changes in our Promoters' and substantial shareholders' shareholdings in our Company

The changes in our Promoters' and substantial shareholders' shareholdings in our Company since the date of our incorporation on 27 September 2021 up to the LPD and after our IPO are as follows:

| | As at 27 September 2021 (date of incorporation) | | | | After the Acquisitions and as at the LPD | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| Name | No. of Shares | % | No. of Shares | % | No. of Shares | (i)% | No. of Shares | (i)% |
| **Promoters and substantial shareholders** | | | | | | | | |
| Ng Meng Thai | 1 | 100.00 | - | - | 127,105,000 | 27.00 | (iii)21,184,000 | 4.50 |
| Cheah Hun Wah | - | - | - | - | 133,689,600 | 28.40 | (iii)21,184,000 | 4.50 |
| Tan Chun Chiat | - | - | - | - | 84,736,000 | 18.00 | (iii)21,184,000 | 4.50 |
| **Promoter** | | | | | | | | |
| Bigcore Technology | - | - | - | - | 21,184,000 | 4.50 | - | - |

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| | After our IPO | | | |
|---|---|---|---|---|
| | Direct | | Indirect | |
| Name | No. of Shares | (ii)% | No. of Shares | (ii)% |
| **Promoters and substantial shareholders** | | | | |
| Ng Meng Thai | (iv)127,605,000 | 20.06 | (iii)21,184,000 | 3.34 |
| Cheah Hun Wah | (iv)134,189,600 | 21.09 | (iii)21,184,000 | 3.34 |
| Tan Chun Chiat | (iv)85,236,000 | 13.40 | (iii)21,184,000 | 3.34 |
| **Promoter** | | | | |
| Bigcore Technology | 21,184,000 | 3.34 | - | - |

**Notes:**

(i) Based on the total number of 470,721,000 Shares after the Acquisitions and as at the LPD.

(ii) Based on the enlarged total number of 636,200,000 Shares after our IPO.

(iii) Deemed interest by virtue of his interest in Bigcore Technology pursuant to Section 8 of the Act.

(iv) Assuming full subscription of our IPO Shares reserved under the Pink Form Allocations.

### 4.1.4 Benefits paid or intended to be paid or given to our Promoters or substantial shareholders

Save for the following, there is no other amount or benefit that has been paid or intended to be paid or given to our Promoters or substantial shareholders within the two (2) years preceding the date of this Prospectus:

(i) the distribution of dividends to our Promoters and substantial shareholders are as follows:

| | FYE 2021 RM'000 | FYE 2022 RM'000 |
|---|---|---|
| **Promoters and substantial shareholders** | | |
| Ng Meng Thai | 1,825 | 1,698 |
| Cheah Hun Wah | 1,825 | 1,698 |
| Tan Chun Chiat | 1,521 | 1,415 |

(ii) issuance of our Shares as consideration pursuant to the Acquisitions as set out in Section 5.1.1 of this Prospectus; and

(iii) aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group in all capacities as set out in Section 4.2.4 of this Prospectus.

## 4.2 BOARD OF DIRECTORS

### 4.2.1 Shareholdings of our Directors

The details of our Directors and their respective shareholdings in our Company as at the LPD and after our IPO (assuming each of our Directors subscribes in full for their respective entitlements under the Pink Form Allocations as set out in Section 3.3.1(ii) of this Prospectus) are as follows:

| | Before our IPO/ As at the LPD | | | | After our IPO | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| Name | No. of Shares | (i)% | No. of Shares | (i)% | No. of Shares | (ii)% | No. of Shares | (ii)% |
| Professor Datuk Ir.Ts. Dr. Siti Hamisah Binti Tapsir | - | - | - | - | 650,000 | 0.10 | - | - |
| Ng Meng Thai | 127,105,000 | 27.00 | (iii)21,184,000 | 4.50 | 127,605,000 | 20.06 | (iii)21,184,000 | 3.34 |
| Cheah Hun Wah | 133,689,600 | 28.40 | (iii)21,184,000 | 4.50 | 134,189,600 | 21.09 | (iii)21,184,000 | 3.34 |
| Tan Chun Chiat | 84,736,000 | 18.00 | (iii)21,184,000 | 4.50 | 85,236,000 | 13.40 | (iii)21,184,000 | 3.34 |
| Dato' Margaret Yeo | - | - | - | - | 500,000 | 0.08 | - | - |
| Foong Pak Chee | - | - | - | - | 500,000 | 0.08 | - | - |
| Dato' Dr. Mohd Sofi Bin Osman | - | - | - | - | 500,000 | 0.08 | - | - |

**Notes:**

(i) Based on the total number of 470,721,000 Shares before our IPO/as at the LPD.

(ii) Based on the enlarged total number of 636,200,000 Shares after our IPO.

(iii) Deemed interest by virtue of his interest in Bigcore Technology pursuant to Section 8 of the Act.

Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat are representatives of Bigcore Technology.

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### 4.2.2 Profiles of our Directors

The profiles of our Directors, save for Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat which are set out in Sections 4.1.2(i), (ii) and (iii) of this Prospectus respectively, are as follows:

#### (i) Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir

**Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir**, a Malaysian aged 62, is our Independent Non-Executive Chairman. She was appointed to our Board on 21 January 2022.

She graduated from Institut Teknologi Mara (now known as Universiti Teknologi Mara) with a Diploma in Civil Engineering in 1982 and completed her Bachelor of Science in Civil Engineering from New England College in 1984. Subsequently, in 1987, she obtained her Master of Science in Civil Engineering from University of Lowell (now known as University of Massachusetts Lowell), and later obtained her Doctor of Philosophy from University of Leeds in 1994. Thereafter, she completed an Advanced Management Program from Harvard Business School in 2014 and the Razak School of Government Senior Leadership Programme with SAID Business School, University of Oxford in 2015.

In addition, she has been a Professional Engineer of the Board of Engineers Malaysia since 2001, a Fellow member of the Institution of Engineers since 2007 and a Professional Technologist of the Malaysia Board of Technologists since 2017 and subsequently, in 2021, she was appointed as the President of the Malaysia Board of Technologists. In 2022, she was appointed as a member of the Institute of Corporate Directors Malaysia and a member of the Board of Governors for UCSI Hospital Sdn Bhd.

In 1987, she began her career as a lecturer at Universiti Teknologi Malaysia where she was responsible for conducting lectures, research and consultancy. During her tenure with Universiti Teknologi Malaysia, she held various positions which include, amongst others, Head of Laboratory, Associate Professor, Assistant Director, Programme Director, Dean and Deputy Vice Chancellor, where her responsibilities included lecturing, research, consultancy and management. Her last position held at Universiti Teknologi Malaysia was Campus Director of UTM International Campus.

In 2009, she was seconded to the Ministry of Higher Education ("**MoHE**") as the Deputy Director General (Department of Higher Education). She was subsequently promoted to be the Director General (Department of Higher Education) in 2016, where she was responsible for overseeing the planning, development and implementation of policies relating to both public and private universities.

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In 2019, she transferred from the MoHE to the Ministry of Energy, Science, Technology, Environment and Climate Change (which subsequently changed its name to the Ministry of Science, Technology and Innovation ("**MOSTI**")) as the Secretary General where she was responsible for developing and overseeing the roll-out of national policies relating to energy, science, technology, innovation and climate change. Following the restructuring of the said ministry by the Government in March 2020, she continued to hold the position of Secretary General up until March 2021. In 2020, she was also appointed as Adjunct Professor of Universiti Teknologi Malaysia until her departure in 2021.

In 2021, she was re-appointed as the Secretary General of MOSTI on a 6-month contract basis, where she was responsible for overseeing the national agenda of science, technology and innovation cutting across all ministries. In addition, she was assigned to lead the roll-out of the COVID-19 Vaccination Plan under the COVID-19 Immunisation Task Force in Malaysia before her retirement.

Upon retiring from MOSTI, she joined UCSI University as the Group Chief Executive Officer and Vice Chancellor in 2021. She is responsible for overseeing the strategic agenda of the education, technology, hotels and travel segments as well as monitoring the performance and fiduciary duties of the UCSI group of companies. In 2022, she was appointed by the Ministry of Health of Malaysia as the chairman of the Healthcare Work Culture Improvement Task Force (HWCITF) to cover aspects of work culture as well as human resource management of health staff to ensure the delivery of quality and professional services. The task force has ended in August 2022.

As at the LPD, Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir also sits on the board of a private limited company and a public limited company as disclosed in Section 4.2.3 of this Prospectus.

**(ii) Dato' Margaret Yeo**

**Dato' Margaret Yeo**, a Malaysian aged 69, is our Independent Non-Executive Director. She was appointed to our Board on 21 January 2022.

She is a lawyer by profession with more than 40 years of experience in legal practice. She is a member of Lincoln's Inn, called to the English Bar in 1977.

In 1979, she was admitted as an advocate and solicitor of the High Court of Malaya. In 1985, she obtained a Master of Law from King's College London, University of London and was later admitted as an advocate and solicitor of the Supreme Court of Singapore in 1987. In 1989, she was elected to be a member of the Malaysian Bar Council.

She has been a registered trademark agent with Intellectual Property Corporation of Malaysia (MyIPO) since 2000 and a notary public appointed by the Attorney General of Malaysia since 2001.

In 1978, she began her career as a chambering student and then a legal assistant in the litigation department of Shook Lin & Bok in 1979, where she was involved in research, drafting pleadings and attending court on commercial claims and matrimonial cases.

In 1981, she joined Tan Sri Abdul Aziz & Ong as a legal assistant where she gained experience in conveyancing, commercial and merchant banking work. She later focused on banking and finance, in particular acting for the lead and other participating banks for syndicated loan documentation.

In 1986, she joined Messrs Yip Yeo & Nasrim as a Partner, where she was in charge of growth strategy and overseeing a team of lawyers in delivering conveyancing, banking and finance, commercial litigation, family and intellectual property work. She was also involved in coordinating and liaising with relevant government authorities. Messrs Yip Yeo & Nasrim (Kuala Lumpur) had several name changes over the years. In 2006, she sold her share in the partnership then named Messrs Yeo Ainie Rubiah which later assumed its present name of Messrs Yeo Tan Othman. Since then, she has remained as a Consultant of Messrs Yeo Tan Othman, where she is practising law and responsible for providing advisory services on the firm's business strategy.

As at the LPD, Dato' Margaret Yeo also sits on the board of several private limited companies as disclosed in Section 4.2.3 of this Prospectus.

**(iii) Foong Pak Chee**

**Foong Pak Chee**, a Malaysian aged 54, is our Independent Non-Executive Director. He was appointed to our Board on 21 January 2022.

He graduated from Universiti Kebangsaan Malaysia with a Bachelor of Economics in 1993. He has been a Chartered Accountant of the Malaysian Institute of Accountants since 1997.

In 1993, he began his career as an Audit Assistant at PriceWaterhouse (now known as Pricewaterhouse Coopers), an accounting firm which is principally involved in providing accounting, assurance, consulting and tax services, where he was responsible for providing audit services to the company's customers. He subsequently held the position of Audit Senior before leaving in 1997. Subsequently, he joined Commerce International Merchant Bankers Berhad (CIMB) as an Executive (Corporate Finance department), where he was involved in corporate finance related matters including initial public offerings. His last position held in CIMB was Manager (Corporate Finance department) when he left in 2001.

In 2001, he joined Octagon Consolidated Berhad, an investment holding company and through its group of companies are principally involved in manufacturing of industrial paints, as the Head, Internal Audit/ Corporate Services (General Manager), where he was primarily responsible for planning and executing annual audit plans as well as providing assurance that business and operations are in compliance with the group's policies and procedures. He left Octagon Consolidated Berhad and joined MAVCAP Debt Ventures Berhad (now known as Malaysia Debt Ventures Berhad), a company which is principally involved in the provision of financing facilities to the information and communication technology and other emerging technology sectors, as Finance Manager in 2002, where he was responsible for assessing credit proposals.

In 2004, he joined KIC Oil & Gas Sdn Bhd, a company which is principally involved in the provision of management services to KIC Oil & Gas Sdn Bhd group of companies which are involved in the provision of storage services and trading of petroleum products, as the Vice President (Corporate Finance department) and was redesignated to Chief Financial Officer in 2006. As the Chief Financial Officer, he was responsible for overseeing the company's accounting and finance functions.

In 2012, he left KIC Oil & Gas Sdn Bhd and founded Accentus Advisory Sdn Bhd (which name was changed to Accentus Consulting Sdn Bhd in 2012 and was subsequently converted into Accentus Consulting PLT in 2014) which was principally involved in the provision of professional corporate and general consultancy services. Accentus Consulting PLT is currently dormant.

In 2015, he joined SIPP Energy Sdn Bhd, a company which is principally involved in the development of a combined cycle power plant, as the Chief Executive Officer where he was responsible for overseeing the company's business functions as well as negotiating with the Energy Commission for the development of a 1,440 megawatt combined cycle gas turbine power plant in Johor. He left SIPP Energy Sdn Bhd in 2017.

In 2017, he joined O2 Management Services Sdn Bhd, a company which is principally involved in providing management services such as human resources consulting, payroll administration and business consulting and trainings, as the General Manager (Corporate Services) where he was responsible for providing management services to the company's customers. Subsequently, in 2021, he joined O3 Corporate Services Sdn Bhd, a company which is principally involved in providing business management consultancy services, as General Manager (Corporate Services) and was later promoted to Senior General Manager (Corporate Services) in 2022 where he is responsible for providing corporate consultancy services to the company's customers.

As at the LPD, save for the partnership as disclosed in Section 4.2.3 of this Prospectus, Foong Pak Chee does not hold any directorship in any other public listed companies or private limited companies.

**(iv) Dato' Dr. Mohd Sofi Bin Osman**

**Dato' Dr. Mohd Sofi Bin Osman**, a Malaysian aged 62, is our Independent Non-Executive Director. He was appointed to our Board on 27 June 2022.

He graduated from University of Strathclyde with a Bachelor of Science in Mechanical Engineering in 1986. In 2006, he graduated with a Doctor of Business Administration from American Heritage University and was conferred an Honorary Doctor of Philosophy in Business Administration by Akamai University. In 2019, he was conferred the Honorary Degree of Doctor of Engineering by UniMAP. Subsequently, in 2022, he was conferred the Honorary Degree of Doctor of Philosophy of Mechanical Engineering by Universiti Tun Hussein Onn Malaysia ("**UTHM**").

Dato' Dr. Mohd Sofi Bin Osman began his career as an Engineer at Advanced Micro Devices Sdn Bhd ("**AMD**"), a company which is principally involved in providing high-performance and adaptive processor technologies, combining CPUs, graphics processing units (GPUs) and FPGAs, in 1986. During his 25-year career with AMD, he was involved in major initiatives such as transforming the assembly and test facility into state-of-the-art manufacturing and transitioning new technology for the company. He was also responsible for managing the operations of the site and planning for future requirements in terms of talent and technology for the Penang operations. In 2002, he was granted a patent in the field of semiconductor manufacturing process and this patent has since expired in 2019. He held the position of Managing Director of AMD for Penang operations and Corporate Vice President of the group prior to his leaving in 2011. Under his leadership, AMD has been the recipient of numerous awards including Lean Award from Porsche Consulting, the Prime Minister Hibiscus Award for environmental protection, the National Health and Safety Award and the Ansted Social Responsibility Award.

In 2012, he joined Altera Corporation (M) Sdn Bhd (now part of Intel) as the Vice President of Operations. His last position held in Altera Corporation (M) Sdn Bhd (now part of Intel) was the Managing Director and Vice President of Worldwide Operations and Engineering, where he was responsible for leading the Worldwide Operations and Engineering activities. He retired from Altera Corporation (M) Sdn Bhd (now part of Intel) in 2016.

In 2018, he came out of retirement and joined Lumileds Malaysia Sdn Bhd, a company which is principally involved in manufacturing and sale of light emitting diodes based lighting products, as the Managing Director and Vice President for Penang operations, where he was responsible for the overall management and operations of Lumileds Malaysia Sdn Bhd. He left Lumileds Malaysia Sdn Bhd in 2020.

He was the former Chairman of Penang Skills Development Centre (PSDC) from 2005 to 2011. He was also the President of the Free Industrial Zone Penang Company Association (Frepenca) from 2006 to 2008. He was a former board member of Collaborative Research in Engineering, Science and Technology ("**CREST**") in 2013 and was subsequently appointed to be an adviser in 2016 where he held this position until today. He also served as a member of the Penang SME Centre Management Council for a period of nine (9) months in 2012, a member of Tech Dome Penang STEM Advisory Panel from 2017 to 2018 and the Chairman of MIMOS Semiconductor (M) Sdn Bhd from 2018 to 2021.

In 2006, Dato' Sofi was appointed to the board of directors of Kolej Universiti Kejuruteraan Utara Malaysia (KUKUM) (which subsequently changed its name to UniMAP) and subsequently, in 2017, he was appointed as the chairman of the board of directors of UniMAP until 2018. He was also appointed as the chairman of the board of directors of UTHM from 2018 to 2020, an Adjunct Professor at Universiti Teknologi Mara (UiTM) from 2017 to 2019 and a member of CEO Faculty Programme by Ministry of Education from 2015 to 2017 as well as 2019 to 2020.

He is currently an Adjunct Professor at the Institute of Nano Optoelectronics Research and Technology (INOR), Universiti Sains Malaysia, since 2021.

As at the LPD, Dato' Dr. Mohd Sofi Bin Osman does not hold any directorship in any other public listed companies or private limited companies.

### 4.2.3 Involvement of our Directors in other principal business activities outside our Group

The principal business activities performed by our Directors outside our Group as at the LPD and their present directorships in companies outside our Group and in the past five (5) years preceding the LPD are as follows:

**(a) Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir**

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| Kumpulan Kitacon Berhad | Investment holding company with its subsidiary is principally involved in the provision of construction services | Independent Non-Executive Chairperson | |
| Malaysian Industry-Government Group for High Technology | To prospect and promote the process of development for industries through the strategic application of science and technology, for the benefit of the socio-economic development of Malaysia | Director | - |
| *Previous involvement:* | | | |
| Malaysian Technology Development Corporation Sdn Bhd | Venture capital activities, management of government grants, technology incubation management and technology support services | Director (ceased directorship on 15 September 2021) | - |
| Malaysia Venture Capital Management Berhad | To establish, administer and manage venture capital for information and technology ("**ICT**") and venture funds other than for ICT as well as to carry out activities related to venture capital management | Director (ceased directorship on 15 September 2021) | - |

## 4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(CONT'D)*

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| MIMOS Berhad | Research and development in the field of information and communication technologies | Director (ceased directorship on 15 September 2021) | - |
| Mranti Corporation Sdn Bhd (formerly known as Technology Park Malaysia Corporation Sdn Bhd) | Provision of infrastructure, facilities and services as well as to lend and advance money or give credit to such persons or companies on such terms | Director (ceased directorship on 15 September 2021) | - |
| Unitem Sdn Bhd | Open university and distance learning courses | Director (ceased directorship on 29 January 2019) | - |
| Yayasan Inovasi Malaysia | To develop and promote creative skills in the fields of science and technology, nurture and support scientific innovation as well as conduct educational and awareness programmes | Director (ceased directorship on 15 September 2021) | - |

### (b) Ng Meng Thai

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| Bigcore Technology | Investment holding (holding shares of our Company) | Director | Shareholder with approximately 33.33% equity interest |
| *Previous involvement:* | | | |
| Silicon One Sdn Bhd | Architectural and engineering activities and related technical consultancy | Director (ceased directorship on 20 December 2021) | - |

**(c) Cheah Hun Wah**

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| Bigcore Technology | Investment holding (holding shares of our Company) | Director | Shareholder with approximately 33.33% equity interest |

**(d) Tan Chun Chiat**

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| Bigcore Technology | Investment holding (holding shares of our Company) | Director | Shareholder with approximately 33.33% equity interest |

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**(e) Dato' Margaret Yeo**

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| Cindai Sepakat Sdn Bhd | General trading | Director | - |
| Indotiara Sdn Bhd | Property investment | Director | - |
| Maestro Swiss Chocolate Sdn Bhd | Manufacturing, supplying and distributing chocolates and other chocolate related products | Director | - |
| Maestro Swiss Cocoa Sdn Bhd | Beverage products for cocoa powder, cocoa butter, cocoa cakes and cocoa massa | Director | - |
| Maestro Swiss Corporation (M) Sdn Bhd | Chocolate related products business | Director | - |
| Maestro Swiss Food Sdn Bhd | Manufacturing malt based beverage and chocolate drink powder | Director | - |
| Maestro Swiss Holdings (M) Sdn Bhd | Investment holdings in shares | Director | - |
| Maestro Swiss Industries Sdn Bhd | Manufacturing, selling finished products and procurement of materials, human resources functions payroll, recruitment etc | Director | - |
| Maestro Swiss Land I Sdn Bhd | Property ownership | Director | - |
| Maestro Swiss Land II Sdn Bhd | Property investment | Director | - |
| Maestro Swiss Land III Sdn Bhd | Property investment | Director | - |

## 4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(CONT'D)*

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| Maestro Swiss Land IV Sdn Bhd | Property investment | Director | - |
| Maestro Swiss Land V Sdn Bhd | Real estate activities with own or leased property | Director | - |
| Maestro Swiss Land VI Sdn Bhd | Real estate activities with own or leased property | Director | - |
| Maestro Swiss Land VII Sdn Bhd | Real estate activities with own or leased property | Director | - |
| Maestro Swiss Management Services Sdn Bhd | Management services and human resources recruitment | Director | - |
| Maestro Swiss Products Sdn Bhd | Manufacturing, supplying and distributing sugar confectionery and water biscuits | Director | - |
| Messrs. Yeo Tan Othman | Provision of legal services | - | Consultant |
| Minsoon Motors Sdn Bhd | Trading in automotive accessories and autoparts | - | Shareholder with 12.50% equity interest |
| Perumahan Sukaria Sdn Bhd | Investment in properties and shares | Director | Shareholder with 2.50% equity interest |
| Plugs & Points Industries Sdn Bhd | Property investment holdings | - | Shareholder with approximately 3.13% equity interest |
| Regal Distribution Services (M) Sdn Bhd | Distribution of consumer products | Director | Shareholder with 100.00% indirect equity interest by virtue of her shareholding in Regal Marketing & Trading Sdn Bhd pursuant to Section 8 of the Act |
| Regal Marketing & Trading Sdn Bhd | Business of promoting consumer products | Director | Shareholder with 50.00% equity interest |

| **Company name/Firm Name** | **Principal business activities** | **Designation** | **Involvement in principal business activities other than as a director** |
|---|---|---|---|
| Yatee Holdings Sdn Bhd | Investment holdings of shares | Director | Shareholder with approximately 10.00% equity interest |
| Yatee & Sons Sdn Bhd | Share and property investment holdings | - | Shareholder with 5.00% equity interest |
| *Previous involvement:* | | | |
| Absocap Holdings Sdn Bhd | Activities of real estate agents and brokers for buying, selling and renting of real estate | Director (ceased directorship on 4 November 2021) | - |
| SES Environmental Services Sdn Bhd | Dissolution (dissolved on 21 June 2018) (Previously involved in investment holding of shares) | Director (Deemed ceased directorship as at the dissolution date on 21 June 2018) | - |

**(f) Foong Pak Chee**

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| Accentus Consulting PLT | Dormant (Previously involved in the provision of professional corporate and general consultancy services) | - | Partner with 99.99% equity interest |
| *Previous involvement:* | | | |
| Wondrous Vista Development Sdn Bhd | Real estate activities with own or leased property | Director (ceased directorship on 18 March 2019) | - |

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**(g) Dato' Dr. Mohd Sofi Bin Osman**

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| 3LYON Holdings Berhad | Investment holding company which provides consumer and corporate financing and investments in high growth industries, real estate and lifestyle businesses | - | Preference shareholder with 0.18% equity interest in the preference share capital |
| Kuber Venture Berhad | Investment holding company which provides Islamic consumer and corporate financing and invests in organisations that believes in the environmental, social and governance (ESG) criteria as set of standards for a company's operations. | - | Preference shareholder with 1.02% equity interest in the preference share capital |
| *Previous involvement:* | | | |
| Lumileds Malaysia Sdn Bhd | Manufacture and sale of light emitting diodes (LEDS) based lighting products | Director (ceased directorship on 1 January 2020) | - |
| MIMOS Semiconductor (M) Sdn Bhd | A wholly-owned subsidiary of MIMOS Berhad, principally involved in the provision of management and semiconductor wafer fabrication services, nano fabrication services, failure analysis services, product development, technology monetisation and investment | Director (ceased directorship on 7 June 2021) | - |
| Unimap Holdings Sdn Bhd | A wholly owned subsidiary of Universiti Malaysia Perlis to carry on business in education and corporate consultancy, general trading and services, and investment holding company | Director (ceased directorship on 14 December 2017) | - |

Our Executive Directors are not involved in any business activities outside our Group save for Bigcore Technology which is an investment holding company holding shares of our Company. As such, their involvement will not affect their ability to perform their roles and responsibilities as well as their contributions to our Group.

The involvement of our Independent Non-Executive Directors in other business activities outside our Group, will not affect their contributions to our Group as our Independent Non-Executive Directors' involvement in our Company is to the extent of attending meetings and discharging their responsibilities as independent directors.

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## 4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(CONT'D)*

### 4.2.4 Remuneration and material benefits-in-kind of our Directors

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered to us in their capacities to our Group for the FYEs 2022 and 2023 are as follows:

**FYE 2022 (Actual):**

| Name | Directors' fees RM'000 | Salaries RM'000 | Bonuses RM'000 | Allowances and benefits-in-kind RM'000 | Other emoluments[(ii)] RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir | 14[(i)] | - | - | - | - | 14 |
| Ng Meng Thai | - | 369 | 38 | 84 | 57 | 548 |
| Cheah Hun Wah | - | 327 | 78 | 84 | 56 | 545 |
| Tan Chun Chiat | - | 308 | 30 | 85 | 47 | 470 |
| Dato' Margaret Yeo | 11[(i)] | - | - | - | - | 11 |
| Foong Pak Chee | 11[(i)] | - | - | - | - | 11 |
| Dato' Dr. Mohd Sofi Bin Osman | - | - | - | - | - | - |

**FYE 2023 (Proposed):**

| Name | Directors' fees RM'000 | Salaries RM'000 | Bonuses[(iv)] RM'000 | Allowances and benefits-in-kind RM'000 | Other emoluments[(ii)] RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir | 78 | - | - | - | - | 78 |
| Ng Meng Thai | - | 430 | 54 | 154 | 66 | 704 |
| Cheah Hun Wah | - | 391 | 51 | 154 | 62 | 658 |
| Tan Chun Chiat | - | 324 | 41 | 154 | 51 | 570 |
| Dato' Margaret Yeo | 60 | - | - | - | - | 60 |
| Foong Pak Chee | 60 | - | - | - | - | 60 |
| Dato' Dr. Mohd Sofi Bin Osman | 46[(iii)] | - | - | - | - | 46 |

**Notes:**

(i) Appointed as our Independent Non-Executive Directors on 21 January 2022 and hence, the total is computed on a pro-rata basis.

(ii) These comprise contributions to employee's provident fund ("**EPF**"), social security organisation ("**SOCSO**") and employee insurance scheme.

(iii) Appointed as our Independent Non-Executive Director on 27 June 2022 and hence, the total is computed on a pro-rata basis.

(iv) The final bonus will be determined later based on the individual's performance as well as our Group's business performance and cash flows at the time of assessment.

The remuneration of our Directors must be considered and recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders at a general meeting.

## 4.3 BOARD PRACTICES

Our Board is responsible for leading and managing our Company in an effective and responsible manner and all our Directors have an equal responsibility for our operations and corporate accountability.

With the limit set by our Constitution, our Board is responsible for the governance and management of our Company, which include reviewing and adopting a strategic plan and direction for our Group, overseeing the conduct and performance of our Group's businesses to evaluate whether our businesses are being properly managed, identifying our Group's principal risks and ensuring the implementation of appropriate internal controls and mitigation measures, establishing a succession plan for our senior management, as well as reviewing the adequacy and the integrity of the management information and internal controls system of our Group.

### 4.3.1 Term of office of our Board

The details of our Directors, all of whom are Malaysians, the expiration of each of their current term of office and the period they have served in office as at the LPD are as follows:

| Name | Age | Designation | Date of appointment | Date of expiration of the current term of office | Approximate no. of years in office up to the LPD |
|---|---|---|---|---|---|
| Professor Datuk Ir. Ts. Dr. Siti Hamisah Binti Tapsir | 62 | Independent Non-Executive Chairman | 21 January 2022 | Shall retire at our AGM to be held in 2025 | One (1) year |
| Ng Meng Thai | 59 | Executive Director/ Chief Executive Officer | 27 September 2021 | Shall retire at our AGM to be held in 2023 | Two (2) years |
| Cheah Hun Wah | 52 | Executive Director/ Chief Technology Officer | 21 January 2022 | Shall retire at our AGM to be held in 2024 | One (1) year |
| Tan Chun Chiat | 53 | Executive Director/ Chief Operating Officer | 21 January 2022 | Shall retire at our AGM to be held in 2025 | One (1) year |
| Dato' Margaret Yeo | 69 | Independent Non-Executive Director | 21 January 2022 | Shall retire at our AGM to be held in 2024 | One (1) year |

| Name | Age | Designation | Date of appointment | Date of expiration of the current term of office | Approximate no. of years in office up to the LPD |
|---|---|---|---|---|---|
| Foong Pak Chee | 54 | Independent Non-Executive Director | 21 January 2022 | Shall retire at our AGM to be held in 2023 | One (1) year |
| Dato' Dr. Mohd Sofi Bin Osman | 62 | Independent Non-Executive Director | 27 June 2022 | Shall retire at our AGM to be held in 2025 | Less than one (1) year |

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance ("**MCCG**") which contains best practices and guidance for listed companies to improve upon or to enhance their corporate governance as it forms an integral part of their business operations and culture.

Our Board believes that our current Board composition provides an appropriate balance in terms of skills, knowledge and experience to promote the interest of all shareholders and to govern our Group effectively.

Our Board is committed to achieving and sustaining high standards of corporate governance and we have considered the additional best practices and guidance set out in the MCCG which includes the non-involvement of our Chairman in our Audit and Risk Management Committee, Nomination Committee and/or Remuneration Committee and for the Company to have at least 30% women directors on our Board.

As at the LPD, our Board comprises two (2) females out of seven (7) members, which represents 28.57% of our Board, and is a departure from Practice Note 5.9 of the MCCG. We shall use our best endeavours to identify suitable women candidate(s) to the Board and ensure that the composition of the Board comprises at least 30% of women directors within two (2) years from the date of our Listing.

### 4.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was formed by our Board on 21 January 2022. The members of our Audit and Risk Management Committee consist of the following:

| Name | Designation | Directorship |
|---|---|---|
| Foong Pak Chee | Chairman | Independent Non-Executive Director |
| Dato' Dr. Mohd Sofi Bin Osman | Member | Independent Non-Executive Director |
| Dato' Margaret Yeo | Member | Independent Non-Executive Director |

Our Audit and Risk Management Committee undertakes, amongst others, the following functions:

**External audits**

(i) To review with the external auditors, the audit report, the nature and scope of their audit plan and report the same to our Board;

(ii) To review with the external auditors, their audit report and evaluation of accounting policies and systems of internal controls and report the same to our Board;

(iii) To review internal audit findings and the management's responses or action plans, including the status of the previous audit recommendations;

(iv) To review the assistance given by employees of our Group to the external auditors;

(v) To review and report the same to our Board any letter of resignation from the external auditors of our Company as well as whether there is any reason (supported by grounds) to believe that our Company's external auditors are not suitable for re-appointment;

(vi) To make recommendations concerning the appointment of the external auditors and their remuneration to our Board;

(vii) To review the non-audit fees paid or payable to the external auditors, or a firm or corporation affiliated to the external auditors' firm; and

(viii) To assess the suitability, objectivity and independence of the external auditor, taking into consideration:

(a) the competence, audit quality and resource capacity of the external auditor in relation to the audit;

(b) the nature and extent of the non-audit fees rendered and the appropriateness of the level of fees; and

(c) obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the term of all relevant profession and regulatory requirements.

**Internal audits**

(i) to review and report to our Board the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

(ii) to review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken by management on the recommendations;

(iii) to review any appraisal or assessment of the performance of members of the internal audit function;

(iv) to approve any appointment or termination of senior staff members of the internal audit function, if the internal audit function is performed in-house;

(v) to take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning, if the internal audit function is performed in-house; and

(vi) to ensure the person responsible for the internal audit reports directly to our Audit and Risk Management Committee.

**Financial reporting**

(i) to review quarterly results and year-end financial statements prior to the approval of our Board, focusing particularly on:

(a) changes in or implementation of major accounting policy changes;

(b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters addressed; and

(c) compliance with accounting standards and other legal requirements.

**Others**

(i) to review any related party transactions and conflict of interest situations that may arise within our Company or our Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(ii) to review and verify the allocation of shares or options to employees under employees' share option scheme;

(iii) to report any breach of listing requirements, which have not been satisfactory resolved to Bursa Securities;

(iv) to review with management, the primary elements comprising our Company's risk culture, including establishing "a tone from the top" that reflects our Company's core values and the expectation that employees act with integrity and promptly escalate non-compliance in and outside of our Company; accountability mechanisms designed to ensure that employees at all levels understand our Company's approach to risk as well as its risk-related goal;

(v) to review with management, our Company's risk appetite and risk tolerance and assess whether our Company's strategy is consistent with the agreed-upon risk appetite and tolerance for our Company;

(vi) to maintain and establish a clear framework to hold management accountable for building and maintaining an effective risk appetite framework and providing the Board with regular, periodic reports on our Company's risk status;

(vii) to review with management, the design of our Company's risk management functions, as well as the qualifications and backgrounds of senior risk personnel and the policies applicable to risk management, to assess whether they are appropriate given our Company's size and scope of operations;

(viii) to oversee the conduct and review the results of company-wide risk assessments, including the identification and reporting of critical risks;

(ix) to review with management, the categories of risk our Company faces, including any risk concentrations and risk interrelationships, as well as the likelihood of occurrence, the potential impact of those risks, mitigating measures and action plans to be employed if a given risk materialises;

(x) to review with management, the ways in which risk is measured on an aggregate, company-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), the policies and procedures in place to hedge against or mitigate risks and the actions to be taken if risk limits are exceeded;

(xi) to review with management, the assumptions and analysis underpinning the determination of our Company's principal risks and whether adequate procedures are in place to ensure that new or materially changed risks are properly and promptly identified, understood and accounted for in the actions of our Company;

(xii) to review management's implementation of its risk policies and procedures, to assess whether they are being followed and are effective;

(xiii) to provide advice to our Board on risk strategies and coordinate the activities of the various standing Board Committees for risk oversight;

(xiv) to review internal systems of formal and informal communication across divisions and control functions to encourage the prompt and coherent flow of risk-related information within and across business units and, as needed, the prompt escalation of information to senior management (and to the Board or Board Committees as appropriate). Review reports from management, Independent Auditors, Internal Auditors, legal counsel, regulators, stock analysts and outside experts as considered appropriate regarding risks the Company faces and our Company's risk management function, and consider whether, based on each individual Director's experience, knowledge and expertise, the Board or Committee primarily tasked with carrying out the Board's risk oversight function is sufficiently equipped to oversee all facets of the Company's risk profile including specialised areas such as cybersecurity and determine whether subject-specific risk education is advisable for such Directors;

(xv) to review our Company's internal control and risk management framework, policies, processes, responsibilities and actions and assess whether any changes to be made;

(xvi) to solicit feedback on the adequacy and effectiveness of risk management and internal control from our Executive Directors, management, Internal Auditors and External Auditors at least annually; and

(xvii) to review the statement on risk management and internal control in our Company's annual report to ensure relevant information as prescribed in the Listing Requirements.

### 4.3.3 Nomination Committee

Our Nomination Committee was formed by our Board on 21 January 2022. The members of our Nomination Committee consist of the following:

| Name | Designation | Directorship |
|---|---|---|
| Dato' Margaret Yeo | Chairman | Independent Non-Executive Director |
| Dato' Dr. Mohd Sofi Bin Osman | Member | Independent Non-Executive Director |
| Foong Pak Chee | Member | Independent Non-Executive Director |

Our Nomination Committee undertakes, amongst others, the following functions:

(i) to propose, consider and recommend to our Board suitable persons for appointment as Directors of the Company;

(ii) to recommend to our Board, candidates to fill the seats on Board committees;

(iii) to assist our Board to review on an annual basis the required mix of skills, independence and experiences and other qualities, including core competencies, which non-executive Directors should bring to our Board;

(iv) to assess on an annual basis on the effectiveness of our Board as a whole, the committees of our Board and contribution of each individual Director including Chairman of our Board, Independent Non-Executive Directors, as well as the Chief Executive Officer, the Chief Operating Officer and the Chief Technology Officer. All assessment and evaluations carried out by the committee in the discharge of all its functions should be properly documented;

(v) to review the tenure of each Director with an aim to ensure that the composition of our Board is refreshed periodically;

(vi) to lead the succession planning and oversee the development of a diverse pipeline for our Board and management succession, including the future chairman of our Board, executive Directors and Chief Executive Officer;

(vii) to assess the skill gaps of our Directors and recommend appropriate training and development programmes for our Directors; and

(viii) to review the term of office and performance of our Audit and Risk Management Committee and each of its members annually to determine whether our Audit and Risk Management Committee and members have carried out their duties in accordance with their terms of reference.

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### 4.3.4 Remuneration Committee

Our Remuneration Committee was formed by our Board on 21 January 2022. The members of our Remuneration Committee consist of the following:

| Name | Designation | Directorship |
|---|---|---|
| Dato' Dr. Mohd Sofi Bin Osman | Chairman | Independent Non-Executive Director |
| Dato' Margaret Yeo | Member | Independent Non-Executive Director |
| Foong Pak Chee | Member | Independent Non-Executive Director |

Our Remuneration Committee undertakes, amongst others, the following functions:

(i) to set, review, recommend and advise the policies and procedures on all elements of the remuneration of our Directors and key senior management;

(ii) to review and recommend to our Board the remuneration packages of executive Directors and key senior management including, where appropriate, bonuses, incentive, benefits-in-kind, severance payments, any grant of entitlement under share scheme based on the merit, qualification and competence while having regard to the operating results, individual performance and comparable market statistics;

(iii) to review and recommend to our Board the remuneration packages of Non-Executive Directors, which shall subject to shareholders' approval at the annual general meeting, based on the level of expertise, commitment and responsibilities undertaken; and

(iv) to review and assess the adequacy and relevance of the remuneration policies and procedures annually and recommend any changes it considers necessary to our Board.

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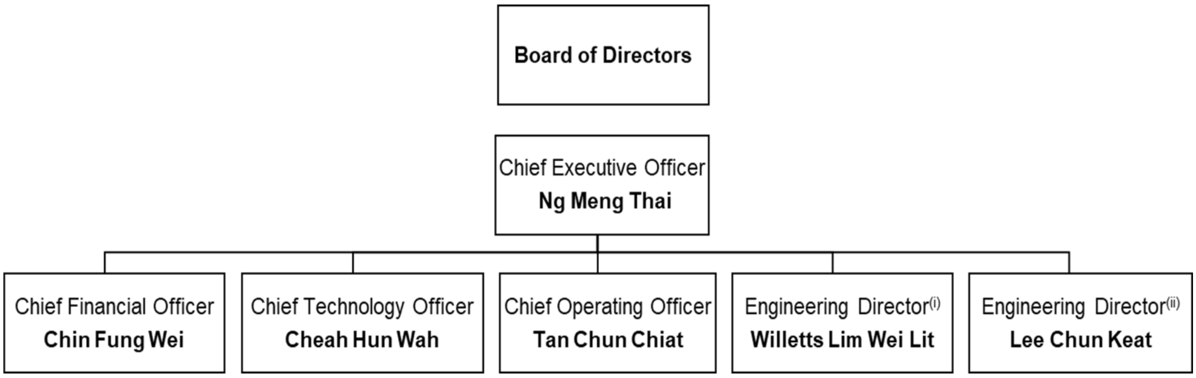
## 4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(CONT'D)*

### 4.4 MANAGEMENT REPORTING STRUCTURE

The following chart illustrates the management reporting structure of our Group:




**Notes:**

(i) He is responsible for overseeing and managing our back-end design operations.

(ii) He is responsible for overseeing and managing our front-end design operations as well as the operations of AIRIS Labs.

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## 4.5 KEY SENIOR MANAGEMENT

### 4.5.1 Shareholdings of our Key Senior Management

Save for the shareholdings of Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat, being our Executive Directors/Chief Executive Officer, Executive Director/Chief Technology Officer and Executive Director/Chief Operating Officer respectively which have been set out in Section 4.2.1 of this Prospectus, the details of our Key Senior Management and their respective shareholdings in our Company as at the LPD and after our IPO (assuming each of our Key Senior Management subscribe in full for their respective entitlements under the Pink Form Allocations as set out in Section 3.3.1(ii) of this Prospectus) are as follows:

| | | Before our IPO/ As at the LPD | | | | After our IPO | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| Name | Designation | No. of Shares | (i)% | No. of Shares | (i)% | No. of Shares | (ii)% | No. of Shares | (ii)% |
| Chin Fung Wei | Chief Financial Officer | 21,654,400 | 4.60 | - | - | 22,154,400 | 3.48 | - | - |
| Willetts Lim Wei Lit | Engineering Director | 21,184,000 | 4.50 | - | - | 21,684,000 | 3.41 | - | - |
| Lee Chun Keat | Engineering Director | 21,184,000 | 4.50 | - | - | 21,684,000 | 3.41 | - | - |

**Notes:**

(i) Based on the total number of 470,721,000 Shares before our IPO/as at the LPD.

(ii) Based on the enlarged total number of 636,200,000 Shares after our IPO.

None of our Key Senior Management are representatives of any corporate shareholder.

### 4.5.2 Profiles of our Key Senior Management

The profiles of our other Key Senior Management are as follows:

**(i) Chin Fung Wei**

**Chin Fung Wei**, a Malaysian aged 50, is our Chief Financial Officer. He is responsible for overseeing the accounting and finance functions of our Group.

He graduated from Universiti Utara Malaysia with a Bachelor of Business Administration with Honours in 1997.

In 1997, he began his career as an Executive at Hong Leong Bank Berhad, where he was responsible for marketing corporate loans and conducting credit analysis. He left Hong Leong Bank Berhad in the same year. In 1998, he joined Shamsir Jasani Cheng Consultants Sdn Bhd (now known as Grant Thornton Consulting Sdn Bhd), a company which is principally involved in providing management and corporate advisory consultancy, as a Consultant, where he was responsible for providing advisory services on financial and corporate recovery matters.

He left Shamsir Jasani Cheng Consultants Sdn Bhd in 2000 and joined AsiaStockWatch.com Sdn Bhd, a company which was principally involved in providing stock analysis for companies listed on Bursa Securities and is currently dissolved, as an Investment Analyst for the banking and insurance sectors. He left AsiaStockWatch.com Sdn Bhd in 2001 and joined TGN Dataworks Sdn Bhd, a company which is principally involved in providing computer applications and related services, as the Vice President in the research department. He was leading a team of analysts in collecting and analysing financial data for listed companies overseas, particularly in the USA.

In 2003, he joined Malaysia Debt Ventures Berhad as a Credit Analyst, where he was responsible for providing client account management and credit support for technology companies. He left Malaysia Debt Ventures Berhad and joined ACN System Solutions Sdn Bhd, a company which is principally involved in the dealing of computer products and network solutions, in 2007 as the Chief Operating Officer. He was responsible for overseeing the operations, covering finance, accounting and corporate structuring matters. In the same year, he left ACN System Solutions Sdn Bhd and joined Select-TV Solutions Sdn Bhd, a company which is principally involved in the provision of interactive entertainment systems, interactive application solutions, sale of information technology and networking products, as the Executive Vice President of Finance. He was responsible for overseeing the finance, accounting and corporate structuring matters.

He then joined Hicom Holdings Bhd (a subsidiary of DRB-HICOM Berhad), a company which is principally involved in providing management services to companies within the group, in 2013 as a Senior Manager (Corporate Planning Division), where he was responsible for the corporate finance and restructuring of the companies within the group. Subsequently, in the same year, he joined CREST as a Senior Manager, Head of Market Engagement Department and was then promoted to Vice President of Market and Industry Development Department in 2015. During his tenure in CREST, he was leading a team involved in providing assistance to grow Malaysian companies in the electrical and electronics industry.

In 2019, he joined our Group and assumed his current position.

As at the LPD, Chin Fung Wei does not hold any directorship in any other public listed companies or private limited companies.

**(ii) Willetts Lim Wei Lit**

**Willetts Lim Wei Lit**, a Malaysian aged 50, is our Engineering Director (Back-End Design). He is responsible for overseeing and managing our back-end design team.

He graduated with a Higher National Diploma in Engineering (Electrical/Electronic) from Nottingham Trent University in 1995. He also obtained a Bachelor of Engineering (Electrical/Electronic) from University of Lincoln in 2002.

In 1995, he began his career as a Mask Designer at Intel Microelectronics (M) Sdn Bhd where he was responsible for layout and full-chip design. In his time at Intel Microelectronics (M) Sdn Bhd, he was promoted several times. His last position held was a Very Large Scale Integration (VLSI) Graphic Engineer, where he was responsible for leading a team in the project execution and delivery for analogue, digital and physical design for ICs.

In 2012, he left Intel Microelectronics (M) Sdn Bhd and joined Altera Corporation (M) Sdn Bhd (now part of Intel) as a Principal Engineer (Physical Design). He was responsible for FPGA and SoC full chip designs as well as focusing on back-end design flow technologies and execution. In addition, he was also involved in liaising with design teams in the USA for the design project collaborations and strategising on methodologies for upcoming design projects. After the acquisition of Altera Corporation (M) Sdn Bhd by Intel, he was also responsible for FPGA and SoC full chip designs as well as back-end design flow technologies and execution. He left in 2017 and provided IC design services to Oppstar Technology on a freelance basis.

Subsequently, in 2018, he joined our Group and assumed his current position.

As at the LPD, Willetts Lim Wei Lit does not hold any directorship in any other public listed companies or private limited companies.

**(iii) Lee Chun Keat**

**Lee Chun Keat**, a Malaysian aged 52, is our Engineering Director (Front-End Design). He is responsible for overseeing and managing our front-end design operations as well as the operations of AIRIS Labs.

He graduated from University of Malaya with a Bachelor of Engineering (Hons) in Electrical in 1996.

In 1996, he began his career as a Design Engineer at Intel Microelectronics (M) Sdn Bhd, where he was responsible for designing and validating microcontroller projects. Between 1997 to 1999, he was relocated to USA to be part of the design team for the computer chipset project, being one of the company's mainstream projects. Upon returning to Malaysia in 1999, he was assigned to work on functional blocks in the computer chipset project.

In his time at Intel Microelectronics (M) Sdn Bhd, he was promoted several times with his last position held being Senior Logic Design Manager. As a Senior Logic Design Manager, he led multiple logic design teams to deliver various designs for several projects including computer chipsets, Atom processor SoC and digital televisions. He also managed physical design teams to work on several computer chipset projects.

In 2012, he left Intel Microelectronics (M) Sdn Bhd and joined Altera Corporation (M) Sdn Bhd (now part of Intel) as a Senior Manager (Design Engineering). He was leading the FPGA design verification and SoC design team which focused on full-chip and sub-system verification, SoC design and physical design. During his tenure with Altera Corporation (M) Sdn Bhd, he set up a new design team in Penang to deliver Unify Development Vehicle (UDV) boards for next generation FPGA validation. After the acquisition of Altera Corporation (M) Sdn Bhd by Intel, he was also responsible for leading the design team which focused on full-chip and sub-system verification, SoC design and physical design.

Subsequently, in 2018, he joined our Group and assumed his current position.

As at the LPD, Lee Chun Keat does not hold any directorship in any other public listed companies or private limited companies.

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### 4.5.3 Involvement of our Key Senior Management in other principal business activities outside our Group

Save for the involvement of Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat, being our Executive Directors/Chief Executive Officer, Executive Director/Chief Technology Officer and Executive Director/Chief Operating Officer respectively which have been set out in Section 4.2.3 of this Prospectus, the principal business activities performed by our Key Senior Management outside our Group as at the LPD and their present directorships in companies outside our Group and in the past five (5) years preceding the LPD are as follows:

**(a) Chin Fung Wei**

| Company name/Firm Name | Principal business activities | Designation | Involvement in principal business activities other than as a director |
|---|---|---|---|
| *Present involvement:* | | | |
| • Sen Simetri Sdn Bhd | Investment in a company which is principally involved provision of interactive entertainment systems, interactive application solutions, sale of information technology and networking products | - | Shareholder with approximately 5.45% equity interest |

The involvement of Chin Fung Wei in Sen Simetri Sdn Bhd is not expected to require a significant amount of his time or attention as he is merely an investor in the said company. As such, his involvement in those business activities outside our Group will not affect his ability to perform his roles and responsibilities as well as his contributions to our Group.

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### 4.5.4 Remuneration and material benefits-in-kind of our Key Senior Management

Save for the aggregate remuneration and material benefits-in-kind paid and proposed to be paid to Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat, being our Executive Directors/Chief Executive Officer, Executive Director/Chief Technology Officer and Executive Director/Chief Operating Officer respectively which have been set out in Section 4.2.4 of this Prospectus, the aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our other Key Senior Management for services rendered to us in their capacities to our Group for the FYEs 2022 and 2023 are as follows:

| | Remuneration band | |
|---|---|---|
| | FYE 2022 (Actual) | FYE 2023 (Proposed) |
| Name | RM'000 | RM'000 |
| Chin Fung Wei | 400 - 450 | 450 - 500 |
| Willetts Lim Wei Lit | 350 - 400 | 400 - 450 |
| Lee Chun Keat | 300 - 350 | 350 - 400 |

## 4.6 SERVICE CONTRACTS

As at the LPD, we do not have any existing or proposed service contract with our Directors or Key Senior Management, which provides for benefits upon termination of employment.

## 4.7 ASSOCIATIONS OR FAMILY RELATIONSHIPS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

There is no association or family relationship between any of our Promoters, substantial shareholders, Directors and Key Senior Management as at the LPD.

## 4.8 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

None of our Promoters, Directors and Key Senior Management is or has been involved in any of the following events (whether in or outside Malaysia) as at the LPD:

(i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he or she was a partner or any corporation of which he or she was a director or member of key senior management;

(ii) such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) in the last 10 years, such person was charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his or her or its part, involving a breach of any law or regulatory requirement that relates to the capital market;

(v) in the last 10 years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his or her or its part that relates to the capital market;

(vi) such person was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him or her or it from engaging in any type of business practice or activity;

(vii) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and

(viii) any unsatisfied judgment against such person.

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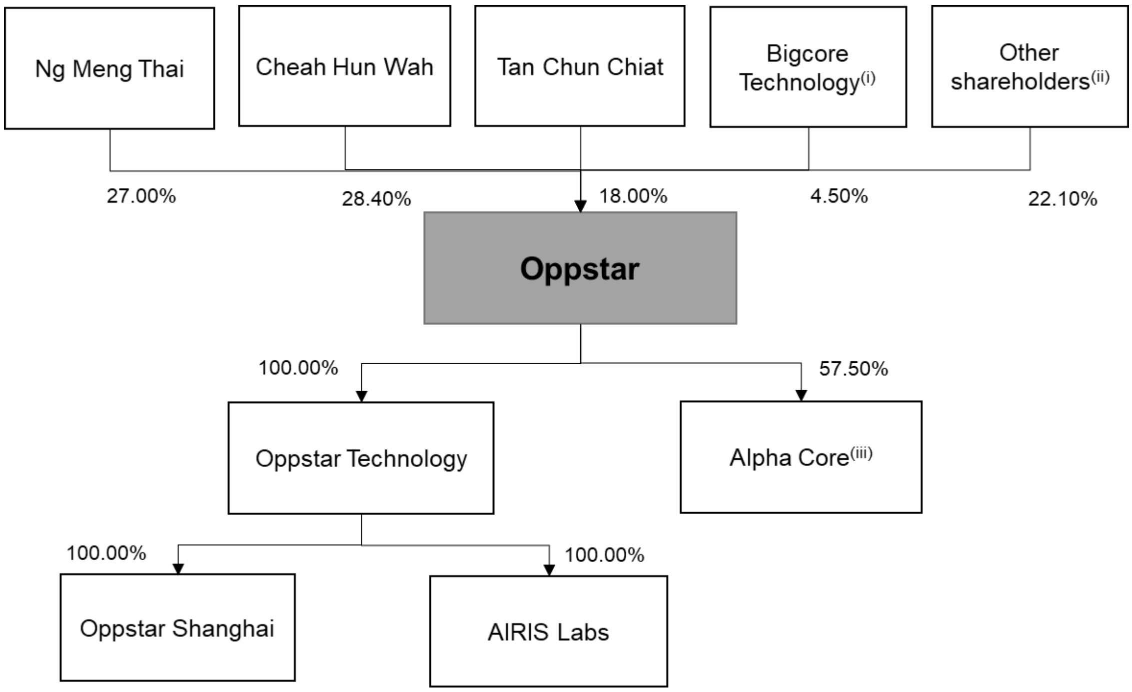
## 5. INFORMATION ON OUR GROUP

### 5.1 OUR COMPANY

Oppstar was incorporated in Malaysia under the Act on 27 September 2021 as a private company limited by shares under the name of Oppstar Sdn Bhd. On 22 December 2021, we completed the Acquisitions which resulted in Oppstar Technology and Alpha Core becoming our wholly-owned subsidiaries. Subsequently, on 3 January 2022, our Company was converted to a public limited company to facilitate our Listing. After the completion of the Sophic Automation Subscription on 17 January 2022, Alpha Core became the 57.50% owned subsidiary of Oppstar. On 19 May 2022, we completed the AIRIS Labs Acquisition which resulted in AIRIS Labs becoming our indirect wholly-owned subsidiary via Oppstar Technology.

We are an investment holding company. Through our subsidiaries, we are principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions. We also provide other related services such as post-silicon validation services, training and consultancy services.

As at the LPD, our group structure is as follows:




**Notes:**

(i) Owned by Ng Meng Thai (33.33%), Cheah Hun Wah (33.33%) and Tan Chun Chiat (33.33%).

(ii) Consists of 19 shareholders, namely Chin Fung Wei (4.60%), Willetts Lim Wei Lit (4.50%), Lee Chun Keat (4.50%), Chua Kar Keng (1.17%), Tan Kim Pin (0.88%), Ma Shing Yuan @ Beh Heng Guan (0.75%), Lim Kean Harn (0.75%), Yap Swee Leong (0.45%), Chan Ying Poh (0.45%), Ho Qiao Yee (0.45%), Ho Yoon San (0.45%), Tan Beng Hin (0.45%), Koh Kok Siew (0.45%), Leow Eng Chai (0.45%), Liaw Kok Keong (0.45%), Lou Jieying (0.45%), Ng Hee Guan (0.45%), Koh Kai Ngiap (0.40%) and Hu King Seng (0.05%).

(iii) The remaining shareholder is Sophic Automation (42.50%), a company incorporated under the Act on 7 November 2007 which is principally engaged in the provision of automated digital solutions and product engineering services. Sophic Automation is not related to our Promoters, substantial shareholders and Directors.

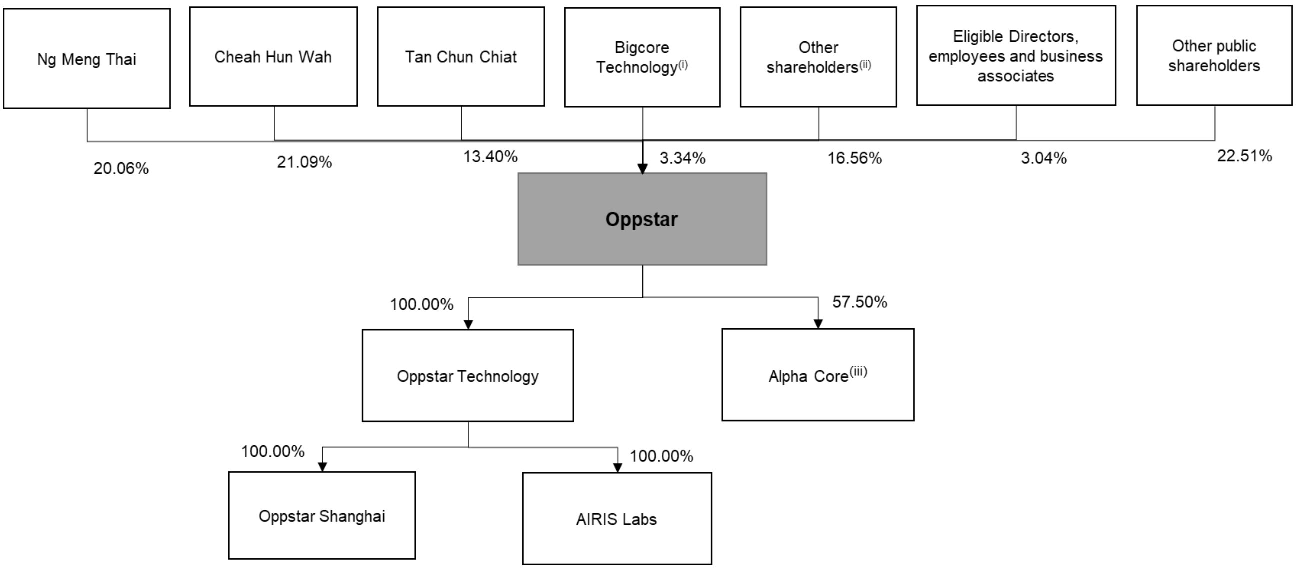
The directors of Sophic Automation are Lee Chee Hoo, Koh Dim Kuan, Low Chee Onn, Mohammad Hazani bin Hassan and Dato' Boonler Somchit.

The ordinary shareholders of Sophic Automation are Lee Chee Hoo, Koh Dim Kuan and Low Chee Onn and the preference shareholder of Sophic Automation is Malaysian Technology Development Corporation Sdn Bhd.

The key management team of Sophic Automation is Lee Chee Hoo and Koh Dim Kuan.

Sophic Automation serves both local and foreign based MNCs involved in semiconductor and electronics products.

Upon Listing, our group structure is as follows:




**Notes:**

(i) Owned by Ng Meng Thai (33.33%), Cheah Hun Wah (33.33%) and Tan Chun Chiat (33.33%).

(ii) Consists of 19 shareholders, namely Chin Fung Wei (3.48%), Willetts Lim Wei Lit (3.41%), Lee Chun Keat (3.41%), Chua Kar Keng (0.87%), Tan Kim Pin (0.65%), Ma Shing Yuan @ Beh Heng Guan (0.55%), Lim Kean Harn (0.55%), Yap Swee Leong (0.33%), Chan Ying Poh (0.33%), Ho Qiao Yee (0.33%), Ho Yoon San (0.33%), Tan Beng Hin (0.33%), Koh Kok Siew (0.33%), Leow Eng Chai (0.33%), Liaw Kok Keong (0.33%), Lou Jieying (0.33%), Ng Hee Guan (0.33%), Koh Kai Ngiap (0.30%) and Hu King Seng (0.04%).

(iii) The remaining shareholder is Sophic Automation (42.50%), a company incorporated under the Act on 7 November 2007 which is principally engaged in the provision of automated digital solutions and product engineering services. Sophic Automation is not related to our Promoters, substantial shareholders and Directors. Please refer to the group structure as at the LPD for further details on Sophic Automation.

Please refer to Section 5.2 of this Prospectus for further details on our subsidiaries.

### 5.1.1 Acquisitions

In conjunction with, and as an integral part of our Listing, the details of the Acquisitions are as follows:

**(i) Oppstar Technology Acquisition**

On 22 December 2021, our Company acquired the entire issued share capital of Oppstar Technology comprising 900,000 ordinary shares from the vendors for a purchase consideration of RM6,355,200. The purchase consideration was wholly satisfied via the issuance of 423,680,000 new Shares at an issue price of RM0.015 per Share to the following vendors:

| | Shareholding in Oppstar Technology | | Purchase Consideration | No. of new Shares issued |
|---|---|---|---|---|
| | No. of shares | % | RM | |
| Ng Meng Thai | 270,000 | 30.00 | 1,906,560 | 127,104,000 |
| Cheah Hun Wah | 270,000 | 30.00 | 1,906,560 | 127,104,000 |
| Tan Chun Chiat | 180,000 | 20.00 | 1,271,040 | 84,736,000 |
| Bigcore Technology | 45,000 | 5.00 | 317,760 | 21,184,000 |
| Lee Chun Keat | 45,000 | 5.00 | 317,760 | 21,184,000 |
| Willetts Lim Wei Lit | 45,000 | 5.00 | 317,760 | 21,184,000 |
| Chin Fung Wei | 45,000 | 5.00 | 317,760 | 21,184,000 |
| **Total** | **900,000** | **100.00** | **6,355,200** | **423,680,000** |

The purchase consideration of Oppstar Technology of RM6,355,200 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted consolidated NA of Oppstar Technology as at 30 September 2021 of RM6,397,325 (after taking into consideration the group structure of Oppstar Technology which includes 100% of Oppstar Shanghai and 50% of AIRIS Labs and adjusting for the payment of dividend of RM5,661,000). The Oppstar Technology Acquisition was completed on 22 December 2021 and thereafter, Oppstar Technology has become our wholly-owned subsidiary.

**(ii) Alpha Core Acquisition**

On 22 December 2021, our Company acquired the entire issued share capital in Alpha Core comprising 1,000 ordinary shares from the vendors for a purchase consideration of RM705,600. The purchase consideration was wholly satisfied via the issuance of 47,040,000 new Shares at an issue price of RM0.015 per Share to the following vendors:

| | Shareholding in Alpha Core | | Purchase Consideration | No. of new Shares issued |
|---|---|---|---|---|
| | No. of shares | % | RM | |
| Cheah Hun Wah | 140 | 14.00 | 98,784 | 6,585,600 |
| Chua Kar Keng | 117 | 11.70 | 82,555 | 5,503,680 |
| Tan Kim Pin | 88 | 8.80 | 62,093 | 4,139,520 |
| Ma Shing Yuan @ Beh Heng Guan | 75 | 7.50 | 52,920 | 3,528,000 |
| Lim Kean Harn | 75 | 7.50 | 52,920 | 3,528,000 |
| Yap Swee Leong | 45 | 4.50 | 31,752 | 2,116,800 |
| Chan Ying Poh | 45 | 4.50 | 31,752 | 2,116,800 |
| Ho Qiao Yee | 45 | 4.50 | 31,752 | 2,116,800 |
| Ho Yoon San | 45 | 4.50 | 31,752 | 2,116,800 |
| Tan Beng Hin | 45 | 4.50 | 31,752 | 2,116,800 |
| Koh Kok Siew | 45 | 4.50 | 31,752 | 2,116,800 |
| Leow Eng Chai | 45 | 4.50 | 31,752 | 2,116,800 |
| Liaw Kok Keong | 45 | 4.50 | 31,752 | 2,116,800 |
| Lou Jieying | 45 | 4.50 | 31,752 | 2,116,800 |
| Ng Hee Guan | 45 | 4.50 | 31,752 | 2,116,800 |
| Koh Kai Ngiap | 40 | 4.00 | 28,224 | 1,881,600 |
| Chin Fung Wei | 10 | 1.00 | 7,056 | 470,400 |
| Hu King Seng | 5 | 0.50 | 3,528 | 235,200 |
| **Total** | **1,000** | **100.00** | **705,600** | **47,040,000** |

The purchase consideration of Alpha Core of RM705,600 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of Alpha Core as at 30 September 2021 of RM705,562. The Alpha Core Acquisition was completed on 22 December 2021 and thereafter, Alpha Core has become our wholly-owned subsidiary.

### 5.1.2 Sophic Automation Subscription

Following the Acquisitions, we had, on 13 January 2022, entered into a strategic partnership agreement with Sophic Automation for the subscription by Sophic Automation of 425,000 new ordinary shares in Alpha Core, representing 42.50% equity interest in Alpha Core for a purchase consideration of RM425,000, which was satisfied via cash.

The cash consideration was arrived at on a willing-issuer willing-subscriber basis, after taking into consideration of the adjusted NA per Alpha Core share of approximately RM1.00 as at 30 September 2021 (after taking into consideration the increase in ordinary shares of Alpha Core to 575,000 shares by way of bonus issue on the basis of 574 bonus shares for every one (1) existing share held and adjusting for accumulated net loss of approximately RM114,000 for three (3) months to 31 December 2021) and the capital investment amount required by Alpha Core for its business operations. The Sophic Automation Subscription was completed on 17 January 2022 and thereafter, Alpha Core has now become our 57.50% owned subsidiary.

### 5.1.3 AIRIS Labs Acquisition

Oppstar Technology had, on 10 May 2022, acquired 260,000 ordinary shares in AIRIS Labs, representing the remaining 50% equity interest in AIRIS Labs, not already owned by Oppstar Technology, from Lee Weng Fai and Lee Weng Fook for a purchase consideration of RM300,000, which was satisfied via cash.

The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted NA of AIRIS Labs as at 31 March 2022 of approximately RM230,986 (after taking into consideration the increase in share capital of AIRIS Labs of RM420,000) and patents held by AIRIS Labs.

The AIRIS Labs Acquisition was completed on 19 May 2022 and thereafter, AIRIS Labs has now become our indirect wholly owned subsidiary via Oppstar Technology.

### 5.1.4 Share capital

As at the LPD, our issued share capital is RM7,061,800 comprising 470,721,000 Shares.

The changes in our issued share capital since the date of our incorporation up to the LPD are as follows:

| Date of allotment | No. of Shares allotted | Consideration | Cumulative issued share capital RM |
|---|---|---|---|
| 27 September 2021 | 1 | Cash | 1 |
| 21 December 2021 | (i)999 | Cash | 1,000 |
| 22 December 2021 | 470,720,000 | Other than cash pursuant to the Acquisitions | 7,061,800 |

**Note:**

(i) 999 shares were issued and allotted to Ng Meng Thai on 21 December 2021.

None of our Shares were issued at a discount, on special terms or based on instalment payment terms.

Upon completion of our IPO, our enlarged issued share capital will increase to RM109,650,546 comprising 636,200,000 Shares.

As at the LPD, we do not have any outstanding warrant, option, convertible security or uncalled capital in respect of our Shares.

## 5. INFORMATION ON OUR GROUP *(CONT'D)*

## 5.2 OUR SUBSIDIARIES, JOINT VENTURE AND ASSOCIATED COMPANY

As at the LPD, the details of our subsidiaries are as follows:

| Name and registration no. | Date and place of incorporation | Our effective equity interest % | Issued share capital/ registered capital | Principal activities |
|---|---|---|---|---|
| Oppstar Technology (201401009402 (1085480-P)) | 19 March 2014/ Malaysia | 100.00 | RM900,000 | Provision of IC design services and other related services |
| Alpha Core (201901030114 (1339444-D)) | 22 August 2019/ Malaysia | 57.50 | RM1,000,000 | Provision of post-silicon validation services, software and engineering solutions, IC design services and other related services |
| **<u>Subsidiaries of Oppstar Technology</u>** | | | | |
| Oppstar Shanghai (91310000MA1HR62HXL) | 9 April 2019/ PRC | 100.00 | USD100,000 | Sales and marketing as well as provision of IC design services, post-silicon validation services and technical support |
| AIRIS Labs (202001015529 (1371849-T)) | 25 June 2020/ Malaysia | 100.00 | RM520,000 | R&D on engineering and technology |

As at the LPD, we do not have any joint venture or associated company.

### 5.2.1 Oppstar Technology

#### (i) History and business

Oppstar Technology was incorporated in Malaysia under the Companies Act 1965 (and is deemed registered under the Act) on 19 March 2014 as a private limited company under the name of Oppstar Technology Sdn Bhd.

The principal place of business of Oppstar Technology is at Level 6, I2U Building, Sains@USM, 10, Persiaran Bukit Jambul, 11900 Bayan Lepas, Pulau Pinang. It is currently principally involved in the provision of IC design services and other related services.

#### (ii) Share capital

As at the LPD, the issued share capital of Oppstar Technology is RM900,000 comprising 900,000 ordinary shares.

The changes in the issued share capital of Oppstar Technology for the past three (3) FYEs 31 March 2020 to 2022 and up to the LPD are as follows:

| Date of allotment | No. of shares allotted | Consideration | Cumulative issued share capital RM |
|---|---|---|---|
| 9 December 2019 | 400,000 | Other than cash pursuant to bonus issue | 900,000 |

None of the ordinary shares of Oppstar Technology were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, Oppstar Technology does not have any outstanding warrant, option, convertible security or uncalled capital in respect of its shares.

**(iii) Shareholder**

Oppstar Technology is a wholly-owned subsidiary of our Company.

**(iv) Subsidiary, joint venture and associated company**

As at the LPD, Oppstar Technology has two (2) subsidiaries, namely Oppstar Shanghai and AIRIS Labs. Please refer to Sections 5.2.3 and 5.2.4 of this Prospectus for the information on Oppstar Shanghai and AIRIS Labs respectively.

As at the LPD, Oppstar Technology does not have any joint venture or associated company.

### 5.2.2 Alpha Core

**(i) History and business**

Alpha Core was incorporated in Malaysia under the Act on 22 August 2019 as a private limited company under the name of Alpha Core Sdn Bhd.

The principal place of business of Alpha Core is at Level 5, Left Wing, I2U Building, Sains@USM, 10, Persiaran Bukit Jambul, 11900 Pulau Pinang, Malaysia. It is currently principally involved in the provision of post-silicon validation services, software and engineering solutions, IC design services and other related services.

**(ii) Share capital**

As at the LPD, the issued share capital of Alpha Core is RM1,000,000 comprising 1,000,000 ordinary shares.

The changes in the issued share capital of Alpha Core for the past three (3) FYEs 31 March 2020 to 2022 and up to the LPD is as follows:

| Date of allotment | No. of shares allotted | Consideration | Cumulative issued share capital RM |
|---|---|---|---|
| 22 August 2019 | 1,000 | Cash | 1,000 |
| 5 January 2022 | 574,000 | Other than cash pursuant to bonus issue | 575,000 |
| 17 January 2022 | 425,000 | Cash | 1,000,000 |

None of the ordinary shares of Alpha Core were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, Alpha Core does not have any outstanding warrant, option, convertible security or uncalled capital in respect of its shares.

**(iii) Shareholder**

The shareholders of Alpha Core and their respective shareholdings in Alpha Core are as follows:

| Shareholder | No. of shares | % |
|---|---|---|
| Oppstar | 575,000 | 57.50 |
| Sophic Automation | 425,000 | 42.50 |
| **Total** | **1,000,000** | **100.00** |

**(iv) Subsidiary, joint venture and associated company**

As at the LPD, Alpha Core does not have any subsidiary, joint venture or associated company.

### 5.2.3 Oppstar Shanghai

**(i) History and business**

Oppstar Shanghai was incorporated in PRC under PRC Law of Foreign Investment and PRC Company Law as a wholly foreign-owned limited liability company on 9 April 2019 under the name of Oppstar (Shanghai) Technology Co Ltd.

The principal place of business of Oppstar Shanghai is at Room 301-A9, Building 1, 800 Naxian Road, Pudong New District, Shanghai. It is currently principally involved in sales and marketing as well as provision of IC design services, post-silicon validation services and technical support. Oppstar Shanghai was intended to serve our customers in China only.

**(ii) Share capital**

As at the LPD, the registered capital of Oppstar Shanghai is USD100,000.

## 5. INFORMATION ON OUR GROUP *(CONT'D)*

There has been no change in the registered capital of Oppstar Shanghai for the past three (3) FYEs 31 March 2020 to 2022 and up to the LPD.

None of the capital of Oppstar Shanghai were issued at a discount or on special terms.

As at the LPD, Oppstar Shanghai does not have any outstanding warrant, option, convertible security or uncalled capital in respect of its shares.

**(iii) Shareholder**

Oppstar Shanghai is a wholly-owned subsidiary of Oppstar Technology.

**(iv) Subsidiary, joint venture and associated company**

As at the LPD, Oppstar Shanghai does not have any subsidiary, joint venture or associated company.

### 5.2.4 AIRIS Labs

**(i) History and business**

AIRIS Labs was incorporated in Malaysia under the Act on 25 June 2020 as a private limited company under the name of AIRIS Labs Sdn Bhd.

The principal place of business of AIRIS Labs is at Level 7, I2U Building, Sains@USM, 10, Persiaran Bukit Jambul, 11900 Bayan Lepas, Pulau Pinang. It is currently principally involved in R&D on engineering and technology.

**(ii) Share capital**

As at the LPD, the issued share capital of AIRIS Labs is RM520,000 comprising 520,000 ordinary shares.

The change in the issued share capital of AIRIS Labs since the date of incorporation up to the LPD are as follows:

| Date of allotment | No. of shares allotted | Consideration | Cumulative issued share capital RM |
|---|---|---|---|
| 25 June 2020 | 4 | Cash | 4 |
| 23 February 2021 | 99,996 | Cash | 100,000 |
| 18 April 2022 | 420,000 | Cash | 520,000 |

None of the ordinary shares of AIRIS Labs were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, AIRIS Labs does not have any outstanding warrant, option, convertible security or uncalled capital in respect of its shares.

**(iii) Shareholder**

AIRIS Labs is a wholly-owned subsidiary of Oppstar Technology.

**(iv) Subsidiary, joint venture and associated company**

As at the LPD, AIRIS Labs does not have any subsidiary, joint venture or associated company.

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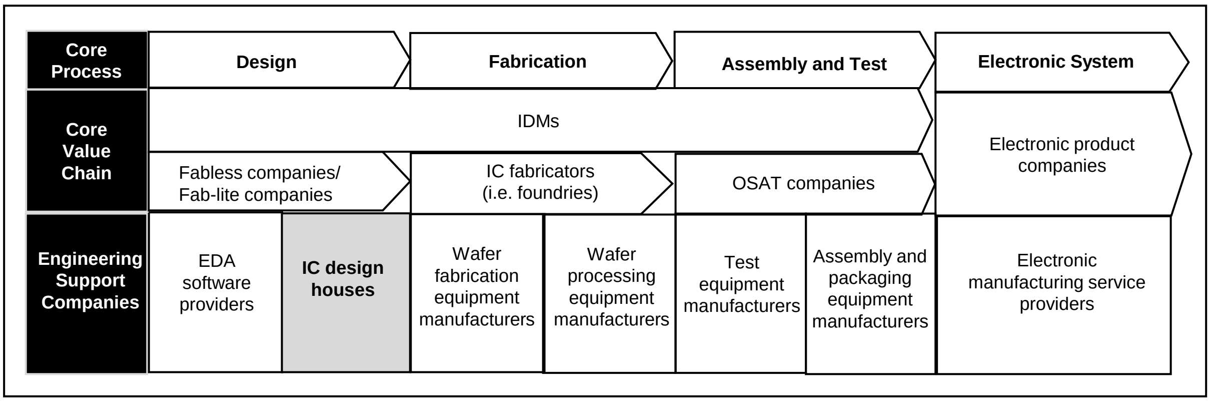
## 6. BUSINESS OVERVIEW

### 6.1 OVERVIEW AND HISTORY

Our Company was incorporated on 27 September 2021 under the Act as a private limited company and subsequently converted into a public limited company on 3 January 2022. Our company is an investment holding company and was incorporated to facilitate our Listing.

Our Group is principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions. We also provide other related services such as post-silicon validation services, training and consultancy services. We mainly focus on the design of ICs such as ASICs, SoCs, CPUs and FPGAs. We generally provide IC design services with process node technology ranging from 20nm to 5nm. In 2022, we had also secured projects using 3nm process node technology.

Our Group is involved in the design segment of the semiconductor industry value chain as shown below:




**Note:**

- denotes the role of our Group in the value chain of the semiconductor industry which includes post-silicon validation services.

Our customers mainly comprise IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses. The ICs that we design can be used for end products in the following industries:

| Industries | End products |
|---|---|
| Telecommunications | Telecommunication towers, phone switching systems, modems, routers, networking equipment and servers |
| Industrial electronics | Manufacturing equipment, power equipment and measurement equipment |
| Automotive | Sensors, entertainment systems, navigation systems and control systems |
| Consumer electronics | Desktop computers, laptops, smartphones, tablets, smart watches, servers, monitors, keyboards, mouses, smart glasses and smart home appliances |

Our Group's revenue has grown from approximately RM15.97 million in FYE 2020 to approximately RM50.56 million in FYE 2022, at a CAGR of approximately 77.96%. In addition, our Group recorded a revenue of approximately RM28.82 million in FPE 2023. The growth in our Group's revenue is largely attributed to the increase in turnkey design services. Our revenue from the overseas market grew from approximately RM8.94 million (approximately 56.02% of our revenue) in FYE 2020 to approximately RM42.91 million (approximately 84.87% of our revenue) in FYE 2022. For FPE 2023, our revenue from the overseas market was approximately RM22.02 million (approximately 76.41% of our revenue). China was the largest revenue contributor to our Group, contributing approximately 52.76%, 76.63%, 77.94% and 71.87% of our Group's total revenue for FYEs 2020, 2021 and 2022 as well as FPE 2023 respectively.

**History of our business**

The history of our Group dates back to March 2014, with the incorporation of Oppstar Technology by our Executive Director/Chief Executive Officer, Ng Meng Thai and his spouse, Lim Eng Hong as the company's first two directors. During the same year, Oppstar Technology commenced its business by providing IC back-end design services to a USA-based fabless company which has operations in Malaysia and specialises in FPGA (the company is now part of Customer E group of companies). In October 2014, Lim Eng Hong ceased to be Oppstar Technology's director upon the appointment of Executive Director/Chief Technology Officer, Cheah Hun Wah as a director of Oppstar Technology. Our Executive Director/Chief Operating Officer, Tan Chun Chiat became Oppstar Technology's director in January 2016.

In the fourth ($4^{th}$) quarter of 2014, we started focusing on FinFET projects. The FinFET technology is an advanced IC design technology that enables the fabrication of more transistors within a limited footprint, by means of extending conventional 2D structures into 3D structures (i.e. designing and fabricating transistors vertically). Our business is focused on FinFET technology in recognition of the growing demand for ICs with faster processing speeds and lower power consumption profiles, and this is achieved by increasing the transistor density of the ICs through the utilisation of more advanced wafer fabrication processes.

In 2015, we managed to secure Customer D which is a Malaysian subsidiary of a Japan-based fab-lite company. Customer D mainly supplies ICs to the automotive, communications, healthcare and high-performance computing industries.

In 2016, we made inroads into a new area of business by securing IC design projects related to FinFET process migration support from Customer E group of companies, a USA-based IDM which has operations in Malaysia. Process migration is the modification of design for fabrication of an IC in another foundry, taking into consideration process variations, and fulfilling the design to meet rules and parameters of the new desired foundry process. This engagement led to several overseas IC design projects from Customer E group of companies in South Korea and China. Some of these projects were for ICs used in mobile devices and manufactured on a process node technology of 10nm.

In 2017, we ventured into the Singapore market by securing an IC design project from a Singapore-based fabless company with its headquarters in the USA. In the same year, we signed a collaboration agreement with USM for the purpose of research and training related to IC design for their academic staff and students.

In 2018, we undertook a design project for ASICs used in blockchain technology, fabricated using a 7nm process node technology for a USA-based fabless company that has operations in Malaysia. In that same year, we further expanded our customer base and secured our first design project from an IC design house that operates in China.

Oppstar Shanghai was incorporated in April 2019 to support our operations in China. During this period, we extended our service offerings to include IC front-end design services and undertook our first IP design turnkey project. This IP design turnkey project involved us performing IC design services for functional blocks within an IC.

Alpha Core was incorporated in August 2019. Through Alpha Core, we provide post-silicon validation services, software and engineering solutions and other related services. The formation of Alpha Core was with the intention of complementing our IC design services. In the same year, we signed a memorandum of understanding with INTI Penang, to collaborate on AI and IC design curriculum development, training, research and development as well as providing internships and job opportunities.

In 2020, we undertook our first full IC design turnkey project, which involved designing multiple IPs, integrating them into a single IC, managing the project and providing design automation functions. The said full IC design turnkey project was for a tenure of two (2) years and involved the design engineering expertise and input of between 80 to 120 design engineers, at any point in time, throughout the tenure of the project. We also signed a memorandum of understanding with UniMAP in the same year on the collaboration in IC design, system development for AI IC, talent development and providing job opportunities for graduates. In the same year, we set up ODC facilities by having designated areas within our premises to provide design services for our customers. During the year, we also managed to secure our first design project from a USA-based IC design house.

In the same year, we formed a joint venture company, AIRIS Labs, with Lee Weng Fook and Lee Weng Fai for the purpose of conducting R&D on IC and its applications for AI and machine learning capabilities. We also completed R&D on AI ASIC which is an IC for AI and machine learning capabilities (tape-out was completed in 2019). The development of AI ASICs involves the development of a set of IPs which provides our Group with the relevant experience and credentials to be better positioned to secure for turnkey design projects. Our Group secured a project, which involves AI IP, from a new customer in China based on our expertise gained from developing AI ASIC. This project involves design services based on machine learning IPs.

In 2021, we secured our first IC design project based on 5nm process node technology. In the same year, Alpha Core was awarded MSC status by MIDA. Among the benefits of achieving MSC status is a 5-year pioneer status incentive providing the company with 70% tax exemption on its income derived from services provided through IC design and post-silicon validation services. The period of the tax exemption is five (5) years from 7 May 2021 to 6 May 2026 and may further be extended for another five (5) years subject to the evaluation and compliance with the incentive conditions set in the first five (5)-year exemption period.

In 2022, we entered into a strategic partnership agreement with Sophic Automation for the subscription by Sophic Automation of 42.50% equity interest in Alpha Core, which resulted in our equity interest in Alpha Core reducing to 57.50%. This further strengthens our offerings in post-silicon validation services by leveraging on Sophic Automation's engineering resources and customer base. In the same year, we also established our office in Kuala Lumpur. We also signed a memorandum of understanding with UTAR on the collaboration in IC design, talent development and providing job opportunities for graduates. In May 2022, we acquired the remaining 50% equity interest in AIRIS Labs to streamline our group structure, resulting in AIRIS Labs becoming an indirect wholly owned subsidiary via Oppstar Technology.

In relation to the collaboration agreement and memorandums of understanding entered with the tertiary institutions above, the obligations of the Group to provide job opportunities for graduates, sponsorships for postgraduate students and internships are not on a yearly basis. For the Financial Years Under Review, we have incurred a total of approximately RM0.05 million for the collaboration with these tertiary institutions. For FPE 2023, we have incurred a total of approximately RM0.15 million for the collaboration with these tertiary institutions.

In addition, we also signed a memorandum of understanding with APU on the collaboration and cooperation on a R&D programme related to advanced development in IC which enables student internship programs and final year project activities.

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## 6.2 OUR KEY BUSINESS MILESTONES

The table below summarises our key business milestones as at the LPD:

| Year | Key Events and Milestones |
|---|---|
| 2014 | • Incorporation of Oppstar Technology.<br>• Commenced business by providing IC back-end design services to a USA-based fabless company which has operations in Malaysia and specialises in FPGA (the company is now part of Customer E group of companies). |
| 2015 | • Secured Customer D which is a Malaysian subsidiary of a Japan-based fab-lite company. |
| 2016 | • Secured IC design projects related to FinFET process migration support from Customer E group of companies, a USA-based IDM which has operations in Malaysia.<br>• Secured several overseas IC design projects from Customer E group of companies in South Korea and China.<br>• Involved in IC design projects based on 10nm process node technology. |
| 2017 | • Ventured into the Singapore market by securing an IC design project from a Singapore-based fabless company with its headquarters in the USA.<br>• Signed a collaboration agreement with USM. |
| 2018 | • Undertook a design project for ASICs used in blockchain technology, fabricated using a 7nm process node technology for a USA-based fabless company that has operations in Malaysia.<br>• Expanded customer base and secured first design project from an IC design house that operates in China. |
| 2019 | • Incorporation of Oppstar Shanghai.<br>• Extended service offerings to include IC front-end design services.<br>• Undertook first IP design turnkey project.<br>• Incorporation of Alpha Core.<br>• Signed a memorandum of understanding with INTI Penang. |
| 2020 | • Undertook first full IC turnkey design project.<br>• Signed a memorandum of understanding with UniMAP.<br>• Set up ODC facilities by having designated areas within premises to provide design services for customers.<br>• Incorporation of a joint venture company, AIRIS Labs.<br>• Completed R&D on AI ASIC which is an IC for AI and machine learning capabilities (tape-out was completed in 2019). |
| 2021 | • Secured first IC design project based on 5nm process node technology.<br>• Alpha Core awarded with MSC status by MIDA. |
| 2022 | • Entered into a strategic partnership agreement with Sophic Automation for the subscription by Sophic Automation of 42.50% equity interest in Alpha Core, which resulted in our equity interest in Alpha Core reducing to 57.50%.<br>• Established our office in Kuala Lumpur.<br>• Signed a memorandum of understanding with UTAR. |

| Year | Key Events and Milestones |
|---|---|
| | • Acquired the remaining 50% equity interest in AIRIS Labs, resulting in AIRIS Labs becoming an indirect wholly owned subsidiary via Oppstar Technology.<br>• Signed a memorandum of understanding with APU. |

### 6.3 OUR PRINCIPAL ACTIVITIES

Our Group offers IC design services covering front-end design, back-end design and complete turnkey solutions. We also provide other related services such as post-silicon validation services, training and consultancy services. We are able to offer our complete range of IC design and post-silicon validation services to our customers such as IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses. We mainly focus on ICs such as ASICs, SoCs, CPUs and FPGAs. We generally provide IC design services with process node technology ranging from 20nm to 5nm. In 2022, we had also secured projects using 3nm process node technology.

The ICs that we design can be used for end products in the following industries:

| Industries | End products |
|---|---|
| Telecommunications | Telecommunication towers, phone switching systems, modems, routers, networking equipment and servers |
| Industrial electronics | Manufacturing equipment, power equipment and measurement equipment |
| Automotive | Sensors, entertainment systems, navigation systems and control systems |
| Consumer electronics | Desktop computers, laptops, smartphones, tablets, smart watches, servers, monitors, keyboards, mouses, smart glasses and smart home appliances. |

The types and profiles of the ICs for the projects we have undertaken are as follows:

(i) ASICs

ASICs are ICs that are designed for specific applications as compared to CPUs and FPGAs which are for general purposes. Generally, the cost of designing an ASIC is high and these ASICs are used for products that are produced in large quantities.

Since ASICs are designed for specific applications, they are able to offer better performance with lower power consumption and occupy smaller semiconductor footprint.

A typical ASIC will have functional blocks such as processors, memory and communication modules.

ASICs are mainly used in most industries including telecommunications, consumer electronics, automotive, data centres and aerospace and defence.

Among the ASIC related projects that we have performed are for our customers such as Customer A group of companies and Customer D, Xiamen KirinCore and Synkom Co. Ltd.

## 6. BUSINESS OVERVIEW *(CONT'D)*

(ii) SoCs

A system on a chip is an IC that integrates the entire computer system onto a single platform. A single SoC will have built in components such as processors, memory, input and output ports and analogue-to-digital converters. SoCs can perform a variety of functions including providing processing capabilities, signal processing and supporting wireless communications, while being able to perform the role of multiple ICs.

SoCs are mainly used in most industries including consumer electronics, industrial, general computing, data centres and automotive.

Among the SoC related projects that we have performed are for our customers such as Customers C and E.

(iii) CPUs

CPUs are dedicated processing units which act as the "brain" for electronic devices, and works alongside other semiconductor devices and passive components on a circuit board. CPUs are an integral part of a computing device as it is responsible for interpreting the computer's commands. A CPU performs the basic arithmetical, logical, and input/output operations of a computer system.

CPUs are mainly used in general computing and data centres.

Among the CPU related projects that we have performed are for our customers such as Customers C and E.

(iv) FPGAs

FPGAs are ICs that can be programmed for a specific use after they have been manufactured. FPGAs contain programmable cells which provide product developers the flexibility of customising the IC in various ways, without redesigning the IC. FPGAs are highly configurable and are used in many types of applications such as electronic equipment, smart energy grids, aircraft navigation, automotive driver assistance, medical ultrasound and data centre search functions. The FPGA's design approach also enables high performance applications which require a high degree of parallel operations, such as machine learning.

FPGAs are mainly used in industries such as telecommunications, aerospace and defence, consumer electronics, automotive and data centres.

Among the FPGA related projects that we have performed are for our customers such as Customer A group of companies and Customer B.

As at the LPD, we have a team of 217 engineers with various skillsets that are able to support a diverse range of projects including different types of design services, foundry technologies, process node technology and applications.

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## 6.4 OUR BUSINESS MODEL

The diagram below shows our business model:

| | | |
|---|---|---|
| Principal Activity | Provision of IC design services and other related services | |
| Business Segments | IC design services<br>(i) Specific design services<br>(ii) Turnkey design services (i.e. IP design turnkey and full IC design turnkey) | Others<br>(i.e. post-silicon validation services, training and consultancy services) |
| Customers | IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses | |
| Applications | *Type: ASICs, SoCs, CPUs and FPGAs (typically fabricated on process node technology ranging in size from 20nm to 5nm, in the world's leading foundries)<br><br>Industry coverage: telecommunications, automotive, industrial electronics and consumer electronics | |

**Note:**

* We are involved in the design of these types of ICs, but the ownership of the IPs, within an IC, belongs to our customers.

### 6.4.1 Our business segments

#### (i) IC design services

We are engaged by our customers in manners as explained below.

##### (a) Specific design services

We provide specific design services to our customers based on the resources required for a specific project over a defined time frame.

Our customers for this segment generally would already have in-house design teams and our services complement their existing teams. These customers include IDMs, fabless companies, fab-lite companies and other IC design houses.

The designing of ICs requires multiple design teams with specialised knowledge in their respective fields of expertise and tight adherence to product development timelines. Customers engage us for specific design services to address their resource and/or skills gap required for their IC development needs.

##### (b) Turnkey design services

We provide turnkey design services to our customers which comprise IP design turnkey and full IC design turnkey to be performed based on our customers' specifications.

For IP design turnkey, we provide IC design services for functional blocks within an IC based on the customers' specifications. Our customers for IP design turnkey generally would already have in-house design teams, but they may lack certain capabilities and/or resources. Our customers for IP design turnkey include IDMs, fabless companies, fab-lite companies, and other IC design houses.

For full IC design turnkey, we provide IC design services involving the designing of multiple IPs, integrating them into a single IC, managing the project and providing design automation functions based on the customers' specifications. Our customers for full IC design turnkey may not have the capabilities to design the entire IC, or they could be in a situation where they may choose to focus their resources on building other ICs. This allows us to supplement our customers' range of ICs. Our customers for full IC design turnkey include IDMs, fabless companies, fab-lite companies and electronic system providers.

Further, by providing turnkey design services, our customers are able to reduce costs and project risks by engaging a single service provider instead of managing multiple service providers.

In comparison with our specific design services segment, the turnkey design services are managed by us. This allows us the flexibility to form our own teams which are best suited for the project. Such projects are typically carried out at the customers' premise or at our premise through the setup of ODCs.

**(ii) Others**

We provide other related services such as post-silicon validation services, training and consultancy services.

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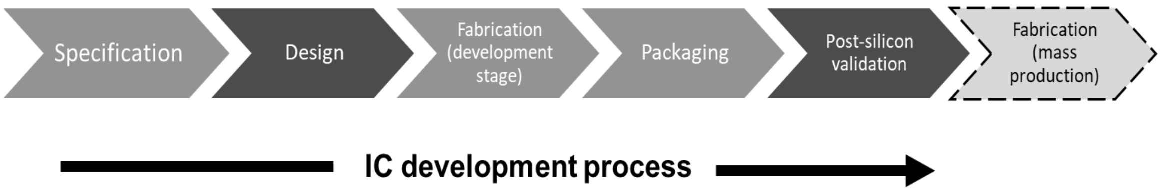
### 6.4.2 Our services

The design segment in the semiconductor industry value chain involves the IC development process. Only IDMs like Intel and Samsung Semiconductor are able to support the overall IC development process.

The IDMs are, however, supported by engineering support companies such as EDA software providers, IC design houses and various equipment manufacturers (e.g. wafer fabrication equipment manufacturers, wafer processing equipment manufacturers, test equipment manufacturers and assembly and packaging equipment manufacturers) based on their respective areas of expertise, to perform all or part of the core processes of IC development, namely design, fabrication (development stage and mass production), packaging and post-silicon validation.

The diagram below shows the IC development process prior to fabrication (mass production):




**Note:**

denotes the roles of our Group in the IC development process.

In the development of an IC, the specifications will be determined by our customers.

Our customers will then engage IC design houses like us for our IC design services. Our IC design services involve the process of designing and verification of an IC, up to the tape-out process. Tape-out is the stage where the design for ICs developed is ready for fabrication (at the development stage), i.e. the point at which the artwork for the photomask of the circuit is ready to be sent to the foundry.

The fabrication of an IC is performed (at the development stage) by the foundries into wafers.

The fabricated ICs (i.e. in the form of wafers) are then sent for packaging prior to post-silicon validation. Post-silicon validation is a process to validate that the IC is functional and conforms to the design specifications.

The IC will only be sent for fabrication (mass production) upon the completion of the entire development process as illustrated above.

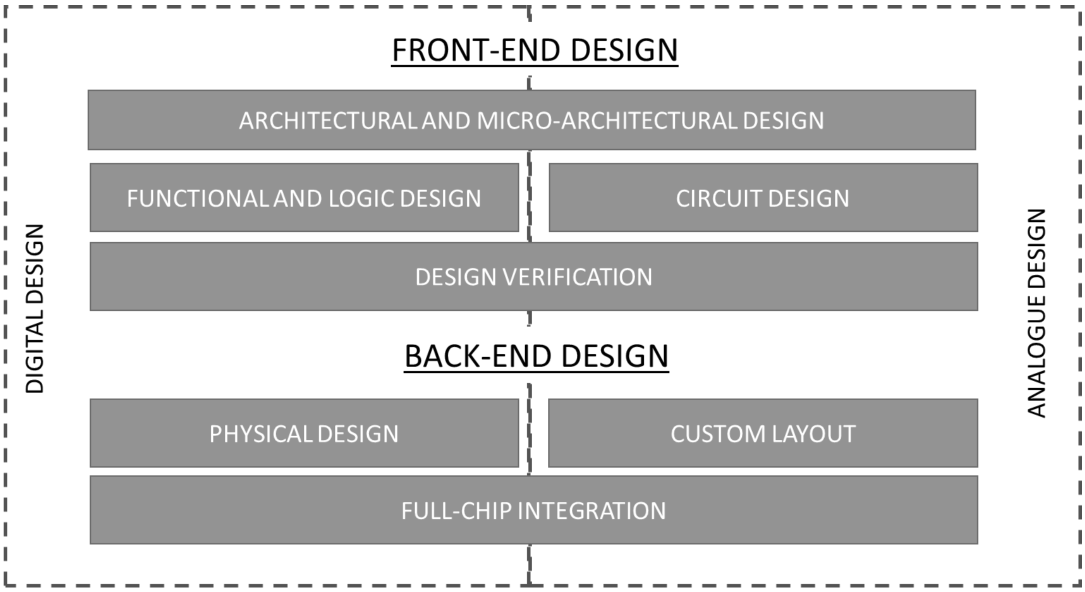
The design development cycle period required for an IC generally ranges between three (3) months to two (2) years and this varies depending on the functionality requirements and performance characteristics required of an IC.

**IC design services**

We offer a complete range of services within the IC design process, which can be separated into the front-end design and back-end design.

Front-end design refers to the set of processes required for creating a design that meets the functionality requirements of an IC as well as its verification.

Back-end design refers to the set of processes required in translating the design into physical implementations of an IC.




A typical IC consists of both digital and analogue circuitries.

Digital circuits operate by transmitting and processing digital signals, represented in the binary form of ones and zeros. Examples of digital circuits include processors, graphic accelerators, control electronics, as well as coding and decoding circuits.

Analogue circuits operate by transmitting voltage or current in a continuous manner. Examples of analogue circuits include amplifiers, oscillators, power regulators, analogue-to-digital converters, digital-to-analogue converters, transceivers and input/output interfaces.

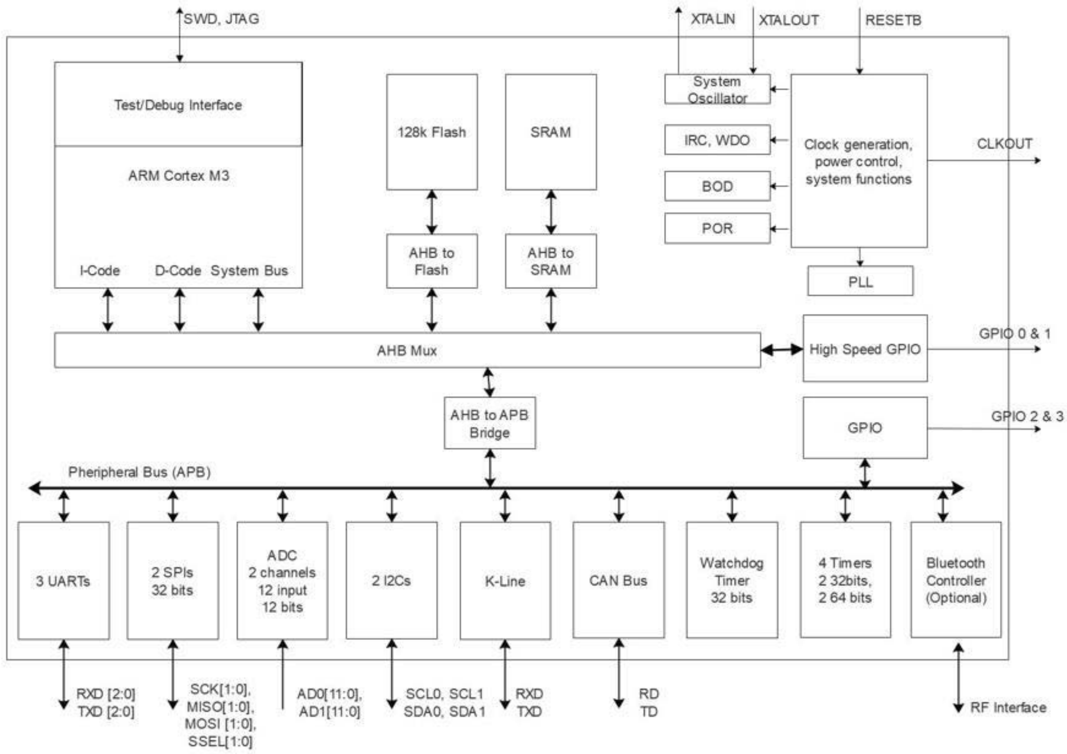
(i) Front-end design: Architectural and micro-architectural design

We provide architectural design services, being the initial stage of the IC design process. At this stage, the required functionality of the full IC is planned. Our design engineers will first communicate with our customers on the fundamental requirements and performance characteristics of the IC. The specifications provided at this stage include the digital and analogue functions of the IC and the required functions it must deliver, including the device's package, size, speed, power consumption and process node technology on which the IC will be fabricated on.

With these inputs, our design engineers will then perform simulations and subsequently advise on the foundry process type and technologies. Our design engineers will then plan the relevant functional blocks into the overall design, taking into consideration the optimal device size, functionalities and manufacturing costs. Subsequently, they will then discuss with our customers on the available options, which include the trade-offs considerations between costs, performance, technologies used and project timelines.

At this stage, the design is still at its conceptual stage and during the planning of the functional blocks of the IC, the priority of the design engineers is to determine the specific purpose of each of the blocks. For instance, the function of the memory block is to store information, the processor block is for the development of its computing capabilities while the communication interface block is to control the inbound and outbound communication.

The diagram below shows the architecture of an example of an IC:




We provide micro-architecture design services as an extension to the architecture design services, whereby the functional performance in each block is defined. With the completion of micro-architecture design, the internal specifications for each functional block in the IC design are established.

Typically, a design engineer needs to have experience and IC design knowledge to successfully plan out the functions of the IC. The design engineers will also need to have the necessary competency and proficiency in utilising various types of design tools and techniques.

The design engineers will need to work closely with the project management team to plan out the allocation of resources, manage the total design costs and the timeframe-related challenges required for a successful project execution.

(ii) Front-end digital design: Functional and logic design

We offer front-end digital design services, which are also termed as functional and logic design.

Functional and logic design focuses on ensuring the correct logic functionality of the IP or IC, while seeking to meet the required performance.

Our design engineers will first conceptualise the required functionality of an IP or IC, in RTL code using IC design industry languages such as Verilog and Very High Speed IC (VHSIC) Hardware Description Language (VHDL). These text-based RTL codes describe how an IC should behave given a certain set of inputs. Our back-end design engineers will then synthesize the RTL codes into gate-level designs by using the EDA tools and design libraries in one of the physical design stages.

(iii) Front-end analogue design: Circuit design

We offer front-end analogue design services, which are also termed as circuit design.

Circuit design focuses on designing circuits with the emphasis on fidelity, accuracy and signal integrity.

Circuit design is used when functional and logic design is unable to achieve the desired functionality. The analogue circuitry will be presented in the form of gate-level schematics to perform circuit simulation for analogue components to ensure circuit functionality and performance. This gate-level schematic will then be used by our back-end design engineers in the custom layout design.

Circuit design requires more human intervention compared to functional and logic design. Until today, the EDA tools for circuit design have not been automated to the same degree as for functional and logic design. This is primarily due to the nature of analogue circuitry, which would require more manually driven work even for a small design block.

(iv) Front-end design: Design verification

Our design verification service includes functional verification for both digital and analogue design implementations.

Our functional verification service is where our design engineers define test strategy (i.e. how to verify) and test planning (i.e. what to verify and the documentations required). This will complete functionality testing of the design according to the industry standards verification flow and methodology using EDA tools and ensures the quality design without functionality failures.

Our design verification team will also ensure that all required specifications provided are met and there are no unintended bugs in the device.

Part of the test plan is also to list out various functional checks and methodologies to be created and used in the verification process. Typically, the verification strategy incorporates a mix of random and semi-random test generations, alongside specific test-cases to cover all defined test scenarios.

In implementing the test plan, our design engineers will set up an environment to generate the tests needed to cover all defined scenarios. Our design engineers will also fix and verify any bugs, if found during the process.

The final portion of our design verification services involves conducting gate-level simulations to ensure functional correctness of circuits synthesized from the RTL code.

For analogue components, circuit simulation is performed by our design engineers utilising simulation software to model the electronic circuit, predict and verify the performance of the circuit.

(v) Back-end Design: Physical design

We offer physical design services, where the gate-level digital designs are converted into geometrical representations which are used in the fabrication process. Physical design involves multiple processes, with the assistance of EDA tools and design libraries which comprise the following stages namely synthesis, floorplanning, place and route, and physical verification. The design objective is to achieve performance, power and area conforming to specific foundry process requirements.

(a) during the synthesis stage, our design engineers convert the functional and logic design (i.e. in RTL codes) into gate-level designs. While EDA tools are utilised to synthesize these codes, our design engineers will still be required to have the expertise and necessary knowledge to create the instructions and develop constraints in order for the tools to perform the correct optimisation based on the specifications provided and the design intent.

(b) our design engineers will then decide on the floorplan, which is the placement of functional blocks and its connectivity within the IC. The three (3) main considerations for this stage are performance, power and die area.

(c) the place and route stage is when our design engineers construct the design to achieve optimal placement of transistors and interconnects within the IC.

(d) physical verification is the next stage, whereby our design engineers will verify the physical design's conformity to specifications (performed over a range of voltages, temperatures and fabrication processes) and compliance to foundry requirements called design rule check ("**DRC**"). Any non-compliance will require rectification. To achieve the desired outcome, the physical design process will require multiple iterations.

(vi) Back-end Design: Custom layout design

We offer custom layout design whereby analogue circuit (i.e. in the form of gate-level schematics) are converted into geometric layout used in an IP or IC, at transistor level. The geometric layout defines the physical placement of materials on layers that makes up all the transistors within an IC. In producing the geometric layout, analogue design techniques are deployed to preserve the electrical characteristic of an analogue circuit from process variations at the foundries.

While physical design looks into designing the entire IP based on available design libraries, custom layout design typically involves the creation of specific layout for the IP. We are also engaged to perform custom layout design when a customer seeks to create the layout of a standard cell within an IP or IC, which could be reused for their future IC designs. An example of such building blocks is a specific memory cell, which can be reused many times in the designing of an IC.

There is a set of foundry design rules that our design engineer is required to comply with, for all drawn layers and geometry. Once the custom layout design is completed, our design engineer will perform a complete set of physical verification checks to ensure database accuracy and DRC compliance.

(vii) Back-end Design: Full chip integration

As part of our full IC design turnkey projects, we provide full chip integration services where our design engineers integrate various functional blocks into a complete IC. Our design engineers are involved from the early stage of the project in order to set the proper design guidelines for the development of each functional block. This is performed after taking into consideration the IC's physical dimensions, power planning, signal integrity planning, packaging requirements and foundry requirements. To ensure all the guidelines are met, tools are deployed at functional block level, prior to integration.

The full chip integration team performs the final check before a design is sent to foundry for fabrication. Prior to releasing the final design to the foundry, the team needs to ensure all DRC are completed.

**Post-silicon validation services**

We offer post-silicon validation services which are to validate that the IC is functional and conforms to the design specifications. Post-silicon validation is the last stage of the development of an IC, before mass production. Where required by our IC design customers, we are able to perform post-silicon validation services for them.

**Post-silicon validation services**

- Device-system based validation
  - Testing will be performed on the IC with all other components of the system mounted with it on a reference or validation board
- Electrical characterisation and validation
  - Validating the electrical performance of the IC
- Software compatibility and debugging
  - Validating software compatibility, driver applications and operating systems of mobile devices, tablets, notebooks, desktops, and servers

(i) Device-system based validation

We provide device-system based validation, whereby testing will be performed on the IC with all other components of the system mounted with it on a reference or validation board. This process validates and simulates real-life applications of the IC that a customer might eventually have in an actual deployment and to qualify that the IC works.

Part of our services offering at this stage includes the design of validation boards, validation programs and supporting the fabrication process involved.

(ii) Electrical characterisation

We provide electrical characterisation services, whereby it is the process of validating the electrical performance of the IC. This stage is to ensure our designed product meets our customer's requirements. The function of electrical characterisations is to look into the frequencies, operating temperatures and signal integrity of the IC.

To achieve this, our service offerings here include the design of test boards and generating the data sequence needed for testing. We are also able to provide support to our customers in developing development kits, which are supplied to their customers to accelerate the process of developing electronic systems around the designed IC.

(iii) Software compatibility and debugging

We provide software compatibility and debugging services to validate software compatibility, driver applications and operating systems of mobile devices, tablets, notebooks, desktops, and servers.

Software compatibility and debugging are done to ensure a particular hardware is able to interface well with the software developed and if a device operates as predicted. Software compatibility debugging typically looks into multiple operating systems, applications and communication protocols.

Part of the work of our design engineers of these services is to develop scripts to automate test processes and data extraction, run analysis and to perform debugging.

**Training and Consultancy**

We also provide training and consultancy services to our customers which include tertiary institutions. The training and consultancy services provided by our Group involve conducting courses and provision of advisory services in the area of IC design for our customers, as and when requested, and are based on the scope determined by our customers. The trainers are not required to be certified and there are no certificates provided to the attendees.

In the past, we were invited by a government body and tertiary institutions to conduct introductory courses and technical training on specific areas of IC design such as functional and logic design, circuit design, physical design and custom layout design for educational purposes.

## 6.5 OUR BUSINESS SEGMENTS AND PRINCIPAL MARKETS

### (i) Our business segments

The table below sets out our revenue by business segments for the Financial Years Under Review and Financial Periods Under Review:

| | **Audited** | | | | | | **Unaudited** | | **Audited** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **FYE 2020** | | **FYE 2021** | | **FYE 2022** | | **FPE 2022** | | **FPE 2023** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| **IC Design** | | | | | | | | | | |
| Specific design services | | | | | | | | | | |
| - Front-end design | 515 | 3.23 | 601 | 2.06 | 282 | 0.56 | 283 | 1.07 | 139 | 0.48 |
| - Back-end design | 7,023 | 43.98 | 6,184 | 21.13 | 10,214 | 20.20 | 5,083 | 19.24 | 5,231 | 18.16 |
| | 7,538 | 47.21 | 6,785 | 23.19 | 10,496 | 20.76 | 5,366 | 20.31 | 5,370 | 18.64 |
| Turnkey design services | 8,423 | 52.76 | 22,422 | 76.62 | 39,973 | 79.06 | 21,051 | 79.69 | 23,445 | 81.36 |
| | 15,961 | 99.97 | 29,207 | 99.81 | 50,469 | 99.82 | 26,417 | 100.00 | 28,815 | 100.00 |
| **Others** | 4 | 0.03 | 55 | 0.19 | 92 | 0.18 | 1 | * | - | - |
| **Total** | **15,965** | **100.00** | **29,262** | **100.00** | **50,561** | **100.00** | **26,418** | **100.00** | **28,815** | **100.00** |

**Note:**

***** Negligible.

**(ii) Our principal markets**

The table below sets out our revenue by principal markets for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Local** | 7,021 | 43.98 | 4,045 | 13.82 | 7,652 | 15.13 | 3,351 | 12.68 | 6,797 | 23.59 |
| **Overseas** | | | | | | | | | | |
| China | 8,423 | 52.76 | 22,424 | 76.63 | 39,409 | 77.94 | 21,053 | 79.70 | 20,710 | 71.87 |
| Japan | 158 | 0.99 | 2,443 | 8.35 | 3,318 | 6.56 | 1,981 | 7.50 | 890 | 3.09 |
| Singapore | 363 | 2.27 | - | - | 149 | 0.30 | - | - | 418 | 1.45 |
| USA | - | - | 350 | 1.20 | 33 | 0.07 | 33 | 0.12 | - | - |
| | 8,944 | 56.02 | 25,217 | 86.18 | 42,909 | 84.87 | 23,067 | 87.32 | 22,018 | 76.41 |
| **Total** | **15,965** | **100.00** | **29,262** | **100.00** | **50,561** | **100.00** | **26,418** | **100.00** | **28,815** | **100.00** |

## 6.6 OUR COMPETITIVE STRENGTHS

### 6.6.1 We have capabilities to provide turnkey design services for ICs such as ASICs and FPGAs

Our Group started with providing back-end design services back in 2014. We subsequently built up a team to offer front-end design services and expanded our offerings to include turnkey design services i.e. IP design turnkey and full IC design turnkey. Our ability to undertake turnkey design services allows our customers to deal with a single service provider instead of managing multiple service providers.

The undertaking of a turnkey design project entails the formation of a project team consisting of design engineers in the front-end, back-end, project management, and design automation departments. The number of design engineers needed in a turnkey design project varies based on its complexity, timeline, and scope. As at the LPD, we have a total of 217 engineers, which enables us to bid and execute projects which could require the involvement of 80 to 120 design engineers at any point in time, throughout the tenure of the project. To undertake such projects require us to have a complete front-end and back-end design team. The front-end and back-end design process require specific specialised skillsets which are distinctly different. The front-end design engineers are generally able to provide IC design services in the area of front-end design only, while back-end design engineers are generally able to provide IC design services in the area of back-end design only.

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The table below sets out the level of seniority of our engineers:

| Level of seniority | Number of engineers |
|---|---|
| Managerial level (with more than 7 years of experience) | 65 |
| Middle level (more than 3 years but less than 7 years of experience) | 80 |
| Junior level (less than 3 years of experience and fresh graduates) | 72 |
| **Total** | **217** |

The utilisation rate of our design engineers was approximately 57.86%, 73.27% and 89.82% for FYEs 2020, 2021 and 2022 respectively. For FPE 2023, the utilisation rate of our design engineers was approximately 85.17%. Please refer to Section 6.13 of this Prospectus for further details on the utilisation rate of our design engineers.

We have in the past successfully completed turnkey design projects involving ICs such as ASICs and FPGAs. According to the IMR Report, a major driving factor of the growth in the global demand for ICs is rapid technological advancements, which continue to promote new product innovation in the market as industry players need to ensure their products remain competitive.

The technological advancements used in applications such as mobile and wireless devices, 5G wireless networks and AI products will require continuous development in ASICs and FPGAs.

In order to remain competitive, we keep abreast with the latest process node technology that is commercially applied i.e. 7nm or 5nm such that our design engineers are aligned with the latest design developments provided by the foundries. This will further allow our Group to be able to secure projects which utilise the next generation process node technology i.e. 3nm or 2nm.

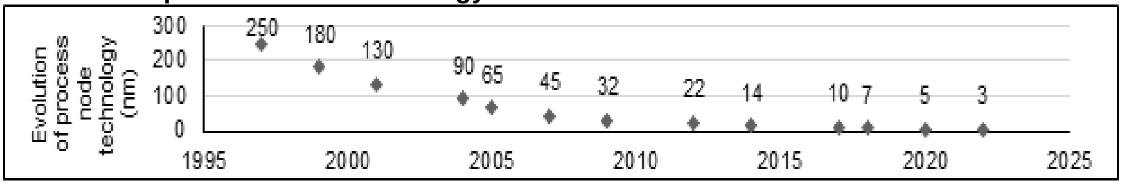
The factors above have provided us a platform to grow our business, as reflected in our revenue growth from approximately RM15.97 million in FYE 2020 to approximately RM50.56 million in FYE 2022. In addition, our Group recorded a revenue of approximately RM28.82 million in FPE 2023.

### 6.6.2 We have capabilities in designing ICs fabricated using advanced process node technology

Rapid technological advancements in applications such as mobile and wireless devices, 5G wireless networks and AI products have been a major driver for the semiconductor industry. This in turn has driven the demand for more sophisticated ICs. To meet this technological trend, the semiconductor industry is constantly pushing for development towards finer process nodes. The process nodes improvements have allowed the increase in transistor density, faster processing speed and lower power consumption.

At present, the most advanced process node technology that is currently in production is in the order of three (3) nm. The diagram below describes the evolution of process node technology from 1995 to 2022.

**Evolution of process node technology**




*Source: Smith Zander*

We delivered design projects using 14nm process node technology in 2015, 10nm process node technology in 2016, 7nm process node technology in 2018 and 5nm process node technology in 2021. Furthermore, in 2022, we had also secured projects using 3nm process node technology. We have been able to successfully deliver IC design projects based on these process node technologies due to our knowledge in FinFET technology, which is an enabling technology for ICs commercially fabricated using 14nm and finer process node technology.

### 6.6.3 We have experience in working on IC designs fabricated by various foundries for our customers

Typically, our customers engage us to perform IC design services, while engaging foundries for the fabrication process. Each IC design project is foundry-specific, as each foundry process has its own set of design rules. The designing of ICs will need to conform to design rules of the respective foundry processes. The design rules specify (a) geometric restrictions such as object width, object length and spacing between objects within specific layers; and (b) connectivity restrictions such as maximum routing density and routing shapes, as provided by the foundries and which our design engineers need to abide by when designing an IC.

Each IC design house designing ICs with the same process node technology will have to meet standard pre-requisite requirements on the design rules set by the foundries for the fabrication process. Different foundries will have different sets of design rules for the IC design houses to meet. Similarly, different process node technologies will also have different sets of design rules for the IC design houses to meet.

We have completed IC design projects, where the ICs were fabricated by the world's leading foundries such as TSMC, Samsung Semiconductor, Intel and Global Foundries Inc. Our experience with various foundry processes has also allowed us to secure projects from customers who were looking to perform process migration. Process migration is the modification of design for fabrication of an IC in another foundry, taking into consideration process variations, and fulfilling the design to meet rules and parameters of the new desired foundry process. Our ability to support IC design projects over multiple foundry processes provides us the flexibility to bid for various future projects.

In the past, we have not experienced any failures in meeting the design rules set by the foundries.

### 6.6.4 We have the ability to secure and retain global customers

Our customers are IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses. During the Financial Years Under Review and Financial Periods Under Review, we have secured customers in Malaysia, China, Japan, Singapore and USA, some of which are MNCs that are headquartered in USA and Japan.

As a supplier to IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses, we have to comply with their quality control requirements and stringent supplier selection processes. Over the years, we have maintained a good working relationship with our customers by delivering IC design services that meet their specifications and requirements, on a timely basis. Testament to this, we have secured recurring orders/contracts from our customers. Please refer to Section 6.17 of this Prospectus for further details on our major customers.

In addition, certain of our design engineers possess multi-lingual competencies and are able to communicate with customers in multiple languages such as English, Mandarin and Japanese. This provides us with an advantage when dealing with overseas customers, especially in China and Japan. Our success in securing and retaining our global customers is a testament to our service quality, customer service and proven industry track record.

### 6.6.5 We have an experienced management and technical team

We have an experienced and capable management team who has been collectively contributing to the growth and development of our Group. Our Key Senior Management is equipped with the relevant expertise and experience in the designing ICs.

Our Executive Director/Chief Executive Officer, Ng Meng Thai, our Executive Director/Chief Technology Officer, Cheah Hun Wah and our Executive Director/Chief Operating Officer, Tan Chun Chiat have at least 25 years of experience respectively, in the IC design industry. They have contributed significantly to our Group's historical expansion and will continue to play pivotal roles in our Group's future growth. Under the management team, our Group has successfully grown and positioned ourselves as a complete IC design turnkey service provider.

They are supported by a key management/technical team which comprises:

(i) Chin Fung Wei, our Chief Financial Officer with approximately 25 years of experience in finance and accounting related fields. He is responsible for overseeing accounting and finance functions of our Group.

(ii) Willetts Lim Wei Lit, our Engineering Director (Back-End Design) with approximately 27 years of experience specialising in physical design and full chip integration. He is responsible for overseeing and managing our back-end design operations.

(iii) Lee Chun Keat, our Engineering Director (Front-End Design) with approximately 26 years of experience specialising in logic design and functional verification. He is responsible for overseeing and managing our front-end design operations as well as the operations of AIRIS Labs.

A combination of knowledge and relevant working experience in the IC design has enabled our key management team to lead the workforce of our Group, develop sustainable business strategies and capture business opportunities available in the IC design industry, all of which drive the growth of our Group's business. Our dedicated key management team coupled with their focus on customers' needs, are key to the success of our Group.

Please refer to Sections 4.2.2 and 4.5.2 of this Prospectus for the profiles of our Directors and Key Senior Management respectively.

## 6.7 OUR FUTURE PLANS AND BUSINESS STRATEGIES

### 6.7.1 Expansion of our workforce

We plan to expand our workforce to support the demands of our existing and potential customers and to continue developing our human resources capabilities, thus ensuring our long-term sustainability. The scaling up of our operations and by gaining access to a larger workforce will allow us to compete for more orders/contracts. We intend to increase our total workforce by 280 comprising design engineers for IC design and engineers/technicians for post-silicon validation services. Such amount is expected to be utilised over 36 months. We intend to hire the new design engineers and post-silicon engineers/technicians locally and may also hire expatriates from countries such as India and Indonesia. These design engineers and post-silicon engineers/technicians are expected to be based in Penang and Kuala Lumpur.

In line with the revenue growth of our Group for the Financial Years Under Review and Financial Periods Under Review, our Group has concurrently increased the number of design engineers. We have increased our design engineers from a total of 128 personnel in FYE 2020 to 155 personnel in FYE 2021 and further increased to 169 personnel in FYE 2022 and 203 personnel in FPE 2023. As at the LPD, we have a total of 214 design engineers and 3 post-silicon engineers. The design engineers that we hire are mainly engineering degree holders in electrical and electronics or microelectronics.

In addition, the contract value for turnkey design projects is larger and it allows us to have flexibility and more efficient use of our skilled labour resources. In view of this, our Group decided to focus our business direction on securing more turnkey design projects since FYE 2020. For FYEs 2020, 2021 and 2022, approximately 52.76%, 76.62% and 79.06% of our total revenue respectively were derived from turnkey design services. For FPE 2023, approximately 81.36% of our total revenue was derived from turnkey design services. We expect our turnkey design services to continue to be our largest revenue contributor moving forward.

The undertaking of a turnkey design project entails the formation of a project team consisting of design engineers from the front-end, back-end, project management, and design automation departments. The number of design engineers needed in a turnkey design project varies based on its complexity, timeline and scope. The turnkey design projects could require the involvement of between 80 to 120 design engineers at any point in time, throughout the tenure of the project. Having sufficient design engineers with IC design knowledge and technical expertise will enable us to secure more orders/contracts and sustain the business of our Group.

Further, the turnkey design services that we offer to our customers require high cash commitment as the design engineers involved in such projects are hired under our Group's payroll. For turnkey design projects, we pay the salaries of our design engineers at the end of each month, but we invoice our customers on a milestone basis, typically ranging from three (3) to six (6) months. Furthermore, we provide credit terms of between 30 to 90 days to our customers.

For the Financial Years Under Review and Financial Periods Under Review, the revenue contribution from our post-silicon validation services was minimal (i.e. less than approximately 0.02% of our Group's total revenue) and carried out on an ad-hoc basis by our design engineers. Due to the high demand for our IC design services coupled with limited resources, we had allocated our workforce to focus on our IC design services.

As part of our future plan to expand our post-silicon validation services, we intend to grow this business through cross-selling opportunities with our existing IC design customer base. The offering of post-silicon validation services will require us to hire more post-silicon engineers/technicians and will complement our IC design business, further expanding our service offerings. We intend to hire 65 post-silicon engineers/technicians over the next two (2) years upon Listing. These post-silicon engineers/technicians will be placed in Alpha Core.

We had, in 2022, entered into a strategic partnership agreement with Sophic Automation to further strengthen our offerings in post-silicon validation services by leveraging on Sophic Automation's engineering resources and customer base. Sophic Automation has the technical expertise and experience in automated digital solutions and product engineering services, which enables Sophic Automation to carry out post-silicon validation services for semiconductor products, including those used in the fabrication of hardware for smart solutions that enable Industry 4.0. Sophic Automation's major customer in post-silicon validation services is an IDM in computer peripherals such as microprocessors.

An important factor that potential customers consider before they engage us as a supplier is the availability of workforce capability and capacity. Due to majority of our design engineers being dedicated to the current contracts with our existing customers, we may face resource constraints to secure new orders/contracts from existing and/or potential customers. As such, the expansion of workforce is crucial to allow us to compete for more orders/contracts and to be in a stronger position to tap into larger potential customers previously not accessible to us. This also provides more flexibility in managing resources and delivering our services on a timely basis. Due to the nature of our business which requires no upfront capital investment, the resources can be easily transferred between different projects.

As part of our effort to build knowledge workers in Malaysia and to also secure a future workforce of design engineers, our Group currently has collaborations with five (5) tertiary institutions, i.e. USM, INTI Penang, UniMAP, UTAR and APU. The collaborations would involve creating a structured program to develop knowledge workers through activities such as R&D, industry lectures, on-site training, boot camps, internships and provide employment opportunities.

The expansion of our workforce is in line with the expected growth of the global IC design industry. According to the IMR Report, the global IC design sales increased from NTD3.37 trillion (RM433.39 billion) in 2016 to an estimated NTD5.60 trillion (RM827.13 billion) in 2022, at a CAGR of 8.83%.

The growth in the global IC design industry is driven by the following key drivers:

(i) Continuous technological advancements leading to innovation in end-user products drive the demand for ICs, which in turn drive the sales of IC design services

A major driving factor of the growth in the global demand for ICs is rapid technological advancements, which continue to promote new product innovation in the market as industry players need to ensure their products remain competitive.

Moving forward, it is expected that the introduction of new end-user products integrated with the lifestyle of today's society will continue to increase. The continuous technological advancements leading to product innovation will drive the sales of IC design services.

(ii) Increase in IC design service outsourcing creates growth opportunities for IC design houses

Following the evolution of process node technology, IC design has become increasingly complex and expensive.

In order to reduce IC design operational costs and to focus on the companies' core business, many semiconductor companies such as IDMs, fabless companies and fab-lite companies outsource all (e.g. full IC design basis) or parts (e.g. specific design or functional block basis) of their IC design processes to IC design houses. By outsourcing, these semiconductor companies will be able to increase the productivity of their business without having the need to increase the size of their team.

In light of this, IC design houses have emerged in various countries, including Malaysia, to cater to the growing need of the semiconductor companies. This outsourcing trend has, and is expected to continue to, create growth opportunities for IC design houses.

(iii) Growth in the semiconductor industry drives the sales of IC design services

As a supporting industry to the semiconductor industry, the demand for IC design services is driven by the growth in the semiconductor industry.

In 2019, global semiconductor sales decreased by 12.05% from USD468.78 billion (RM1.89 trillion) in 2018 to USD412.31 billion (RM1.71 trillion) in 2019, mainly due to uncertainties resulting from the escalation of the USA-China trade war. Nevertheless, driven by continuous technological advancements which led to increased usage of semiconductors in various end-user applications, global semiconductor sales recovered at a CAGR of 12.06% from USD412.31 billion (RM1.71 trillion) in 2019 to an estimated USD580.13 billion (RM2.55 trillion) in 2022. Further, the WSTS expects global semiconductor sales to decrease by 4.06% from USD580.13 billion (RM2.55 trillion) in 2022 to USD556.57 billion (RM2.45 trillion) in 2023, in view of a slowdown in semiconductor sales in the Asia Pacific region which is largely exposed to weakened consumer demand for E&E products and expected to weaken the demand for memory ICs.

In Malaysia, the production of semiconductor related ICs and other semiconductor components registered a CAGR of 14.60% from 90.92 billion units in 2019 to 119.41 billion units in 2021, which signifies growing demand for semiconductors. Smith Zander estimates the production of semiconductor related ICs and other semiconductor components to have grown by 16.25% from 119.41 billion units in 2021 to 138.82 billion units in 2022.

The growth in semiconductor sales will also be driven by increasing usage of ICs in various end-user applications as contributed by technological advancement such as the prevalence of mobile and wireless devices, 5G wireless networks and AI. The continuing growth in the semiconductor industry is thus expected to continue to drive the sales of IC design services.

Please refer to Section 7 of this Prospectus for the industry overview of the global semiconductor industry and global IC design industry.

To ensure future profitability and sustainability of our Group, our Group requires the availability of workforce capability and capacity. This is an important factor that the potential customers consider before they engage our Group as a supplier.

The increase of workforce capability and capacity is premised on the order book as at the LPD, the current negotiations with existing and potential customers for additional orders/contracts as well as enquiries/invites received from potential customers. As at the LPD, our order book stood at approximately RM34.29 million, which mainly consists of turnkey design services and this is expected to be recognised in the next 12 months. Our current order book consists of turnkey design service projects and these projects are generally more complex in nature and our Group is able to utilise its resources more efficiently. Hence, turnkey design service projects are usually of higher margins than specific design service projects and majority of the design engineers are currently dedicated to working on the existing contracts with our Group's customers. However, our order book may change at any particular point in time as a result of additions, deferrals or rescheduling due to customers' requests.

Generally, our customers such as Customer A group of companies, Customer D, Synkom Co. Ltd and Customer E group of companies engage our IC design services by way of purchase orders which last for a period of between three (3) to six (6) months. Further, we do not have any long-term contracts with our customers. Hence, our order book, at any specific point in time, is just an indication or a portion of the actual annual revenue of our Group. In the past, we had to decline projects due to resource constraints. As such, it is crucial for our Group to expand our workforce to secure more orders/contracts and hence allow us to grow our revenue and profitability.

As at the LPD, we have received enquiries from existing and potential customers from China, Malaysia, India, Japan and Taiwan for both specific design services and turnkey design services. The projects from the enquiries may require a total of up to 200 design engineers.

Should our Group be able to continuously secure such turnkey design service contracts as in FYE 2022, the GP margin of our Group is not expected to decrease upon the recruitment of the 280 design engineers as turnkey design services will command better margins as compared to specific design services and the securing of such turnkey design service contracts will contribute to our revenue and allow our Group to be able to maintain the revenue mix in FYE 2022 i.e. approximately 79.06% from turnkey design services and 20.76% from specific design services. For FPE 2023, the revenue mix of our Group was approximately 81.36% from turnkey design services and 18.64% from specific design services. Please refer to Section 8.1.5 of this Prospectus for further details on the risk factors in relation to our Group not having long-term contracts and for our financial performance being dependent on our ability to continually secure new purchase orders and/or contracts to ensure the continuity of our order book.

While our Group is in the progress of securing additional orders/contracts, our GP margin may be affected by the cost of expansion of workforce. However, we are in constant communication with our customers for them to share their development roadmap. We will then adjust the hiring and allocation of our workforce based on the feedback from our customers.

We also train our design engineers to be able to perform multiple technical functions within the IC design process. By doing so, this allows our Group to have flexibility in managing our workforce resources. This will minimise the risk of underutilisation of our workforce resources.

We believe that the expansion of our workforce will allow our Group to meet the demands of our existing and potential customers. This in turn will continue to enhance our Group's earnings and will also facilitate our business strategies.

We plan to utilise RM50.00 million from the IPO proceeds for expansion of our design engineering workforce over the next three (3) years.

### 6.7.2 Expanding our geographical footprint both locally and overseas

As at the LPD, we are operating from our rented offices in Penang, Kuala Lumpur and Shanghai.

Currently, we have ODC facilities of approximately 10,500 sq ft in our rented offices in Penang and approximately 3,000 sq ft in our rented office in Kuala Lumpur. There is no ODC facility in our rented office in Shanghai. Please refer to Annexure A for further details of our material rented offices.

We plan to establish, by renting, our New Penang Office, India Office, Singapore Office and Taiwan Office over the next three (3) years to provide design services and support to our customers as well as to expand our design engineering team.

**(i) New Penang Office**

Currently, we have a total workforce of 192 employees who are based in our current offices in Penang. These employees provide services to our customers in various countries such as China, Japan, Singapore and USA.

In view of our business expansion plans which include the expansion of our workforce, our existing offices in Penang are insufficient to cater for such plans and strategies. As such, we intend to rent additional floor space of 20,000 sq ft in Penang to expand our design engineering team and to support our business operations such as the provision of IC design and post-silicon validation services and to conduct R&D activities. We will continue to rent the current offices in Penang. Our New Penang Office is expected to have ODC facilities with an estimated area of 16,000 sq ft and it is expected to cater for 200 additional employees.

As at the LPD, we are still in the midst of identifying the exact office location for our New Penang Office as we intend to rent an office space which meets with the criteria of having a floor space of approximately 20,000 sq ft, ample car parks and good amenities nearby, such as restaurants and a gymnasium.

Our Group has been operating in Penang since our inception. There are various MNCs such as Intel, Advanced Micro Devices Inc., Renesas Electronics Corporation and Broadcom Inc. that have established operations in IC design in Penang.

Being situated in Penang provides us with proximity to some of our existing and potential customers to serve them better and secure more IC design projects in the future. In addition, we can have better access to more engineers with IC design experience from the semiconductor industry in Penang. We have also established collaborations with USM and INTI Penang. These collaborations provide us channels to hire new design engineers from the said institutions. As such, we intend to continue our expansion in Penang, which will continue to serve as our headquarters in the future and also serve our customers from other countries.

The estimated cost of establishing our New Penang Office includes rental expenses, renovation works, initial purchase of office equipment and IT infrastructure which include laptops, servers, closed-circuit television (CCTV) system and network cabling and equipment, and other operating expenses over 36 months is RM9.70 million. Such cost will be funded through our IPO proceeds.

We intend to set up our New Penang Office by the first ($1^{st}$) half of 2023.

**(ii) Overseas expansion in India**

We intend to rent a new office in India to increase our market presence and expand our design engineering team.

For our India Office, we are currently exploring potential locations within Bangalore or Chennai. This would provide us with opportunities to hire design engineers as permanent employees to be based in India in the future. As at the LPD, we have engaged five (5) external design engineers, who are based in India, to provide IC design services for our customers from various countries. This would also allow us to tap into the talent pool in India and the India Office is intended to serve our customers in India as well as to support our Group's business in the markets that we may serve in the future. The estimated floor space for our India Office is 4,500 sq ft. As at the LPD, we have yet to identify the exact office location for our India Office.

India has an established IC design industry and has engineers who are experienced in designing ICs. MNCs such as Intel and Texas Instruments Incorporated have established offshore design teams in India since the 1980s and local IC design firms such as Infosys Limited, Tata Consultancy Services Limited and Wipro Limited have since emerged. Currently, India also houses other major semiconductor firms including Broadcom Inc., NXP Semiconductors N.V., Samsung Semiconductor and Micron Technology Inc.. Being able to operate in India would provide us the opportunity to better access the talent pool in India and increase our design capability and capacity. This would also allow us to explore business opportunities in India.

With the established IC design industry and availability of talent pool in India, we intend to establish an IC design team in India to provide us proximity to some of our existing customers (such as MNCs who have operations in India) and potential customers to serve them better and secure more IC design projects in the future. In addition, we also received recent enquiries from a potential customer in India.

The estimated cost of establishing our India Office includes initial company set-up costs and professional fees, rental expenses and initial purchase of IT infrastructure which include laptops, and payroll expenses for 30 IC design engineers and other operating expenses over 36 months is RM5.50 million. Such cost will be funded through our IPO proceeds.

We intend to set up our India Office by the second (2$^{nd}$) half of 2023.

**(iii) Overseas expansion in Singapore**

We intend to rent a new office in Singapore to increase our market presence, enhance our sales and marketing presence and expand our design engineering team.

For our Singapore Office, we are currently exploring potential locations within the Central Business District or Jurong District. The estimated floor space for our Singapore Office is 2,000 sq ft. As at the LPD, we have yet to identify the exact office location for our Singapore Office.

Singapore has the presence of MNCs which have existing design teams, such as Infineon Technologies AG, Intel, MediaTek Inc. and Qualcomm Inc.. Being able to operate from Singapore would also provide us close proximity to foundries such as Global Foundries Inc., which has operations based in Singapore. The setting up of our Singapore Office will allow us to hire a team of experienced design engineers based in Singapore. Further, by establishing an office in Singapore, which is a regional hub selected by many MNCs, would provide us with sales and marketing access to the regional market.

The estimated cost of establishing our Singapore Office includes initial company set-up costs and professional fees, rental expenses, initial purchase of office equipment and IT infrastructure which include laptops, and payroll expenses for one (1) sales and marketing employee and nine (9) IC design engineers for over 36 months is RM5.00 million. Such cost will be funded through our IPO proceeds.

We intend to set up our Singapore Office by the first ($1^{st}$) half of 2024.

**(iv) Overseas expansion in Taiwan**

We intend to rent a new office in Taiwan to increase our market presence, enhance our sales and marketing presence and expand our design engineering team.

For our Taiwan Office, we are currently exploring potential locations within Hsinchu or Taipei due to close proximity to our potential customers in the semiconductor industry. This would provide us with opportunities to secure more IC design projects in the future. The estimated floor space for our Taiwan Office is 2,000 sq ft. As at the LPD, we have yet to identify the exact office location for our Taiwan Office.

Taiwan has an established IC design industry and has experienced engineers in designing SoCs and ASICs as well as being familiar with fabrication processes at foundries such as TSMC and UMC. The setting up of our Taiwan Office will allow us to hire a team of experienced design engineers based in Taiwan. Further, the expansion into Taiwan would also provide us with increased market visibility and an improved business network. Being able to operate in Taiwan would also provide us with close proximity to foundries such as TSMC and UMC, hence potentially allowing us to further explore our business relationship with the foundries.

In addition, due to linguistic and cultural similarities, we will be able to, through our Taiwan Office, provide more effective IC design services and sales support to our potential customers.

The estimated cost of establishing our Taiwan Office includes initial company set-up costs and professional fees, rental expenses and initial purchase of IT infrastructure which include laptops, and payroll expenses for one (1) sales and marketing employee and ten (10) IC design engineers over 36 months is RM4.80 million. Such cost will be funded through our IPO proceeds.

We intend to set up our Taiwan Office by the second ($2^{nd}$) half of 2023.

### 6.7.3 Business expansion through investments and acquisitions

Part of our future plans is to expand our business through investments and acquisitions that are largely complementary to our existing business or provide additional revenue streams while enhancing our competitive advantage.

We intend to expand horizontally, which include potential mergers and acquisitions, strategic collaborations and/or joint ventures with companies in the semiconductor industry as and when any suitable opportunity arises. This strategy will allow our Group to tap into the potential growth in demand for IC design services or acquisition of assets that complement our design portfolio. Such expansion strategies would also potentially broaden our service offerings, widen our geographical reach and customer base while contributing to incremental growth of our Group.

As at the LPD, we have yet to identify any potential mergers and acquisitions, strategic collaborations and/or joint venture opportunities. Such companies can be based in Malaysia or overseas.

The decision to acquire and/or invest in any such asset or business would involve having to consider criteria such as valuation, capital requirement, business synergies, potential value creation to our existing business as well as expected return on investment. Such expansion will be funded through our internally generated fund.

We further intend to engage with other companies to form strategic partnerships that are synergistic with our existing business. In 2022, we have forged a strategic partnership with Sophic Automation to complement our post-silicon validation services. By entering into this partnership, we are able to strengthen our track record and gain access into new markets.

### 6.7.4 Expanding our post-silicon validation services

Our Group has been involved in providing IC design services for around eight (8) years and has accumulated industry experience and established business relationships with our customers. Post-silicon validation is a required final step in the IC development process. In 2019, we started to offer post-silicon validation services through Alpha Core. Through cross-selling opportunities, our post-silicon validation services will benefit from our existing IC design customer base.

The offering of post-silicon validation services will complement our IC design business and is expected to increase our revenue. The strategic partnership we forged with Sophic Automation in 2022 will further expand our customer base and capabilities in delivering post-silicon validation services. As at the LPD, we have hired 3 post-silicon engineers for our post-silicon validation services and started exploring new business opportunities with the existing customers of our Group and Sophic Automation in Malaysia and China by offering post-silicon validation services to them. Furthermore, the provision of post-silicon validation services allows us to further expand our service offerings.

### 6.7.5 We plan to develop our own IPs for RISC-V based SoC, IPs for AI and machine learning applications as well as IPs for FPGA

Currently, our customers engage us to develop IPs within an IC and these IPs are owned by them.

We have completed R&D on AI ASIC, which is an IC for AI and machine learning capabilities in 2020 (tape-out was completed in 2019).

We intend to develop our own IPs for RISC-V based SoC, IPs for AI and machine learning as well as IP for FPGA. This is expected to further enhance and differentiate our service offerings. Typically, the designing of an IC involves development of IPs which provide specific functionalities. Some of these IPs can also be applied to other ICs which require such IPs. In doing so, the designing process will have a shorter product development cycle. Through the development of our own IPs, we can potentially increase our revenue stream by licensing of these IPs, which is an industry norm.

We intend to undertake the following:

**(i) IPs for RISC-V based SoC**

We intend to further enhance our competitiveness in SoC design by developing IPs which will complement our ability in offering our turnkey design services. We intend to focus on IPs suited for SoC based on RISC-V architecture, which is an open-source initiative to develop a new generation of processors through open standard collaborations.

We have commenced the following project:

| Project | Description | Actual commencement date | Target completion date |
|---|---|---|---|
| IPs for RISC-V based SoC | Development of IPs required in RISC-V based SoC. IPs developed will include peripheral IPs required for SoC. | Fourth (4th) quarter of 2021 | Second (2nd) quarter of 2025 |

**(ii) IPs for AI and machine learning applications**

We intend to further enhance our competitiveness by developing IPs for AI and machine learning applications. This would build upon our AI and machine learning capabilities established through our subsidiary, AIRIS Labs which has successfully developed IPs for AI and machine learning.

AI and machine learning applications are mainly used in industries such as healthcare, retail and commerce, food and beverage, financial services, manufacturing, logistics, automotive and robotics.

We have commenced the following project:

| Project | Description | Actual commencement date | Target completion date |
|---|---|---|---|
| IPs for AI and machine learning | Development of IPs for AI accelerator required for an AI and machine learning IC, along with required peripheral IPs | Fourth (4th) quarter of 2021 | First (1st) quarter of 2025 |

**(iii) IP for FPGA**

We intend to further enhance our competitiveness in FPGA by developing an IP which will complement our ability in offering our turnkey design services.

We intend to undertake the following project:

| Project | Description | Target commencement date | Target completion date |
|---|---|---|---|
| 3D-FPGA | Three-dimensional FPGA with structural hardening capabilities to improve reliability | Second (2nd) quarter of 2023 | First (1st) quarter of 2026 |

We have budgeted a total of RM12.00 million from our IPO proceeds to fund our R&D expenditure over the next three (3) years. This includes purchase of software (which includes EDA tools), fabrication and packaging costs, payroll expenses for 12 R&D employees and registration of intellectual property rights.

By undertaking the abovementioned R&D activities, this will provide us with readily available IPs. We would be able to license these IPs separately or incorporate the IPs into our future IC design projects. Being able to license our readily available IPs would also provide us an advantage when bidding for more projects in the future as it is able to shorten the IC design process. Licensing of IPs will provide us an additional source of income and improve the market profile of our Group.

### 6.7.6 Expanding our collaborations with local and foreign tertiary institutions

As part of our efforts to build knowledge workers in Malaysia and to also secure a future workforce of design engineers, we currently have collaborations with five (5) tertiary institutions, i.e. USM, INTI Penang, UniMAP, UTAR and APU. We intend to further collaborate with other local tertiary institutions by 2023. We are also likely to establish collaborations with foreign tertiary institutions.

The collaborations would involve creating a structured program through activities such as R&D, industry lectures, on-site training, boot camps, internships in an effort to develop knowledge workers and this would also provide employment opportunities for them.

## 6.8 SEASONALITY

Our business is not subject to any cyclical or seasonal trends.

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## 6.9 OUR BUSINESS AND OPERATIONS PROCESS

The operational processes of our Group involve the following:


**Project inquiry**

Each project starts with a project inquiry from our customers or potential customers. This involves formal and informal inquiries in the form of e-mails, messages, telephone conversations or face-to-face meetings. As at the LPD, we have a sales and marketing team of four (4) personnel to attend to such inquiries.

Non-disclosure agreements are typically signed at this stage, where required.

**Project scoping**

Upon receiving an inquiry, our team will engage our customer or potential customer to further understand the project requirements, which include but not limited to the scope of work, pricing, timeline and available resources, as well as its alignment to our business direction. At this point, there will be internal discussions with the senior management to understand the feasibility of undertaking the project.

Upon agreeing on the preliminary terms of the project, a quotation is prepared. If the quotation is accepted by our customers, a purchase order will be issued by our customers or in certain circumstances, a contract will be signed by both parties. A scope/statement of work ("**SOW**") which specifies technical requirements, responsibilities of each party, milestones, deliverables and payment terms, will be provided to our customers at this stage.

**Project implementation**

The project team would execute the project at our customers' premises, or in a dedicated ODC to them at our premise. All aspects listed in the SOW will be carried out. Periodic progress updates are provided to our customers and our project managers are in regular communication with our customers throughout the entire duration of the project. We will undertake quality assurance activities such as design verification.

**Project completion**

An IC design project is completed upon tape-out. Tape-out is the stage where the final design for ICs is ready for manufacturing or fabrication, i.e. the point at which the artwork for the photomask of the circuit is ready to be sent to the foundry.

**Post-project completion**

After the tape-out process, it will take a few months for the IC to be manufactured or fabricated. The arrangement requires us to provide support services such as validating and performing the necessary rectifications on the IC, if required.

### 6.10 SALES AND MARKETING

The nature of our business involves proprietary designs for our customers. These are highly sensitive information and as such, we market our services directly to existing and potential customers.

As at the LPD, we have a sales and marketing team of four (4) personnel who are tasked to develop marketing strategies, spearheading marketing drive for our Group and developing business relationship with our customers. Our sales and marketing team also follows up on referrals including those provided by our business associates.

Our Executive Directors have at least 25 years of experience each in the IC design industry and they have established a wide business network over the years. In addition, our track record in IC design industry provides market awareness for our Group and creates sales opportunities through referrals and introductions.

We also engage in other forms of informal sales and marketing channels such as attending exhibitions and trade shows to meet potential customers. By attending such functions, we have the opportunity to discuss potential engagements which could involve technical discussions to understand their needs.

To provide searchable information of our Group's service offerings, we also maintain a corporate website at http://www.oppstar.com.my.This is to facilitate access of our Group from every part of the world to enhance our market reach and exposure.

### 6.11 MATERIAL MACHINERY AND EQUIPMENT

Due to the nature of our IC design business, we do not utilise any material machinery and equipment in undertaking our IC design services.

### 6.12 TYPES, SOURCES AND AVAILABILITY OF PRINCIPAL RAW MATERIALS AND INPUTS

We do not purchase or require any supplies for the operation of our business due to the nature of our IC design business. The IC design services which we provide to our customers are rendered by our design engineers who possess the design skill set.

### 6.13 OPERATING CAPACITIES

Our Group is principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions. We also provide other related services such as post-silicon validation services, training and consultancy services. We provide our services based on purchase orders and/or contracts. For FYEs 2020, 2021 and 2022 as well as FPE 2023, our revenue was mainly generated from turnkey design services. The number of design engineers required for each project varies according to the complexity of the project.

We have 128, 155 and 169 design engineers as at 31 March 2020, 2021 and 2022 respectively. As at 30 September 2022, we have 203 design engineers.

The utilisation rate of our design engineers for the Financial Years Under Review and FPE 2023:

| | Total billable time (hours) | Total available time (hours)(i) | Utilisation rate (%)(ii) |
|---|---|---|---|
| FYE 2020 | 144,060 | 248,984 | 57.86 |
| FYE 2021 | 223,523 | 305,080 | 73.27 |
| FYE 2022 | 299,050 | 332,928 | 89.82 |
| FPE 2023 | 172,453 | 202,480 | 85.17 |

**Notes:**

(i) Computed based on total number of design engineers (after taking into consideration the date of joining and resignation in the course of the year), the number of working days in the respective financial years and an eight (8) hour working day.

(ii) Computed based on the total billable time of our design engineers for projects divided by the total available time of our design engineers in the respective years.

The utilisation rate of approximately 57.86% in FYE 2020 is relatively lower as compared to FYE 2021 and FYE 2022 as our turnkey design service contracts secured were smaller in value and required fewer design engineers to work on the projects. Business was also disrupted by the COVID-19 pandemic in the first (1st) quarter of 2020. Our Group has subsequently set up ODC facilities where our design engineers are able to work remotely and this will minimise any disruption caused by not being able to work from our customers' premises. Further, our Group also hired more designer engineers in FYE 2020 in anticipation of new turnkey design service contracts for FYE 2021.

In FYE 2021 and FYE 2022, our utilisation rate increased to approximately 73.27% and 89.82% respectively as we undertook more turnkey design service contracts with a larger value that required more design engineers to work on the projects. This allowed us to have flexibility and more efficient use of our skilled labour resources.

In FPE 2023, our utilisation rate decreased marginally to approximately 85.17% as we increased our design engineers from a total of 169 personnel in FYE 2022 to 203 personnel in FPE 2023 and some of the newly joined design engineers were undergoing training and have yet to be fully assigned to projects. The newly joined design engineers will typically undergo training for an average period of between six (6) to nine (9) months before they are fully assigned to projects.

Due to the high utilisation rate in FYE 2022, we intend to build our workforce capacity to allow us to secure for more orders/contracts. As part of our future plans, we will utilise RM50.00 million to expand our workforce to support the demands of our existing and potential customers and to continue developing our human resources capabilities, thus ensuring our long-term sustainability.

## 6.14 R&D

We recognise the importance of continuous improvement in our service offerings to ensure our competitiveness in the IC design industry in order to sustain the continuous growth of our business. Our R&D team primarily focuses on the development of IPs in which the design and experience can be applied onto future design projects or incorporated into our IC design services.

In addition, we will continue developing methodologies and automation techniques relating to IC design. By developing such capabilities, it enables us to create value to our customers which helps to shorten our product development cycle.

Our historical R&D achievements as well as on-going and future R&D projects are summarised as follows:

| Achievement/ project | Description | Actual/ Target commencement date | Actual/ Target completion date |
|---|---|---|---|
| AI ASIC[(i)] | An ASIC which includes AI processing capabilities and AI accelerator | First (1st) quarter of 2018 | Fourth (4th) quarter of 2020 (tape-out was completed in 2019) |
| IPs for RISC-V based SoC | Development of IPs required in RISC-V based SoC. IPs developed will include peripheral IPs required for SoC. | Fourth (4th) quarter of 2021 | Second (2nd) quarter of 2025 |
| IPs for AI and machine learning | Development of IPs for AI accelerator required for an AI and machine learning IC, along with required peripheral IPs | Fourth (4th) quarter of 2021 | First (1st) quarter of 2025 |
| 3D-FPGA | Three-dimensional FPGA with structural hardening capabilities to improve reliability | Second (2nd) quarter of 2023 | First (1st) quarter of 2026 |

**Note:**

(i) The total cost incurred for developing AI ASIC is approximately RM6.00 million, of which approximately RM4.91 million was funded by MIMOS Berhad and approximately RM1.09 million was incurred by our Group.

For FYEs 2020, 2021 and 2022, our R&D expenditure includes labour costs and professional fees in relation to IP filings. The details of our R&D expenditure for the Financial Years Under Review and Financial Periods Under Review are as follows:

| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | [(i)]% | RM'000 | [(i)]% | RM'000 | [(i)]% | RM'000 | [(ii)]% | RM'000 | [(ii)]% |
| R&D expenditure | 740 | 4.63 | 774 | 2.65 | 1,134 | 2.24 | 357 | 1.35 | 721 | 2.50 |

**Notes:**

(i) Computed based on our Group's total revenue of approximately RM15.97 million, RM29.26 million and RM50.56 million for FYEs 2020, 2021 and 2022 respectively.

(ii) Computed based on our Group's total revenue of approximately RM26.42 million and RM28.82 million for FPEs 2022 and 2023 respectively.

All the expenses incurred for our R&D expenditure are expensed off to the income statement when incurred instead of being capitalised as an intangible asset.

We have a dedicated R&D team of 12 engineers headed by our Executive Director/Chief Technology Officer, Cheah Hun Wah.

## 6.15 TECHNOLOGY USED OR TO BE USED

EDA tools are computer aided tools used in the designing of ICs. EDA tools are used as an IC could contain billions of transistors, and as design becomes increasingly complex, greater productivity is needed to meet the targeted time schedules. Our design engineers utilise EDA tools extensively, throughout all stages of their design and verification processes.

To deliver our IC design projects, we will utilise EDA tools that are subscribed by us or our customers, depending on the arrangement with our customers. We have, in the past, only utilised EDA tools that are provided by our customers.

For our R&D activities, we utilise EDA tools that are provided by government bodies and/or subscribed by us.

EDA tools that are provided by government bodies are at no cost as a means to incentivise companies to perform R&D activities in IC design. However, not all EDA tools required for R&D activities are provided by government bodies.

EDA tools subscribed by us require yearly subscription through authorised EDA tool distributors and is generally costly in nature.

## 6.16 QUALITY ASSURANCE AND VERIFICATION

To ensure that our design services are of high quality and meet the specifications and requirements of our customers, we carry out verification processes throughout the design process. The quality assurance and verification carried out by our project leaders are described below:

| Type of IC design service | Quality assurance and design verification performed |
|---|---|
| Architecture and micro-architecture design | Before starting detailed designs, our design engineers will develop system level models and perform architectural simulation to prove the architecture functionality. |
| Functional and logic design | Gate-level simulation is conducted to ensure functional correctness of circuit synthesized from the RTL code. |
| Circuit design | The circuit verification process conducted to ensure the design correctness at circuit level. Compared to gate-level simulation, circuit level simulation is based on a more granular level. Circuit level verification typically involves modelling tuned towards the fabrication process. |
| Physical design | DRC is performed to ensure the design meets the design rules for the specific fabrication process used to manufacture the IC. The goal of DRC is to ensure that the IC functions properly and can be manufactured in a specific foundry with an acceptable yield. |

| Type of IC design service | Quality assurance and design verification performed |
| --- | --- |
| Custom layout design | Once the custom layout is completed, our design engineer will perform a complete set of physical verification checks to ensure database accuracy and DRC compliance. |
| Full chip integration | Layout versus schematic is performed. This verification process compares the final layout with the design schematic.<br><br>Exhaustive timing checks are performed on the design to ensure it meets the performance requirement defined in the specifications.<br><br>Power distribution analysis is performed to ensure power is distributed correctly over the entire chip and there are no voltage drops over any portion of the device. |

For our turnkey design projects, there are three (3) major milestones which we need to achieve before it is accepted as the final design. We have segregated the milestones into the following:

| Milestone | Description |
| --- | --- |
| Alpha | Achieved when all the components are connected and the design passes its functional checks. |
| Beta | Achieved when the design meets performance requirements based on our customers' specifications. |
| Omega | Achieved when the design meets all manufacturing requirements. |

For each of these milestones, the project leader will sign off when all the verification steps within the milestones are met.

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## 6.17 MAJOR CUSTOMERS

Our Group's top five (5) major customers, as a percentage of our total revenue, for the Financial Years Under Review and FPE 2023 are as follows:

| Customers[i] | Country | Approximate length of relationship as at the LPD | Revenue contribution RM'000 | Revenue contribution [ii]% | Services rendered |
|---|---|---|---|---|---|
| **FYE 2020** | | | | | |
| Customer A group of companies | Malaysia, USA and Ireland | 6 | 6,161 | 38.59 | Specific design services |
| Customer B | PRC | 4 | 5,937 | 37.19 | Turnkey design services |
| Xiamen KirinCore | PRC | 4 | 2,486 | 15.57 | Turnkey design services |
| Customer C | Malaysia | 5 | 515 | 3.23 | Specific design services |
| Customer D | Malaysia | 8 | 341 | 2.13 | Specific design services |
| | | **Total** | **15,440** | **96.71** | |
| **FYE 2021** | | | | | |
| Xiamen KirinCore | PRC | 4 | 20,698 | 70.73 | Turnkey design services |
| Customer A group of companies | Malaysia, USA and Ireland | 6 | 3,235 | 11.06 | Specific design services |
| Synkom Co. Ltd | Japan | 3 | 2,442 | 8.35 | Specific design services |
| Customer B | PRC | 4 | 1,724 | 5.89 | Turnkey design services |
| Customer D | Malaysia | 8 | 410 | 1.40 | Specific design services |
| | | **Total** | **28,509** | **97.43** | |
| **FYE 2022** | | | | | |
| Xiamen KirinCore | PRC | 4 | 34,600 | 68.43 | Turnkey design services |
| Customer A group of companies | Malaysia, USA and Ireland | 6 | 5,584 | 11.04 | Specific design services |
| Customer B | PRC | 4 | 4,807 | 9.51 | Turnkey design services |
| Synkom Co. Ltd | Japan | 3 | 3,318 | 6.56 | Specific design services |
| Customer E group of companies | Malaysia | 7 | 1,250 | 2.47 | Specific design services and turnkey design services |
| | | **Total** | **49,559** | **98.01** | |

## 6. BUSINESS OVERVIEW *(CONT'D)*

| Customers[i] | Country | Approximate length of relationship as at the LPD | Revenue contribution RM'000 | [ii]% | Services rendered |
|---|---|---|---|---|---|
| **FPE 2023** | | | | | |
| Xiamen KirinCore | PRC | 4 | 18,059 | 62.67 | Turnkey design services |
| Customer A group of companies | Malaysia, USA and Ireland | 6 | 3,554 | 12.33 | Specific design services |
| Customer E group of companies | Malaysia | 7 | 2,875 | 9.98 | Specific design services and turnkey design services |
| Customer B | PRC | 4 | 2,066 | 7.17 | Turnkey design services |
| Synkom Co. Ltd | Japan | 3 | 890 | 3.09 | Specific design services |
| | | **Total** | **27,444** | **95.24** | |

**Notes:**

(i) The details of our major customers are as follows:

| Name | Description |
|---|---|
| "Customer A group of companies" | Customer A group of companies comprise Company A USA, Company A Malaysia and Company A Ireland.<br><br>Company A USA, is the holding company of Company A Malaysia and Company A Ireland and is listed on National Association of Securities Dealers Automated Quotations (NASDAQ).<br><br>Customer A group of companies are principally involved in designing, manufacturing and marketing microcontrollers, related mixed-signal and memory products and application development systems for high-volume embedded control applications.<br><br>Customer A group of companies operate principally in the USA with market presence in overseas markets such as Asia and Europe.<br><br>Customer A group of companies' products include, amongst others:<br><br>(i) specialised microcontrollers for automotive, industrial, computing, communications, lighting, power supplies, motor control, human machine interface, security, wired connectivity and wireless connectivity applications;<br><br>(ii) analog products consist of several families including power management, linear, mixed-signal, high voltage, thermal management, discrete diodes and metal–oxide–semiconductor field-effect transistor (MOSFETS), radio frequency (RF), drivers, safety, security, timing, universal serial bus (USB), ethernet, wireless and other interface products;<br><br>(iii) FPGA products, royalties associated with licenses for the use of SuperFlash and other technologies, sales of intellectual property, fees for engineering services, memory products, timing systems, manufacturing services (wafer foundry and assembly and test subcontracting), legacy application specific integrated circuits, and products for aerospace applications; and<br><br>(iv) memory products consist of electrically erasable programmable read only memory (EEPROMs), serial flash memories, parallel |

| Name | Description |
|---|---|
| | flash memories, serial static random access memory (SRAM) and electrically erasable random access memory (EERAMs).<br><br>It serves more than 120,000 customers across the industrial, automotive, consumer, aerospace and defense, communications and computing markets.<br><br>Based on its latest annual report, Customer A group of companies recorded net sales of USD6.82 billion (equivalent to RM28.96 billion based on the exchange rate of USD1: RM4.2465 as at the LPD extracted from Bank Negara Malaysia's website) for financial year ended 31 March 2022.<br><br>We are unable to disclose the identity of Customer A group of companies as they have not given their consent to disclose their name in this Prospectus. |
| "Customer B" | Customer B is principally involved in producing FPGAs and complex programmable logic devices as well as manufacturing and distributing electronic components.<br><br>The holding company of Customer B is listed on the Shenzhen Stock Exchange. The holding company and its group of companies operate principally in China.<br><br>The holding company of Customer B and its group of companies' products include, amongst others:<br><br>(i) smart security chip business – smart card security chips represented by subscriber identity module (SIM) card chips, bank IC card chips, social security card chips, transportation card chips, etc., and terminal security represented by USB-Key chips, point of sales (POS) machine security chips, and contactless reader chips. At the same time, it can provide innovative terminal products and solutions based on security chips for customers in various fields such as communications, finance, industry, automobiles, and the Internet of Things;<br><br>(ii) special IC business – microprocessors, programmable devices, memories, network buses and interfaces, analog devices, system-on-a-programmable- chip (SoPC) system devices and custom chips, with nearly 500 varieties. At the same time, it provides users with ASIC/SoC design and development services and domestic products system-on-chip solutions;<br><br>(iii) semiconductor power device business – advanced semiconductor power devices such as super junction MOSFETS (SJ MOSFETS), shielded gate trench MOSFETS (SGT/TRENCH MOSFET), vertical double-diffused (VD MOSFET), insulatedgate bipolar transistor (IGBT), insulated gate turn-off (IGTO), silicon carbide (SiC), which are formed in many fields such as green lighting, wind power generation, smart grid, hybrid/electric vehicles, instrumentation, consumer electronics, etc. Series of mature product application solutions; and<br><br>(iv) quartz crystal frequency device business – all categories of crystal resonators, crystal oscillators, voltage-controlled crystal oscillators, temperature compensated crystal oscillators, oven-controlled crystal oscillators, etc., and are widely used in communication equipment, automotive electronics, industrial control, instrumentation and other fields. |

## 6. BUSINESS OVERVIEW *(CONT'D)*

| Name | Description |
|---|---|
| | The holding company of Customer B and its group of companies serve customers across the communications, finance, industry, automobile, Internet of Things, equipment, automotive electronics, industrial control and instrumentation markets.<br><br>Based on its holding company's latest annual report, the holding company of Customer B and its group of companies recorded net sales of RMB5.34 billion (equivalent to RM3.36 billion based on the exchange rate of RMB1: RM0.6288 as at the LPD extracted from Bank Negara Malaysia's website) for financial year ended 31 December 2021.<br><br>We are unable to disclose the identity of Customer B as they have not given their consent to disclose their name in this Prospectus. |
| "Customer C" | Customer C, a private limited company incorporated in Malaysia, is principally involved in computer programming activities, computer consultancy and information communication technology (ICT) security systems.<br><br>The holding company of Customer C is listed on Euronext Paris. The holding company and its group of companies operates principally in France with market presence in overseas markets such as Africa, USA, Asia Pacific, Europe and the Middle East.<br><br>The holding company of Customer C and its group of companies serve customers across the financial services, consumer goods and commerce, telecommunications, media and technology, energy and utilities markets.<br><br>Based on its holding company's latest annual report, the holding company of Customer C and its group of companies recorded net sales of EUR18.16 billion (equivalent to RM83.91 billion based on the exchange rate of EUR1:RM4.6208 as at the LPD extracted from Bank Negara Malaysia's website) for financial year ended 31 December 2021.<br><br>Our Group has written to Customer C for consent to disclose their name in this Prospectus, but have yet to receive any response, as at the LPD. |

| Name | Description |
|---|---|
| "Customer D" | Customer D, a private limited company incorporated in Malaysia, is principally involved in designing, developing and commercialising IC.<br><br>The holding company of Customer D is listed on the Tokyo Stock Exchange. The holding company and its group of companies operates principally in Japan with market presence in overseas markets such as China, North America, Europe and other parts of Asia.<br><br>Customer D's products include, amongst others, microcontrollers (MCUs), SoCs, analog semiconductor devices and power semiconductor devices.<br><br>The holding company of Customer D and its group of companies serve customers across the automotive, industrial, infrastructure and Internet of Things markets.<br><br>Based on its holding company's latest annual report, the holding company of Customer D and its group of companies recorded net sales of JPY994.40 billion (equivalent to RM32.45 billion based on the exchange rate of JPY100:RM3.2634 as at the LPD extracted from Bank Negara Malaysia's website) for financial year ended 31 December 2021.<br><br>We are unable to disclose the identity of Customer D as they have not given their consent to disclose their name in this Prospectus. |
| "Customer E group of companies" | Customer E group of companies comprises two (2) companies incorporated in Malaysia.<br><br>The holding company of Customer E group of companies is listed on NASDAQ and is principally involved in designing, manufacturing and selling computer components and related products. Its major products include microprocessors, chipsets, embedded processors and microcontrollers, flash memory, graphic, network and communication, systems management software, conferencing and digital imaging products.<br><br>The holding company and its group of companies operate principally in China, Singapore, USA, Taiwan and other regions.<br><br>Customer E group of companies' products include, amongst others, processors, system and devices, server products, FPGAs, structured ASICs, chipsets, graphics processing units, memory and storage, wireless products, network communication.<br><br>The holding company of Customer E and its group of companies serve customers across the original equipment manufacturers, original design manufacturers, industrial and communication equipment manufacturers and other cloud service providers.<br><br>Based on its holding company's latest annual report, the holding company of Customer E group of companies recorded net sales of USD79.02 billion (equivalent to RM335.56 billion based on the exchange rate of USD1:RM4.2465 as at the LPD extracted from Bank Negara Malaysia's website) for financial year ended 25 December 2021. |

| Name | Description |
|---|---|
| | We are unable to disclose the identity of Customer E group of companies as we had entered into a non-disclosure agreement and master purchase agreement with Customer E group of companies, whereby we are required to maintain strict confidentiality of their identities and their business dealings with our Group. Our Group has written to Customer E group of companies for consent to disclose their name in this Prospectus, but have yet to receive any response, as at the LPD. |

(ii) Computed based on our Group's total revenue of approximately RM15.97 million, RM29.26 million, RM50.56 million and RM28.82 million for FYEs 2020, 2021 and 2022 as well as FPE 2023 respectively.

None of our Promoters, substantial shareholders and Directors have any interest in any of our major customers.

Our Group is dependent on the following major customers by virtue of their percentage revenue contribution to our Group's total revenue as follows:

(i) Customer A group of companies

Customer A group of companies was one of our Group's top five (5) major customers for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023. Revenue from Customer A group of companies accounted for approximately 38.59%, 11.06%, 11.04% and 12.33% of our Group's total revenue for FYEs 2020, 2021 and 2022 as well as FPE 2023 respectively.

Customer A group of companies has been our Group's customer since 2017.

We have a non-exclusive agreement with Customer A group of companies which sets out the general terms and conditions for the provision of IC design work such as payment term, confidentiality, intellectual property and materials, indemnity and termination. The engagement between Customer A group of companies and our Group is carried out via purchase orders (which specifies technical requirements, pricing and delivery terms) on an as needed basis.

(ii) Customer B

Customer B was one of our Group's top five (5) major customers for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023. Revenue from Customer B accounted for approximately 37.19%, 5.89%, 9.51% and 7.17% of our Group's total revenue for FYEs 2020, 2021 and 2022 as well as FPE 2023 respectively.

Customer B has been our Group's customer since 2019. Since then, we had completed 12 contracts with Customer B.

(iii) Xiamen KirinCore

Xiamen KirinCore was one of our Group's top five (5) major customers for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023. Revenue from Xiamen KirinCore accounted for approximately 15.57%, 70.73%, 68.43% and 62.67% of our Group's total revenue for FYEs 2020, 2021 and 2022 as well as FPE 2023 respectively.

Xiamen KirinCore is principally involved in the provision of IC design, software development, data processing and storage services as well as the manufacturing of communication system equipment and other electronic equipment. Xiamen KirinCore develops, produces and sells meteorological products utilising long range wireless communication technology.

Xiamen KirinCore also provides services to a subsidiary company owned by the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC, where our Group was engaged by Xiamen KirinCore for the provision of turnkey design services. Xiamen KirinCore had informed our Group that we were the only service provider for their IC turnkey design projects.

Xiamen KirinCore has been our Group's customer since April 2019 when we provided consultancy services to them. We had completed seven (7) contracts with Xiamen KirinCore.

We had also entered into the following contracts with Xiamen KirinCore for the provision of turnkey design services (i.e. full IC design turnkey):

| No. | Contract details | Contract Date | Contract Duration | Status as at the LPD |
|---|---|---|---|---|
| 1. | Technology Development (Appointment) Contract for designing display protocol IP used in ICs for wireless communication, mobile devices and industrial electronics | 30 October 2020 | Two (2) years from contract date, extended to 29 May 2023 via a Supplementary Agreement dated 30 November 2021 | On-going[(i)] (Only commenced project in January 2022 instead of the contract date) |
| 2. | Technology Development (Appointment) Contract for designing communication protocol IP used in an IC for wireless communication, mobile devices and industrial electronics | 30 October 2020 | Two (2) years from contract date, extended to 29 May 2023 via a Supplementary Agreement dated 30 November 2021 | On-going[(i)] (Only commenced project in January 2022 instead of the contract date) |
| 3. | Technology Development (Appointment) Contract for designing memory interface IP used in an IC for wireless communication, mobile devices and industrial electronics | 20 April 2022 | 20 April 2022 to 19 October 2024 | On-going |

**Note**:

(i) The delay of these projects, upon request from Xiamen KirinCore, was partly due to travel restriction imposed by the China authorities.

Please refer to Section 6.21 of this Prospectus for the salient terms of the abovementioned contracts.

Please refer to Section 8.1.1 of this Prospectus on the risk factors pertaining to the dependency on certain of our major customers. Save for the above, we are not dependent on any other major customers.

The relationship between our Group and Customer A group of companies, Customer B and Xiamen KirinCore is mutually beneficial where we and each of these customers are interdependent to a degree upon each other as supplier and customer. Some of the factors contributing to such a beneficial and interdependent relationship include the following:

(a) Stringent supplier selection process

We are required to undergo an evaluation process set out by Customer A group of companies, Customer B and Xiamen KirinCore. These customers have a stringent supplier selection process whereby all areas of evaluation must be assessed and supported by documentary evidence in order to comply with their supplier selection criteria. In addition, these customers have also visited our offices in Bayan Lepas as part of their supplier selection process.

To qualify through the supplier selection process and be appointed as a supplier to these customers took a duration of between one (1) to two (2) years and for them to substitute our Group with another supplier, they will have to carry out the same evaluation process for the other supplier. This would be time consuming and will cause disruption to their product development process. As such, these customers are unlikely to replace our Group with another supplier within a short period of time and it may not be commercially viable for them to do so.

Furthermore, these customers perform periodic reviews on their existing suppliers to ensure that their suppliers continually meet their criteria of evaluation in the areas of quality, cost, flexibility, service, capability and sustainability.

(b) Secured recurring orders/ contracts

Our Group has approximately six (6), four (4) and four (4) years of relationship with Customer A group of companies, Customer B and Xiamen KirinCore respectively, during which our Group has built a strong working relationship with these customers by delivering IC design services that meet their specifications and requirements and delivered on a timely basis.

Testament to this is the recurring orders/contracts from these customers over the years. We have been continuously dealing with Customer A group of companies since 2017. In addition, we have also completed 12 contracts with Customer B while we have completed seven (7) contracts and three (3) on-going contracts with Xiamen KirinCore.

Throughout our Group's years of relationship with these customers, we have had a cordial working relationship and they have been paying within the credit term extended by us.

(c) Lead time and reducing delay in product development process

To be the supplier to our customers, we would have to make a sizeable investment of our time and resources in order to derive the lead time required to develop a new IC for their products. The projects are typically carried out at our customers' premises or at our premise through the setup of ODCs. We would also have frequent meetings with our customers to update them on the progress of our IC development process and for them to share their product roadmap with us. This open line of communication will help to reduce any delay in the product development cycle and keep the agreed timeline on track.

We offer pre-project consulting services including concept development, analysis and feasibility of different types of IC based on project requirements. Once the concept is approved, we will provide our turnkey design services which include conceptual design, process verification, specification writing, integration with foundries requirements and documentation. Throughout the process, we will be continually discussing and developing solutions together with our customers.

The process from project commencement to the tape-out process may take between nine (9) to eighteen (18) months of working closely with our customers. The timeline from project commencement to the tape-out process varies in accordance to the factors such as the complexities of the IC (e.g. the finer the process node technology and bigger the IC, the longer the IC design process) and the timeline as agreed upon with our customers. The timeline of nine (9) to eighteen (18) months is common for such projects undertaken by our Group and the timeline for such projects is comparable to the industry standard.

In view of the time consuming nature of our product development process and the amount of time invested by both our customers and us on this, there is an interdependent relationship and we believe our customers will not be able to switch to alternative suppliers without significantly affecting the product development timeline. Further, it would be more viable to work through any issues that may arise to avoid any disruption to the product development process and this is the preferred route unless there are extenuating circumstances necessitating a different approach.

(d) Provision of specialised services

We provide IC design services, which are technical, specialised and customised, to our customers and this strengthens our business relationship with them and creates customer loyalty.

We have the capability to provide turnkey design services for ICs such as ASICs and FPGAs. For FYEs 2020, 2021 and 2022, the revenue derived from our turnkey design services accounted for approximately RM8.42 million (52.76% of our revenue), approximately RM22.42 million (76.62% of our revenue) and approximately RM39.97 million (79.06% of our revenue) respectively. For FPE 2023, the revenue derived from our turnkey design services accounted for approximately RM23.45 million, representing approximately 81.36% of our total revenue.

Turnkey design services require us to have a substantial workforce of skilled design engineers with a high level of competence and commitment. As an example, a full IC design turnkey project could involve between 80 to 120 design engineers at any point in time, throughout the tenure of the project. As at the LPD, we have a total of 217 engineers, which enabled us to secure and execute turnkey design services projects.

By engaging us as their turnkey service provider, our customers are able to save time and cost that they would have had to expend if they engaged the services of multiple service providers. Further, it is not feasible for full IC design turnkey projects to be awarded to multiple service providers.

In addition, our Group also provides our customers with other value-added services such as specification writing and documentation, packaging design, post silicon validation services, technical support and training as part of our turnkey design services.

Over the years, our Group has built strong, trusted and mutually beneficial relationships with our customers, and this has provided our Group with a strong platform for future growth. We also continuously maintain open communication with our customers on their requirements and this allows us to serve our customers better. In addition, our response time to our customers' needs also helps to strengthen our business relationship with them.

We are continuously seeking to expand our customer base. Our good relationship with our major customers, coupled with our business strategy and turnkey design service, will be a platform for us to have a more diversified portfolio of customers in different markets, both locally and overseas, and allow us to capitalise on new opportunities moving forward.

Our Group served a total of 9 customers during FYE 2020, 13 customers during FYE 2021, 12 customers during FYE 2022 and 9 customers during FPE 2023. Our customers are IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses. As part of our future plans, we intend to expand our workforce to broaden our customer base and may reduce our revenue concentration risk on our major customers.

However, there is no assurance that such endeavours will be successful or if we are successful in securing other customers, we may not be able to achieve the same level of profit margins that we achieved during the Financial Years Under Review and Financial Periods Under Review.

We did not have any material disputes with our major customers in the past. Our Group has maintained good working relationships with our major customers and we expect our major customers to continue contributing to our Group's revenue moving forward.

## 6.18 MAJOR SUPPLIERS

We do not have major suppliers due to the nature of our business as we do not purchase or require any supplies for the operation of our business. The IC design services which we provide to our customers are rendered by our design engineers. As such, we do not have any material exposure to nor are we dependent on any particular supplier.

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## 6.19 IMPACT OF COVID-19 PANDEMIC ON OUR GROUP

On 30 January 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern. On 11 March 2020, WHO declared COVID-19 a global pandemic due to the rapid increase in cumulative number of cases globally.

**Impact of COVID-19 on our business operations in Malaysia**

The Malaysian Government implemented several measures to curb the spread of COVID-19 and these measures included restrictions on the movement of people within Malaysia and internationally as well as restrictions on business, economic, cultural and recreational activities.

The details of which are set out below together with the implications on our business operations:

<table>
<tr><th></th><th>Period</th><th>Implications on our operations</th></tr>
<tr><td>MCO</td><td>18 March 2020 to 3 May 2020(i)</td><td>• Between 18 March 2020 to 16 April 2020, our business operations were temporarily suspended and were not able to travel to customers' premises. Our workforce was instructed to work remotely from home.<br>• On 17 April 2020, Oppstar Technology was allowed to continue its operations during the MCO period with a 50% workforce capacity after obtaining approval from the MITI and required to adhere to the standard operating procedures ("SOPs") set out by the MITI.<br>• Since the receipt of the MITI approval on 17 April 2020, we have implemented our internal SOPs on COVID-19 prevention ("COVID-19 SOPs") allowing not more than 50% of our workforce to operate in our premises.<br>• The remainder of our workforce was instructed to work remotely from home.</td></tr>
<tr><td>Conditional MCO ("CMCO")</td><td>4 May 2020 to 9 June 2020(ii)</td><td rowspan="3">• There were no restrictions to operate in our premises.<br>• We continued to implement our internal COVID-19 SOPs allowing not more than 50% of our workforce to operate in our premises.<br>• The remainder of our workforce was instructed to work remotely from home.</td></tr>
<tr><td>Recovery MCO ("RMCO")</td><td>10 June 2020 to 31 March 2021(iii)</td></tr>
<tr><td>Re-imposition of the MCO, CMCO and RMCO in 2021</td><td>13 January 2021 to 31 May 2021(iv)</td></tr>
<tr><td>Total Lockdown ("FMCO")</td><td>1 June 2021 to 28 June 2021(v)</td><td>• We are allowed to operate in our premises with a 60% workforce capacity.<br>• We continued to implement our internal COVID-19 SOPs allowing not more than 50% of our workforce to operate in our premises.<br>• The remainder of our workforce was instructed to work remotely from home.</td></tr>
<tr><td>National Recovery Plan ("NRP") Phase 1</td><td>15 June 2021 to 6 July 2021(vi)</td><td>• We are allowed to operate in our premises with a 60% workforce capacity.<br>• We continued to implement our internal COVID-19 SOPs allowing not more than 50% of our workforce to operate in our premises.<br>• The remainder of our workforce was instructed to work remotely from home.</td></tr>
</table>

## 6. BUSINESS OVERVIEW *(CONT'D)*

| | Period | Implications on our operations |
|---|---|---|
| NRP Phase 2 | 7 July 2021 to 17 October 2021(vi) | • We are allowed to operate in our premises with a 80% workforce capacity.<br>• We continued to implement our internal COVID-19 SOPs allowing not more than 50% of our workforce to operate in our premises.<br>• The remainder of our workforce was instructed to work remotely from home. |
| NRP Phase 3 | 17 October 2021 to 7 November 2021(vi) | • We are allowed to operate in our premises with a 80% workforce capacity.<br>• We continued to implement our internal COVID-19 SOPs allowing not more than 50% of our workforce to operate in our premises.<br>• The remainder of our workforce was instructed to work remotely from home. |
| NRP Phase 4 | 8 November 2021 onwards(vi) | • There were no restrictions to operate in our premises.<br>• We continued to implement our internal COVID-19 SOPs allowing not more than 75% of our workforce to operate in our premises.<br>• The remainder of our workforce was instructed to work remotely from home.<br>• Since December 2021, we revised our internal COVID-19 SOPs allowing 100% of our workforce to operate in our premises. |
| Transition of COVID-19 into endemic | 1 April 2022 onwards(vii) | • There were no restrictions to operate in our premises.<br>• We continued to implement our internal COVID-19 SOPs allowing 100% of our workforce to operate in our premises. |

**Notes:**

(i) The measures under the MCO included, amongst others, the closure of all businesses with the exception of those classified as "essential service" or businesses that have written approval from the MITI, restrictions on the movement of people within Malaysia and restrictions on international travel to and from Malaysia.

(ii) Some of the measures implemented during the CMCO were relaxed, including allowing many economic sectors to resume business provided that specific guidelines and SOPs are followed. Restrictions on the movement of people within Malaysia were also relaxed while restrictions on international travel were slightly modified.

(iii) Almost all economic sectors were allowed to resume operations provided they followed specified guidelines and SOP. The movement of people within Malaysia was further relaxed with subsisting restrictions on international travel during the CMCO period.

(iv) During the end of 2020, the number of COVID-19 cases increased and led to the Malaysian Government imposing second MCO from 13 January 2021 and subsequently, transitioned to CMCO or RMCO depending on the COVID-19 condition in each state. On 10 May 2021, the Malaysian Government announced nationwide re-imposition of MCO starting from 12 May 2021 to 7 June 2021. The measures imposed under the MCO included, amongst others, restriction on the movement of people within Malaysia and restriction on international travel to and from Malaysia, the closure of all businesses except those classified under "essential economic sector" or have written approval from MITI.

(v) On 28 May 2021, the Malaysian Government announced the imposition of a nationwide "total lockdown" or full movement control order (FMCO). The measure imposed under the FMCO include, amongst others, all service sectors that have been approved by associated ministries can operate within the MCO period, subject to associated ministry approval letters issued stating 1 June 2021 as well as restriction on the movement of people within Malaysia.

(vi) The NRP consists of four (4) phases, including the FMCO and Phase 1 of the NRP which commenced from 1 June 2021, and is based on three (3) indicators, namely (a) the daily new cases, (b) utilisation rate of beds in intensive care unit wards, and (c) the percentage of population who have been fully vaccinated. Depending on the indicators, each state would be in the various phases of the NRP. The first phase of the NRP commenced with the implementation of the FMCO. The second phase will be implemented if the number of daily COVID-19 cases reduces to below 4,000 and will allow the reopening of selected economic sectors in stages. The third phase involves allowing nearly all economic sectors to operate, subject to SOPs and restrictions on the number of people allowed to be present at workplaces. The fourth phase will see a full reopening of the economy, with resumption of interstate travel and domestic tourism.

Amidst a higher vaccination rate, the Malaysian Government announced on 7 August 2021 that the daily number of COVID-19 cases would no longer be an indicator for the NRP for states that have vaccinated 50% of its population. For such states, the indicator would be replaced by the daily number of hospitalisations of symptomatic COVID-19 patients.

(vii) On 8 March 2022, the Malaysian Government announced that the nation will enter into the "transition of COVID-19 into endemic phase", starting from April 1 2022. This is a temporary phase before entering the endemic phase and is aimed to allow Malaysians to return to normalcy. Under this phase, there are no restrictions on operating hours of businesses as well as limits on the number of employees in workplace.

Further, our employees in Alpha Core and AIRIS Labs worked remotely from home during the MCO, CMCO, RMCO, FMCO, the NRP Phase 1, the NRP Phase 2 and the NRP Phase 3. In the NRP Phase 4, our employees in Alpha Core and AIRIS Labs started to operate in our premises at full capacity. Since December 2021, Oppstar Technology started to operate at full capacity.

**<u>Impact of COVID-19 on our business operations in China</u>**

On 23 January 2020, the central government of China imposed a lockdown in Wuhan and other cities in Hubei province in an effort to contain the outbreak of the COVID-19.

On 24 January 2020, Shanghai announced the initiation of Level 1 Response for major public health emergency, which represents the highest level emergency response against the COVID-19 disease. On 25 January 2020, Shanghai announced a 14-day quarantine and medical observation for arrivals from key areas of Hubei. During this period, the measures taken include limiting the number of entrances and exits in the neighbourhood, strengthening the staffing of gatekeepers as well as registering and measuring temperature. Our employees in Oppstar Shanghai were instructed to work from home since 25 January 2020.

With declining number of cases since 3 March 2020, the emergency alert level was downgraded to Level 2 on 23 March 2020. Most residents have returned back to work and public spaces started to reopen while conforming to required measures such as regular cleaning, temperature checks and crowd prevention.

Our employees in Oppstar Shanghai were allowed to return to the office on 23 March 2020. Our employees are only required to work remotely from home should there be any localised lockdowns. On 28 February 2022, there was an outbreak of the COVID-19 pandemic caused by the Omicron variant in Shanghai. In anticipation of potential lockdowns, our employees in Shanghai were instructed to work from home since 1 March 2022. Our Shanghai office which is located in Pudong district was subsequently subjected to lockdowns from 28 March 2022. As such, our employees in Oppstar Shanghai were required to work remotely from home from 28 March 2022 and resumed full operations since 12 June 2022 upon completion of mass COVID-19 testing.

## 6. BUSINESS OVERVIEW *(CONT'D)*

On 7 December 2022, the central government of China announced a nationwide loosening of the rules that curbed the spread of the COVID-19. This includes allowing infected people with mild symptoms to quarantine at home and dropping testing for people travelling domestically.

### (i) Impact on our business and financial performance

Prior to the outbreak of COVID-19, we predominantly carried out our services at our customers' premises. As a means to contain the spread of the virus, travel restrictions were first enforced in China in January 2020. During then, we had several on-going projects overseas. Due to travel restrictions, our design engineers were also unable to be present at the customer's premises to provide our services. In addition, during the first phase of MCO imposed by the Malaysian Government in March 2020 with the closure of all businesses, our customers in Malaysia were unable to operate, and as a result, our design engineers were unable to perform the works required and obliged to our customers. As such, our business operations and financials were affected, especially between February 2020 to May 2020, where some of our projects were delayed. As the delay was due to the COVID-19 outbreak, there were no extensions of time required and no penalty charge was imposed. During the COVID-19 outbreak, however, we did not experience any cancellation of orders from our customers.

In order to minimise the disruption, our Group had made necessary arrangements with our customers such as work from home (remotely). We worked with our customers to improve IT infrastructure by procuring software, servers and dedicated lines needed to improve bandwidth speed and address security concerns. The total cost incurred by our Group for improving IT infrastructure (which is part of our total cost incurred for our ODC facilities as set out below) amounted to approximately RM0.57 million.

As for overseas projects, we have also been able to work remotely despite the travel restrictions. When international travel was allowed in July 2020 after obtaining approval from Immigration Department of Malaysia, some of our design engineers travelled to our customers' premises overseas. However, they were required to obtain special passes, quarantine and conduct COVID-19 tests. Most of these additional costs were borne by our customers.

Due to the business interruption between February 2020 to May 2020, our monthly revenue for the period declined from approximately RM3.49 million in January 2020 to approximately RM1.30 million in February 2020, approximately RM0.78 million in March 2020, approximately RM0.81 million in April 2020 and approximately RM0.51 million in May 2020. This was mainly due to the travel restrictions and various measures implemented to curb the spread of the COVID-19 pandemic as detailed in Section 6.19 of this Prospectus.

Our revenue rebounded in June 2020, as evidenced by the increase from approximately RM0.51 million in May 2020 to approximately RM3.64 million in June 2020.

Between March 2020 to March 2022, we invested approximately RM2.98 million for our ODC facilities. These expenses include the cost for IT infrastructure, renovation, office rental, furniture and fittings. This serves as an extension for our customers to increase their design capacity and capabilities, with our design engineers delivering the projects from our own premises.

**(ii) Impact on our business cash flows, liquidity, financial position and financial performance**

The interruption to our business operations as a result of the COVID-19 pandemic, had affected the project delivery schedules for some of our on-going projects. This had an impact on our financial results between February 2020 to May 2020. Nevertheless, the delays in project delivery schedules were not major as we managed to catch up with most of the timelines. As such, our billing schedules and our financial performance in the FYE 2021 were not materially affected.

As at 30 September 2022, we have cash and bank balances as well as short-term funds of approximately RM7.45 million and RM7.77 million respectively.

Our Board is confident that, after taking into account our cash flow position, our working capital will be sufficient for our capital/operating expenditure and to sustain our business.

We do not expect any material impairment to our assets or receivables.

Based on the above, we do not expect any material impact to our cash flows, liquidity, financial position and financial performance.

**(iii) Measures and steps taken in our business operations in response to COVID-19 pandemic**

As part of our efforts to protect the health and safety of our employees, we have implemented COVID-19 SOPs which include, amongst others:

(a) wearing of face masks in workplaces;

(b) sanitising and disinfecting all common areas of workplaces regularly;

(c) taking and recording of body temperature before entering the workplaces;

(d) reducing capacity of all meeting rooms;

(e) implementing work from home rotations, where necessary;

(f) practising two (2) metres physical distancing at workplaces;

(g) avoidance of unnecessary travels and face-to-face meetings, where possible; and

(h) periodic self-testing by employees using rapid test kits.

On 8 March 2022, Ministry of Health of Malaysia had announced the transitioning of COVID-19 into the endemic phase from 1 April 2022. This was followed by the Malaysian Government's latest decision in relaxing various health safety SOPs which took effect from 1 May 2022. We continue to adhere to the latest Malaysian Government's SOPs by taking the necessary precautionary measures to protect the health and safety of our employees.

Since March 2020 and up to the LPD, a total of 73 of our employees tested positive for COVID-19. We have conducted contact tracing to minimise the risk of virus transmission. The affected employees and all employees in contact with COVID-19 positive individuals were instructed to work from home and were only allowed to return to our office after the quarantine period.

Our operations were not materially impacted as our employees could perform their work remotely, when required.

As at the LPD, the total estimated cost in relation to the COVID-19 amounted to approximately RM0.18 million.

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## 6.20 BUSINESS INTERRUPTIONS

Save for the impact of COVID-19 pandemic on our Group as set out in Section 6.19 of this Prospectus, we have not experienced any interruptions that had a significant effect on our operations during the past 12 months preceding the LPD.

## 6.21 DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, PERMITS AND PRODUCTION OR BUSINESS PROCESSES

We are not dependent on any intellectual property rights and production or business processes that could materially affect our business as at the LPD.

Further, save as disclosed below and licences and permits as set out in Annexure B of this Prospectus, we are not dependent on any other contracts, licences and permits that could materially affect our business as at the LPD.

(i) Technology Development (Appointment) Contract for designing display protocol IP used in ICs for wireless communication, mobile devices and industrial electronics dated 30 October 2020 and Supplementary Agreement dated 30 November 2021 entered into between Oppstar Technology and Xiamen KirinCore. The salient terms of Technology Development (Appointment) Contract and Supplementary Agreement for designing display protocol IP used in ICs for wireless communication, mobile devices and industrial electronics are as follows:

| | | **Salient terms** |
|---|---|---|
| **Contracting Parties** | : | Xiamen KirinCore and Oppstar Technology. |
| **Description** | : | Oppstar Technology is responsible for completing the design of display protocol IP used in ICs for wireless communication, mobile devices and industrial electronics based on the design requirements provided by Xiamen KirinCore and specified design data, mainly including display protocol functionality and all required electrical characteristics based on the required fabrication process. During the implementation of the project, Xiamen KirinCore will send personnel to participate in the project simultaneously. Xiamen KirinCore's personnel and Oppstar Technology can uniformly deploy and be responsible for checking the job scope of Xiamen KirinCore's personnel. The overall project is led by Oppstar Technology and responsible for the design and implementation of the chip. |
| **Governing Law** | : | The laws of the PRC. |
| **Validity Period** | : | 30 October 2020 to 29 May 2023. |

## 6. BUSINESS OVERVIEW *(CONT'D)*

| | | Salient terms |
|---|---|---|
| **Confidentiality** | : | The appointed party's obligations on confidentiality in accordance with the contract are as follows:<br><br>(1) confidential content (including technical information and business information): in relation to development projects and Xiamen KirinCore's business operation methods, management rules and regulations, business processes, design methods; data available to Oppstar Technology and information required by other users; other technical information and operating information of the other party learned during the project;<br><br>(2) scope of confidentiality obligations: applies to all personnel implementing and developing the project;<br><br>(3) confidentiality period: within the validity period of the contract and three (3) years thereafter; and<br><br>(4) liability for breach: compensation based on the actual loss caused to the other party. |
| **Risk and Responsibility** | : | Oppstar Technology shall guarantee the practicability and reliability of the technology provided to Xiamen KirinCore. Once it has occurred, the technical risks identified by the invited experts agreed upon by both parties, and after Xiamen KirinCore has paid the technology development (transfer) fees, the risk responsibilities shall be borne by the parties as follows: Xiamen KirinCore – 50%; and Oppstar Technology – 50%. |
| **Further improvements** | : | Both parties agreed that Xiamen KirinCore has the right to use the research and development results provided by Oppstar Technology in accordance with the contract to make further improvements. The resulting new technological achievements with substantive or creative technological advancement characteristics and the ownership of their rights shall be enjoyed by Xiamen KirinCore. The specific distribution method of related benefits is as follows: fully owned by Xiamen KirinCore. |
| **Development Fee** | : | Both parties agree that Xiamen KirinCore shall pay Oppstar Technology a fixed amount of technology development fee as stated in the contract. |
| **Intellectual Property Rights** | : | The two parties agreed that after Xiamen KirinCore has paid the technical fees, the research and development results and related intellectual property rights arising from the performance of the contract are attributable to the following:<br><br>(1) the right to apply for a patent arising from the performance of the contract belongs to Xiamen KirinCore;<br><br>(2) the patent rights arising from the performance of the contract belong to Xiamen KirinCore; and |

## 6. BUSINESS OVERVIEW *(CONT'D)*

| | | Salient terms |
|---|---|---|
| | | (3) without the permission of Xiamen KirinCore, Oppstar Technology shall not dispose of all achievements and intellectual property rights arising from the performance of the contract. Dispositions include direct use and transfer of the results, and application for patents and copyrights with the results. |
| **Termination** | : | (1) If the performance of the contract is impossible, unnecessary or meaningless due to force majeure or other unexpected events, either party has the right to terminate the contract.<br><br>(2) If a party suffering from force majeure or unexpected events is totally or partially unable to perform the contract, terminates or delays performance of the contract, it shall notify the other party in writing within 30 days of the event and provide supporting documents to prove to the other party.<br><br>(3) During the implementation of the project, Xiamen KirinCore shall pay relevant expenses in a timely manner. After Xiamen KirinCore owes Oppstar Technology's project funds for more than 30 days, Xiamen KirinCore shall pay a penalty of 2% of the contract amount for every 30 days thereafter. In case of serious delay, Oppstar Technology has the right to terminate the contract, and Xiamen KirinCore shall pay the remaining amount in full.<br><br>(4) Oppstar Technology shall complete the research and development work on time. In the event that the project is delayed due to Oppstar Technology's reasons, for every delay of more than 45 days, Oppstar Technology shall pay a penalty of 2% of the contract amount. If the project is stalled, delayed for more than two (2) months or fails due to Oppstar Technology's reasons, Xiamen KirinCore has the right to unilaterally terminate the contract without having to pay the remaining fees. |

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## 6. BUSINESS OVERVIEW *(CONT'D)*

(ii) Technology Development (Appointment) Contract for designing communication protocol IP used in ICs for wireless communication, mobile devices and industrial electronics dated 30 October 2020 and Supplementary Agreement dated 30 November 2021 entered into between Oppstar Technology and Xiamen KirinCore. The salient terms of Technology Development (Appointment) Contract and Supplementary Agreement for designing communication protocol IP used in ICs for wireless communication, mobile devices and industrial electronics are as follows:

| | | Salient terms |
|---|---|---|
| **Contracting Parties** | : | Xiamen KirinCore and Oppstar Technology. |
| **Description** | : | Oppstar Technology is responsible for completing the design of communication protocol IP used in an IC for wireless communication, mobile devices and industrial electronics based on the design requirements provided by Xiamen KirinCore and specified design data, mainly including functionality of all communication layers within the IP and compliance to required electrical characteristics based on the required fabrication process. During the implementation of the project, Xiamen KirinCore will send personnel to participate in the project simultaneously. Xiamen KirinCore's personnel and Oppstar Technology can uniformly deploy and be responsible for checking the job scope of Xiamen KirinCore's personnel. The overall project is led by Oppstar Technology and is responsible for the design and implementation of the chip. |
| **Governing Law** | : | The laws of the PRC. |
| **Validity Period** | : | 30 October 2020 to 29 May 2023. |
| **Confidentiality** | : | The appointed party's obligations on confidentiality in accordance with the contract are as follows:<br><br>(1) confidential content (including technical information and business information): in relation to development projects and Xiamen KirinCore's business operation methods, management rules and regulations, business processes, design methods; data available to Oppstar Technology and information required by other users; other technical information and operating information of the other party learned during the project;<br><br>(2) Scope of confidentiality obligations: applies to all personnel implementing and developing the project;<br><br>(3) Confidentiality period: within the validity period of the contract and three (3) years thereafter; and<br><br>(4) Liability for breach: compensation based on the actual loss caused to the other party. |

| | | **Salient terms** |
|---|---|---|
| **Risk and Responsibility** | : | Oppstar Technology shall guarantee the practicability and reliability of the technology provided to Xiamen KirinCore. Once it has occurred, the technical risks identified by the invited experts agreed upon by both parties, and after Xiamen KirinCore has paid the technology development (transfer) fees, the risk responsibilities shall be borne by the parties as follows: Xiamen KirinCore – 50%; and Oppstar Technology – 50%. |
| **Further improvements** | : | Both parties agreed that Xiamen KirinCore has the right to use the research and development results provided by Oppstar Technology in accordance with the contract to make further improvements. The resulting new technological achievements with substantive or creative technological advancement characteristics and the ownership of their rights shall be enjoyed by Xiamen KirinCore. The specific distribution method of related benefits is as follows: fully owned by Xiamen KirinCore. |
| **Development Fee** | : | Both parties agree that Xiamen KirinCore shall pay Oppstar Technology a fixed amount of technology development fee as stated in the contract. |
| **Intellectual Property Rights** | : | The two parties agreed that after Xiamen KirinCore has paid the technical fees, the research and development results and related intellectual property rights arising from the performance of the contract are attributable to the following:<br><br>(1) the right to apply for a patent arising from the performance of the contract belongs to Xiamen KirinCore;<br><br>(2) the patent rights arising from the performance of the contract belong to Xiamen KirinCore; and<br><br>(3) without the permission of Xiamen KirinCore, Oppstar Technology shall not dispose of all achievements and intellectual property rights arising from the performance of the contract. Dispositions include direct use and transfer of the results, and application for patents and copyrights with the results. |
| **Termination** | : | (1) If the performance of the contract is impossible, unnecessary or meaningless due to force majeure or other unexpected events, either party has the right to terminate the contract.<br><br>(2) If a party suffering from force majeure or unexpected events is totally or partially unable to perform the contract, terminates or delays the performance of the contract, it shall notify the other party in writing within 30 days of the event and provide supporting documents to prove to the other party.<br><br>(3) During the implementation of the project, Xiamen KirinCore shall pay relevant expenses in a timely manner. After Xiamen KirinCore owes Oppstar Technology's project funds for more than 30 days, Xiamen KirinCore shall pay a penalty of 2% of the contract amount for every 30 days thereafter. In case of serious delay, Oppstar Technology has the right to terminate the contract, and Xiamen KirinCore shall pay the remaining amount in full. |

| | | Salient terms |
|---|---|---|
| | | (4) Oppstar Technology shall complete the research and development work on time. In the event that the project is delayed due to Oppstar Technology's reasons, for every delay of more than 45 days, Oppstar Technology shall pay a penalty of 2% of the contract amount. If the project is stalled, delayed for more than two (2) months or fails due to Oppstar Technology's reasons, Xiamen KirinCore has the right to unilaterally terminate the contract without having to pay the remaining fees. |

(iii) Technology Development (Appointment) Contract for designing memory interface IP used in an IC for wireless communication, mobile devices and industrial electronics dated 20 April 2022 entered into between Oppstar Technology and Xiamen KirinCore. The salient terms of the Technology Development (Appointment) Contract for designing memory interface IP used in an IC for wireless communication, mobile devices and industrial electronics are as follows:

| | | Salient terms |
|---|---|---|
| **Contracting Parties** | : | Xiamen KirinCore and Oppstar Technology |
| **Description** | : | Oppstar Technology shall be responsible for completing the design of memory interface IP used in an IC for wireless communication, mobile devices and industrial electronics based on the design requirements and specified design data provided by Xiamen KirinCore, mainly including memory protocol functionality and related IPs required for the functionality of the protocol based on the required fabrication process.<br><br>During the implementation of the project, Xiamen KirinCore will send personnel to participate in the project synchronously, Xiamen KirinCore's personnel and Oppstar Technology may uniformly allocate and be responsible for checking the work content of Xiamen KirinCore's personnel, and the overall project shall be led by Oppstar Technology and is responsible for the design and implementation of the chip. |
| **Governing Law** | : | The laws of the PRC. |
| **Validity Period** | : | 20 April 2022 to 19 October 2024. |
| **Confidentiality** | : | The confidentiality obligations of the commissioned party for the execution of the contract are as follows:<br><br>(1) confidential content (including technical information and business information): Xiamen KirinCore's business methods, management rules and regulations, business processes and design methods involved in the contract development project; data available to Oppstar Technology and other user demand materials: other technical and business information obtained in the course of the project; |

## 6. BUSINESS OVERVIEW *(CONT'D)*

| | | Salient terms |
|---|---|---|
| | | (2) scope of confidential personnel: project implementers and project developers;<br><br>(3) confidentiality period: During the validity period of the contract and three (3) years after; and<br><br>(4) liability for leakage: Compensation according to the actual loss caused to the other party. |
| **Assumption of Risk and Responsibilities** | : | Oppstar Technology shall ensure the practicability and reliability of the technology provided to Xiamen KirinCore, and once it occurs, the technical risks shall be identified by the invited experts through mutual consultation between both parties, and after Xiamen KirinCore pays the technology development (transfer) fee, the risk liability shall be as follows: at the proportion of 50% of Xiamen KirinCore; and 50% of Oppstar Technology. |
| **Subsequent Technical Improvements** | : | Parties confirmed that Xiamen KirinCore is entitled to use the research and development results provided by Oppstar Technology in accordance with the contract to make subsequent technical improvements. The resulting new technological achievements with the characteristics of substantial or creative technological progress and the ownership of their rights shall be enjoyed by Xiamen KirinCore. The distribution of specific related benefits is as follows: fully owned by Xiamen KirinCore. |
| **Development Fee** | : | Both parties agreed that the Xiamen KirinCore shall pay Oppstar Technology a fixed amount of technology development fee as stated in the contract. |
| **Intellectual Property Rights** | : | Parties agreed that after Xiamen KirinCore paid the technical fee in full, the research and development results and related intellectual property rights arising from the execution of the contract shall be as follows:<br><br>(1) the right to apply for a patent arising from the execution of the contract shall belong to Xiamen KirinCore;<br><br>(2) the patent rights arising from the execution of the contract shall belong to Xiamen KirinCore; and<br><br>(3) without the permission of Xiamen KirinCore, Oppstar Technology shall not dispose of all the results and intellectual property rights produced in the performance of the contract, and the disposition includes direct use and transfer of the results, and applying for patents and copyrights with the results. |

| | | Salient terms |
|---|---|---|
| **Termination** | : | (1) In case the execution of the contract is impossible, unnecessary or meaningless due to force majeure reasons or other unexpected events, either party shall have the right to terminate the contract.<br><br>(2) In case a party suffering from force majeure events or unexpected events is unable to perform the contract, rescinds or delays the execution of the contract in whole or in part, the party shall notify the other party in writing of the circumstances of the event within 30 days and submit the corresponding proof to the other party.<br><br>(3) During the implementation of the project, Xiamen KirinCore shall pay the relevant fees in a timely manner. After Xiamen KirinCore owing Oppstar Technology more than 30 days of project funds, Xiamen KirinCore shall pay a liquidated damage of 2% of the contract amount for each additional 30 days thereafter. In case of serious delay, Oppstar Technology is entitled to terminate the contract, and Xiamen KirinCore shall pay the remaining fees in full.<br><br>(4) Oppstar Technology shall complete the research and development work on time, and if the delay of the project is due to Oppstar Technology's reasons, Oppstar Technology shall pay a liquidated damage of 2% of the contract amount for each extension of more than 45 days. If the project is stalled, postponed for more than 2 months or fails due to Oppstar Technology's reasons, Xiamen KirinCore is entitled to unilaterally terminate the contract and will no longer pay the remaining fees. |

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## 6.22 INTELLECTUAL PROPERTIES

As at the LPD, save for the following, we do not have any other intellectual property rights registered and/ or in the process of registration:

**(i) Patents[(i)]**

| Applicant | Authority | Filling No. | Filing Date | Validity period | Title of invention | Status |
|---|---|---|---|---|---|---|
| Oppstar Technology | United States Patent and Trademark Office | 17474859 | 14 September 2021 | Pending | Configurable logic cell | Pending approval[(ii)] |
| Oppstar Technology | United States Patent and Trademark Office | 17523525 | 10 November 2021 | Pending | 3D-FPGA with structural ASIC hardening capability | Pending approval[(iii)] |
| Oppstar Technology | United States Patent and Trademark Office | 17690411 | 9 March 2022 | Pending | Adjustable clock phase for peak-current reduction | Pending approval[(iv)] |
| AIRIS Labs | United States Patent and Trademark Office | 17166158 | 3 February 2021 | Pending | System and method having the Artificial Intelligence (AI) Algorithm of K-Nearest Neighbors (K-NN)[(vii)] | Pending approval[(v)] |
| AIRIS Labs | Intellectual Property Corporation of Malaysia (MyIPO) | PI2020005624 | 27 October 2020 | Pending | System and method having the Artificial Intelligence (AI) Algorithm of K-Nearest Neighbors (K-NN)[(vii)] | Pending approval[(vi)] |

**Notes:**

(i) The patents filed do not breach any IP rights of our customers.

(ii) Expected to be obtained by third (3rd) quarter of 2024. In the event our Group fails to obtain the approval due to it not being patentable, it is not expected to have a material impact on our Group as our Group does not rely on this patent for our business activities. The resident is required to first apply for a patent application in Malaysia prior to filing an application outside Malaysia unless a written authorisation from MyIPO is obtained. We have obtained the said written authorisation from MYIPO prior to our first filing in USA.

As the USA is a hub for semiconductor companies, our Group filed this patent in the USA in order to protect our inventions against potential competitors there. We do not intend to file this patent in Malaysia.

## 6. BUSINESS OVERVIEW *(CONT'D)*

(iii) Expected to be obtained by fourth (4th) quarter of 2024. In the event our Group fails to obtain the approval due to it not being patentable, it is not expected to have a material impact on our Group as our Group does not rely on this patent for our business activities. The resident is required to first apply for a patent application in Malaysia prior to filing an application outside Malaysia unless a written authorisation from MyIPO is obtained. We have obtained the said written authorisation from MYIPO prior to our first filing in USA.

As the USA is a hub for semiconductor companies, our Group filed this patent in the USA in order to protect our inventions against potential competitors there. We do not intend to file this patent in Malaysia.

(iv) Expected to be obtained by first (1st) quarter of 2025. In the event our Group fails to obtain the approval due to it not being patentable, it is not expected to have a material impact on our Group as our Group does not rely on this patent for our business activities. The resident is required to first apply for a patent application in Malaysia prior to filing an application outside Malaysia unless a written authorisation from MyIPO is obtained. We have obtained the said written authorisation from MYIPO prior to our first filing in USA.

As the USA is a hub for semiconductor companies, our Group filed this patent in the USA in order to protect our inventions against potential competitors there. We do not intend to file this patent in Malaysia.

(v) Expected to be obtained by first (1st) quarter of 2024. In the event our Group fails to obtain the approval due to it not being patentable, it is not expected to have a material impact on our Group as our Group does not rely on this patent for our business activities.

(vi) Expected to be obtained by fourth (4th) quarter of 2023. In the event our Group fails to obtain the approval due to it not being patentable, it is not expected to have a material impact on our Group as our Group does not rely on this patent for our business activities.

(vii) This patent filed is on the usage of K-Nearest Neighbors (KNN), a type of AI algorithm and it includes the method of implementing its algorithm into ICs such as ASICs, SoCs or FPGAs. As part of our Group's AI ASIC development, the AI algorithm was proven by its implementation into an ASIC which forms the AI ASIC.

The AI ASIC which uses KNN algorithm can be utilised in various applications such as facial recognition, traffic prediction, video recognition, speech recognition and handwriting recognition.

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## 6.23 EMPLOYEES

As at the LPD, we have a total workforce of 227 employees, of which all are permanent employees. In addition, 221 employees are Malaysians and 6 employees are foreigners.

The following sets out the number of employees in our Group according to the business functions and geographical locations as at the Financial Years Under Review, FPE 2023 and LPD:

| Category | No. of employees | | | | |
|---|---|---|---|---|---|
| | As at 31 March 2020 | As at 31 March 2021 | As at 31 March 2022 | As at 30 September 2022 | As at the LPD |
| Executive Directors and Key Senior Management | 6 | 6 | 6 | 6 | 6 |
| Engineers | 120 | 146 | 151 | 182 | 196 |
| Sales and Marketing | 1 | 2 | 4 | 4 | 4 |
| Research and Development | 2 | 2 | 9 | 12 | 12 |
| Information Technology | 2 | 1 | 1 | 1 | 1 |
| Human Resource and General Administrative | 5 | 5 | 9 | 8 | 8 |
| **Total** | **136** | **162** | **180** | **213** | **227** |

| Geographical location | No. of employees | | | | |
|---|---|---|---|---|---|
| | As at 31 March 2020 | As at 31 March 2021 | As at 31 March 2022 | As at 30 September 2022 | As at the LPD |
| Malaysia | 133 | 159 | 176 | 210 | 222 |
| China | 3 | 3 | 4 | 3 | 5 |
| **Total** | **136** | **162** | **180** | **213** | **227** |

None of our employees belong to any labour unions. The relationship and cooperation between our management and our employees have always been good and this is expected to continue in the future. Our Group is in compliance with statutory minimum wage, EPF and SOCSO in relation to our employees. As at the LPD, there has been no industrial dispute pertaining to our employees.

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## 6.24 GOVERNING LAWS, REGULATIONS, RULES OR REQUIREMENTS

The relevant laws, regulations, rules or requirements governing the conduct of our Group's business and environmental issues which may materially affect our Group's business or operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

**Malaysia**

**(i) Local Government Act 1976**

The Local Government Act 1976 ("**LGA**") is enacted to revise and consolidate the laws relating to local government in Peninsular Malaysia. Every licence or permit granted by the local authority shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

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

**PRC**

**(i) Foreign Investment Law 2020 and Implementing Regulations of Foreign Investment Law ("FIL")**

The FIL is enacted to replace and consolidate the laws relating to foreign investment. Prior to 2020, there were three (3) major laws corresponding to three (3) types of organisational forms of foreign invested entities ("**FIEs**"), i.e. Law on Wholly Foreign Owned Enterprises ("**WFOE Law**"), Law on Sino-Foreign Equity Joint Ventures ("**EJV Law**"), and Law on Sino-Foreign Contractual Joint Ventures ("**CJV Law**"). As of 1 January 2020, the three (3) FIE laws, i.e. WFOE Law, EJV Law and CJV Law, were superseded by a consolidated FIL.

Organisational forms of FIEs incorporated prior to 2020 will have a five (5)-year transition period to keep their present forms while they may also do it earlier to restructure their organisational forms pursuant to the PRC Company Law, the PRC Partnership Enterprise Law or other relevant laws.

Coping with implementing FIL, PRC has promulgated respective catalogue of segments for encouragement of foreign investment, and catalogue of segments restricted and prohibited from foreign investment, and has been amending them from time to time. The Catalogue of Segments Restricted and Prohibited from Foreign Investments has been superseded by the Special Administrative Measures for Foreign Investment (Negative List) ("**Negative List**"), amended from time to time, and the scope and content of Negative List has been considerably narrowed down in 2021 Edition. In general, FIEs are prohibited from carrying out businesses such as internet content providers, news and press organisations, radio/television station, publication, film production and distribution, etc., amongst others. Most restrictions in manufacturing industry had been removed in the Negative List, and the restrictions remain in printing of publications (majority stakeholders must be Mainland Chinese individuals or entities), automobile vehicles production (except for special purpose vehicles, new energy vehicles and commercial vehicles, foreign shareholders may not take more than 50% equity interest), production of confidential prescription products of proprietary Chinese medicines, satellite television broadcasting ground receiving facilities and key components production etc.

## 6. BUSINESS OVERVIEW *(CONT'D)*

As at the LPD, Oppstar Shanghai's business scope is not covered by or overlapped with the Negative List, and it does not need further special permits or approvals to carry out its business or operations, nor is there regulatory restriction levied on Oppstar Shanghai in the Shanghai Pilot Trade Trial Zone.

There is no special environmental requirements and restrictions levied on Oppstar Shanghai as it is not a manufacturing entity.

**(ii) Administrative Regulations for Technology Import and Export 2001, as amended 2020**

Under these regulations, any cross border technology transfer and economic cooperation involving technology including transfer of patents, technical secrets and know-how, and cross border technical services, could be categorised as technology import and export, subject to approval or filing record at local commerce authority depending on the nature of technology per se. Catalogues for Technologies Restricted and Prohibited from Import, and Catalogues for Technologies Restricted and Prohibited from Export have been promulgated and amended at times by Ministry of Commerce.

For technology transfer agreement involving restricted technology, prior approval from commerce department is needed to effectuate the validity of such agreement. Technologies not under the abovementioned catalogues could be imported and exported freely, and the domestic entities should file record such cross border technology transfer agreement with local commerce authority for the purpose of foreign exchange remittance and tax clearance on behalf of foreign licensors/assignors.

There is no non-compliance with the aforesaid laws, regulations, rules and requirements as at the LPD.

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SMITH ZANDER

Date: 08 FEB 2023

The Board of Directors

**OPPSTAR BERHAD**
Level 6, I2U Building, Sains@USM
10, Persiaran Bukit Jambul
11900 Bayan Lepas
Pulau Pinang

Dear Sirs/ Madams,

**Independent Market Research Report on the Global Semiconductor Industry and Global Integrated Circuit ("IC") Design Industry ("IMR Report")**

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the initial public offering and listing of Oppstar Berhad ("Oppstar") on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industries in which Oppstar and its subsidiaries ("Oppstar Group") operate and to offer a clear understanding of the industry dynamics. As Oppstar Group is principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions, as well as other related services, the scope of work for this IMR Report will thus address the following areas:

(i) Global semiconductor industry, being the broader industry in which Oppstar Group operates in;
(ii) Global IC design industry, being the sub-segment of the global semiconductor industry in which Oppstar Group operates in; and
(iii) Competitive landscape of the IC design industry.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:

**DENNIS TAN**
MANAGING PARTNER

SMITH ZANDER



The research for this IMR Report was completed on 31 January 2023.

For further information, please contact:

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***About SMITH ZANDER INTERNATIONAL SDN BHD***

*SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.*

***Profile of the signing partner, Dennis Tan Tze Wen***

*Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.*

# 1 THE GLOBAL SEMICONDUCTOR INDUSTRY

A semiconductor is a substance which possesses specific electrical properties. Semiconductors are primarily made of silicon, whereby with modifications such as doping or gating, semiconductors can act as a conductor under certain conditions or as an insulator under other conditions in accordance to requirements.

## Value chain of the semiconductor industry

In the past, the semiconductor industry comprised integrated device manufacturers ("IDMs"), which are typically brand owners or intellectual property ("IP") owners of integrated circuits ("ICs") for various electronic devices. These IDMs were vertically integrated, in which its principal activities encompassed the design, fabrication, assembly, packaging and testing of ICs. Over the years, rapid technology advancement and product innovation have increased the complexity in IC production, leading to the emergence of companies specialised in specific activities within the semiconductor industry.

Presently, there are five (5) major types of semiconductor industry players, namely IDMs, fabless companies, fab-lite companies, IC fabricators (i.e. foundries) and outsourced semiconductor assembly and test ("OSAT") companies in the core value chain of the semiconductor industry. These industry players are supported by engineering support companies such as electronic design automation ("EDA") software providers, IC design houses and various equipment manufacturers, to perform all or part of the core processes of IC production, namely design, fabrication, assembly, packaging and testing, and sales and marketing of ICs, as follows:

- **Design:** IDMs, fabless companies and fab-lite companies are involved in the design of their own IC products. They are typically brand owners or IP owners of the IC products. As the semiconductor industry is increasingly competitive, these industry players may outsource part or whole of the design processes of an IC to third party IC design houses for the purposes among others, access to engineering talent pool and cost reduction. These IC design houses are able to develop IC design solutions based on the requirements of the IDMs, fabless companies and fab-lite companies and they are typically involved in the design of ICs for third party brands. Please refer to **Chapter 2 The Global IC Design Industry** of this IMR Report for further details on the global IC design industry.

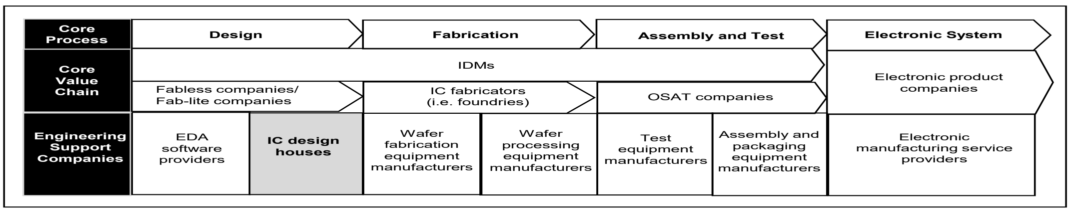
  Upon completion of the design process, prototypes of the ICs will be manufactured and undergo a post-silicon validation process before mass production to validate the functionality of the ICs, to ensure the ICs manufactured meet the required functional specifications of the IC design under different operating conditions. The post-silicon validation process is usually conducted by IDMs, fabless companies and fab-lite companies. They may also outsource it to other service providers when required.

- **Fabrication:** Upon completion of the design and post-silicon validation processes, the IC is then mass-produced and fabricated in-house (in the case of IDMs and fab-lite companies), or outsourced to a foundry (in the case of fabless companies and fab-lite companies). Manufacturing of ICs typically refers to the fabrication process where semiconductor components are formed on a semiconductor wafer/ plate, which is a thin silicon-based material, based on the IC design. Fabless companies and fab-lite companies generally engage foundries for the fabrication of ICs due to the capital and technology intensive nature of the IC fabrication process.

- **Assembly and test:** Once mass produced, the fabricated ICs are then sent for assembly, packaging and testing. The assembly process involves dicing semiconductor wafer into individual die, die bonding onto a substrate, wire bonding and encapsulating the semiconductor die with moulding compounds such as epoxy resin. The assembly process is necessary to protect the ICs and enable the dissipation of heat from the ICs, as well as facilitate the integration of ICs into electronic systems to manufacture electronic products. Thereafter, the final products manufactured will undergo a series of testing. Fabless companies and fab-lite companies generally engage OSAT companies for these processes.

- **Electronic system:** Electronic product companies are ultimately the customers of the semiconductor industry players. Examples of these companies include mobile and wireless device companies, automobile manufacturers, as well as other consumer electronic product manufacturers. These companies may also engage electronic manufacturing service providers to undertake the fabrication, assembly, packaging and/or testing of the final electronic products.

**Value chain of the semiconductor industry**




*Notes:*

- *denotes role of Oppstar Group in the value chain of the semiconductor industry.*
- *Companies involved in the above value chain may have overlapping principal activities and thus, may have multiple roles in the semiconductor value chain.*

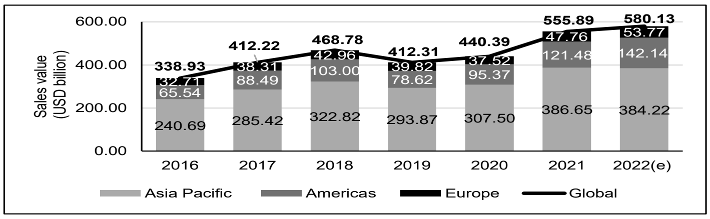
*Source: SMITH ZANDER*

## Industry Performance, Size and Growth

The global semiconductor industry is represented by global semiconductor sales. Global semiconductor sales increased at a compound annual growth rate ("CAGR") of 9.37% from USD338.93 billion (RM1.41 trillion)[1] in 2016 to an estimated USD580.13 billion (RM2.55 trillion)[2] in 2022. In 2019, global semiconductor sales decreased by 12.05% from USD468.78 billion (RM1.89 trillion)[3] in 2018 to USD412.31 billion (RM1.71 trillion)[4] in 2019, mainly due to uncertainties resulting from the escalation of the United States of America ("USA")-China trade war. Nevertheless, driven by continuous technological advancements which led to increased usage of semiconductors in various end-user applications, global semiconductor sales recovered by 6.81% from USD412.31 billion (RM1.71 trillion) in 2019 to USD440.39 billion (RM1.85 trillion)[5] in 2020. Further, the World Semiconductor Trade Statistics ("WSTS") expects global semiconductor sales to decrease by 4.06% from USD580.13 billion (RM2.55 trillion) in 2022 to USD556.57 billion (RM2.45 trillion)[6] in 2023, in view of a slowdown in semiconductor sales in the Asia Pacific region which is largely exposed to weakened consumer demand for electrical and electronics ("E&E") products and expected to weaken the demand for memory ICs.

Asia Pacific is the largest contributor to the global semiconductor industry, accounting for 66.23% of global semiconductor sales in 2022. Asia Pacific registered a decline of 8.97% from USD322.82 billion (RM1.30 trillion) in 2018 to USD293.87 billion (RM1.22 trillion) in 2019 in tandem with the decrease in global semiconductor sales. In line with increased demand in 2020, Asia Pacific registered a growth of 4.64% to USD307.50 billion (RM1.29 trillion) in 2020 as compared to 2019.

**Semiconductor sales (Global), 2016-2022(e)**




*Notes:*

- *Figures may not add up due to rounding.*
- *(e) – Estimate.*

*Sources: WSTS, SMITH ZANDER analysis*

WSTS estimated Asia Pacific's semiconductor sales to have declined slightly by 0.63% from USD386.65 billion (RM1.60 trillion)[7] in 2021 to USD384.22 billion (RM1.69 trillion) in 2022, in view of weakened demand for memory ICs which was driven by weaker demand in consumer electronics markets arising from rising inflation and normalisation of demand for consumer electronics after the spike during the coronavirus disease 2019 ("COVID-19") pandemic. Similar trend is expected to persist in 2023 whereby the semiconductor sales in Asia Pacific is expected to decrease by 6.49% from USD384.22 billion (RM1.69 trillion) in 2022 to USD359.29 billion (RM1.58 trillion) in 2023.

The major countries in Asia Pacific involved in the semiconductor industry include China, Taiwan and Japan. Within these countries, there are IDMs, fabless companies, fab-lite companies, IC fabricators and OSAT companies which drive the development of the semiconductor industry. In China, semiconductor sales[8] increased from USD107.47 billion (RM445.54 billion) in 2016 to USD192.50 billion (RM797.99 billion) in 2021, registering a CAGR of 12.36%, and estimated to have declined slightly by 0.63% to USD191.29 billion (RM841.77 billion) in 2022 as compared to 2021 in tandem with the decrease in semiconductor sales in Asia Pacific. In Taiwan, semiconductor sales[9] increased from NTD2.45 trillion (RM 315.07 billion)[10] in 2016 to an estimated NTD4.72 trillion (RM697.15 billion)[11] in 2022, registering a CAGR of 11.55%. Additionally, in Japan, semiconductor sales[12] increased from USD32.29 billion (RM133.86 billion) in 2016 to an estimated USD48.06 billion (RM211.49 billion) in 2022 at a CAGR of 6.85%. Despite an estimated slight decline in semiconductor sales in China, the growth of the semiconductor industry in Taiwan and Japan is expected to spur the growth of the global IC design industry.

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[1] *Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2016 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1457.*
[2] *Exchange rate from USD to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at USD1 = RM4.4005.*
[3] *Exchange rate from USD to RM in 2018 was converted based on average annual exchange rates in 2018 extracted from published information from Bank Negara Malaysia at USD1 = RM4.0353.*
[4] *Exchange rate from USD to RM in 2019 was converted based on average annual exchange rates in 2019 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1427.*
[5] *Exchange rate from USD to RM in 2020 was converted based on average annual exchange rates in 2020 extracted from published information from Bank Negara Malaysia at USD1 = RM4.2016.*
[6] *Exchange rate from USD to RM in 2023 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at USD1 = RM4.4005.*
[7] *Exchange rate from USD to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1454.*
[8] *Sources: Semiconductor Industry Association, SMITH ZANDER.*
[9] *Sources: Taiwan Semiconductor Industry Association ("TSIA"), SMITH ZANDER analysis.*
[10] *Exchange rate from NTD to RM in 2016 was converted based on average annual exchange rates in 2016 extracted from published information from Bank Negara Malaysia at NTD100 = RM12.8602.*
[11] *Exchange rate from NTD to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at NTD100 = RM14.7702.*
[12] *Sources: WSTS, SMITH ZANDER analysis.*

Countries such as India and Singapore possess high skilled software engineering talent, including in IC design, making these countries suitable destinations for IC design houses to source and recruit design engineers and/or to set up operations due to the availability of such skills. As such, semiconductor companies globally may engage with IC design houses based in India or Singapore to outsource their IC design activities in order to leverage on the skills and experience of the design engineers.

# 2 THE GLOBAL IC DESIGN INDUSTRY

## Overview

An IC is a small semiconductor with electronic circuits made up of transistors and other electronic components, such as capacitors, resistors, diodes and inductors assembled and integrated on a semiconductor material (i.e. wafer).

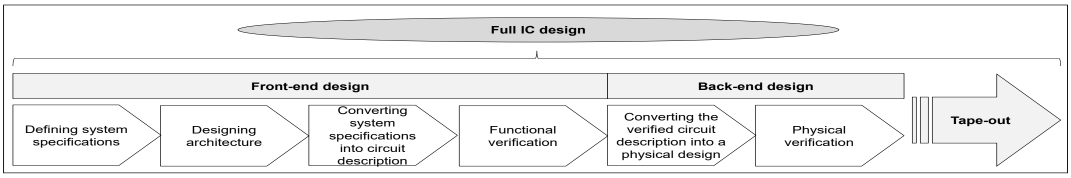
IC is designed and used in a vast array of applications such as mobile devices, computers and computer peripherals, consumer electronics, automotive components, industrial equipment, telecommunications equipment and medical equipment, to perform certain functions including data transmission, processing and storage, wireless connectivity, operations control, sensing and power management.

The IC design industry is a knowledge and skill-intensive industry. Typically, there are two broad categories of IC design which includes analog IC design and digital IC design. Analog design focuses on the designing of circuits which operate using continuous varying signal, and emphasises on signal fidelity, amplification and filtering. On the other hand, digital IC design focuses on the designing of circuits which operate using discrete signals, represented in the binary form of ones and zeros, and emphasises on logical correctness. The design processes of an IC can be generally categorised into front-end and back-end design as follows:

- **Front-end design** involves design processes responsible to determine the functionality of an IC. The front-end design process typically starts from defining system specifications, designing architecture, converting system specifications into circuit description, to functional verification of the IC.
- **Back-end design** involves design processes responsible for the physical implementation of an IC. The back-end design typically starts from converting the verified circuit description into a physical design which involves processes such as partitioning, floor-planning, place and route to physical verification of the IC.

Upon completion of both the front-end and back-end design processes, the IC design is then ready for manufacturing. The process in which the IC design is sent for manufacturing in foundries is known as tape-out. The complete IC design process from defining system specifications to tape-out is known as a full IC design.

**A complete IC design process/ full IC design**




*Source: SMITH ZANDER*

Depending on the architecture of an IC, the design of an IC may be handled hierarchically, whereby a full IC design can be divided into multiple functional blocks, and further sub-divided into multiple sub-blocks for their respective hierarchy level within an IC. Upon completion of design at each hierarchy level, the sub-blocks are then integrated to form a functional block, and functional blocks are integrated to form a full IC. The nature of the design process and architecture of an IC thus allows all (e.g. full IC basis) or parts (e.g. specific design process basis or functional block basis) of the IC design to be completed by different design engineering teams, either in-house or outsourced, and either locally or overseas.

In the IC design industry, there are IC design houses which provide IC design services to IDMs, fabless companies or fab-lite companies on a full IC basis. Generally, as full IC design involves multiple layers of integration within an IC, it requires a complete range of design knowledge and expertise such as knowledge for the inter-connections between functional blocks. These IC design houses have higher responsibility as they are responsible for the overall operational performance of the IC. IC design houses also provide IC design services to IDMs, fabless companies or fab-lite companies on a functional block basis or on a specific design process basis, based on their respective areas and levels of expertise. In this case, IC design houses are responsible for the individual performance of the functional blocks or completion of the assigned design process. Oppstar Group is involved in the provision of IC design services comprising turnkey design services (i.e. IP design turnkey and full IC design turnkey) and specific design services.

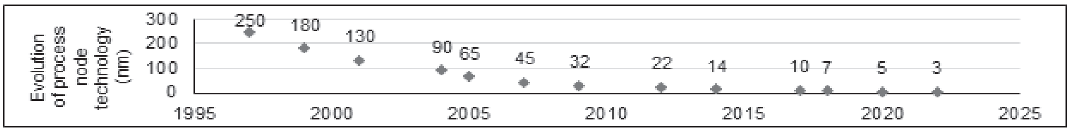
**Evolution of process node technology**

IC design is increasingly complex and expensive following the evolution of process node technology. Process node technology refers to a specific semiconductor manufacturing process, characterised by the size of transistors within an IC.

Since the invention of transistors in the 1940s, the evolution of process node technology into smaller process node has allowed production of improved generation of ICs with increased transistor density (i.e. increased transistor counts on the same area of an IC), faster processing speed and lower power consumption, fulfilling the increasing demand for lighter and more sophisticated electronic devices.

At present, the most advanced process node technology that is currently in production is in the order of three (3) nanometres ("nm"). The advent of process node technology has led to increasing miniaturisation of transistors and scale of integration in an IC, which has increased significantly from below 100 transistors in an IC to trillions of transistors in an IC today. This has also led to an increasing level of complexity in IC design. As such, IC design houses with capabilities for advanced process node technology is a demonstration of its advanced in-house design capabilities and expertise. Oppstar Group is generally involved in the provision of IC design services for IC with process node technology ranging from 20 nm to 5nm. In 2022, Oppstar Group had also secured projects using 3nm process node technology.

**Evolution of process node technology**




*Source: SMITH ZANDER*

**Global chip supply**

A global chip shortage began in late 2020 where the demand for ICs surpassed its supply. The global chip shortage was driven by a combination of events including increase in cost and global supply chain disruption mainly caused by the COVID-19 pandemic which led to temporary shutdown of factories in the semiconductor value chain, as well as the USA-China trade war. The global chip shortage was further exacerbated by a surge in demand for ICs, mainly contributed by a shift towards remote working, virtual learning, home entertainment, online gaming and e-commerce during the pandemic, which increased the demand for ICs powering computers, laptops, cloud computing and equipment for communications; as well as a faster-than-expected recovery in the demand for automobiles following the lifting of lockdowns in various countries globally.

These events collectively resulted in a chip shortage globally whereby there was a shortfall in production capacity against the surge in demand for ICs, causing supply chain disruptions in many of its end-user applications such as consumer electronics and automotive.

However, starting from the second half of 2022, chip shortage has turned into oversupply in some semiconductor segments and this is expected to persist in 2023. For instance, there has been rising concern on oversupply in memory chips in view of reducing demand for consumer electronics such as personal computers and smartphones due to pressure on consumer disposable income resulting from among others, rising inflation, taxes and interest rates, as well as normalisation of demand for consumer electronics after the spike during COVID-19 pandemic. Further, there has also been an oversupply of semiconductors for the data centre industry. Nevertheless, chip shortage in the automotive industry is expected to persist in 2023. In view of a lower demand for memory chips, WSTS expects global semiconductor sales to decrease by 4.06% from USD580.13 billion (RM2.55 trillion) in 2022 to USD556.57 billion (RM2.45 trillion) in 2023.

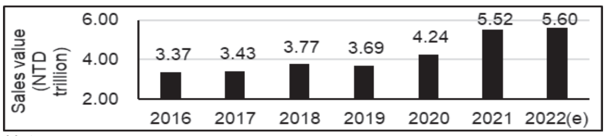
Nevertheless, as capacity of IC design services is not restrained by the semiconductor production capacity, and as the demand for IC design services remain strong driven by key demand drivers illustrated in **Chapter 2 The Global IC Design Industry – Industry Performance, Size and Growth** of this IMR Report, the IC design industry is not materially impacted by the global chip supply condition.

## Industry Performance, Size and Growth

The global IC design industry is represented by global IC design sales. Global IC design sales increased from NTD3.37 trillion (RM433.39 billion) in 2016 to an estimated NTD5.60 trillion (RM827.13 billion) in 2022, at a CAGR of 8.83%.

In line with the decline in global semiconductor sales in 2019, global IC design sales decreased by 2.12% from NTD3.77 trillion (RM504.64 billion)[13] in 2018 to NTD3.69 trillion (RM494.79 billion)[14] in 2019. Nevertheless, driven by continuous technological advancements which leads to increased usage of ICs, as well as increased demand for semiconductors, global IC design sales recovered by 14.91% from NTD3.69 trillion

**IC design sales (Global), 2016-2022(e)**




*Note:*

- (e) – Estimate.

*Sources: TSIA, SMITH ZANDER analysis*

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[13] *Exchange rate from NTD to RM in 2018 was converted based on average annual exchange rates in 2018 extracted from published information from Bank Negara Malaysia at NTD100 = RM13.3856.*

[14] *Exchange rate from NTD to RM in 2019 was converted based on average annual exchange rates in 2019 extracted from published information from Bank Negara Malaysia at NTD100 = RM13.4090.*

(RM494.79 billion) in 2019 to NTD4.24 trillion (RM605.07 billion)[15] in 2020. Despite an anticipated decline in global semiconductor sales in 2023, the global IC design industry is expected to continue to grow driven by the demand for advanced chips used in high performance computing and artificial intelligence ("AI") devices which are less susceptible to rising inflation and external uncertainties. As such, SMITH ZANDER forecasts global IC design sales to increase by 2.50% from NTD5.60 trillion (RM827.13 billion) in 2022 to NTD5.74 trillion (RM847.81 billion)[16] in 2023.

The growth in the global IC design industry is driven by the following key drivers:

► **Continuous technological advancements leading to innovation in end-user products drive the demand for ICs, which in turn drive the sales of IC design services**

IC is the foundation of many technologies today that enrich lives of consumers and enable businesses to operate more efficiently. A major driving factor of the growth in the global demand for ICs is rapid technological advancements, which continue to promote new product innovation in the market as industry players need to ensure their products remain competitive. These technological advancements include:

- **Mobile and wireless devices:** One of the most prevalent trends in the end-user industry of ICs, namely the E&E industry, is the rise of mobile and portable engineering designs which promote convenience. Industry players are constantly developing newer E&E products and semiconductor components to meet market requirements for smaller and more lightweight, yet more powerful products. Today's mobile and wireless devices have powerful computing capabilities, efficient mobile connectivity and strong power management features. These devices form an integral part of the society today, and consumers and businesses have become increasingly dependent on mobile and wireless devices. As ICs are technology enablers for mobile and wireless devices, the constant product advancements of these devices have created demand for more powerful ICs.

- **Fifth-generation ("5G") wireless networks:** The advancement of 5G wireless technology for digital cellular networks offers unprecedented network speed, latency, reliability and capacity. The advancement of wireless technology opens up vast opportunities not only to enhance capabilities of existing applications such as mobile devices, it also enables new areas of application in Internet of Things ("IoT"), automotive and industrial automation which were formerly subject to limitations or were not possible to operate under previous generations of wireless network. As such, the incorporation of 5G wireless technology into applications such as mobile devices, IoT, automotive and industrial automation may drive the demand for higher performance or advanced ICs to be used in these 5G-enabled applications which may in turn drive the sales of IC design services.

- **AI:** AI is typically defined as the ability of a machine to perform cognitive functions such as perceiving, reasoning and learning. Many AI applications including virtual assistant and facial recognition programmes have already gained a wide following in today's society. These applications rely on hardware (e.g. ICs) for logic and memory functions. This will present growth opportunities for IC design houses.

Consumers are highly receptive to new product innovation and this has resulted in relatively short product lifecycles for most end-user products as new and enhanced versions of products are constantly introduced to the market. Moving forward, it is expected that the introduction of new end-user products integrated with the lifestyle of today's society will continue to increase. The continuous technological advancements leading to product innovation will drive the sales of IC design services.

► **Increase in IC design service outsourcing creates growth opportunities for IC design houses**

Following the evolution of process node technology, IC design has become increasingly complex and expensive. In order to reduce IC design operational costs and to focus on the companies' core business, many semiconductor companies such as IDMs, fabless companies and fab-lite companies outsource all (e.g. full IC design basis) or parts (e.g. specific design or functional block basis) of their IC design processes to IC design houses. By outsourcing, these semiconductor companies will be able to increase the productivity of their business without having the need to increase the size of their team. For example, given a differential in wage patterns of developed countries and developing countries, the scope of IC design works can often be achieved at lower cost in developing countries compared to developed countries, allowing semiconductor companies to tap into a larger pool of design engineering expertise at comparatively lower labour cost. Further, when the scope of IC design work is outsourced, the semiconductor companies may not be required to hire and maintain a large pool of skilled design engineers in-house, which enables the semiconductor companies to be more flexible in responding to evolving market trends and demand, allowing the semiconductor companies to remain competitive in the industry.

In light of this, IC design houses have emerged in various countries, including Malaysia, to cater to the growing need of the semiconductor companies. This outsourcing trend has, and is expected to continue to, create growth opportunities for IC design houses.

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*[15] Exchange rate from NTD to RM in 2020 was converted based on average annual exchange rates in 2020 extracted from published information from Bank Negara Malaysia at NTD100 = RM14.2705.*
*[16] Exchange rate from NTD to RM in 2023 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at NTD100 = RM14.7702.*

In Malaysia, as having a pool of skilled talent is imperative for the growth of the E&E industry including the IC design industry, the Government of Malaysia will be implementing several initiatives through the 12th Malaysia Plan to develop talent in the E&E industry, which is in line with the National Fourth Industrial Revolution ("4IR") Policy. These initiatives include setting up industry-led 4IR skills development centres as well as providing incentives to the industry for reskilling and upskilling employees in 4IR areas. Further, employee reskilling and upskilling in the design field will also be carried out to accelerate the growth of high-end manufacturing industries. These initiatives are expected to improve the skills and expertise of the IC design workforce, which could in turn attract local and foreign semiconductor companies to outsource their IC design processes to IC design houses based in Malaysia, hence driving the growth of the IC design industry.

Additionally, the Government of Malaysia also intends to enhance research and development as well as design and development ("D&D") activities through promoting knowledge-intensive design programmes for the E&E subsector, encouraging industry players to undertake D&D activities, particularly in IC, IC packaging, embedded systems as well as test and engineering design services, and providing incentives to encourage more investment in D&D activities. This is to realise the importance of innovation and design activities which will in turn spur the growth of the E&E subsector.

▶ **Growth in the semiconductor industry drives the sales of IC design services**

As a supporting industry to the semiconductor industry, the demand for IC design services is driven by the growth in the semiconductor industry. Semiconductors are integral components in many products including mobile devices, computers and computer peripherals, consumer electronics, industrial equipment, telecommunications equipment, automotive components and medical equipment to perform certain functions such as data transmission, processing and storage, wireless connectivity, operations control, sensing and power management.

In 2019, global semiconductor sales decreased by 12.05% from USD468.78 billion (RM1.89 trillion) in 2018 to USD412.31 billion (RM1.71 trillion) in 2019, mainly due to uncertainties resulting from the escalation of the USA-China trade war. Nevertheless, driven by continuous technological advancements which led to increased usage of semiconductors in various end-user applications, global semiconductor sales recovered at a CAGR of 12.06% from USD412.31 billion (RM1.71 trillion) in 2019 to an estimated USD580.13 billion (RM2.55 trillion) in 2022. In Malaysia, the production of semiconductor related ICs and other semiconductor components registered a CAGR of 14.60% from 90.92 billion units in 2019 to 119.41 billion units in 2021, which signifies growing demand for semiconductors. SMITH ZANDER estimates the production of semiconductor related ICs and other semiconductor components to have grown by 16.25% from 119.41 billion units in 2021 to 138.82 billion units in 2022.

The growth in semiconductor sales will also be driven by increasing usage of ICs in various end-user applications as contributed by technological advancement such as the prevalence of mobile and wireless devices, 5G wireless networks and AI as detailed in **Chapter 2 The Global IC Design Industry – Continuous technological advancements leading to innovation in end-user products drive the demand for ICs, which in turn drive the sales of IC design services** of this IMR Report. The continuing growth in the semiconductor industry is thus expected to continue to drive the sales of IC design services.

## Key Industry Risks and Challenges

▶ **The growth of IC design houses is reliant on sufficient suitable skilled personnel**

The IC design industry is constantly faced with rapid technological developments and thus, one (1) of the key supplies of the industry is the talent involved in the design and engineering of ICs. In order for IC design houses to remain competitive in the industry, these personnel must be equipped with the relevant expertise and experience.

IC design houses have to continuously invest their time and financial resources in their design engineering workforce by providing (i) a conducive working environment including, among others, competitive remuneration packages, sufficient training as well as a clear and transparent career development path; and (ii) strong and efficient support systems to facilitate design engineering processes, to retain and attract competent design engineering workforce.

As technical skills and engineering capabilities will have an impact on the types and performance of ICs designed, it is necessary to hire personnel with the required expertise and capabilities for the IC design houses to remain competitive in the industry. In the event where an IC design house is unable to hire and/or retain personnel with the required expertise and capabilities, it may create a material adverse impact on the operations of the IC design house and affect its capacity to secure new projects, which may negatively impact its ability to maintain and/or improve its overall financial performance.

▶ **Adverse economic and political conditions may adversely impact sales of the semiconductor industry, including sales of IC design services**

The performance of the semiconductor industry, including the IC design industry is, to a certain extent, dependent on the state of the economy and political conditions. A growing economy will contribute to increasing disposable income and purchasing power of consumers, as well as spending budgets of businesses, which will spur demand for IC products. Conversely, a decline in the economy may decrease purchasing power and expenditure, and cause a reduction in the demand for IC products, which may negatively impact the overall financial performance of industry players, including IC design houses in the semiconductor industry.

Over the years, the semiconductor industry has experienced significant and sometimes prolonged periods of economic downturns. Any systemic economic or financial crisis, such as the Asian financial crisis in 1997, the dot-com bubble burst in 2000 and the global financial crisis in 2008/2009, could create significant volatility and uncertainty within the semiconductor industry, which may negatively impact the financial performance of IC design houses. Further, any prolonged impact from the COVID-19 pandemic may also lead to unfavourable impact to the global economy and business operations for various end-user industries of ICs, which may negatively impact the demand for ICs, and subsequently the sales of IC design services.

In terms of political conditions, China conducted military drills and intends to conduct regular patrols around Taiwan in retaliation for Nancy Pelosi's visit to Taiwan in August 2022. The military exercises led to a few shipping disruptions, however, traffic at the ports in Taiwan and China was not affected. Additionally, China has suspended the exports and imports of certain goods to/from Taiwan but semiconductors are excluded from the suspension which may be due to China's reliance on Taiwan's semiconductor industry. However, if the conflict between China and Taiwan escalates and a military invasion in Taiwan is to occur, the supply of semiconductors from Taiwan may be affected and lead to supply chain disruption to the semiconductor supply chain globally, including other industries that depend on the semiconductors made in Taiwan.

Further, in August 2022, a Creating Helpful Incentives to Produce Semiconductors and Science Act ("CHIPS and Science Act") was signed into law by President Joe Biden, with the intention of strengthening USA's semiconductor production. The CHIPS and Science Act provides USD52.70 billion for American semiconductor research, development, manufacturing and workforce development, including USD39.00 billion in manufacturing incentives. However, the CHIPS and Science Act prohibits funding recipients from expanding semiconductor manufacturing in China and other countries of concern. As such, the CHIPS and Science Act is seen to be introduced with the intention to subdue the semiconductor industry in China. In addition, in October 2022, the USA imposed a set of export controls on China to restrict China's ability to access advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors.

While the operations and provision of IC design services may be temporarily disrupted due to disruption in the global supply chain caused by geopolitical reasons, as IC design industry players generally serve the global semiconductor industry, the demand for IC design services will be sustained by the overall demand and advancement of semiconductor products.

# 3 COMPETITIVE LANDSCAPE OF THE IC DESIGN INDUSTRY

## Overview

The IC design industry has a global network model in which the competitiveness of the industry players can be narrowed down to their geographical locations resulting from factors such as regional market conditions, technological knowledge and geopolitical relations. These factors influence the nature of business relationships among industry players globally.

IC design industry players in their respective countries comprise local and foreign companies. Foreign industry players consist of regional and/or multinational companies that set up locally established entities to support their sales and marketing activities as well as the provision of IC design services to customers in the countries where the local entities are established.

There are also foreign industry players who deliver the required services to customers in countries where the foreign industry player does not have locally established entities/ local presence by deploying IC designers from their base country.

Further, IC design industry players often provide their IC design services to customers from countries which have similar language and cultural backgrounds, for more effective communication and coordination, which will help better understand and cater to the customers' IC design needs and specifications.

As the IC design industry is a technically skilled industry requiring specific engineering capabilities such as electronics and/or software engineering expertise, the industry is moderately competitive. Many IC design industry players have presence in countries with large semiconductor industries such as the USA, South Korea, Taiwan, China and Japan.

### Local Industry Players in Malaysia

IC design industry players who perform full IC design process are known as turnkey solution providers. Some IC design industry players offer IC design services on functional block basis or on a specific design process basis. For example, some IC design industry players may only provide front-end IC design or back-end IC design.

As Oppstar Group offers IC design services comprising front-end design, back-end design and turnkey solutions, the basis for selection of the selected industry players in the IC design industry in Malaysia is companies who are involved in the provision of IC design services with turnkey capability and may serve customers in countries/ region that Oppstar Group serves (e.g. Malaysia, USA, Singapore and/or East Asia region).

As the IC design industry in Malaysia is relatively niche, the list of selected local industry players in the IC design industry in Malaysia that fulfil the abovementioned basis of selection is as follows:

| Company Name | Principal Activities | Principal Market | Latest Available Financial Year | Revenue (RM million) | Gross Profit/ (Loss) (RM million) | Gross Profit/ (Loss) Margin (%) | Profit/ (Loss) After Tax (RM million) | Profit/ (Loss) After Tax Margin (%) |
|---|---|---|---|---|---|---|---|---|
| UST Global (Malaysia) Sdn Bhd (part of UST group of companies) | Provision of information technology consulting services. | Not available | 31 March 2022 | 140.42[(1)] | -[(7)] | - | 15.36 | 10.94 |
| Oppstar Group | Provision of IC design services and other related services. | Malaysia, China, Japan, Singapore and USA | 31 March 2022 | 50.56[(2)] | 30.14 | 59.60 | 16.63 | 32.89 |
| Key ASIC Berhad | Provision of turnkey application-specific integrated circuit ("ASIC") design services, data processing, data management, disk-based back-up solutions, telecommunications, office automation, network infrastructure and intelligent storage network support. | Taiwan, Malaysia and China | 31 May 2022 | 13.59[(3)] | 2.87 | 21.12 | (8.64) | (63.58) |
| Infinecs Systems Sdn Bhd | Provision of engineering design services, information service activities, research and development on engineering services and information communication technology and human resource consultancy services. | Not available | 31 December 2021 | 10.83[(1)] | 3.67 | 33.89 | 1.54 | 14.22 |
| Symmid Corporation Sdn Bhd | Provision of fabless IC design and IC design training/ consultancy. | Not available | 31 December 2019 | 9.78[(4)] | (1.91)[(8)] | (19.53) | (5.01) | (51.23) |
| Aricent Technologies Malaysia Sdn Bhd (part of Capgemini group of companies) | Develop, design, test, sell, support of computer software including but not limited to providing equipment and services in connection with information communication technology. | Not available | 31 December 2021 | 9.60[(1)] | 0.78 | 8.13 | (0.06) | (0.63) |
| IC Microsystems Sdn Bhd | Provision of IC design and product development and distribution of EDA tools. | Not available | 31 December 2021 | 1.79[(5)] | (1.46)[(9)] | (81.56) | (1.65) | (92.18) |
| SkyeChip Sdn Bhd | Provision of semiconductor IP and IC and software design and development, IC manufacturing and engineering consultation, training and services. | Not available | Financial period 23 April 2019 to 31 March 2020 | -[(6)] | -[(6)] | - | (0.21) | - |

*Notes:*

*(1) Company may be involved in other businesses besides the provision of IC design services and as such, revenue is presented on a total revenue basis and may include revenue from other business segments. Segmental revenue for the provision of IC design services is not available.*

*(2) Revenue comprises the revenue derived from the provision of IC design services and other related services.*

*(3) Company may be involved in other businesses besides the provision of IC design services and as such, revenue is presented on a group basis and may include revenue from other business segments. Segmental revenue for the provision of IC design services is not available.*
*(4) Revenue comprises the revenue derived from the provision of IC design services and product development to customers. Segmental revenue for the provision of IC design services is not available.*
*(5) Revenue represents the revenue derived from the provision of design solutions (i.e. which may include design solutions other than IC design services) and other solutions.*
*(6) SkyeChip Sdn Bhd was incorporated on 23 April 2019 and has not commenced operations as of 31 March 2020. As such, there was no revenue and gross profit for the financial period from 23 April 2019 to 31 March 2020.*
*(7) Gross profit for UST Global (Malaysia) Sdn Bhd is not available in its financial statement.*
*(8) Gross profit for Symmid Corporation Sdn Bhd is not available in its financial statement. Thus, the gross profit is computed whereby gross profit = revenue - staff costs and allowances - professional fees - product costs.*
*(9) Gross profit for IC Microsystems Sdn Bhd is not available in its financial statement. Thus, the gross profit is computed whereby gross profit = revenue - design solution cost, materials and consumables used - staff costs.*
- *As there is no centralised record of IC design industry players tracked by any government agencies in Malaysia or other countries as there are no specific licenses and/or permits required to design ICs, the selected industry players included in the table were identified by SMITH ZANDER based on sources available, such as the internet, published documents, industry reports and/or interviews. Further, as there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.*

*Sources: Oppstar Group, various companies' websites, Companies Commission of Malaysia, SMITH ZANDER*

Based on publicly available information, among the local industry players listed above, companies providing both IC design services and post-silicon validation services include UST Global (Malaysia) Sdn Bhd (part of UST group of companies), Oppstar Group, Aricent Technologies Malaysia Sdn Bhd (part of Capgemini group of companies) and Infinecs Systems Sdn Bhd.

**Global Industry Players**

As Oppstar Group offers IC design services to customers locally in Malaysia as well as overseas, particularly in the USA, Singapore and the East Asia region ("Oppstar's overseas market regions"), Oppstar Group also competes with industry players globally who provide IC design services with complete turnkey capability, targeting customers from similar markets as Oppstar Group. As the IC design industry is global in nature with a variety of business models, sizes and market presence, a general illustration and examples of Oppstar's foreign competitors are as follows:

(i) Companies who are large multinational companies that have subsidiaries focusing on offering IC design services which may serve customers on a worldwide or regional basis. These subsidiaries may/ may not have physical presence in Malaysia and/or Oppstar's overseas market regions.

Examples of such industry players include Sankalp Semiconductor Private Limited (part of HCL Technologies group of companies) *(India)* and Wipro VLSI Design Services LLC (part of Wipro group of companies) *(USA)*.

(ii) Companies who are headquartered in countries from Oppstar's overseas market regions and may serve customers on a worldwide or regional basis.

Examples of such industry players include, ASIC North Inc *(USA)*, Bay Area Chip Design, LLC *(USA)*, Socionext Inc. *(Japan)*, VeriSilicon Microelectronics (Shanghai) Co., Ltd *(China)*, Shanghai Peilun Semiconductor Co., Ltd *(China)* and Moore Elite Integrated Circuit Industry Development (Hefei) Co., Ltd *(China)*.

(iii) Companies who are headquartered in countries that Oppstar Group does not serve (e.g. Australia, India and Taiwan) and may/may not have established branch offices in Malaysia and/or Oppstar's overseas market regions, and may serve customers on a worldwide or regional basis.

Examples of such industry players include Alchip Technologies, Limited *(Taiwan)*, BlackPepper Technologies Pvt Ltd *(India)*, Faraday Technology Corporation *(Taiwan),* Global Unichip Corporation *(Taiwan),* GreenIPCore, PlusQO Corporation Pvt. Ltd. *(India)*, Progate Group Corporation *(Taiwan)*, RADLogic Pty Ltd *(Australia)* and Tessolve Semiconductor Pvt. Ltd. *(India).*

Based on publicly available information, among the global industry players listed above, companies providing both IC design services and post-silicon validation services include Sankalp Semiconductor Private Limited (part of HCL Technologies group of companies), Wipro VLSI Design Services LLC (part of Wipro group of companies), BlackPepper Technologies Pvt Ltd, Global Unichip Corporation. GreenIPCore, PlusQO Corporation Pvt. Ltd. and Tessolve Semiconductor Pvt. Ltd.

Further information on abovementioned global industry players is shown in the list at page 10 of this IMR Report, based on publicly available information. However, the list excludes global industry players where their financial information and principal market are not publicly available.

| Company Name | Principal Market | Latest Available Financial Year | Revenue(1) (million) | Gross Profit/ (Loss) (million) | Gross Profit/ (Loss) Margin (%) | Profit/ (Loss) After Tax (million) | Profit/ (Loss) After Tax Margin (%) |
|---|---|---|---|---|---|---|---|
| Socionext Inc. | Japan, America, Asia and Europe | 31 March 2022 | JPY117,009.00/ RM3,931.62[17] | JPY67,258.00/ RM2,259.94 | 57.48 | JPY7,480.00/ RM251.34 | 6.39 |
| Global Unichip Corporation | China, USA, Taiwan, Japan, Korea and Europe | 31 December 2021 | NTD15,107.92/ RM2,241.67[18] | NTD5,229.95/ RM776.00 | 34.62 | NTD1,460.15/ RM216.65 | 9.66 |
| Alchip Technologies, Limited | China, USA, Japan, Europe and Taiwan | 31 December 2021 | NTD10,428.28/ RM1,547.32 | NTD3,562.57/ RM528.60 | 34.16 | NTD1,489.72/ RM221.04 | 14.29 |
| VeriSilicon Microelectronics (Shanghai) Co., Ltd | China, USA, Europe, Japan, Hong Kong and Taiwan | 31 December 2021 | CNY2,139.31/ RM1,374.93[19] | CNY857.06/ RM550.83 | 40.06 | CNY13.29/ RM8.54 | 0.62 |
| Faraday Technology Corporation | China, Taiwan, Japan and USA | 31 December 2021 | NTD8,085.20/ RM1,199.66 | NTD4,089.93/ RM606.85 | 50.59 | NTD1,155.93/ RM171.51 | 14.30 |
| Sankalp Semiconductor Private Limited (part of HCL Technologies group of companies) | Not available | 31 March 2022 | INR2,061.68(2)/ RM115.41[20] | -(3) | - | INR258.92/ RM14.49 | 12.56 |
| Wipro VLSI Design Services LLC (part of Wipro group of companies) | Not available | 31 March 2022 | USD26.24/ RM115.47 | USD17.75(4)/ RM78.11 | 67.64 | USD4.01/ RM17.65 | 15.28 |
| Progate Group Corporation | Taiwan, Asia and Europe | 31 December 2021 | NTD560.26/ RM83.13 | NTD173.58/ RM25.76 | 30.98 | NTD58.15/ RM8.63 | 10.38 |

*Notes:*

*(1) Company may be involved in other businesses and/or the provision of other IC related services besides the provision of IC design services and as such, revenue is presented on a total revenue basis and may include revenue from other business segments and/or provision of other IC related services.*
*(2) Revenue for Sankalp Semiconductor Private Limited is not publicly available, thus the revenue is represented by turnover.*
*(3) Gross profit is not publicly available.*
*(4) Gross profit for Wipro VLSI Design Services LLC is not available in its financial statement. Thus, the gross profit is computed whereby gross profit = revenue – sub-contractors expenses– software expenses – legal and professional fees.*

*Sources: Various companies' websites, Shanghai Stock Exchange, Tokyo Stock Exchange, SMITH ZANDER*

## Industry/Market Share

In 2021, the global IC design industry size, represented by global IC design sales, was recorded at NTD5.52 trillion (RM819.04 billion). For the financial year end 31 March 2022, Oppstar Group's revenue derived from the provision of IC design services was recorded at RM50.47 million and thereby, Oppstar Group captured a global market share of 0.0062%.

*[17] Exchange rate from JPY to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at JPY100 = RM3.3601.*
*[18] Exchange rate from NTD to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from Bank Negara Malaysia at NTD100 = RM14.8377.*
*[19] Exchange rate from CNY to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from Bank Negara Malaysia at CNY1 = RM0.6427.*
*[20] Exchange rate from INR to RM in 2022 was converted based on average annual exchange rates from in 2022 extracted from published information from Bank Negara Malaysia at INR100 = RM5.5977.*

# 8. RISK FACTORS

**YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR COMPANY**.

## 8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

### 8.1.1 We are dependent on certain major customers

We are dependent on Xiamen KirinCore by virtue of its revenue contribution for the Financial Years Under Review and Financial Periods Under Review.

Xiamen KirinCore was one of our Group's top five (5) major customers for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023. Revenue from Xiamen KirinCore accounted for approximately 15.57%, 70.73%, 68.43% and 62.67% of our Group's total revenue for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023 respectively.

Xiamen KirinCore is principally involved in the provision of IC design, software development, data processing and storage services as well as the manufacturing of communication system equipment and other electronic equipment. Xiamen KirinCore develops, produces and sells meteorological products utilising long range wireless communication technology.

Xiamen KirinCore also provides services to a subsidiary company owned by the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC, where our Group was engaged by Xiamen KirinCore for the provision of turnkey design services. Xiamen KirinCore had informed our Group that we were the only service provider for their IC turnkey design projects.

Xiamen KirinCore has been our Group's customer since April 2019 when we provided consultancy services to them. We had completed seven (7) contracts with Xiamen KirinCore for the provision of consultancy services as well as turnkey design services. As at the LPD, we have three (3) on-going contracts with Xiamen KirinCore for the provision of turnkey design services (i.e. full IC design turnkey). Please refer to Section 6.21 of this Prospectus for the salient terms of these contracts.

In addition, our Group is also dependent on the following major customers by virtue of their revenue contributions for the Financial Years Under Review and Financial Periods Under Review:

(i) Customer A group of companies was one of our Group's top five (5) major customers for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023. Revenue from Customer A group of companies accounted for approximately 38.59%, 11.06%, 11.04% and 12.33% of our Group's total revenue for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023 respectively.

Customer A group of companies are principally involved in designing, manufacturing and marketing microcontrollers, related mixed-signal and memory products and application development systems for high-volume embedded control applications.

We have been providing IC design services to Customer A group of companies since 2017. We have a non-exclusive agreement with Customer A group of companies which sets out the general terms and conditions for the provision of IC design work such as payment term, confidentiality, intellectual property and materials, indemnity and termination. The said non-exclusive agreement will remain in effect until it is terminated. The engagement between Customer A group of companies and our Group is carried out via purchase orders (which specify technical requirements, pricing and delivery terms) on an as needed basis.

(ii) Customer B was one of our Group's top five (5) major customers for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023. Revenue from Customer B accounted for approximately 37.19%, 5.89%, 9.51% and 7.17%of our total revenue for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023 respectively.

Customer B is principally involved in producing FPGAs and complex programmable logic devices as well as manufacturing and distributing electronic components.

We have been providing IC design services to Customer B since 2019. Since then, we have completed 12 contracts with Customer B.

All these three (3) major customers collectively contributed approximately 91.35%, 87.68%, 88.98% and 82.17% of our total revenue for FYE 2020, FYE 2021 and FYE 2022 as well as FPE 2023 respectively. Furthermore, in the event there is any failure or delay in delivering the deliverables, we are subject to the risk of termination and/or penalty based on the terms and conditions of the contracts. Please refer to Section 6.21 of this Prospectus for further details on the termination clause of the respective contracts. During the Financial Years Under Review and up to the LPD, we have not experienced any delay, suspension or termination of the purchase orders and/or contracts by our customers.

Our ability to continuously secure purchase orders and/or contracts from our major customers is dependent on several factors including, amongst others, our ability to provide IC design services that meet the respective customers' specifications and requirements, changes to business fundamentals of the customers, competitive pricing of our services as well as timely delivery. Nevertheless, there is no assurance that they will continue to be our customers.

In the event we lose Customer A group of companies, Customer B or Xiamen KirinCore as our customers, this would adversely affect our financial performance and operating results. There can be no assurance that we will continue to secure new purchase orders and/or contracts from these customers in the future. Furthermore, if they terminate our business relationship prematurely, there is no assurance that we will be able to secure new customers to replace these customers in a timely manner and the failure to do so would adversely affect our financial performance, operating results and prospects.

### 8.1.2 Our profitability margin depends on the type of IC design services provided

Our Group provides IC design services, namely specific design services and turnkey design services. The GP margins for our business depend on the complexity of the projects that our Group is able to secure and deliver. Generally, turnkey design service projects are usually of higher margins than specific design service projects as the turnkey design service projects are generally more complex in nature and our Group is able to utilise its resources more efficiently.

In addition, given the prevailing competitive market environment as well as the availability and capabilities of our design engineering workforce, there can be no assurance that GP margins for our new purchase orders and/or contracts in the future can be sustained at our historical GP margins (FYE 2020: 19.72%, FYE 2021: 40.39%, FYE 2022: 59.60% and FPE 2023: 58.95%). If there is any decline in our future GP margin, our future profitability and financial performance may be adversely affected.

There is no assurance that the new purchase orders and/or contracts secured would be on favourable commercial terms and conversely, this may adversely impact our financial performance.

## 8. RISK FACTORS *(CONT'D)*

### 8.1.3 We may not be able to execute some of our future plans and business strategies which may adversely affect our business prospects and growth

Our future plans and business strategies are focused on building on our key strengths and capitalising on our core business in IC design. The future growth of our business is dependent on our ability to implement and carry out our future plans and business strategies which include attracting suitable talents and intensifying R&D activities. Please refer to Section 6.7 of this Prospectus for further details on our future plans and business strategies.

The execution of our future plans and business strategies is subject to additional expenditures including staff costs, R&D expenses, sales and marketing expenses and other working capital requirements. Furthermore, the implementation and commercial viability of our future plans and business strategies may be influenced by factors beyond our control, such as new and unforeseen technologies used or introduced, changes in general market conditions, economic climate and political environment in Malaysia as well as regionally in Asia.

Hence, there can be no assurance that the effort and expenditure spent on the implementation of our future plans and business strategies will yield expected results in growing our business in terms of financial performance and market presence. We are not able to guarantee that we will be successful in executing our future plans and business strategies, nor can we assure that we will be able to anticipate all the business, operational and industry risks arising from our future plans and business strategies. Such failure may lead to an adverse effect on our business operations and financial performance. In addition, should we not be able to obtain a sufficient amount of turnkey design projects vis-à-vis the number of new design engineers to be hired, there can be no assurance that our GP margins in the future can be sustained at our historical GP margins (FYE 2020: 19.72%, FYE 2021: 40.39%, FYE 2022: 59.60% and FPE 2023: 58.95%). If there is a decline in our future GP margins, our future profitability and financial performance may be adversely affected.

### 8.1.4 We are dependent on our ability to retain and attract skilled engineers

As the technical skills and engineering capabilities of our design engineering workforce will have an impact on the types and performance of IC design, it is necessary to hire personnel with the required expertise and capabilities in order to remain competitive in the industry. As such, we are dependent on the ability to retain and attract skilled engineers with a high level of competency in IC design.

We recognise the importance of retaining a sufficient number of skilled engineers in order to secure more projects including full IC design turnkey projects which may involve between 80 to 120 engineers, based on a single project.

Our ability to retain and also to attract competent and skilled engineers is crucial for our continued success, future business growth and expansion. The turnover rate of our Group for the FYE 2022 is approximately 24.63%. Subsequent to FYE 2022 and up to the LPD, there were six (6) employees who left our Group (including a retiree, who left as her service contract with our Group had ended).

The loss of any of our skilled engineers and our inability to find suitable replacements in a timely manner may cause disruptions to our business operations, which may, in turn, affect our financial performance. In the event we are unable to hire and/or retain the skilled engineers with the required expertise and capabilities, it may create a material adverse impact on our operations and affect our capacity to secure new orders/contracts, which may negatively impact our ability to maintain and/or improve our overall financial performance.

Furthermore, the retention or hiring of skilled engineers may be subject to factors such as remuneration packages and continuous training and development programmes. Should there be a general rapid market rise in remuneration packages, it may have a negative short-term impact on our GP margin and thus affect our financial performance.

Although we have not previously experienced any major disruptions to our business operations due to a shortage of skilled engineers, there is no assurance that we will be able to recruit, develop and retain an adequate number of skilled engineers.

### 8.1.5 We do not have long-term contracts and our financial performance is dependent on our ability to continually secure new purchase orders and/or contracts to ensure the continuity of our order book

Our sales are primarily secured via purchase orders and/or contracts. Our contracts, if any, are generally for a period of up to two (2) years. However, our customers normally engage our IC design services by way of purchase orders. As such, our financial performance depends on our ability to secure new purchase orders and/or contracts to sustain our order book. If we are unable to do so, our order book may decline and this would adversely affect our sustainability and future business performance.

Generally, we are engaged by our customers to provide IC design services and our engagement, on a purchase order or contract basis, is completed upon tape-out or when the agreed service is fulfilled. We do not have any long-term contracts with our customers which could guarantee our future financial performance. We have entered into master service agreements with Customer A group of companies which will remain in effect until it is terminated, Customer D for a duration of two (2) years from 1 December 2015 and automatically renewed until it is terminated and Customer E group of companies for a duration of four (4) years from 4 June 2019 to 3 June 2023, the terms of which are generally broad in nature, whereby our customers will issue purchase orders on a project-to-project basis and on an as-needed basis.

As such, there is no assurance that we are able to continuously secure purchase orders and/or contracts from new and existing customers and conversely, this may adversely impact our financial performance.

Our order book is also subject to the risk of termination or suspension of purchase orders and/or contracts, and variations that may reduce the scope of work of our projects. During the Financial Years Under Review, FPE 2023 and up to the LPD, we have not experienced any material delay, suspension or termination of purchase orders and/or contracts by our customers. Although we have an order book of RM34.29 million as at the LPD, there is no assurance that our current order book can be sustained in the future nor can we provide any assurance that the implementation of the projects, that are currently in our order book, not be delayed, suspended or cancelled. Such delay, suspension or cancellation may lead to an adverse effect on our business operations and financial performance.

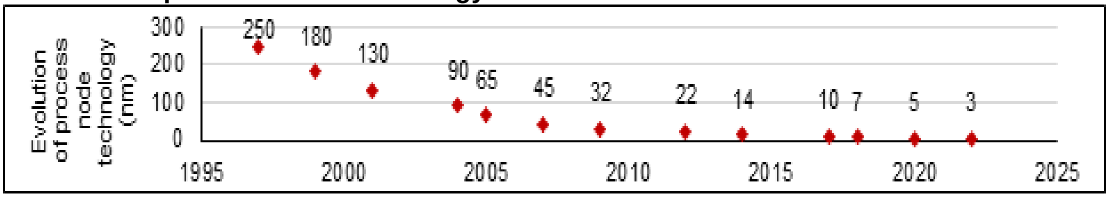
### 8.1.6 We face changes and uncertainties in the semiconductor industry

Our Group together with our customers operate within the semiconductor industry where this industry is inextricably linked to the continuing evolution in technology and shortening of the product development cycle. As such, it is crucial for our Group to keep abreast with the latest technology and industry demands to provide our IC design services that meet the needs of our customers in a timely and effective manner.

## 8. RISK FACTORS *(CONT'D)*

The diagram below describes the evolution of process node technology from 1995 to 2022.

**Evolution of process node technology**




*Source: Smith Zander*

Historically, we have demonstrated our ability to keep up with the latest technology and industry demands by delivering design projects using 14nm process node technology in 2015, 10nm process node technology in 2016, 7nm process node technology in 2018 and 5nm process node technology in 2021. Furthermore, in 2022, we had also secured projects using 3nm process node technology.

As an IC design house, we are also required to keep abreast with the tools, techniques and technologies for a developing new generation of devices in order to be able to provide IC design services that meet our customers' needs and performance objectives. Our continued success and ability to grow are subject to the risk of future disruptive technologies that may unexpectedly displace the current technology in key verticals such as automotive, 5G communications, AI and IoT. We are exposed to the risk of our existing customers switching to other competitors if we are unable to keep up with the change in the latest technology and industry demands. This may adversely affect the competitiveness and financial performance of our business.

As our Group is operating in a fast-changing industry, there is no assurance that our Group would be able to respond favourably to any new technological advancements.

### 8.1.7 We are dependent on our Executive Directors and Key Senior Management for the continued success and growth of our business

The continuing success of our Group is dependent, to a significant extent, on the efforts, commitment and abilities of our Executive Directors and Key Senior Management who play a significant role in the day-to-day operations as well as the implementation of our business strategies.

Our Executive Directors, namely Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat, have been instrumental in the growth of the Group. They have been actively involved in our Group's operations and are directly responsible for the strategic direction, leadership, business planning and development of the Group. Our Executive Directors are assisted by our Key Senior Management, who possess the relevant knowledge in their respective fields of work to ensure the smooth operations of our business. Together with our Executive Directors, they play a critical role in our Group's success as well as in formulating and implementing our business strategies to drive the future growth of our Group.

The loss of any of our Executive Directors and/or Key Senior Management, without any suitable and prompt replacement, may adversely impact our Group's business operations and financial performance.

For the Financial Years Under Review and Financial Periods Under Review, we have not experienced any loss of our Executive Directors and/or Key Senior Management, which impacted our business operations and financial performance. Nonetheless, there is no assurance that we will be successful in retaining our Executive Directors and/or Key Senior Management or ensuring a smooth succession should any changes occur.

### 8.1.8 We are exposed to risk arising from foreign exchange rate fluctuation

Over the years, we expanded our overseas presence, especially in East Asia. From FYE 2020 to FYE 2022, our revenue from the overseas market grew from approximately RM8.94 million in FYE 2020 to approximately RM42.91 million in FYE 2022. For FPE 2023, our revenue from the overseas market was approximately RM22.02 million.

As such, we are exposed to foreign currency exchange risk as a significant proportion of our revenue is denominated in foreign currencies, especially RMB, YEN, SGD and USD. Any changes in the exchange rate between RM and the abovementioned foreign currencies would have an impact on our financial performance. For FYEs 2020, 2021 and 2022 as well as FPE 2023, approximately 56.02%, 86.18%, 84.87% and 76.41% of our total revenue were denominated in the abovementioned foreign currencies respectively.

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review and Financial Periods Under Review is as follows:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Realised gain on foreign exchange | - | - | 168 | 218 | - |
| Unrealised gain on foreign exchange | - | - | - | - | 57 |
| Realised loss on foreign exchange | (74) | (39) | - | - | (77) |
| Unrealised loss on foreign exchange | * | (9) | (10) | (93) | - |
| **Net (loss)/gain on foreign exchange** | **(74)** | **(48)** | **158** | **125** | **(20)** |
| PBT | 1,474 | 9,994 | 23,120 | 13,185 | 13,760 |
| Net (loss)/gain on foreign exchange as a percentage of PBT (%) | (5.02) | (0.48) | 0.68 | 0.95 | (0.15) |

**Note:**

* Less than RM1,000.

With our Group's expansion plan and our policy of not hedging the foreign exchange exposure, we may be subject to increased currency fluctuations risk.

### 8.1.9 We may not be able to protect our IP rights or may inadvertently infringe on the IP rights of others

As at the LPD, we have submitted five (5) patent applications covering our design and expect to file a trademark, industrial design and/or patent applications seeking to protect our newly developed IPs. We cannot guarantee that these registrations will be granted with respect to any of our applications. There is also a risk that we could, by omission, fail to renew a trademark, industrial design and/or patent on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks, industrial design and/or patents issued to us.

In our design and development process and the marketing of our IPs, we could inadvertently infringe upon the IP rights of others, including our competitors. Any such infringement could result in disputes, financial penalties and/or litigation costs. We may also be exposed to other risks such as adverse reputation and/or prevented from using the IPs which could lead to an adverse impact on our business, financial conditions, operations and future prospects. Moreover, in some of the countries in which we have a presence or in which we provide our services, IP rights and enforcement may not be sufficiently stringent to protect our IPs.

### 8.1.10 We are reliant on IT and network infrastructure

To deliver our IC design projects, we will utilise EDA tools that are subscribed by us or our customers, depending on the arrangement with our customers. We have, in the past, only utilised EDA tools that are provided by our customers. Prior to the outbreak of COVID-19, we predominantly carry out our services at our customers' premises. However, since then, our Group had made necessary arrangements with our customers, to work from home (remotely) or through the setup of ODCs, in order to minimise disruptions. Our business activities are reliant on a stable, secure and robust IT and network infrastructure.

As such, any disruption of IT and network infrastructure may impact our ability to perform work in a timely manner and hence we may not be able to deliver our services to our customers based on the project schedules. While we have not experienced any major disruption in IT and network infrastructure in the past, there is no assurance that any disruption to our IT and network infrastructure will not affect our ability to perform the projects and deliver them to our customers in a timely manner, which in turn, may adversely affect our business and financial performance.

### 8.1.11 We are exposed to credit risks

We grant our customers credit periods of between 30 to 90 days. As such, we are exposed to credit risks arising from our Group's trade receivables which may arise from factors beyond our Group's control.

If there is an occurrence of circumstances that affect our customers' ability or willingness to pay us, we may experience payment delays or default in payments. Accordingly, we will have to make allowance for doubtful debts or may be required to write-off uncollectable trade receivables as bad debts, which may adversely affect our financial performance.

For the Financial Years Under Review and Financial Periods Under Review, there were no allowances for doubtful debts and bad debts written off which had a material adverse impact on our financial performance. However, we may be required to provide an allowance for doubtful debts or write-off bad debts in the future, if the need arises.

### 8.1.12 Our business may be affected by the COVID-19 pandemic or any other contagious or virulent disease

Prior to the outbreak of COVID-19, we predominantly carry out our services at our customers' premises. As a means to contain the spread of the virus, travel restrictions were first enforced in China in January 2020. During then, we had several on-going projects overseas. Due to travel restrictions, our engineers were also unable to be present at our overseas customers' premises to provide our services. In addition, during the first phase of MCO imposed by the Malaysian Government in March 2020 with the closure of the operations of businesses, our customers in Malaysia were unable to operate, and as a result, our engineers were unable to perform the work required by our local customers.

As such, in order to minimise disruptions, our Group had made necessary arrangements with our customers such as remote working from home. Despite this, certain aspects of our work were still restricted as on-site operations were unable to be carried out. This had caused slight delays to our project delivery schedules. Please refer to Section 6.19 of this Prospectus for further details on the impact of the COVID-19 pandemic on our Group.

Any prolonged disruption to our business operations pursuant to the imposition of various measures and restrictions by the Malaysian Government may have an adverse impact on our project deliverables which may negatively impact our financial performance.

## 8.2 RISKS RELATING TO OUR INDUSTRY

### 8.2.1 We are subject to risks resulting from the consolidation of businesses within the semiconductor industry

The global semiconductor industry is concentrated, with a relatively small number of IDMs, fabless companies and fab-lite companies having a sizeable market share. This market position could become even more acute in the future if further industry consolidation takes place.

The semiconductor industry has experienced consolidation which has resulted in several semiconductor companies becoming much larger in terms of revenue, product offerings and scale. This may result in the newly merged entities being able to strengthen their in-house IC design capabilities which could reduce their engagements with external IC design houses.

In addition, any consolidation in the semiconductor industry may impact the business processes of the affected companies as the newly merged entity may take a different approach in their supplier selection process.

As a result, this may affect our position as a supplier to our customers. As our Group's ability to increase sales will depend largely on our ability to secure purchase orders and/or contracts from our customers, we face additional risks of losing sales opportunities should business conditions change in the event of industry consolidations.

### 8.2.2 We face competition from other existing and new industry players

We face competition from other existing and new IC design houses which are capable of offering similar services especially IC design houses from Taiwan, China and India.

In addition, any consolidation of IC design houses from Taiwan, China and India will result in increased competition as there will be more IC design houses that are able to undertake projects with similar scale to those our Group embarks on.

Our success depends on our ability to generate and nurture customer loyalty mainly by consistently offering quality services with a reliable project delivery timeline. There is no assurance that any changes in the competitive environment would not have any adverse impact on our business and financial performance.

### 8.2.3 We are exposed to economic, political and regulatory risks in Malaysia as well as in the countries in which we operate in

Our business is subject to risks associated with conducting business in Malaysia and internationally as we provide our services both locally and overseas. For instance, in 2019, the global semiconductor industry faced uncertainties resulting from the escalation of the USA-China trade war. As such, we are susceptible to changes in economic, political and regulatory conditions as well as operational risks in the countries that we are operating or having business dealings.

Our subsidiary, Oppstar Shanghai, is located in Shanghai, China and our customers in China contributed approximately 52.76%, 76.63%, 77.94% and 71.87% of our total revenue for FYEs 2020, 2021 and 2022 as well as FPE 2023 respectively. We are subject to the China government's policies, legal system, taxation system (including withholding tax), monetary policy (including exchange controls and repatriation of profits), licensing and other requirements, laws and regulations governing our business operations in China. Failure to comply with any of the relevant laws, regulations and other requirements of operating a business in China may cause the China authorities to take action against us or we may be subject to fines and/or penalties, all of which could adversely affect our business operations and financial performance. There is also a risk that any changes in law, policies and regulations in China may adversely affect our business operations and financial performance.

As part of our expansion plans, we intend to set up offices in India, Singapore and Taiwan. Our business operations in those countries will be subject to the local laws and regulations in those countries. In addition, as we continue to expand our business overseas, our business and financial conditions could be affected by a variety of other factors, amongst others:

(i) additional taxation requirements or additional licences, permits or requirements imposed on foreign-owned corporations that may increase the cost of our subsidiaries' operations overseas;

(ii) changes in foreign trade laws and investment laws that may affect our operations;

(iii) changes in import and/or export duties and/or trade tariffs;

(iv) political and economic instability, including global and regional macroeconomic disruptions, natural calamities, epidemics or other such risks; and

(v) risks with respect to social and political crises resulting from terrorism and war.

The above factors, which are beyond the control of our Group, will also have a direct impact on the demand for our services which may affect our business and financial performance. While we practise prudent financial management, there can be no assurance that any changes in economic, political and/or regulatory conditions will not materially affect our business and financial performance.

## 8.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

### 8.3.1 No prior market for our Shares

Prior to our Listing, there has been no prior public market for our Shares. Hence, we cannot assure you that upon our Listing, an active market for our Shares will develop, or if developed, such a market can be sustained.

Further, as we are seeking a listing on the ACE Market, investment in our Shares may be of higher investment risk as compared to companies listed on the Main Market of Bursa Securities. Hence, there is no assurance that there will be a liquid market for our Shares traded on the ACE Market. Please refer to the cautionary statement disclosed in the cover page of this Prospectus.

Notwithstanding that the IPO Price was determined after taking into consideration of various factors such as our financial and operating history and our business strategies, we cannot assure you that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and that the market price of our Shares will not decline below the IPO Price.

### 8.3.2 The trading price and trading volume of our Shares may be volatile

Economic, political conditions and growth potential of the various sectors of the economy as well as external factors such as the performance of regional and global stock exchanges and the inflow or outflow of foreign funds contribute to the volatility of trading price and volumes of our Shares on Bursa Securities. The market price of our Shares may fluctuate significantly and rapidly due to, amongst others, the following factors, some of which are beyond our control:

(i) general operational and business risks of our Group;

(ii) variations in our financial results and operations;

(iii) failure of our Executive Directors and Key Senior Management in implementing business and growth strategies;

(iv) additions or departures of our key management personnel;

(v) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(vi) changes in market valuations of listed shares in general or share prices of companies with similar businesses to our Group;

(vii) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events and factors;

(viii) fluctuations in stock market prices and volumes;

(ix) changes in government policy, legislation or regulation; and/or

(x) involvement in claims, litigation, arbitration or other forms of dispute resolution.

Accordingly, there can be no assurance that the market price of our Shares will not be subject to volatility or trade at prices below the IPO Price.

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### 8.3.3 The interest of our Promoters who control our Company may not be aligned with the interest of our shareholders

Our Promoters will collectively hold an aggregate 368,214,600 Shares, representing approximately 57.89% of our enlarged number of issued Shares upon our Listing. As a result, they will be able to effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having substantial voting control over our Group. As such, our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they and persons connected with them are required to abstain from voting either by law, relevant guidelines or regulations. Therefore, there may be a risk of non-alignment of interests by our Promoters with those of our other shareholders.

### 8.3.4 Possible sale of a substantial number of Shares in the public market following our IPO could adversely affect the price of our Shares

Upon the completion of our IPO and Listing, our Promoters will collectively hold an aggregate 368,214,600 Shares, representing approximately 57.89% of our enlarged number of issued Shares.

It is possible that our Promoters may dispose of some or all of their Shares after their respective moratorium period, pursuant to their own investment objectives. If our Promoters sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our shares could be adversely affected.

### 8.3.5 There may be a delay in or termination of our Listing

Our Listing could be delayed or terminated due to the possible occurrences of certain events, which include the following:

(i) our Sole Underwriter exercises its rights under the Underwriting Agreement or our Sole Placement Agent exercises its rights under the placement agreement to discharge itself from its obligations thereunder;

(ii) we are unable to meet the public shareholding spread requirement under the Listing Requirements of having at least 25.00% of our enlarged number of issued Shares, for which our Listing is sought, being in the hands of at least 200 public shareholders holding not less than 100 Shares each at the point of our Listing; and/or

(iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

(a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications for our IPO Shares shall be deemed to have been withdrawn and cancelled and we shall repay all monies paid without interest in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to repay such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) our Listing is aborted, other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any of our IPO Shares, and we shall repay all monies paid without interest in respect of the applications for our IPO Shares within 14 days.

Where subsequent to the issuance and allotment of our IPO Shares:

1. the SC issues a stop order pursuant to Section 245(1) of the CMSA, the issue of our IPO Shares shall be deemed to be void and we shall repay without interest all monies received from the applicants and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to repay such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

2. our Listing is aborted, other than pursuant to a stop order by the SC pursuant to Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or (b) a solvency statement from our Directors.

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# 9. RELATED PARTY TRANSACTIONS

## 9.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

### 9.1.1. Material related party transactions

Save for the Acquisitions as disclosed in Section 5.1.1 of this Prospectus, there are no other material related party transactions entered or to be entered into by our Group for the Financial Years Under Review and FPE 2023 as well as for the period from 1 October 2022 up to the LPD.

Our Directors also confirm that there are no other material related party transactions that have been effected after the LPD or entered by our Group but not yet effected up to the date of this Prospectus.

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

### 9.1.2. Related party transactions entered into that are unusual in their nature or condition

Our Group has not entered into any transactions that are unusual in their nature or condition, involving goods, services, tangible or intangible assets, with a related party for the Financial Years Under Review and FPE 2023 as well as for the period from 1 October 2022 up to the LPD.

### 9.1.3. Loans made to or for the benefit of a related party

Our Group has not granted any loan to or for the benefit of a related party that is material to our Group for the Financial Years Under Review and FPE 2023 as well as for the period from 1 October 2022 up to the LPD.

### 9.1.4 Financial assistance provided for the benefit of a related party

Our Group has not provided any financial assistance for the benefit of a related party for the Financial Years Under Review and FPE 2023 as well as for the period from 1 October 2022 up to the LPD.

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# 9. RELATED PARTY TRANSACTIONS *(CONT'D)*

## 9.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

### 9.2.1 Audit and Risk Management Committee's review

Our Audit and Risk Management Committee reviews related party transactions and conflict of interest situations that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management's integrity.

Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflict of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Company, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to our minority shareholders. Amongst others, the related parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations and/or votings on the transactions.

All reviews by our Audit and Risk Management Committee are reported to our Board for further action.

### 9.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and/or shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflict of interest. It is the policy of our Group that all related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and this framework will comply with the Listing Requirements and adhere to the best extent possible with the guiding principles set out in the Malaysian Code on Corporate Governance. The procedures which may form part of this framework include the requirement of our Directors to declare any direct or indirect interest that they may have in any business arrangement, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction. All existing or potential related party transactions would also be required to be disclosed by the interested party for management reporting. Our management will then propose the transactions to our Audit and Risk Management Committee for evaluation and assessment which would in turn, make the appropriate recommendations to our Board.

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# 10. CONFLICT OF INTEREST

## 10.1 INTEREST IN BUSINESSES AND CORPORATIONS WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

As at the LPD, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses or corporations which are:

(i) carrying on a similar trade as that of our Group; or

(ii) customers or suppliers of our Group.

## 10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

### 10.2.1 Affin Hwang Investment Bank

Affin Hwang IB confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter for our IPO.

### 10.2.2 BDO PLT

BDO PLT confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Auditors and Reporting Accountants for our IPO.

### 10.2.3 Wong Beh & Toh

Wong Beh & Toh confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Solicitors for our IPO.

### 10.2.4 Smith Zander

Smith Zander confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Independent Market Researcher for our IPO.

### 10.2.5 Securities Services (Holdings) Sdn Bhd

Securities Services (Holdings) Sdn Bhd confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Share Registrar for our IPO.

### 10.2.6 Malaysian Issuing House Sdn Bhd

Malaysian Issuing House Sdn Bhd confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Issuing House for our IPO.

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# 11. FINANCIAL INFORMATION

## 11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 27 September 2021. On 22 December 2021, we completed the Acquisitions which resulted in Oppstar Technology and Alpha Core becoming our wholly-owned subsidiaries. After the completion of the Sophic Automation Subscription on 17 January 2022, Alpha Core became the 57.50% owned subsidiary of Oppstar. On 19 May 2022, we completed the AIRIS Labs Acquisition which resulted in AIRIS Labs becoming our indirect wholly-owned subsidiary via Oppstar Technology. As such, the financial statements of our Group comprise:

(i) the combined statements of financial position as at 31 March 2020 and 2021;

(ii) the consolidated statements of financial position as at 31 March 2022 and 30 September 2022;

(iii) the combined statements of profit or loss and other comprehensive income for FYEs 2020 and 2021;

(iv) the consolidated statements of profit or loss and other comprehensive income for FYE 2022 and FPE 2023;

(v) the combined statements of changes in equity for FYEs 2020 and 2021;

(vi) the consolidated statements of changes in equity for FYE 2022 and FPE 2023;

(vii) the combined statements of cash flows for FYEs 2020 and 2021; and

(viii) the consolidated statements of cash flows for FYE 2022 and FPE 2023.

The historical combined financial statements for FYEs 2020 and 2021 as well as consolidated financial statements for FYE 2022 and FPE 2023 were prepared as if our Group structure had been in existence throughout the Financial Years Under Review and Financial Periods Under Review. All intra-group transactions and balances have been eliminated on combination and consolidation.

The historical financial information presented below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 11.3 of this Prospectus and the Accountants' Report, together with its accompanying notes as set out in Section 12 of this Prospectus.

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## 11. FINANCIAL INFORMATION *(CONT'D)*

### 11.1.1 Historical statements of profit or loss and other comprehensive income of our Group

The table below sets out the statements of profit or loss and other comprehensive income of our Group for the financial years/periods indicated:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 15,965 | 29,262 | 50,561 | 26,418 | 28,815 |
| Cost of sales | (12,817) | (17,442) | (20,426) | (9,931) | (11,829) |
| GP | 3,148 | 11,820 | 30,135 | 16,487 | 16,986 |
| Other operating income | 156 | 1,230 | 967 | 795 | 1,234 |
| Administrative expenses | (1,679) | (2,673) | (7,529) | (3,897) | (3,800) |
| Development expenses | - | - | (112) | - | (194) |
| Other operating expenses | (74) | (174) | (213) | (106) | (449) |
| Finance costs | (77) | (159) | (128) | (94) | (17) |
| Shares of results of joint venture, net of tax | - | (50) | - | - | - |
| PBT | 1,474 | 9,994 | 23,120 | 13,185 | 13,760 |
| Tax expense | (1,053) | (2,195) | (6,513) | (3,487) | (3,422) |
| **Profit for the financial years** | **421** | **7,799** | **16,607** | **9,698** | **10,338** |
| **Other comprehensive income, net of tax:** | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Foreign currency translations | - | 1 | 12 | 5 | (15) |
| **Total comprehensive income** | **421** | **7,800** | **16,619** | **9,703** | **10,323** |
| **PAT attributable to:** | | | | | |
| Common controlling shareholders of the combining entities/Owners of the parent | 421 | 7,799 | 16,629 | 9,698 | 10,396 |
| Non-controlling interests | - | - | (22) | - | (58) |
| | **421** | **7,799** | **16,607** | **9,698** | **10,338** |
| Total comprehensive income attributable to: | | | | | |
| Common controlling shareholders of the combining entities/Owners of the parent | 421 | 7,800 | 16,641 | 9,703 | 10,381 |
| Non-controlling interests | - | - | (22) | - | (58) |
| | **421** | **7,800** | **16,619** | **9,703** | **10,323** |
| GP margin(i) (%) | 19.72 | 40.39 | 59.60 | 62.41 | 58.95 |
| EBITDA(ii) (RM'000) | 1,771 | 10,601 | 24,047 | 13,633 | 14,345 |
| EBITDA margin(iii) (%) | 11.09 | 36.23 | 47.56 | 51.60 | 49.78 |
| PBT margin(iv) (%) | 9.23 | 34.15 | 45.73 | 49.91 | 47.75 |
| PAT margin(v) (%) | 2.64 | 26.65 | 32.89 | 36.71 | 36.08 |
| Basic and diluted EPS(vi) (sen) | 0.07 | 1.23 | 2.61 | 1.52 | 1.63 |

## 11. FINANCIAL INFORMATION *(CONT'D)*

**Notes:**

(i) GP margin is computed based on GP divided by revenue.

(ii) EBITDA is computed as follows:

| | | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|---|
| | | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| PAT | | 421 | 7,799 | 16,629 | 9,698 | 10,396 |
| Add: | Taxation | 1,053 | 2,195 | 6,513 | 3,487 | 3,422 |
| | Finance costs | 77 | 159 | 128 | 94 | 17 |
| | Depreciation | 227 | 472 | 811 | 367 | 519 |
| Less: | Interest income | (7) | (24) | (34) | (13) | (9) |
| **EBITDA** | | **1,771** | **10,601** | **24,047** | **13,633** | **14,345** |

(iii) EBITDA margin is computed based on EBITDA divided by revenue.

(iv) PBT margin is computed based on PBT divided by revenue.

(v) PAT margin is computed based on PAT divided by revenue.

(vi) For comparative purposes, the basic EPS is computed based on the PAT divided by the total enlarged number of 636,200,000 Shares after our IPO. For information purposes, the diluted EPS is equal to the basic EPS as there were no potential dilutive securities in issue during the respective Financial Years Under Review and Financial Periods Under Review.

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## 11. FINANCIAL INFORMATION *(CONT'D)*

### 11.1.2 Historical statements of financial position of our Group

The table below sets out the statements of financial position of our Group as at the end of the financial years/periods indicated:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | As at 31 March | | | As at 30 September | |
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Property, plant and equipment | 541 | 1,127 | 1,533 | 1,302 | 2,109 |
| Right-of-use assets | 302 | 967 | 859 | 772 | 578 |
| Goodwill(i) | - | - | - | - | 352 |
| Deferred tax assets | - | 424 | - | - | - |
| **Total non-current assets** | **843** | **2,518** | **2,392** | **2,074** | **3,039** |
| Other investments | - | 1,942 | 3,487 | 2,876 | 2,938 |
| Trade receivables | 1,819 | 1,066 | 2,599 | 7,651 | 10,328 |
| Other receivables | 85 | 590 | 843 | 556 | 613 |
| Contract assets | - | - | 99 | 58 | 276 |
| Short-term funds | - | 3,997 | 4,819 | 4,802 | 7,774 |
| Current tax assets | - | - | 54 | - | 112 |
| Cash and bank balances | 2,372 | 5,326 | 6,352 | 8,614 | 7,449 |
| Inventories(ii) | - | - | - | - | 165 |
| **Total current assets** | **4,276** | **12,921** | **18,253** | **24,557** | **29,655** |
| **Total assets** | **5,119** | **15,439** | **20,645** | **26,631** | **32,694** |
| Borrowings | 1,084 | 1,469 | - | 1,105 | - |
| Lease liabilities | 192 | 590 | 324 | 389 | 91 |
| Deferred tax liabilities | - | - | 189 | 104 | 175 |
| **Total non-current liabilities** | **1,276** | **2,059** | **513** | **1,598** | **266** |
| Trade payables | - | 114 | 73 | 45 | 117 |
| Other payables | 1,829 | 6,755 | (iii)4,052 | 4,498 | (iii)5,466 |
| Contract liabilities | - | 1,918 | - | 5,604 | 38 |
| Borrowings | 247 | 664 | - | 342 | - |
| Lease liabilities | 112 | 390 | 560 | 405 | 508 |
| Current tax liabilities | 309 | 478 | 1,002 | 1,375 | 1,530 |
| **Total current liabilities** | **2,497** | **10,319** | **5,687** | **12,269** | **7,659** |
| **Total liabilities** | **3,773** | **12,378** | **6,200** | **13,867** | **7,925** |
| **Equity attributable to common controlling shareholders of the combining entities/owners of the parent:** | | | | | |
| Share capital/Invested equity | 901 | 901 | 7,062 | 901 | 7,062 |
| Reserves | 445 | 2,160 | 6,974 | 11,863 | 17,356 |
| | 1,346 | 3,061 | 14,036 | 12,764 | 24,418 |
| Non-controlling interests | - | - | 409 | - | 351 |
| **Total equity/ NA** | **1,346** | **3,061** | **14,445** | **12,764** | **24,769** |
| **Total equity and liabilities** | **5,119** | **15,439** | **20,645** | **26,631** | **32,694** |

**Notes:**

(i) The goodwill is in relation to the acquisition of the remaining 50% equity interest in AIRIS Labs.

(ii) The inventories are in relation to AI ASIC developed by AIRIS Labs and this was consolidated as our inventories after AIRIS Labs became our indirect wholly owned subsidiary via Oppstar Technology on 19 May 2022.

(iii) Other payables mainly comprise accruals for statutory contributions as well as the provision of bonus and professional fees for our Listing.

## 11.2 CAPITALISATION AND INDEBTEDNESS

The table below sets out our Group's capitalisation and indebtedness as at 31 December 2022 and the pro forma capitalisation and indebtedness of our Group which has been prepared on the assumption that our IPO and the use of proceeds to be raised from our IPO had occurred on 31 December 2022:

| | **Unaudited as at 31 December 2022 RM'000** | **After our IPO and use of proceeds RM'000** |
|---|---|---|
| **Indebtedness:** | | |
| Current | | |
| Unsecured and unguaranteed | | |
| - Lease liabilities owing to non-financial institutions | 444 | 444 |
| Non-current | | |
| Unsecured and unguaranteed | | |
| - Lease liabilities owing to non-financial institutions | 11 | 11 |
| **Total indebtedness** | **455** | **455** |
| **Total equity** | **29,212** | **131,564** |
| **Total capitalisation and indebtedness** | **29,667** | **132,019** |

The above pro forma capitalisation and indebtedness of our Group is provided for illustrative purposes only and does not represent our actual capitalisation and indebtedness as at 31 December 2022 or in the future.

## 11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis in respect of to the financial condition and results of operations of our Group for the Financial Years Under Review and Financial Periods Under Review should be read in conjunction with the Accountants' Report together with its accompanying notes as set out in Section 12 of this Prospectus.

The discussion and analysis contain data derived from our audited combined and consolidated financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Section 7 of the Accountants' Report included in Section 12 of this Prospectus.

### 11.3.1 Overview of our operations

We are an investment holding company. Through our subsidiaries, we are principally involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions to IDMs, fabless companies, fab-lite companies, electronic system providers and other IC design houses.

We also provide other related services such as post-silicon validation services, training, and consultancy services.

Please refer to Section 6 of this Prospectus for further information on our Group's business overview.

### 11.3.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been and are expected to be affected by, amongst others, the following factors:

**(i) Rapid technological changes**

Our Group operates in a dynamic market where our IC design services are subject to rapid technological evolution in the semiconductor and electronics industries. The semiconductor and electronics industries are inextricably linked to the continuing evolution in technology and evolving industry standards. As such, it is crucial for our Group to keep abreast with the latest technology and fabrication processes to provide our IC design services that meet the needs of our customers in a timely and effective manner. We are exposed to the risk of our existing customers switching to other competitors if we are unable to keep up with the change in technology and market demands. This may adversely affect our business and financial performance. We believe that our Group would be able to stay competitive due to our strengths as outlined in Section 6.6 of this Prospectus.

**(ii) Availability of skilled engineers**

Our success depends, to a large extent, on our ability to attract and retain engineers with the right technical expertise, professional integrity and commitment that is aligned with our business core values. Hence, our ability to operate and compete could be adversely affected if we are unable to attract, train, motivate and retain qualified engineers. We may offer competitive remuneration packages and attractive incentives to reward and motivate our engineers and to retain them in our Group. This could in turn adversely affect our business and financial performance should we fail to pass on the increase in cost to our customers.

Although we have not previously experienced any major impact on our business and financial performance due to the availability and costs of employing skilled engineers, there is no assurance that we will be able to recruit, develop and retain an adequate number of skilled engineers.

**(iii) Dependency on securing purchase orders and/or contracts**

We are dependent on our ability to retain our existing customers and secure new purchase orders and/or contracts to sustain our continuous growth. We do not have any long-term contracts with our customers which could guarantee our future financial performance. Our sales are primarily secured via purchase orders and/or contracts, of which the contracts generally up to two (2) years. The duration of the contracts undertaken depends on, amongst others, the scope of work and the technical complexity of the projects.

Over the years, we have maintained a good working relationship with our customers by delivering IC design services that meet their specifications and requirements and are delivered on a timely basis. Testament to this, we have secured repeated orders/contracts with our customers. However, there is no assurance that the absence of long-term contracts with our major customers will not affect our business and financial performance.

**(iv) Dependency on certain major customers**

Our Group is dependent on our major customers, namely Customer A group of companies, Customer B and Xiamen KirinCore. Therefore, any interruptions in securing new purchase orders and/or contracts from these major customers or the loss of any of these major customers including, but not limited to, delays or deferment of new purchase orders and/or contracts, and/or decrease in the value or number of new purchase orders and/or contracts would adversely impact our business and financial performance.

Please refer to Section 8.1.1 of this Prospectus for further details on this risk factor.

**(v) Impact of fluctuation in foreign exchange, interest rate, inflation and government/economic/fiscal/monetary policies**

Please refer to Section 11.3.4 of this Prospectus for further information on the impact of fluctuation in foreign exchange, interest rate, inflation and government/ economic/fiscal/monetary policies.

### 11.3.3 Results of operations

The components of our Group's statements of profit or loss and other comprehensive income as well as the analysis of the results of operations of our Group for the Financial Years Under Review and Financial Periods Under Review are as follows:

**(i) Revenue**

Our Group's revenue can be segregated into the following segments:

**(a) Specific design services**

We provide specific design services to our customers based on the resources incurred for a specific project over a defined time frame.

Our customers for this segment generally would already have in-house design teams and our services complement their existing teams. These customers include IDMs, fabless companies, fab-lite companies and other IC design houses.

The designing of ICs requires multiple design teams with specialised knowledge in their respective fields of expertise and tight adherence to product development timelines. Customers engage us for specific design services to address their resource and/or skills gap required for their IC development needs.

Our revenue from specific design services is recognised at the point in time when our services are rendered to the customers (i.e. the point in time when the performance obligation/milestone in the relevant purchase orders and/or contracts are fulfilled). In this regard, we will invoice our customers based on the pre-agreed fee structure and performance obligation set out in the secured purchase orders and/or contracts.

Our fee structure for specific design services will vary from project to project, taking into consideration various key factors, including number of design engineers, scope of work, duration and technical complexity of the projects.

**(b) Turnkey design services**

We provide turnkey design services to our customers which comprise of IP design turnkey and full IC design turnkey to be performed based on the customers' specifications.

For IP design turnkey, we provide IC design services for functional blocks within an IC based on the customers' specifications. Our customers for IP design turnkey generally would already have in-house design teams, but they may lack certain capabilities and/or resources. These customers include IDMs, fabless companies, fab-lite companies and other IC design houses.

For full IC design turnkey, we provide IC design services involving the designing of multiple IPs, integrating them into a single IC, managing the project and providing design automation functions based on the customers' specifications. Our customers for full IC design turnkey may not have the capabilities to design the entire IC, or they could be in a situation where they may choose to focus their resources on building other ICs. This allows us to supplement our customers' range of ICs. These customers include IDMs, fabless companies, fab-lite companies and electronic system providers.

For turnkey design services, the duration of the projects undertaken could be up to two (2) years, depending on the scope of work and technical complexity of the projects.

Our revenue from turnkey design services is recognised over the period of the contract using the output method by reference to the milestones reached. Revenue recognised over time for each milestone reached is measured at the pre-agreed fee structure and performance obligation set out in the secured purchase orders and/or contracts.

Our fee structure for our turnkey design services will vary from project to project, taking into consideration various key factors, including number of design engineers, scope of work, duration and technical complexity of the projects.

**(c) Others**

We provide other related services such as post-silicon validation services, training and consultancy services to our customers.

Our revenue from "Others" segment is recognised at the point in time when the goods have been transferred or the services have been rendered to the customer and coincided with the delivery of goods and services and acceptance by customers.

During the Financial Years Under Review and Financial Periods Under Review, our revenue is derived from both local and overseas markets. Revenue from the overseas market is from China, Japan, Singapore and USA.

We do not practise any fixed pricing policy.

**(a) Revenue by business segments**

The table below sets out our Group's revenue by business segments for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **IC Design** | | | | | | | | | | |
| Specific design services | | | | | | | | | | |
| - Front-end design | 515 | 3.23 | 601 | 2.06 | 282 | 0.56 | 283 | 1.07 | 139 | 0.48 |
| - Back-end design | 7,023 | 43.98 | 6,184 | 21.13 | 10,214 | 20.20 | 5,083 | 19.24 | 5,231 | 18.16 |
| | 7,538 | 47.21 | 6,785 | 23.19 | 10,496 | 20.76 | 5,366 | 20.31 | 5,370 | 18.64 |
| Turnkey design services | 8,423 | 52.76 | 22,422 | 76.62 | 39,973 | 79.06 | 21,051 | 79.69 | 23,445 | 81.36 |
| | 15,961 | 99.97 | 29,207 | 99.81 | 50,469 | 99.82 | 26,417 | 100.00 | 28,815 | 100.00 |
| **Others** | 4 | 0.03 | 55 | 0.19 | 92 | 0.18 | 1 | * | - | - |
| **Total** | **15,965** | **100.00** | **29,262** | **100.00** | **50,561** | **100.00** | **26,418** | **100.00** | **28,815** | **100.00** |

**Note:**

* Negligible.

During the Financial Years Under Review and Financial Periods Under Review, our Group's revenue is primarily derived from the IC design segment which comprises specific design services and turnkey design services.

**(b) Revenue by geographical markets**

The table below sets out our Group's revenue by geographical markets for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Local** | 7,021 | 43.98 | 4,045 | 13.82 | 7,652 | 15.13 | 3,351 | 12.68 | 6,797 | 23.59 |
| **Overseas** | | | | | | | | | | |
| China | 8,423 | 52.76 | 22,424 | 76.63 | 39,409 | 77.94 | 21,053 | 79.70 | 20,710 | 71.87 |
| Japan | 158 | 0.99 | 2,443 | 8.35 | 3,318 | 6.56 | 1,981 | 7.50 | 890 | 3.09 |
| Singapore | 363 | 2.27 | - | - | 149 | 0.30 | - | - | 418 | 1.45 |
| USA | - | - | 350 | 1.20 | 33 | 0.07 | 33 | 0.12 | - | - |
| | 8,944 | 56.02 | 25,217 | 86.18 | 42,909 | 84.87 | 23,067 | 87.32 | 22,018 | 76.41 |
| **Total** | **15,965** | **100.00** | **29,262** | **100.00** | **50,561** | **100.00** | **26,418** | **100.00** | **28,815** | **100.00** |

China was the largest revenue contributor to our Group, contributing approximately 52.76%, 76.63% and 77.94% of our Group's total revenue for FYEs 2020, 2021 and 2022 respectively. In FPE 2022 and FPE 2023, China contributed approximately 79.70% and 71.87% of our Group's total revenue respectively. The revenue from China market was mainly derived from turnkey design services.

The geographical profile of our Group's revenue contribution varies from year to year according to the demand and location of the existing and new customers secured by our Group in a particular year.

**(c) Commentaries on revenue:**

**FYE 2020 as compared to FYE 2021**

Our Group's revenue increased by approximately RM13.30 million or 83.29% from approximately RM15.97 million for FYE 2020 to approximately RM29.26 million for FYE 2021. The increase in our Group's revenue was mainly due to an increase in revenue from IC design segment. In addition, the "Others" segment which includes the provision of post-silicon validation services and technical training contributed approximately RM0.06 million or 0.19% of our Group's total revenue for FYE 2021.

The increase in revenue from IC design segment was mainly attributable to the increase in revenue from turnkey design services of approximately RM14.00 million as we managed to secure full IC design turnkey projects from Xiamen KirinCore during FYE 2021.

However, the increase was partially offset by the decrease in revenue from specific design services of approximately RM0.75 million as we focused on securing more turnkey design service projects.

In addition, there was an increase in "Others" segment of approximately RM0.05 million, which was mainly attributable to the increase in revenue from the provision of post-silicon validation services.

By geographical location, in line with the above increase in revenue from turnkey design services derived from China market, our Group's overseas market contribution increased by approximately RM16.27 million or 181.94% from approximately RM8.94 million for FYE 2020 to approximately RM25.22 million for FYE 2021. This was also contributed by the increase in revenue from Japan of approximately RM2.29 million.

**FYE 2021 as compared to FYE 2022**

Our Group's revenue increased by approximately RM21.30 million or 72.79% from approximately RM29.26 million for FYE 2021 to approximately RM50.56 million for FYE 2022. The increase in our Group's revenue was due to an increase in revenue from IC design segment. In addition, the "Others" segment increased by approximately RM0.04 million or 67.27% from approximately RM0.05 million for FYE 2021 to approximately RM0.09 million for FYE 2022.

The increase in revenue from IC design segment was mainly attributable to the increase in revenue from turnkey design services of approximately RM17.55 million based on the milestones achieved and delivered for existing full IC design turnkey projects from Xiamen KirinCore which was secured during FYE 2021.

Further, during FYE 2022, we also managed to secure additional IP design turnkey projects from Customer B and our first IP design turnkey project from a USA-based IDM which has operations in Malaysia, Customer E group of companies.

In addition, there was also an increase in revenue from specific design services of approximately RM3.71 million. This was mainly due to more specific design service requests from our customers in Malaysia and Japan.

There was also an increase in "Others" segment of approximately RM0.04 million, which was mainly attributable to the increase in revenue from the provision of consultancy services.

By geographical location, in line with the above increase in revenue from turnkey design services derived from China market, our Group's overseas market contribution increased by approximately RM17.69 million or 70.16% from approximately RM25.22 million for FYE 2021 to approximately RM42.91 million for FYE 2022. This was also contributed by the increase in revenue from Japan market of approximately RM0.88 million.

**FPE 2022 as compared to FPE 2023**

Our Group's revenue increased by approximately RM2.40 million or 9.07% from approximately RM26.42 million for FPE 2022 to approximately RM28.82 million for FPE 2023. The increase in our Group's revenue was due to an increase in revenue from IC design segment.

The increase in revenue from IC design segment was mainly attributable to the increase in revenue from turnkey design services of approximately RM2.39 million based on the milestones achieved and delivered for our first IP design turnkey project from a USA-based IDM which has operations in Malaysia, Customer E group of companies and IP design turnkey projects from Customer B (which were secured during FYE 2022).

Further, during FPE 2023, we also managed to secure additional IP design turnkey projects from a new customer from China and the total revenue generated from this customer for FPE 2023 was approximately RM0.58 million. This new customer from China is principally involved in research on smartphone technologies, including but not limited to communications, computer vision and video and image processing.

By geographical location, the above increase in revenue from turnkey design services was derived from local market. Our Group's local market contribution increased by approximately RM3.45 million or 102.83% from approximately RM3.35 million for FPE 2022 to approximately RM6.80 million for FPE 2023. The revenue derived from local market was attributable to more orders secured for specific design services from Customer A group of companies and for both specific design services and turnkey design services from Customer E group of companies. The total revenue generated from Customer A group of companies and Customer E group of companies for FPE 2023 was approximately RM6.43 million. This was partially offset by the decrease in revenue from Japan market of approximately RM1.09 million.

**(ii) Cost of sales**

Being an IC design house, we are dependent on our workforce, in particular, our design engineers, to deliver our services. Due to the nature of our business, we do not have any specific material cost. As such, our Group's cost of sales comprise labour costs and overheads.

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## 11. FINANCIAL INFORMATION *(CONT'D)*

### (a) Cost of sales by cost components

The table below sets out our Group's cost of sales by cost components for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Labour costs | 12,051 | 94.02 | 17,144 | 98.29 | 20,112 | 98.46 | 9,885 | 99.54 | 11,743 | 99.27 |
| Overheads | 766 | 5.98 | 298 | 1.71 | 314 | 1.54 | 46 | 0.46 | 86 | 0.73 |
| **Total** | **12,817** | **100.00** | **17,442** | **100.00** | **20,426** | **100.00** | **9,931** | **100.00** | **11,829** | **100.00** |

**Labour costs**

Labour costs are the primary expense component of our business operations, accounting for approximately 94.02%, 98.29% and 98.46% of our Group's total cost of sales for FYEs 2020, 2021 and 2022 respectively. In FPE 2022 and FPE 2023, labour costs accounted for approximately 99.54% and 99.27% of our Group's total cost of sales respectively.

Labour costs mainly comprise salaries, performance incentives, allowances and other related costs and benefits of our design engineers. We may also engage external design engineers as and when the need arises.

For the Financial Years Under Review and Financial Periods Under Review, the number of external design engineers engaged by our Group is as follows:

| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
|---|---|---|---|---|---|
| Number of external design engineers | 14 | 26 | 22 | 18 | 16 |

**Overheads**

Overheads accounted for approximately 5.98%, 1.71% and 1.54% of our Group's total cost of sales for FYEs 2020, 2021 and 2022 respectively. In FPE 2022 and FPE 2023, overheads accounted for approximately 0.46% and 0.73% of our Group's total cost of sales respectively.

Overheads mainly comprise travelling and transportation costs as well as accommodation expenses.

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**(b) Cost of sales by business segments**

The table below sets out our Group's cost of sales by business segments for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **IC Design** | | | | | | | | | | |
| Specific design services | 6,007 | 46.87 | 4,943 | 28.34 | 5,487 | 26.86 | 2,512 | 25.29 | 3,188 | 26.95 |
| Turnkey design services | 6,807 | 53.11 | 12,467 | 71.48 | 14,902 | 72.96 | 7,418 | 74.70 | 8,641 | 73.05 |
| | 12,814 | 99.98 | 17,410 | 99.82 | 20,389 | 99.82 | 9,930 | 99.99 | 11,829 | 100.00 |
| **Others** | 3 | 0.02 | 32 | 0.18 | 37 | 0.18 | 1 | 0.01 | - | - |
| **Total** | **12,817** | **100.00** | **17,442** | **100.00** | **20,426** | **100.00** | **9,931** | **100.00** | **11,829** | **100.00** |

IC design segment's cost of sales accounted for approximately 99.98%, 99.82% and 99.82% of our Group's cost of sales for FYEs 2020, 2021 and 2022 respectively. In FPE 2022 and FPE 2023, IC design segment's cost of sales accounted for approximately 99.99% and 100.00% of our Group's total cost of sales respectively. The main component of cost of sales for IC design segment is labour costs.

**(c) Commentaries on cost of sales:**

**FYE 2020 as compared to FYE 2021**

Our Group's cost of sales increased by approximately RM4.63 million or 36.08%, from approximately RM12.82 million for FYE 2020 to approximately RM17.44 million for FYE 2021.

The increase in the cost of sales was mainly due to the increase in the labour costs of approximately RM5.09 million as we increased our design engineers from a total of 125 personnel in FYE 2020 to a total of 152 personnel in FYE 2021 to cater for the increase in the new turnkey design service projects secured by our Group during the year. In addition, there was also a higher bonus payout during the year.

Due to the increase in the revenue contribution from turnkey design services from approximately 52.76% in FYE 2020 to approximately 76.62% in FYE 2021, the cost of sales from the turnkey design services also increased by approximately RM5.66 million as compared to FYE 2020. During FYE 2021, we managed to secure full IC design turnkey projects from Xiamen KirinCore.

However, the increase was partially offset by the decrease in overheads of approximately RM0.47 million as less travelling was undertaken by our design engineers during the year due to the movement restrictions imposed by various countries during the COVID-19 pandemic.

**FYE 2021 as compared to FYE 2022**

Our Group's cost of sales increased by approximately RM2.98 million or 17.11%, from approximately RM17.44 million for FYE 2021 to approximately RM20.43 million for FYE 2022.

The increase in the cost of sales was mainly due to the increase in the labour costs of approximately RM2.97 million as we increased our design engineers from a total of 152 personnel in FYE 2021 to a total of 166 personnel in FYE 2022 to cater for the on-going and new turnkey design service projects secured by our Group as well as bonus provision during the year.

The cost of sales from the turnkey design services increased by approximately RM2.44 million as compared to FYE 2021 due to the increase in the revenue contribution from turnkey design services from approximately 76.62% in FYE 2021 to approximately 79.06% in FYE 2022. In addition, during FYE 2022, we also managed to secure additional IP design turnkey projects from Customer B and our first IP design turnkey project from a USA-based IDM which has operations in Malaysia, Customer E group of companies.

**FPE 2022 as compared to FPE 2023**

Our Group's cost of sales increased by approximately RM1.90 million or 19.11%, from approximately RM9.93 million for FPE 2022 to approximately RM11.83 million for FPE 2023.

The increase in the cost of sales was mainly due to the increase in the labour costs of approximately RM1.86 million as we increased our design engineers from a total of 160 personnel in FPE 2022 to a total of 200 personnel in FPE 2023 to cater for the on-going and new turnkey design service projects secured by our Group.

The cost of sales from the turnkey design services increased by approximately RM1.22 million as compared to FPE 2022 due to the increase in the revenue contribution from turnkey design services from approximately 79.69% in FPE 2022 to approximately 81.36% in FPE 2023. In addition, during FPE 2023, we also managed to secure additional IP design turnkey projects from Customer B and a new customer from China.

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## 11. FINANCIAL INFORMATION *(CONT'D)*

### (iii) GP and GP margin

### (a) GP

The table below sets out our Group's GP by business segments for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| **GP** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| **IC Design** | | | | | | | | | | |
| Specific design services | 1,531 | 48.64 | 1,842 | 15.59 | 5,009 | 16.62 | 2,854 | 17.31 | 2,182 | 12.85 |
| Turnkey design services | 1,616 | 51.33 | 9,955 | 84.22 | 25,071 | 83.20 | 13,633 | 82.69 | 14,804 | 87.15 |
| | 3,147 | 99.97 | 11,797 | 99.81 | 30,080 | 99.82 | 16,487 | 100.00 | 16,986 | 100.00 |
| **Others** | 1 | 0.03 | 23 | 0.19 | 55 | 0.18 | * | # | - | - |
| **Total** | **3,148** | **100.00** | **11,820** | **100.00** | **30,135** | **100.00** | **16,487** | **100.00** | **16,986** | **100.00** |

**Notes:**

* Less than RM1,000.

\# Negligible.

### (b) GP margin

The table below sets out our Group's GP margin by business segments for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
| **GP margin** | **%** | **%** | **%** | **%** | **%** |
| **IC Design** | | | | | |
| Specific design services | 20.31 | 27.15 | 47.72 | 53.19 | 40.63 |
| Turnkey design services | 19.19 | 44.40 | 62.72 | 64.76 | 63.14 |
| | 19.72 | 40.39 | 59.60 | 62.41 | 58.95 |
| **Others** | 25.00 | 41.82 | 59.78 | # | - |
| **Overall GP margin** | **19.72** | **40.39** | **59.60** | **62.41** | **58.95** |

**Note:**

\# Negligible.

**(c) Commentaries on GP and GP margin:**

**FYE 2020 as compared to FYE 2021**

Our Group's GP increased by approximately RM8.67 million or 275.48% from approximately RM3.15 million for FYE 2020 to approximately RM11.82 million for FYE 2021.

Our Group's overall GP margin increased by approximately 20.67% from approximately 19.72% for FYE 2020 to approximately 40.39% for FYE 2021. The increase in GP margin was mainly due to the GP margin for turnkey design services increasing by approximately 25.21% as our Group was able to secure more turnkey design service projects, which command better margins as compared to specific design services.

The GP margin for specific design services also increased by approximately 6.84%. The increase in our Group's overall GP margin was also due to better utilisation of our skilled labour resources. The utilisation rate of our design engineers improved from approximately 57.86% in FYE 2020 to approximately 73.27% in FYE 2021. Please refer to Section 6.13 for further details on the utilisation rate of our design engineers.

**FYE 2021 as compared to FYE 2022**

Our Group's GP increased by approximately RM18.32 million or 154.95% from approximately RM11.82 million for FYE 2021 to approximately RM30.14 million for FYE 2022.

Our Group's overall GP margin increased by approximately 19.21% from approximately 40.39% for FYE 2021 to approximately 59.60% for FYE 2022. The increase in GP margin was mainly due to the GP margin for turnkey design services increasing by approximately 18.32% as our Group was able to secure more turnkey design service projects, which command better margins.

The GP margin for specific design services also increased by approximately 20.57%. The increase in our Group's overall GP margin was also due to better utilisation of our skilled labour resources. The utilisation rate of our design engineers improved from approximately 73.27% in FYE 2021 to approximately 89.82% in FYE 2022. In addition, for FYE 2021, there was a business interruption between April 2020 and May 2020 due to the outbreak of COVID-19 pandemic. Please refer to Section 6.19(i) for further details on the impact of COVID-19 pandemic on our business and financial performance.

**FPE 2022 as compared to FPE 2023**

Our Group's GP increased by approximately RM0.50 million or 3.03% from approximately RM16.49 million for FPE 2022 to approximately RM16.99 million for FPE 2023.

Our Group's overall GP margin decreased by approximately 3.46% from approximately 62.41% for FPE 2022 to approximately 58.95% for FPE 2023. The decrease in GP margin was mainly due to the increase in the labour costs of approximately RM1.86 million as we increased our design engineers from a total of 160 personnel in FPE 2022 to a total of 200 personnel in FPE 2023.

The decrease in our Group's overall GP margin was also due to the utilisation rate of design engineers which decreased from approximately 95.20% in FPE 2022 to approximately 85.17% in FPE 2023.

**(iv) Other income**

The table below sets out our Group's other income for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Grants[(i)] | 149 | 95.51 | 1,125 | 91.46 | 257 | 26.58 | 95 | 11.95 | 977 | 79.17 |
| Realised gain on foreign exchange | - | - | - | - | 168 | 17.37 | 218 | 27.42 | - | - |
| Unrealised gain on foreign exchange | - | - | - | - | - | - | - | - | 57 | 4.62 |
| Gain on disposal of other investments | - | - | 40 | 3.25 | 326 | 33.71 | 351 | 44.15 | 26 | 2.11 |
| Interest income | 7 | 4.49 | 24 | 1.95 | 34 | 3.52 | 13 | 1.64 | 9 | 0.73 |
| Income distribution from short-term funds | - | - | 3 | 0.25 | 52 | 5.38 | 33 | 4.15 | 1 | 0.08 |
| Income distribution from other investments | - | - | - | - | 51 | 5.27 | 36 | 4.53 | 9 | 0.73 |
| Others[(ii)] | * | # | 38 | 3.09 | 79 | 8.17 | 49 | 6.16 | 155 | 12.56 |
| **Total** | **156** | **100.00** | **1,230** | **100.00** | **967** | **100.00** | **795** | **100.00** | **1,234** | **100.00** |

**Notes:**

* Less than RM1,000.

\# Negligible.

(i) Comprises mainly grants received from the following:

(a) Northern Corridor Implementation Authority pursuant to talent enhancement programme with the maximum amount of grant provided of RM600,000 for up to 50 employees. The grant commenced from 14 October 2019 and ended on 13 April 2022, upon the expiry of 30 months from the commencement date;

(b) MIDA pursuant to the post-school finishing programme for IC design on a reimbursable basis based on the number of training courses attended by our employees. The grant commenced from 1 August 2019 and ended on 31 December 2021;

(c) Malaysian Industrial Development Finance Berhad pursuant to a collaboration agreement between Oppstar Technology and MIMOS Berhad for development of an ASIC IP for K-nearest neighbour AI classification algorithm with the amount of grant provided of approximately RM508,796. The grant commenced from 1 February 2020 and ended on 31 March 2021;

(d) SOCSO for wage subsidy programme which aims to support employers whose operations have been affected by COVID-19 pandemic with the amount of grant provided of approximately RM359,400. The grant commenced from 1 April 2020 and ended on 31 December 2020;

(e) Malaysia External Trade Development Corporation pursuant to services export fund for feasibility study for due diligence on readiness and technical feasibility for the design of multipurpose chip with the amount of grant provided of RM418,097. The grant commenced from October 2020 to December 2020 and was further extended to 31 December 2021; and

(f) Malaysia Board of Technologists pursuant to training for the implementation of Skills Talent Enhancement Programme for 4$^{th}$ Industrial Revolution (STEP4IR) under the upskilling program for deeptech and futureskills with the maximum amount of grant provided of RM5,000 for 21 participants. The grant commenced from 18 May 2022 (for 20 participants) and 1 September 2022 (for one (1) participant) and ended on 31 October 2022.

(ii) Comprises, amongst others, fair value gain on short-term funds, rental income from AIRIS Labs (which subsequently became our indirect wholly owned subsidiary via Oppstar Technology on 19 May 2022), dividend income from other investments and compensation from employees due to early termination of their employment contract.

**(a) Commentaries on other income:**

**FYE 2020 as compared to FYE 2021**

Our Group's other income increased by approximately RM1.07 million or 688.46% from approximately RM0.16 million for FYE 2020 to approximately RM1.23 million for FYE 2021. The increase in the other income was mainly due to the following:

(i) increase in the grants received from Northern Corridor Implementation Authority of approximately RM0.11 million;

(ii) increase in the grants received from MIDA pursuant to the post-school finishing program of approximately RM0.10 million;

(iii) increase in the grants received from Malaysian Industrial Development Financial Berhad pursuant to a collaboration agreement between Oppstar Technology and MIMOS Berhad of approximately RM0.40 million; and

(iv) increase in the grants received from SOCSO for wage subsidy program of approximately RM0.36 million.

**FYE 2021 as compared to FYE 2022**

Our Group's other income decreased by approximately RM0.26 million or 21.38% from approximately RM1.23 million for FYE 2021 to approximately RM0.97 million for FYE 2022. The decrease in the other income was mainly due to the decrease in the grants received of approximately RM0.87 million.

Notwithstanding the above, the decrease in other income was partially offset by the increase in the following:

(i) increase in realised gain on foreign exchange of approximately RM0.17 million. This was mainly due to the strengthening of RMB against MYR and the conversion of RMB into MYR;

(ii) gain on disposal of other investments (i.e. investment in quoted shares in and outside Malaysia) of approximately RM0.29 million; and

(iii) increase in income distribution from short-term funds and other investments of approximately RM0.10 million.

**FPE 2022 as compared to FPE 2023**

Our Group's other income increased by approximately RM0.44 million or 55.22% from approximately RM0.80 million for FPE 2022 to approximately RM1.23 million for FPE 2023. The increase in the other income was mainly due to the following:

(i) increase in the grants received from Malaysia External Trade Development Corporation of approximately RM0.42 million;

(ii) increase in the grants received from Northern Corridor Implementation Authority of approximately RM0.37 million; and

(iii) increase in the grants received from Malaysia Board of Technologists of approximately RM0.11 million.

Notwithstanding the above, the increase in other income was partially offset by the following:

(i) decrease in gain on disposal of other investments (i.e. investment in quoted shares in and outside Malaysia) of approximately RM0.33 million; and

(ii) decrease in realised and unrealised gain on foreign exchange of approximately RM0.16 million. This was mainly due to the strengthening of MYR against RMB and the conversion of RMB into MYR.

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## 11. FINANCIAL INFORMATION *(CONT'D)*

### (v) Operating expenses

The table below sets out our Group's operating expenses for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Administrative expenses | 1,679 | 95.78 | 2,673 | 93.89 | 7,529 | 97.25 | 3,897 | 97.35 | 3,800 | 89.43 |
| Other operating expenses | 74 | 4.22 | 174 | 6.11 | 213 | 2.75 | 106 | 2.65 | 449 | 10.57 |
| **Total** | **1,753** | **100.00** | **2,847** | **100.00** | **7,742** | **100.00** | **4,003** | **100.00** | **4,249** | **100.00** |

### (a) Administrative expenses and other operating expenses

The table below sets out our Group's administrative and other operating expenses for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Administrative expenses** | | | | | | | | | | |
| Directors' remuneration | 516 | 29.44 | 907 | 31.86 | 1,704 | 22.01 | 615 | 15.36 | 1,097 | 25.82 |
| Travelling and transportation costs | 124 | 7.07 | 93 | 3.27 | 96 | 1.24 | 20 | 0.50 | 67 | 1.58 |
| Depreciation | 227 | 12.95 | 472 | 16.58 | 811 | 10.48 | 367 | 9.17 | 519 | 12.22 |
| Insurance | 132 | 7.53 | 103 | 3.62 | 79 | 1.02 | 26 | 0.65 | 72 | 1.69 |
| Rental expenses | 4 | 0.23 | - | - | - | - | - | - | 4 | 0.09 |
| Staff costs and welfare | 516 | 29.44 | 683 | 23.99 | 2,263 | 29.23 | 1,371 | 34.25 | 1,161 | 27.32 |
| Subscription | 3 | 0.17 | 49 | 1.72 | 85 | 1.10 | 34 | 0.85 | 15 | 0.35 |
| Office supplies and upkeep of office equipment | 48 | 2.74 | 56 | 1.97 | 100 | 1.29 | 13 | 0.32 | 49 | 1.15 |
| Professional and legal fees | 53 | 3.02 | 81 | 2.85 | 2,131 | 27.53 | 1,329 | 33.20 | 710 | 16.71 |
| Small value assets | 9 | 0.51 | 112 | 3.93 | 50 | 0.64 | 16 | 0.40 | 27 | 0.64 |
| Others[(i)] | 47 | 2.68 | 117 | 4.10 | 210 | 2.71 | 106 | 2.65 | 79 | 1.86 |
| | 1,679 | 95.78 | 2,673 | 93.89 | 7,529 | 97.25 | 3,897 | 97.35 | 3,800 | 89.43 |

## 11. FINANCIAL INFORMATION *(CONT'D)*

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Other operating expenses** | | | | | | | | | | |
| Realised loss on foreign exchange | 74 | 4.22 | 39 | 1.37 | - | - | - | - | 77 | 1.81 |
| Unrealised loss on foreign exchange | * | # | 9 | 0.32 | 10 | 0.13 | 93 | 2.32 | - | - |
| Property, plant and equipment written off | - | - | 15 | 0.53 | - | - | - | - | - | - |
| Fair value loss on other investments | - | - | 108 | 3.79 | 198 | 2.56 | 13 | 0.33 | 369 | 8.69 |
| Fair value loss on short-term funds | - | - | 3 | 0.10 | - | - | - | - | - | - |
| Brokerage and commission fees | - | - | - | - | 5 | 0.06 | - | - | 3 | 0.07 |
| | 74 | 4.22 | 174 | 6.11 | 213 | 2.75 | 106 | 2.65 | 449 | 10.57 |
| **Total** | **1,753** | **100.00** | **2,847** | **100.00** | **7,742** | **100.00** | **4,003** | **100.00** | **4,249** | **100.00** |

**Notes:**

* Less than RM1,000.

\# Negligible.

(i) Comprises, amongst others, entertainment expenses, utilities, education sponsorship fees, donation, stamp duty as well as penalty in relation to tax estimation.

**(b) Commentary on operating expenses:**

**FYE 2020 as compared to FYE 2021**

Our Group's operating expenses increased by approximately RM1.09 million or 62.41% from approximately RM1.75 million for FYE 2020 to approximately RM2.85 million for FYE 2021. The increase in operating expenses was mainly due to the increase in administrative and other operating expenses of approximately RM0.99 million and RM0.10 million respectively.

The increase in the administrative and other operating expenses was mainly attributable to the following:

(i) increase in directors' remuneration of approximately RM0.39 million mainly due to the increment which was in line with the improved performance of our Group for FYE 2021;

(ii) increase in depreciation of approximately RM0.25 million mainly due to the purchase of computer system, office equipment, furniture and fittings to cater for our business expansion as well as office renovation for our new office at I2U Building during the year. During the year, we also set up ODC facilities by having designated areas within our premises to provide design services for our customers;

(iii) increase in staff cost and welfare of approximately RM0.17 million mainly due to annual salary increment as well as higher incentives and allowances payout during the year. The higher payout was in line with the improved performance of our Group for FYE 2021;

(iv) increase in small value assets which comprise mainly computers of approximately RM0.10 million; and

(v) there was a fair value loss on other investments such as investment in shares quoted on the stock exchange in and outside Malaysia of approximately RM0.11 million.

**FYE 2021 as compared to FYE 2022**

Our Group's operating expenses increased by approximately RM4.90 million or 171.94% from approximately RM2.85 million for FYE 2021 to approximately RM7.74 million for FYE 2022. The increase in operating expenses was mainly due to the increase in administrative and other operating expenses of approximately RM4.86 million and RM0.04 million respectively.

The increase in the administrative and other operating expenses was mainly attributable to the following:

(i) increase in professional fees of approximately RM2.05 million mainly due to the professional fees for our Listing and patent filing fees;

(ii) increase in staff cost of approximately RM1.58 million mainly due to the hiring of additional six (6) administrative staff during the year as well as higher incentives and allowances payout during the year. The higher payout was in line with the improved performance of our Group for FYE 2022. In addition, there is also a bonus provision during the FYE 2022;

(iii) increase in directors' remuneration of approximately RM0.80 million mainly due to increment which was in line with the improved performance of our Group for FYE 2022;

(iv) increase in depreciation of approximately RM0.34 million mainly due to the purchase of computer system and furniture and fittings during the year to cater for our business expansion and setup of an additional office in Technology Park, Kuala Lumpur; and

(v) increase in fair value loss on other investments such as investment in shares quoted on the stock exchange in and outside Malaysia as well as investment in unit trusts in Malaysia of approximately RM0.09 million.

**FPE 2022 as compared to FPE 2023**

Our Group's operating expenses increased by approximately RM0.25 million or 6.15% from approximately RM4.00 million for FPE 2022 to approximately RM4.25 million for FPE 2023. The increase in operating expenses was mainly due to the increase in other operating expenses of approximately RM0.34 million. This was partially offset by the decrease in administrative expenses of approximately RM0.10 million.

The increase in the administrative and other operating expenses was mainly attributable to the following:

(i) increase in directors' remuneration of approximately RM0.48 million mainly due to increment and higher allowances to Executive Directors. There was also a payment of directors' fees to Independent Directors for FPE 2023 while there were none for FPE 2022;

(ii) increase in fair value loss on other investments such as investment in shares quoted on the stock exchange in and outside Malaysia as well as investment in unit trusts in Malaysia of approximately RM0.36 million;

(iii) increase in depreciation of approximately RM0.15 million mainly due to the purchase of computer system and furniture and fittings for the additional ODC facilities in our rented offices in Penang which were completed in Aug 2022; and

(iv) increase in realised loss on foreign exchange of approximately RM0.08 million.

Notwithstanding the above, the increase in the administrative and other operating expenses was partially offset by the following:

(i) decrease in professional fees of approximately RM0.62 million mainly due to lower provision of professional fees for our Listing for FPE 2023 as compared to FPE 2022; and

(ii) decrease in staff cost of approximately RM0.21 million mainly due to lower bonus provision for FPE 2023 as compared to FPE 2022.

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## 11. FINANCIAL INFORMATION *(CONT'D)*

### (vi) Finance cost

The table below sets out our Group's finance costs for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Interest expenses on: | | | | | | | | | | |
| Term loans | 71 | 92.21 | 129 | 81.13 | 83 | 64.84 | 70 | 74.47 | - | - |
| Lease liabilities | 5 | 6.49 | 29 | 18.24 | 45 | 35.16 | 24 | 25.53 | 17 | 100.00 |
| Bank overdrafts | 1 | 1.30 | 1 | 0.63 | * | # | * | # | - | - |
| **Total** | **77** | **100.00** | **159** | **100.00** | **128** | **100.00** | **94** | **100.00** | **17** | **100.00** |

**Notes:**

* Less than RM1,000.

\# Negligible.

### (a) Commentary on finance costs:

**FYE 2020 as compared to FYE 2021**

Our Group's finance costs increased by approximately RM0.08 million or 106.49% from approximately RM0.08 million in FYE 2020 to approximately RM0.16 million in FYE 2021. The increase in finance costs was mainly due to the higher interest expenses on term loans of approximately RM0.13 million which was mainly attributable to the interest expense arising from term loan drawdown in FYE 2020 which was recorded on a full year basis in FYE 2021 as compared to approximately eight (8) months in FYE 2020. The increase was also due to the drawdown of new term loan of approximately RM1.00 million for our working capital purposes.

**FYE 2021 as compared to FYE 2022**

Our Group's finance costs decreased by approximately RM0.03 million or 19.50% from approximately RM0.16 million in FYE 2021 to approximately RM0.13 million in FYE 2022. The decrease in finance costs was mainly due to lower interest expenses on term loans as we have settled all term loans during the year.

**FPE 2022 as compared to FPE 2023**

Our Group's finance costs decreased by approximately RM0.08 million or 81.91% from approximately RM0.09 million in FPE 2022 to approximately RM0.02 million in FPE 2023. The decrease in finance costs was mainly due to lower interest expenses on term loans as we have settled all term loans during FYE 2022.

**(vii) PBT and PBT margin**

The table below sets out our Group's PBT and PBT margin for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| PBT (RM'000) | 1,474 | 9,994 | 23,120 | 13,185 | 13,760 |
| PBT margin (%) | 9.23 | 34.15 | 45.73 | 49.91 | 47.75 |

**(a) Commentary on PBT and PBT margin:**

**FYE 2020 as compared to FYE 2021**

Our Group's PBT increased by approximately RM8.52 million or 578.02% from approximately RM1.47 million for FYE 2020 to approximately RM9.99 million for FYE 2021. The increase in PBT was mainly contributed by the increase in GP and other income of approximately RM8.67 million and RM1.07 million respectively as compared to FYE 2020. However, the increase in PBT was partially offset by higher administrative and other operating expenses of approximately RM1.09 million and higher finance costs of approximately RM0.08 million.

Further, our Group's PBT margin increased from approximately 9.23% for FYE 2020 to approximately 34.15% for FYE 2021.

**FYE 2021 as compared to FYE 2022**

Our Group's PBT increased by approximately RM13.13 million or 131.34% from approximately RM9.99 million for FYE 2021 to approximately RM23.12 million for FYE 2022. The increase in PBT was mainly contributed by the increase in GP of approximately RM18.32 million and lower finance costs of approximately RM0.03 million as compared to FYE 2021. However, the increase in PBT was partially offset by lower other income of approximately RM0.26 million, development expenses incurred (i.e. subscription fee for development tools) of approximately RM0.11 million and higher administrative and other operating expenses of approximately RM4.90 million.

Further, our Group's PBT margin increased from approximately 34.15% for FYE 2021 to approximately 45.73% for FYE 2022.

**FPE 2022 as compared to FPE 2023**

Our Group's PBT increased by approximately RM0.58 million or 4.36% from approximately RM13.19 million for FPE 2022 to approximately RM13.76 million for FPE 2023. The increase in PBT was mainly contributed by the increase in GP of approximately RM0.50 million, higher other income of approximately RM0.44 million and lower finance costs of approximately RM0.08 million as compared to FPE 2022. However, the increase in PBT was partially offset by development expenses incurred (i.e. subscription fee for development tools) of approximately RM0.19 million and higher other operating expenses of approximately RM0.34 million.

Further, our Group's PBT margin decreased from approximately 49.91% for FPE 2022 to approximately 47.75% for FPE 2023.

**(viii) Taxation**

The table below sets out our Group's taxation together with the comparison between our Group's effective and statutory tax rates for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Current tax expenses based on profit for the financial year | | | | | |
| - current year | 319 | 741 | 2,505 | 1,102 | 1,586 |
| - under/(over) provision of tax expense in prior years | - | (157) | (13) | 2 | 45 |
| | 319 | 584 | 2,492 | 1,104 | 1,631 |
| **Deferred tax** | | | | | |
| - relating to origination and reversal of temporary differences | - | (457) | 584 | 528 | 6 |
| - under/(over) provision in prior years | - | 33 | 29 | - | (20) |
| | - | (424) | 613 | 528 | (14) |
| Withholding tax expenses | 734 | 2,035 | 3,408 | 1,855 | 1,805 |
| **Total** | **1,053** | **2,195** | **6,513** | **3,487** | **3,422** |
| Effective tax rate[(i)] (%) | 71.44 | 21.96 | 28.17 | 26.45 | 24.87 |
| Statutory tax rate (%) | 24.00 | 24.00 | 24.00 | 24.00 | 24.00 |

**Note:**

(i) Effective tax rate is computed by dividing the total tax expenses over PBT for the respective financial year.

**(a) Commentary on taxation:**

**FYE 2020**

Our Group's effective tax rate was at 71.44% for FYE 2020. The effective tax rate for FYE 2020 was higher than the statutory tax rate of 24.00% mainly due to the following:

(i) withholding tax expenses of approximately RM0.73 million was due to a 10% withholding tax being imposed on our revenue derived from China and the bilateral tax relief under S132 of the Income Tax Act 1967 was not recognised in calculating the tax expense for FYE 2020. The S132 bilateral tax relief related to FYE 2020 amounted to approximately RM0.15 million and this was subsequently recognised in FYE 2021 as an overprovision of tax expense in prior years. The S132 bilateral tax relief claimed was lower than the withholding tax expenses of RM0.73 million as it is restricted to the proportion of Malaysian tax payable for FYE 2020 in relation to our revenue derived from China; and

(ii) expenses not deductible for tax purposes such as depreciation, legal fee for banking facilities, traveling expenses and entertainment expenses.

Notwithstanding the above, our Group's tax expenses were partially offset against lower corporate tax rate enjoyed by entities, with paid-up capital of RM2.50 million or less, within our Group as well as the effects of differential tax rates for our foreign subsidiary of RM0.02 million.

**FYE 2021**

Our Group's effective tax rate was at 21.96% for FYE 2021. The effective tax rate for FYE 2021 was lower than the statutory tax rate of 24.00% mainly due to the following:

(i) bilateral tax relief under S132 of the Income Tax Act 1967 of approximately RM2.07 million claimable for the withholding tax paid in overseas;

(ii) over provision of tax expense in prior years of approximately RM0.16 million mainly due to underprovision of bilateral tax relief under S132 of the Income Tax Act 1967 for the withholding tax paid;

(iii) lower corporate tax rate enjoyed by entities, with paid-up capital of RM2.50 million or less, within our Group; and

(iv) effects of differential tax rates for our foreign subsidiary of RM0.02 million.

Notwithstanding the above, our Group's tax expenses were partially offset against withholding tax expenses of approximately RM2.04 million and expenses not deductible for tax purposes such as depreciation and entertainment expenses.

**FYE 2022**

Our Group's effective tax rate was at 28.17% for FYE 2022. The effective tax rate for FYE 2022 was higher than the statutory tax rate of 24.00% mainly due to the following:

(i) withholding tax expenses of approximately RM3.41 million due to some of our overseas income being imposed a 10% withholding tax. However, this was partially offset by bilateral tax relief under S132 of the Income Tax Act 1967 of approximately RM3.15 million claimable for the withholding tax paid overseas; and

(ii) expenses not deductible for tax purposes such as depreciation, professional fees for IPO exercise, bonus provision, donations paid and fair value loss on other investments.

Notwithstanding the above, our Group's tax expenses were partially offset by the following:

(a) lower corporate tax rate enjoyed by entities, with paid-up capital of RM2.50 million or less, within our Group;

(b) the effects of differential tax rates for our foreign subsidiary of RM0.09 million; and

(c) the MSC status granted by MIDA to Alpha Core with 70% tax exemption on income derived from IC design and post-silicon validation services resulting in tax savings of approximately RM0.08 million.

**FPE 2023**

Our Group's effective tax rate was at 24.87% for FPE 2023. The effective tax rate for FPE 2023 was slightly higher than the statutory tax rate of 24.00% mainly due to the following:

(i) expenses not deductible for tax purposes such as depreciation, professional fees for IPO exercise, bonus provision, donations paid and fair value loss on other investments; and

(ii) under provision of tax expense in prior years of approximately RM0.05 million mainly due to over deduction of the capital allowances on our qualifying fixed assets.

Notwithstanding the above, our Group's tax expenses were partially offset by the following:

(a) the effects of differential tax rates for our foreign subsidiary of RM0.07 million; and

(b) over provision of deferred tax in prior year of approximately RM0.02 million mainly due to over deduction of the capital allowances on our qualifying fixed assets.

**(ix) PAT and PAT margin**

The table below sets out our Group's PAT and PAT margin for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| PAT (RM'000) | 421 | 7,799 | 16,629 | 9,698 | 10,396 |
| PAT margin (%) | 2.64 | 26.65 | 32.89 | 36.71 | 36.08 |

For FYE 2020, our Group's PAT and PAT margin was mainly affected by a 10% withholding tax charge being imposed on our revenue derived from China. Our Group is entitled to claim bilateral tax relief under S132 of the Income Tax Act 1967 and it was claimed by our Group subsequent to the date of audit report for FYE 2020. Such amount was subsequently recognised in FYE 2021 as an overprovision of tax expense in prior years.

Our Group's PAT and PAT margin were generally consistent with the growth in PBT and PBT margin for FYE 2021, FYE 2022 as well as FPE 2022 and FPE 2023.

### 11.3.4 Impact of fluctuation in foreign exchange, interest rate, inflation and government/economic/fiscal/monetary policies

#### (i) Foreign exchange

Our sales are primarily transacted in RM, RMB, YEN, SGD and USD. As such, we are exposed to fluctuations in foreign exchange rates and any adverse movements in the foreign exchange markets may have a negative impact on our financial performance and operating results.

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review and Financial Periods Under Review are as follows:

| | **Audited** | | | **Unaudited** | **Audited** |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Realised gain on foreign exchange | - | - | 168 | 218 | - |
| Unrealised gain on foreign exchange | - | - | - | - | 57 |
| Realised loss on foreign exchange | (74) | (39) | - | - | (77) |
| Unrealised loss on foreign exchange | * | (9) | (10) | (93) | - |
| **Net (loss)/gain on foreign exchange** | **(74)** | **(48)** | **158** | **125** | **(20)** |
| PBT | 1,474 | 9,994 | 23,120 | 13,185 | 13,760 |
| Net (loss)/gain on foreign exchange as a percentage of PBT (%) | (5.02) | (0.48) | 0.68 | 0.95 | (0.15) |

**Notes:**

* Less than RM1,000.

Based on the above, we are exposed to foreign exchange gains or losses during the conversion of foreign currency into RM, mainly arising from the timing differences between our billings and the actual receipts of payments from our foreign customers.

We monitor closely the movement of the foreign exchange to manage our foreign exchange risks.

## 11. FINANCIAL INFORMATION *(CONT'D)*

**(ii) Interest rate**

Our exposure to interest rate fluctuations arises from floating rate bank borrowings which is pegged to the base financing rate as stipulated by our financial institutions that may change from time to time. As such, any change in the interest rate of our floating rate bank borrowings will raise the cost of our borrowings and our finance costs, which in turn may have an adverse effect on our financial performance.

Our Group has monitored interest rate movements to ensure that the most competitive rates are secured and where appropriate, borrowing arrangements and interest bearing instruments are structured or reduced.

The total borrowings and finance costs of our Group for the Financial Years Under Review and Financial Periods Under Review is as follow:

| | **As at 31 March** | | | **As at 30 September** | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total borrowings | 1,331 | 2,133 | - | 1,447 | - |
| Finance costs | 77 | 159 | 128 | 94 | 17 |

Our Group's financial results for the Financial Years Under Review and Financial Periods Under Review were not materially affected by fluctuations in interest rates.

As at 30 September 2022, we do not have any bank borrowings.

**(iii) Inflation**

Our business, financial condition or results of our operations for the Financial Years Under Review and Financial Periods Under Review were not materially affected by the inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and financial performance.

**(iv) Government/economic/fiscal/monetary policies**

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business, financial performance and prospects of the semiconductor industry in which we operate. For the Financial Years Under Review and Financial Periods Under Review, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

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## 11.4 LIQUIDITY AND CAPITAL RESOURCES

### 11.4.1 Working capital

For the past three (3) FYEs 2020, 2021 and 2022 as well as FPE 2023, we have financed our operations through cash generated from our operations and external borrowings from financial institutions. The principal use of these funds is mainly to finance our working capital requirements.

As at 30 September 2022, we have cash and bank balances as well as short-term funds of approximately RM7.45 million and RM7.77 million respectively.

As at 30 September 2022, our working capital which is calculated based on total current assets minus total current liabilities, was approximately RM22.00 million. This represents a current ratio of approximately 3.87 times.

Based on the above, after taking into consideration our evaluation of the impact of COVID-19 pandemic on our Group as discussed in Section 6.19 of this Prospectus as well as expected cash flows to be generated from our operations, our existing level of cash and bank balances and the proceeds to be raised from our IPO, our Board is of the opinion that we will have sufficient working capital for at least 12 months from the date of this Prospectus.

### 11.4.2 Cash flows

The table below sets out the summary of our Group's cash flows for the Financial Years Under Review and Financial Periods Under Review:

| | **Audited** | | | **Unaudited** | **Audited** |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Net cash from operating activities | 1,666 | 9,999 | 17,345 | 11,507 | 5,016 |
| Net cash used in investing activities | (808) | (2,891) | (1,321) | (873) | (676) |
| Net cash from/(used in) financing activities | 1,201 | (197) | (13,823) | (6,429) | (300) |
| **Net increase in cash and cash equivalents** | **2,059** | **6,911** | **2,201** | **4,205** | **4,040** |
| Effects of foreign exchange rates changes | * | 2 | (8) | (82) | 12 |
| Cash and cash equivalents at beginning of financial year | 6 | 2,065 | 8,978 | 8,978 | 11,171 |
| **Cash and cash equivalents at end of financial year** | **2,065** | **8,978** | **11,171** | **13,101** | **15,223** |

**Note:**

* Less than RM1,000.

There is no legal, financial or economic restriction on our subsidiaries' ability to transfer/receive funds to/from our Company in the form of cash dividends, loans or advances, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenant.

**Commentaries on cash flows:**

**FYE 2020**

**(i) Net cash from operating activities**

For FYE 2020, our Group's operating profit before changes in working capital was approximately RM1.77 million. After adjusting for the following key items, our net cash from operating activities was approximately RM1.67 million:

(a) decrease in trade and other receivables of approximately RM0.14 million mainly due to lesser billings towards the end of FYE 2020 as most of our works were already billed in earlier months and we have received a majority of the payments from our customers prior to the financial year end;

(b) increase in trade and other payables of approximately RM0.59 million mainly attributable to the advances given by the remaining shareholders of AIRIS Labs which were intended for the initial investment in AIRIS Labs, renovation expenses for our new office at I2U Building as well as the fees payable to external design engineers which were accrued as at 31 March 2020; and

(c) net income tax paid of approximately RM0.84 million.

**(ii) Net cash used in investing activities**

For FYE 2020, our Group recorded net cash used in investing activities of approximately RM0.81 million which was mainly attributed to the following:

(a) the purchase of computers and office equipment as well as furniture and fittings of approximately RM0.51 million; and

(b) increase in deposits pledged to a licensed bank of approximately RM0.31 million.

**(iii) Net cash from financing activities**

For FYE 2020, our Group recorded net cash from financing activities of approximately RM1.20 million which was mainly attributed to drawdown of new term loans of approximately RM1.60 million for working capital purposes.

This was, however, partially offset by the following:

(a) repayment of term loans of approximately RM0.27 million;

(b) payment of lease liabilities of approximately RM0.06 million; and

(c) payment of interest of approximately RM0.07 million.

**FYE 2021**

**(i) Net cash from operating activities**

For FYE 2021, our Group's operating profit before changes in working capital were approximately RM10.74 million. After adjusting for the following key items, our net cash from operating activities was approximately RM10.00 million:

(a) decrease in trade and other receivables of approximately RM0.24 million mainly due to lesser billings towards the end of FYE 2021 as most of our works were already billed in earlier months and we have received a majority of the payments from our customers prior to the year end.

This was, however, partially offset by the increase in other receivables of approximately RM0.24 million in relation to expenses claimable from our research collaboration, MIMOS Berhad. There was also an amount owing by AIRIS Labs, amounting to approximately RM0.21 million;

(b) increase in contract liabilities of approximately RM1.92 million due to advance payment received from customers but revenue only recognised in the first (1st) quarter of the subsequent year;

(c) decrease in trade and other payables of approximately RM0.45 million mainly due to the decrease in amounts owing to the directors; and

(d) net income tax paid of approximately RM2.45 million.

**(ii) Net cash used in investing activities**

For FYE 2021, our Group recorded net cash used in investing activities of approximately RM2.89 million which was mainly attributed to the following:

(a) the purchase of computers and office equipment as well as furniture and fittings of approximately RM0.85 million;

(b) the purchase of unit trusts, corporate bonds and quoted shares of approximately RM2.44 million; and

(c) subscription of ordinary shares in AIRIS Labs of approximately RM0.05 million.

This was, however, partially offset by the proceeds from disposal of other investments, which comprised of corporate bonds and quoted shares, of approximately RM0.43 million.

**(iii) Net cash used in financing activities**

For FYE 2021, our Group recorded net cash used in financing activities of approximately RM0.20 million which was mainly attributed to drawdown of term loans of approximately RM1.00 million for working capital purposes.

This was, however, partially offset by the following:

(a) payment of dividend of approximately RM0.59 million;

(b) repayment of term loans of approximately RM0.23 million;

(c) payment of lease liabilities of approximately RM0.24 million; and

(d) payment of interest of approximately RM0.13 million.

**FYE 2022**

**(i) Net cash from operating activities**

For FYE 2022, our Group's operating profit before changes in working capital were approximately RM23.84 million. After adjusting for the following key items, our net cash from operating activities was approximately RM17.35 million:

(a) increase in trade and other receivables of approximately RM1.80 million mainly due to higher billings in the last quarter of 2022 which resulted in higher amounts due from customers;

(b) decrease in contract liabilities of approximately RM1.92 million mainly due to the recognition of revenue based on the milestones achieved and delivered for existing full IC design turnkey projects from Xiamen KirinCore which was secured during FYE 2021;

(c) increase in trade and other payables of approximately RM2.75 million mainly due to the higher expenses in relation to professional fees for IPO exercise of approximately RM0.80 million, statutory contribution of approximately RM0.44 million as well as a bonus provision of approximately RM1.70 million; and

(d) net income tax paid of approximately RM5.43 million.

**(ii) Net cash used in investing activities**

For FYE 2022, our Group recorded net cash used in investing activities of approximately RM1.32 million which was mainly attributed to the following:

(a) the purchase of computers and office equipment as well as furniture and fittings of approximately RM0.81 million; and

(b) the purchase of unit trusts, corporate bonds and quoted shares in and outside Malaysia of approximately RM4.31 million.

This was, however, partially offset by the following:

(i) proceeds from disposal of corporate bonds and quoted shares in and outside Malaysia of approximately RM2.91 million;

(ii) proceeds from subscription of shares in Alpha Core by Sophic Automation of approximately RM0.43 million; and

(iii) decrease in deposits pledged to a licensed bank of approximately RM0.31 million.

**(iii) Net cash used in financing activities**

For FYE 2022, our Group recorded net cash used in financing activities of approximately RM13.82 million which was mainly attributed to the following:

(a) payment of dividend of approximately RM11.15 million;

(b) repayment of term loans of approximately RM2.10 million;

(c) payment of lease liabilities of approximately RM0.49 million; and

(d) payment of interest of approximately RM0.08 million.

**FPE 2023**

**(i) Net cash from operating activities**

For FPE 2023, our Group's operating profit before changes in working capital were approximately RM14.48 million. After adjusting for the following key items, our net cash from operating activities was approximately RM5.02 million:

(a) increase in trade and other receivables of approximately RM7.56 million which was mainly attributable to the total billings from July to September 2022 of approximately RM14.33 million which resulted in higher amounts due from customers;

(b) increase in trade and other payables of approximately RM1.20 million mainly due to the higher expenses in relation to professional fees for IPO exercise of approximately RM0.89 million, statutory contribution of approximately RM0.52 million as well as a bonus provision of approximately RM3.50 million; and

(c) net income tax paid of approximately RM2.97 million.

**(ii) Net cash used in investing activities**

For FPE 2023, our Group recorded net cash used in investing activities of approximately RM0.68 million which was mainly attributed to the following:

(a) the purchase of computers and office equipment as well as furniture and fittings of approximately RM0.76 million; and

(b) net cash paid of approximately RM0.16 million arising from the acquisition of the remaining 50% equity interest in AIRIS Labs, not already owned by Oppstar Technology.

This was, however, partially offset by the net proceeds from disposal of other investments such as investments in shares quoted on the stock exchange in and outside Malaysia of approximately RM0.19 million and dividends received from other investments of approximately RM0.03 million.

**(iii) Net cash used in financing activities**

For FPE 2023, our Group recorded net cash used in financing activities of approximately RM0.30 million which was due to the repayment of lease liabilities.

### 11.4.3 Borrowings

As at 30 September 2022 and LPD, we do not have any bank borrowings.

There have been no defaults on any payment of either interest and/or principal sums in respect of any of our borrowings for the Financial Years Under Review, Financial Periods Under Review and up to the LPD. We also do not encounter seasonality in the trend of our borrowings.

As at the LPD, we are not in breach of any terms and conditions or covenants associated with our credit arrangements or bank borrowings which can materially affect our financial position, results of business operations, or the investment by holders of our Shares.

### 11.4.4 Material commitments

As at the LPD, there is no material commitment for capital expenditure, which upon becoming enforceable, may have a material effect on our financial position.

### 11.4.5 Contingent liabilities

As at the LPD, our Board confirms that there are no contingent liabilities, which upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

### 11.4.6 Material investments and divestitures

We have not undertaken any material investments and divestiture during the Financial Years Under Review and Financial Periods Under Review.

### 11.4.7 Material litigation or arbitration proceedings

As at the LPD, we are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the past 12 months immediately preceding the date of this Prospectus.

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### 11.4.8 Key financial ratios

The table below sets out our Group's key financial ratios for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | As at 31 March | | | As at 30 September | |
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| Trade receivables turnover period[(i)] (days) | 42 | 13 | 19 | 52 | 65 |
| Trade payables turnover period[(ii)] (days) | - | 2 | 1 | 1 | 2 |
| Current ratio[(iii)] (times) | 1.71 | 1.25 | 3.21 | 2.00 | 3.87 |
| Gearing ratio[(iv)] (times) | 0.99 | 0.70 | - | 0.11 | - |

**Notes:**

(i) Trade receivables turnover period is computed based on trade receivables over revenue for the respective financial year/period multiplied by the number of days in respective financial year/period.

(ii) Trade payables turnover period is computed based on trade payables over cost of sales for the respective financial year/period multiplied by the number of days in respective financial year/period.

(iii) Current ratio is computed based on total current assets over total current liabilities as at the end of the respective financial year/period.

(iv) Gearing ratio is computed based on total borrowings over total equity to common controlling shareholders of the combining entities/owners of the parent as at the end of the respective financial year/period.

#### (i) Trade receivables turnover period

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | As at 31 March | | | As at 30 September | |
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| Trade receivables (RM'000) | 1,819 | 1,066 | 2,599 | 7,651 | 10,328 |
| Revenue (RM'000) | 15,965 | 29,262 | 50,561 | 26,418 | 28,815 |
| Trade receivables turnover period[(i)] (days) | 42 | 13 | 19 | 52 | 65 |

**Note:**

(i) Trade receivables turnover period is computed based on trade receivables over revenue for the respective financial year/period multiplied by the number of days in respective financial year/period.

The normal credit term granted to our customers generally ranges from 30 days to 90 days. Each credit application is assessed and approved after taking into consideration various factors such as the background and creditworthiness (including payment history) of our customers, business relationship with our customers as well as transaction volume and value.

Our trade receivables turnover period for the Financial Years Under Review were within the normal credit term granted to our customers.

## 11. FINANCIAL INFORMATION *(CONT'D)*

Our trade receivables turnover period increased to approximately 65 days for FPE 2023 mainly attributable to the total billings from July to September 2022 of approximately RM14.33 million which resulted in higher amounts due from customers.

The ageing analysis of our trade receivables as at 30 September 2022 and the subsequent collections and balance of our trade receivables as at the LPD are set out below:

| | | Exceeding credit period | | | |
|---|---|---|---|---|---|
| | **Within credit period** | **Not more than 60 days** | **Between 61 to 120 days** | **More than 120 days** | **Total** |
| Trade receivables (RM'000) | 9,652 | 617 | - | 59 | 10,328 |
| % of total trade receivables | 93.45 | 5.98 | - | 0.57 | 100.00 |
| Subsequent collections up to and including the LPD (RM'000) | 6,478 | 617 | - | 59 | 7,154 |
| Trade receivable net of subsequent collections (RM'000) | 3,174 | - | - | - | 3,174 |
| % of trade receivables net of subsequent collection | 100.00 | - | - | - | 100.00 |

As at 30 September 2022, our total trade receivables stood at approximately RM10.33 million, of which approximately RM0.68 million or 6.55% of our trade receivables exceeded the normal credit period.

As at the LPD, we have collected approximately RM7.15 million, representing approximately 69.27% of our total trade receivables as at 30 September 2022. We are still in the midst of collecting the outstanding trade receivables of approximately RM3.17 million, which exceeded the normal credit period as at the LPD, from our customers. As of 10 February 2023, we have collected approximately RM9.57 million, representing approximately 99.15% of our total trade receivables as at 30 September 2022. Our Board is of the opinion that the outstanding trade receivables of approximately RM0.75 million are recoverable after taking into consideration this customers' payment history. We have taken a constant effort to recover the outstanding amount including follow-up calls and correspondences.

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## 11. FINANCIAL INFORMATION *(CONT'D)*

We have a credit control policy in place and the exposure to credit risk is monitored on an ongoing basis. As part of our credit control policy, our Group assesses whether any of the trade receivables are credit impaired on a quarterly basis based on the operating performance of our customers, changes in contractual terms, payment trends and past due information. Our Group assesses for impairment losses of trade receivables on a simplified approach in accordance with MFRS 9. For the Financial Years Under Review and Financial Periods Under Review, no expected credit losses were recognised arising from trade and other receivables as they are negligible.

**(ii) Trade payables turnover period**

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | As at 31 March | | | As at 30 September | |
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| Trade payables (RM'000) | - | 114 | 73 | 45 | 117 |
| Cost of sales (RM'000) | 12,817 | 17,442 | 20,426 | 9,931 | 11,829 |
| Trade payables turnover period[(i)] (days) | - | 2 | 1 | 1 | 2 |

**Note:**

(i) Trade payables turnover period is computed based on trade payables over cost of sales for the respective financial year/period multiplied by the number of days in respective financial year/period.

Being an IC design house, we are dependent on our workforce, in particular, our design engineers, to deliver our services. We may also engage external design engineers as and when the need arises. The trade payables refer to the cost of employing external design engineers.

It is our practice to make prompt payment to our external design engineers on monthly basis.

The ageing analysis of our trade payables as at 30 September 2022 and the subsequent payments and balance of our trade payables as at the LPD are set out below:

| | Within credit period | Exceeding credit period | | | Total |
|---|---|---|---|---|---|
| | | Not more than 60 days | Between 61 to 120 days | More than 120 days | |
| Trade payables (RM'000) | 117 | - | - | - | 117 |
| % of total trade payables | 100.00 | - | - | - | 100.00 |
| Subsequent payments up to and including the LPD (RM'000) | 117 | - | - | - | 117 |
| Outstanding trade payables as at the LPD (RM'000) | - | - | - | - | - |
| % of trade payables net of subsequent payment | - | - | - | - | - |

## 11. FINANCIAL INFORMATION *(CONT'D)*

As at 30 September 2022, our total trade payables stood at approximately RM0.12 million which is within the normal credit period of 30 days. As at the LPD, we have settled all of our trade payables which were outstanding as at 30 September 2022.

We have not been involved in any dispute with any of our external design engineers nor has any legal action been initiated by our external design engineers on us during the Financial Years Under Review, Financial Periods Under Review and up to the LPD.

### (iii) Current ratio

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | As at 31 March | | | As at 30 September | |
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| Current assets (RM'000) | 4,276 | 12,921 | 18,253 | 24,557 | 29,655 |
| Current liabilities (RM'000) | 2,497 | 10,319 | 5,687 | 12,269 | 7,659 |
| Current ratio[(i)] (times) | 1.71 | 1.25 | 3.21 | 2.00 | 3.87 |

**Note:**

(i) Current ratio is computed based on total current assets over total current liabilities as at the end of the respective financial year/period.

Current ratio measures our Group's liquidity and our ability to meet our short-term obligations. Our current ratio decreased from 1.71 times as at 31 March 2020 to 1.25 times as at 31 March 2021 mainly due to increase in our current liabilities of approximately RM7.82 million or 313.26% which was mainly attributable to the increase in our trade and other payables, contract liabilities and bank borrowings as compared to the increase in our current assets of approximately RM8.65 million or 202.17% which was mainly attributable to the increase in our cash and bank balances, short-terms funds as well as other investments.

Our current ratio increased from 1.25 times as at 31 March 2021 to 3.21 times as at 31 March 2022 mainly due to an increase in our current assets of approximately RM5.33 million or 41.27% which was mainly attributable to the increase in our cash and bank balances, trade receivables and short-terms funds as compared to the decrease in our current liabilities of approximately RM4.63 million or 44.89% which was mainly attributable to the decrease in our borrowings, contract liabilities and trade payables and other payables.

Our current ratio increased to 3.87 times as at 30 September 2022 mainly due to an increase in our current assets of approximately RM11.40 million or 62.47% which was mainly attributable to the increase in our cash and bank balances, trade receivables and short-terms funds as compared to the increase in our current liabilities of approximately RM1.97 million or 34.68% which was mainly attributable to the increase in our trade payables and other payables and current tax liabilities.

**(iv) Gearing ratio**

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | As at 31 March | | | As at 30 September | |
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| Total borrowings[(i)] (RM'000) | 1,331 | 2,133 | - | 1,447 | - |
| Total equity to common controlling shareholders of the combining entities/owners of the parent (RM'000) | 1,346 | 3,061 | 14,036 | 12,764 | 24,418 |
| Gearing ratio[(ii)] (times) | 0.99 | 0.70 | - | 0.11 | - |

**Notes**:

(i) Comprises term loans and bank overdrafts.

(ii) Gearing ratio is computed based on total borrowings over total equity to common controlling shareholders of the combining entities/owners of the parent as at the end of the respective financial year/period.

Our gearing ratio was 0.99 times as at 31 March 2020 mainly due to the increase in our bank borrowings of approximately RM1.33 million which was attributable to the drawdown of term loans for the working capital purposes.

Our gearing ratio decreased from 0.99 times as at 31 March 2020 to 0.70 times as at 31 March 2021. This was mainly due to increase in our total equity of approximately RM1.72 million which was mainly attributable to our profits generated during the FYE 2021 of approximately RM7.80 million.

As at 31 March 2022 and 30 September 2022, we do not have any bank borrowings.

### 11.4.9 Types of financial instruments used

We finance our operations mainly through cash generated from our operations as well as external source of funds which comprise bank borrowings. As at the LPD, we do not have or use any financial instruments.

However, from accounting perspective, financial instruments comprise deposits with financial institutions, cash and bank balances, trade and other receivables, trade and other payables as well as borrowings as shown in our combined/consolidated statements of financial position. These financial instruments are used in our ordinary course of business.

### 11.4.10 Treasury policies and objectives

Our main treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet the estimated commitments arising from our operational expenditures and financial liabilities. Our principal sources of liquidity are our cash and bank balances as well as cash generated from our operations.

In our ordinary course of business, we deal with customers from both local and overseas markets, where transactions are denominated in both local currency as well as foreign currencies. We maintain bank accounts mainly in RM, RMB, YEN and USD.

We may consider hedging instruments such as derivatives contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years Under Review and Financial Periods Under Review. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate.

Our Group monitors the adequacy of capital on an ongoing basis. Our strategy is to maintain the debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions. It is also the responsibility of our Directors to identify, quantify, monitor and control the key risks (credit, liquidity, currency and interest rate) associated with these activities.

## 11.5 TREND INFORMATION

As at the LPD, our Board confirms that there are no:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on the financial performance, position and operations of our Group other than those disclosed in this Section and in Sections 6 and 8 of this Prospectus;

(ii) material commitment for capital expenditure, save as set out in Section 11.4.4 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and in Sections 6 and 8 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's total revenue and/or profits as well as our Group's liquidity and capital resources, save for those that have been disclosed in this Section and in Sections 6 and 8 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Sections 6 and 8 of this Prospectus.

## 11.6 SIGNIFICANT CHANGES

There are no other significant changes that have occurred which may have a material effect on the financial position and results of our Group since 30 September 2022 up to the date of this Prospectus.

## 11. FINANCIAL INFORMATION *(CONT'D)*

### 11.7 ORDER BOOK

Our order is based on the total amount of purchase orders and/or contracts secured, which has not been recognised in our revenue as at the LPD.

As at the LPD, our order book stood at approximately RM34.29 million, which mainly consist of turnkey design services and is expected to be recognised in the next 12 months, the details of which are as follows:

| Services rendered | FYE 2023<br>RM'000 | FYE 2024<br>RM'000 |
|---|---|---|
| Specific design services | 2,695 | - |
| Turnkey design services | 10,369 | 21,228 |
| **Total** | **13,064** | **21,228** |

### 11.8 DIVIDEND POLICY

Our Group has a dividend policy to distribute a dividend of at least 25% of our annual audited PAT. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our AGM.

As we are a holding company, our ability to pay dividends will depend on the dividends or other distributions that we receive from our subsidiaries. The payment of dividends by our subsidiaries is dependent on their distributable profits, financial performance, cash flow requirements for operations and capital expenditures and any other factors.

In addition to the factors above which may affect the ability of our subsidiaries to pay dividends to us, when recommending the actual dividends for approval by shareholders or when declaring any interim dividend, our Board will also consider, amongst others:

(i) the level of our cash, gearing, return on equity and retained profits;

(ii) our expected financial performance;

(iii) our working capital requirements;

(iv) our projected levels of expenditure and other investment plans;

(v) any restrictive covenants contained in our current and future financing arrangements; and

(vi) any material impact of tax laws and other regulatory requirements.

There is no other dividend restriction imposed on our subsidiaries as at the LPD.

## 11. FINANCIAL INFORMATION *(CONT'D)*

For information purposes, the table below sets out the dividend declared by our Group for the Financial Years Under Review and Financial Periods Under Review:

| | Audited | | | Unaudited | Audited |
|---|---|---|---|---|---|
| | **FYE 2020** | **FYE 2021** | **FYE 2022** | **FPE 2022** | **FPE 2023** |
| Dividend declared (RM'000) | - | (i)6,084 | (ii)5,661 | - | - |
| PAT (RM'000) | 421 | 7,799 | 16,629 | 9,698 | 10,396 |

**Notes:**

(i) The dividend was paid on 26 January 2021 (RM0.59 million) and 12 July 2021 (RM5.49 million) respectively.

(ii) The dividend was paid on 1 March 2022.

Save as disclosed above, our Group does not intend to declare or pay any dividend prior to our Listing.

The level of dividends should also not be treated as an indication of our Group's future dividend policy and shall not constitute legally binding statements. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future.

Any declarations and payment of dividends in the future will be at the discretion of our Board. No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

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## 11.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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SST No: P11-1809-32000112

**The Board of Directors**
**Oppstar Berhad**
Level 6, I2U Building, Sains@USM
10, Persiaran Bukit Jambul
11900 Bayan Lepas
Pulau Pinang

Date: 08 FEB 2023

Our ref: BDO/KTH/CSK/kyz

Dear Sir/Madam

**Oppstar Berhad ("Oppstar" or "Company") and its subsidiaries ("Oppstar Group", "Pro Forma Group" or "Group")**

**Report on Compilation of the Pro Forma Consolidated Statement of Financial Position as at 30 September 2022 ("This Report")**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of the Group as at 30 September 2022. The Pro Forma Consolidated Statement of Financial Position together with the accompanying notes thereon, for which we have stamped for purpose of identification, have been compiled by the Board of Directors of the Company ("Board of Directors") for inclusion in the prospectus of the Company ("the Prospectus") in connection with the admission to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of Oppstar on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statement of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statement of Financial Position and are specified in Rule 3.12B(1) of the ACE Market listing requirements of Bursa Malaysia Securities Berhad and Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Board of Directors to illustrate the impact of the transactions as set out in the Notes to the Pro Forma Consolidated Statement of Financial Position as at 30 September 2022 had the transactions been effected as at 30 September 2022. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the Group's audited consolidated statement of financial position as at 30 September 2022.

**Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position**

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis as described in the Notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

*Our Independence and Quality Control*

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

The firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibility**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Board of Directors on the basis described in the Notes to the Pro Forma Consolidated Statement of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis set out in the Notes to the Pro Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

The purpose for inclusion of the Pro Forma Consolidated Statement of Financial Position in the Prospectus is solely to illustrate the impact of a significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

(a) the related pro forma adjustments give appropriate effect to those criteria; and

(b) the Pro Forma Consolidated Statement of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

**Reporting Accountants' Responsibility (continued)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statement of Financial Position have been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Pro Forma Consolidated Statement of Financial Position of the Group has been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

**Other Matters**

This report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

BDO PLT

**BDO PLT**
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

**Koay Theam Hock**
02141/04/2023 J
Chartered Accountant

Penang
Date: 08 FEB 2023

**1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME**

**1.1 Pro Forma Group**

The Pro Forma Consolidated Statement of Financial Position of Oppstar Berhad ("Oppstar" or "Company") and its subsidiaries (collectively referred to as "Oppstar Group", "Pro Forma Group" or "Group") as at 30 September 2022 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, has been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the admission to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the entire enlarged issued share capital of Oppstar on the ACE Market of Bursa Securities ("Listing").

**1.2 Basis of Preparation**

The Pro Forma Consolidated Statement of Financial Position of the Group have been prepared based on the audited consolidated statement of financial position of the Group as at 30 September 2022, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma Consolidated Statement of Financial Position have been prepared for illustrative purposes only to show the effects of the transactions as set out in Note 1.3 on the audited consolidated statement of financial position of the Group as at 30 September 2022 had the transactions been effected on 30 September 2022, and should be read in conjunction with the notes thereon. Due to its nature, the Pro Forma Consolidated Statement of Financial Position is not necessarily indicative of the financial position of the Group that would have been attained had the effects of the transactions as set out in Note 1.3 actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

The audited consolidated statement of financial position of the Group for the financial year ended 30 September 2022 used in the preparation of the Pro Forma Consolidated Statement of Financial Position was not subject to any audit qualification.

**1.3 Listing Scheme**

In conjunction with and as an integral part of the Listing, the Company had proposed to undertake the following transactions:

**1.3.1 Initial Public Offering ("IPO")**

**(a) Public issue**

Public issue of 165,479,000 new Shares representing approximately 26.01% of the enlarged number of issued shares of the Company, at an issue price of RM0.63 per Share.

**(b) Listing**

Admission to the Official List of Bursa Securities and the listing of and quotation for the Company's entire enlarged issued share capital of RM109,650,546 comprising 636,200,000 Shares on the ACE Market of Bursa Securities.

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**1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)**

**1.3 Listing Scheme (continued)**

**1.3.2 Utilisation of Proceeds from IPO**

The gross proceeds from the IPO of RM104,251,770 are expected to be used as per Prospectus are in the following manner:

| | **RM'000** |
|---|---|
| Business expansion through expansion of our workforce [1] | 50,000 |
| Establishment of new offices [1] | 25,000 |
| Research and development expenditure [1] | 12,000 |
| Working capital [1] | 12,652 |
| Estimated listing expenses [2] | 4,600 |
| | **104,252** |

*Notes:*

*(1) As the planned utilisation of proceeds is still in discussion phase and the Group has yet to enter into any definitive agreements with any parties, the proceeds earmarked for business expansion through expansion of workforce, establish of new offices, research and development expenditure, together with proceeds earmarked for working capital purposes, have been included in cash and bank balances for purpose of illustration in the Pro Forma Consolidated Statement of Financial Position.*

*(2) The estimated listing expenses totaling RM4,600,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM2,500,000 had been incurred and expensed off to the statement of profit or loss and other comprehensive income as of 30 September 2022. Upon completion of the listing, a total of RM1,663,024 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM436,976 will be expensed off to the statement of profit or loss and other comprehensive income.*

**1.4 Long Term Incentive Plan ("LTIP")**

In conjunction with the Listing, the Company will establish the long term incentive plan of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any), at any point of time during the LTIP period for the eligible Directors and employees of Oppstar Group (excluding subsidiary companies which are dormant).

The LTIP shall be administered in accordance with the By-Laws by the LTIP Committee.

The LTIP is not illustrated in the Pro Forma Consolidated Statement of Financial Position as the awards under the LTIP have yet to be granted as of the date of this report.

**2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022**

The Pro Forma Consolidated Statement of Financial Position as at 30 September 2022 has been prepared for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Oppstar as at 30 September 2022 based on the assumptions that the Listing Scheme as set out in Note 1.3 to the Pro Forma Consolidated Statement of Financial Position had been effected on 30 September 2022.

| | Note | Audited<br>As at 30 September 2022<br>RM'000 | Adjustments for IPO<br>RM'000 | Pro Forma I<br>After IPO<br>RM'000 | Adjustments for Utilisation of Proceeds<br>RM'000 | Pro Forma II<br>After Pro Forma I and Utilisation of Proceeds<br>RM'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | | 2,109 | - | 2,109 | - | 2,109 |
| Right-of-use assets | | 578 | - | 578 | - | 578 |
| Goodwill | | 352 | - | 352 | - | 352 |
| | | 3,039 | - | 3,039 | - | 3,039 |
| **Current assets** | | | | | | |
| Inventories | | 165 | - | 165 | - | 165 |
| Other investments | | 2,938 | - | 2,938 | - | 2,938 |
| Trade and other receivables | | 10,941 | - | 10,941 | - | 10,941 |
| Contract assets | | 276 | - | 276 | - | 276 |
| Short term funds | | 7,774 | - | 7,774 | - | 7,774 |
| Current tax assets | | 112 | - | 112 | - | 112 |
| Cash and bank balances | 2.2.1 | 7,449 | 104,252 | 111,701 | (2,100) | 109,601 |
| | | 29,655 | 104,252 | 133,907 | (2,100) | 131,807 |
| **TOTAL ASSETS** | | 32,694 | 104,252 | 136,946 | (2,100) | 134,846 |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Equity attributable to owners of the parent** | | | | | | |
| Share capital | 2.2.2 | 7,062 | 104,252 | 111,314 | * (1,663) | 109,651 |
| Reserves | 2.2.2 | 17,356 | - | 17,356 | * (437) | 16,919 |
| | | 24,418 | 104,252 | 128,670 | (2,100) | 126,570 |
| Non-controlling interests | 2.2.2 | 351 | - | 351 | - | 351 |
| **TOTAL EQUITY** | | 24,769 | 104,252 | 129,021 | (2,100) | 126,921 |

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**2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 (continued)**

| | Note | Audited<br>As at 30 September 2022<br>RM'000 | Adjustments for IPO<br>RM'000 | Pro Forma I<br>After IPO<br>RM'000 | Adjustments for Utilisation of Proceeds<br>RM'000 | Pro Forma II<br>After Pro Forma I and Utilisation of Proceeds<br>RM'000 |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Lease liabilities | | 91 | - | 91 | - | 91 |
| Deferred tax liabilities | | 175 | - | 175 | - | 175 |
| | | 266 | - | 266 | - | 266 |
| **Current liabilities** | | | | | | |
| Trade and other payables | | 5,583 | - | 5,583 | - | 5,583 |
| Contract liabilities | | 38 | - | 38 | - | 38 |
| Lease liabilities | | 508 | - | 508 | - | 508 |
| Current tax liabilities | | 1,530 | - | 1,530 | - | 1,530 |
| | | 7,659 | - | 7,659 | - | 7,569 |
| **TOTAL LIABILITIES** | | 7,925 | - | 7,925 | - | 7,925 |
| **TOTAL EQUITY AND LIABILITIES** | | 32,694 | 104,252 | 136,946 | (2,100) | 134,846 |
| Net assets (RM'000) | | 24,769 | | 129,021 | | 126,921 |
| Number of ordinary shares assumed in issue ('000) | | 470,721 | | 636,200 | | 636,200 |
| Net assets per ordinary share (RM) | | 0.05 | | 0.20 | | 0.20 |

* *The estimated listing expenses totaling RM4,600,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM2,500,000 had been incurred and expensed off to the statement of profit or loss and other comprehensive income as of 30 September 2022. Upon completion of the listing, a total of RM1,663,024 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM436,976 will be expensed off to the statement of profit or loss and other comprehensive income.*

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## 2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 (continued)

### 2.1 Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial Position

#### 2.1.1 Pro Forma I

Pro Forma I incorporated the effects of the IPO as set out in Note 1.3.1 to the Pro Forma Consolidated Statement of Financial Position.

#### 2.1.2 Pro Forma II

Pro Forma II incorporated the effects of Pro Forma I and the effects of the utilisation of proceeds as set out in Note 1.3.2 to the Pro Forma Consolidated Statement of Financial Position.

### 2.2 Notes to the Pro Forma Consolidated Statement of Financial Position

#### 2.2.1 Cash and Bank Balances

| | RM'000 |
|---|---|
| As at 30 September 2022 | 7,449 |
| Adjustments for IPO | 104,252 |
| **Pro Forma I** | **111,701** |
| Adjustments for Utilisation of Proceeds | (2,100) |
| **Pro Forma II** | **109,601** |

**2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 (continued)**

**2.2 Notes to the Pro Forma Consolidated Statement of Financial Position (continued)**

**2.2.2 Share Capital, Reserves and Non-Controlling Interests**

| | Share capital RM'000 | Foreign exchange translation reserve RM'000 | Reorganisation debit reserve RM'000 | Retained earnings RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|
| As at 30 September 2022 | 7,062 | (2) | (6,160) | 23,518 | 351 | 24,769 |
| Adjustments for IPO | 104,252 | - | - | - | - | 104,252 |
| **Pro Forma I** | **111,314** | **(2)** | **(6,160)** | **23,518** | **351** | **129,021** |
| Adjustments for Utilisation of Proceeds | | | | | | |
| - estimated listing expenses | (1,663) | - | - | (437) | - | (2,100) |
| **Pro forma II** | **109,651** | **(2)** | **(6,160)** | **23,081** | **351** | **126,921** |

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Chartered Accountants
Penang

**APPROVED BY THE BOARD OF DIRECTORS**

The Pro Forma Consolidated Statement of Financial Position as at 30 September 2022 has been approved and adopted by the Board of Directors of the Company in accordance with a resolution dated 0 8 FEB 2023

Signed on behalf of the Board of Directors,

…………………………………………
**NG MENG THAI**
DIRECTOR

Penang
Date: 0 8 FEB 2023

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0 8 FEB 2023
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Chartered Accountants
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**The Board of Directors**
**Oppstar Berhad**
Level 6, I2U Building, Sains@USM
10, Persiaran Bukit Jambul
11900 Bayan Lepas
Pulau Pinang

Date: 08 FEB 2023
Our ref: KTH/CSK/kyz

Dear Sir/Madam

**Reporting Accountants' Opinion on the Financial Information Contained in the Accountants' Report of Oppstar Berhad ("Oppstar" or "Company")**

We have audited the financial statements of Oppstar and its subsidiaries ("Group"). The financial information comprises:

(a) The combined statements of financial position as at 31 March 2020 and 2021 of the Group, and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 March 2020 and 2021;

(b) The consolidated statements of financial position as at 31 March 2022 and 30 September 2022 of the Group, and consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial year/period ended 31 March 2022 and 30 September 2022; and

(c) A summary of significant accounting policies and other explanatory information, as set out in Sections 7 and 8 of the Accountants' Report.

This historical financial information has been prepared for inclusion in the prospectus of the Company ("Prospectus") in connection with the admission of Oppstar to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities. This report is given for the purposes of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022, and of their financial performance and their cash flows for each of the financial year/period ended 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO

*Independence and Other Ethical Responsibilities*

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Directors' Responsibility for the Financial Information**

The Directors of the Company are responsible for the preparation of the combined and consolidated financial statements that gives a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information of the Group, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Reporting Accountants' Responsibilities for the Audit of the Financial Information**

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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**Reporting Accountants' Responsibilities for the Audit of the Financial Information (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

(e) Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation; and

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Other Matters**

This report is made solely to the Directors of the Company and for inclusion in the Prospectus to be issued in connection with the admission of Oppstar to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities and for no other purpose. We do not assume responsibility to any other person for the content of this opinion.

BDO PLT
**BDO PLT**
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

**Koay Theam Hock**
02141/04/2023 J
Chartered Accountant

Penang
Dated: 08 FEB 2023

**ACCOUNTANTS' REPORT ("THIS REPORT")**

## 1. INTRODUCTION

This Report has been prepared solely for inclusion in the Prospectus of Oppstar Berhad ("Oppstar" or "Company") in connection with the admission of Oppstar to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities (hereinafter defined as "the Listing"), and shall not be relied on for any other purposes. Details of the listing scheme are disclosed in Section 2 of this Report.

## 2. DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the Listing, the Company would undertake the following transactions:

### 2.1 Initial Public Offering ("IPO")

The IPO involves a public issue of 165,479,000 new ordinary shares in Oppstar ("Shares"), representing approximately 26.01% of the enlarged total number of issued Shares of the Company.

### 2.2 Listing

Upon completion of the IPO, the entire enlarged issued share capital of Oppstar of RM109,650,546 comprising 636,200,000 Shares will be listed and quoted on the ACE Market of Bursa Securities.

## 3. GENERAL INFORMATION

Oppstar was incorporated in Malaysia under the Companies Act 2016 ("the Act") on 27 September 2021 as a private limited company. The Company was incorporated for the purpose of being an investment holding company and listing vehicle for the Group pursuant to the Listing. Subsequently, on 3 January 2022, Oppstar was converted to a public limited company and since then, assumed its current name of Oppstar Berhad.

The registered office of the Company is located at 39, Irving Road, 10400 Georgetown, Penang.

For the purposes of the Listing, share transfer forms were executed for:

(i) the increase in the issued share capital of the Company from RM1 to RM1,000 via the issuance of 999 new Shares of RM1.00 per Share for cash consideration.

(ii) the acquisition by the Company of the entire issued share capital of Oppstar Technology Sdn Bhd ("Oppstar Technology") comprising 900,000 ordinary shares for a purchase consideration of RM6,355,200, which was satisfied via the issuance of 423,680,000 new Shares at an issue price of RM0.015 per Share. The acquisition of Oppstar Technology was completed on 22 December 2021.

(iii) the acquisition by the Company of the entire issued share capital of Alpha Core Sdn Bhd ("Alpha Core") comprising 1,000 ordinary shares for a purchase consideration of RM705,600, which was satisfied via the issuance of 47,040,000 new Shares at an issue price of RM0.015 per Share. The acquisition of Alpha Core was completed on 22 December 2021.

(iv) the subscription by Sophic Automation Sdn Bhd ("Sophic Automation") of 425,000 new ordinary shares in Alpha Core, representing 42.50% equity interest in Alpha Core for a purchase consideration of RM425,000, which was satisfied via cash. The subscription by Sophic Automation was completed on 17 January 2022 and thereafter, Alpha Core became a 57.50% owned subsidiary.

**3. GENERAL INFORMATION (continued)**

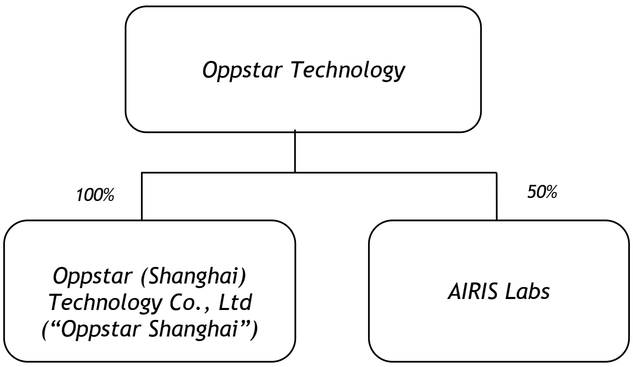
For the purposes of the Listing, share transfer forms were executed for (continued):

(v) the acquisition by Oppstar Technology of 260,000 ordinary shares in AIRIS Labs Sdn. Bhd. ("AIRIS Labs"), representing the remaining 50% equity interest in AIRIS Labs for a purchase consideration of RM300,000, which was satisfied via cash. The acquisition by Oppstar Technology was completed on 19 May 2022 and thereafter, AIRIS Labs became a wholly-owned subsidiary of Oppstar Technology.

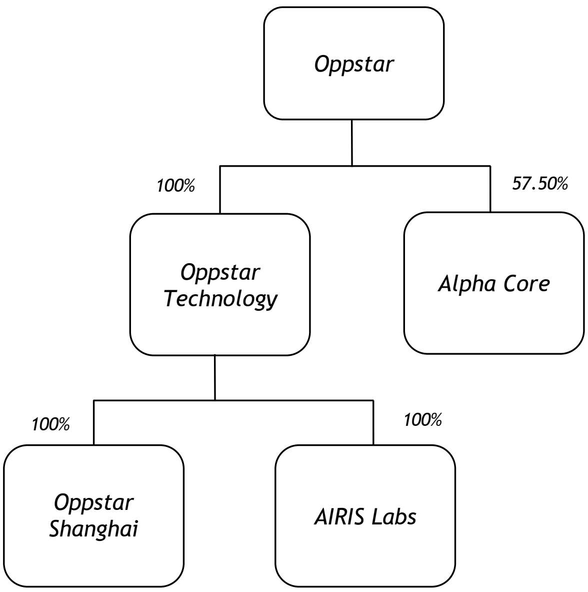
(collectively referred to as "Completed Transactions")

**3.1 Group structure**

The corporate structure prior to the Completed Transactions is as follows:




The corporate structure of Oppstar and its subsidiaries (hereinafter referred to as the "Group") following the Completed Transactions as at the date of this Report is as follows:



3. **GENERAL INFORMATION (continued)**

3.1 **Group structure (continued)**

The principal activity of the Company is investment holding. Details of the subsidiaries as at the date of this Report are as follows:

| Subsidiaries | Date and place of incorporation | Issued share capital | Effective equity interest | Principal activities |
|---|---|---|---|---|
| Oppstar Technology | 19 March 2014 Malaysia | RM900,000 | 100% | Provision of integrated circuit design services and other related services |
| Alpha Core | 22 August 2019 Malaysia | RM1,000,000 | 57.50% | Provision of post-silicon validation services, software and engineering solutions, integrated circuit design services and other related services |
| **Subsidiary of Oppstar Technology** | | | | |
| Oppstar Shanghai | 9 April 2019 People's Republic of China | USD100,000 | 100% | Sales and marketing as well as provision of integrated circuit design services, post-silicon validation services and technical support |
| AIRIS Labs | 25 June 2020 Malaysia | RM520,000 | 100% | Research and development on engineering and technology |

4. **AUDITED HISTORICAL FINANCIAL INFORMATION**

This Report deals solely with the audited combined and consolidated financial information of Oppstar, Oppstar Technology, Alpha Core, Oppstar Shanghai and AIRIS Labs for the past financial years/periods ended 31 March 2020, 31 March 2021, 31 March 2022 and 30 September 2022.

5. **SHARE CAPITAL**

The Company was incorporated with issued share capital of RM1 comprising 1 ordinary share. Details of changes in the issued share capital of the Company since the date of incorporation are as follows:

| Date | No. of shares | Details | Cumulative no. of shares | Price per share (RM) | Amount (RM) | Cumulative issued share capital (RM) |
|---|---|---|---|---|---|---|
| 27 September 2021 | 1 | Allotment to initial subscriber | 1 | 1 | 1 | 1 |
| 21 December 2021 | 999 | Cash | 1,000 | 1 | 999 | 1,000 |
| 22 December 2021 | 470,720,000 | Allotment pursuant to the Completed Transactions | 470,721,000 | 0.015 | 7,060,800 | 7,061,800 |

**6. RELEVANT FINANCIAL YEARS/PERIODS**

The relevant financial years/periods of the audited financial statements presented for the purpose of this Report ("Relevant Financial Years/Periods") and the statutory auditors of the respective companies within the Group were as follows:

| Company | Relevant Financial Years/Periods | Auditors |
|---|---|---|
| Oppstar | Financial period from 27 September 2021 (date of incorporation) to 31 March 2022 | BDO PLT |
| | Financial period from 1 April 2022 to 30 September 2022 | BDO PLT |
| Oppstar Technology ^ | FYE 31 March 2020 | Tan, Choong & Partners |
| | FYE 31 March 2021 | BDO PLT |
| | FYE 31 March 2022 | BDO PLT |
| | Financial period from 1 April 2022 to 30 September 2022 | BDO PLT |
| Alpha Core * | Financial period from 22 August 2019 (date of incorporation) to 31 December 2020 | BDO PLT |
| | Financial period from 1 January 2021 to 31 March 2021 | BDO PLT |
| | FYE 31 March 2022 | BDO PLT |
| | Financial period from 1 April 2022 to 30 September 2022 | BDO PLT |
| Oppstar Shanghai # | Financial period from 9 April 2019 (date of incorporation) to 31 March 2020 | BDO PLT |
| | FYE 31 March 2021 | BDO PLT |
| | FYE 31 March 2022 | BDO PLT |
| | Financial period from 1 April 2022 to 30 September 2022 | BDO PLT |
| AIRIS Labs | Financial period from 25 June 2020 (date of incorporation) to 31 March 2021 | BDO PLT |
| | FYE 31 March 2022 | BDO PLT |
| | Financial period from 1 April 2022 to 30 September 2022 | BDO PLT |

^ The financial statements of Oppstar Technology for financial year ended 31 March 2020 have been re-audited by us, for the purpose of inclusion into the combined financial statements. The financial statements were prepared in accordance with MFRSs and IFRSs.

* The financial statements for the financial periods ended 31 March 2020 and 2021 were re-prepared by management and re-audited by BDO PLT for the purpose of inclusion into the combined financial statements.

# The financial statements of Oppstar Shanghai were not required to be audited in its country of incorporation. The financial statements for the financial period from 9 April 2019 to 31 March 2020 and for the financial years/period ended 31 March 2021, 31 March 2022 and FPE 30 September 2022 have been audited by us, for the purpose of inclusion into the combined/consolidated financial statements.

The audited financial statements of all the companies within the Group for the Relevant Financial Years/Periods reported above were not subject to any qualification or modification.

### 7 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 7.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act 2016 in Malaysia.

These are the first financial statements of the Group prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group were prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS").

The Group has consistently applied the same accounting policies in its opening MFRS combined statements of financial position as at 1 April 2019 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures in these financial statements have been restated to give effect to these changes, Sections 7.3 and 9.34 of this Report disclose the impact of the transition to MFRSs on the reported financial position, financial performance and cash flows of the Group for the financial years then ended.

The financial information have been prepared under the historical cost convention except as otherwise stated in the combined financial statements.

The preparation of these financial information in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

### 7.1.1 Combined financial statements for the financial years ended 31 March 2020 and 2021

The combined financial statements of Oppstar for the financial years ended 31 March 2020 and 2021 have been prepared in relation to the Listing and in accordance with MFRSs and IFRSs, and based on the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants.

The combined financial statements consist of the financial statements of combining entities as disclosed in Section 9.7 of this Report, which were under common control throughout the reporting periods. The common control of the combining entities has been established by virtue of Ng Meng Thai, Cheah Hun Wah and Tan Chun Chiat, being the promoters, substantial shareholders and Executive Directors of the Company.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting periods.

The financial information as presented in the combined financial statements may not correspond to the consolidated financial statements of the Company had the Completed Transactions to legally constitute the Group been incorporated in the consolidated financial statements for the respective financial year. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting periods.

A combining entity previously applied Malaysian Private Entity Reporting Standards ("MPERSs") during the financial year ended 31 March 2020.

The combining entity adopted MFRSs and IFRSs for the first-time during the financial year ended 31 March 2021. The management has assessed the impact arising from the transition from MPERSs to MFRSs on the combining entities' financial position, financial performance and cash flows as set out in Section 9.34 of this Report.

**7 BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.1 Basis of preparation (continued)**

**7.1.2 Consolidated financial statements for the financial year/period ended 31 March 2022 and 30 September 2022**

The consolidated financial statements of the Group have been prepared in accordance with MFRSs and IFRSs.

During the financial year, the Group applied merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interest of Oppstar Technology and Alpha Core by the Company in business combinations under common control.

Consequently, the following accounting treatment has been applied in the consolidated financial statements arising from the business combinations under common control:

(a) Assets and liabilities of Oppstar Technology and Alpha Core are recognised and measured at their pre-business combinations carrying amounts without restatement to fair value;

(b) Retained earnings and other equity reserves of the Group as at 1 April 2020 are those of Oppstar Technology and Alpha Core;

(c) Share capital as at 1 April 2020 reflects the share capital of Oppstar Technology and Alpha Core prior to the incorporation of the Company; and

(d) The statements of financial position as at 30 September 2022 represent the financial position of the Group after reflecting the effects of the acquisitions during the financial period.

**7.2 Significant accounting policies**

**7.2.1 Basis of consolidation**

The consolidated financial statements consist of the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

**7 BASIC OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 Significant accounting policies (continued)**

**7.2.1 Basis of consolidation (continued)**

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to common controlling shareholders of the combining entities, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to common controlling shareholders of the combining entities. Profit or loss and each component of other comprehensive income are attributed to the common controlling shareholders of the combining entities and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

**7.2.2 Business combinations under common control**

Business combination involving entities under common control are accounted for by applying the merger method of accounting. The assets and liabilities of the merger entities are reflected at their carrying amounts reported in the individual financial information.

In a business combination under common control, any differences between the cost of the merger and the share capital of the 'acquired' entity are reflected within equity as reorganisation debit reserve.

The combined statement of profit or loss and other comprehensive income reflects the results of the combining entities for the full financial year and the comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.3 Business combinations not under common control**

Business combinations not under common control are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

(a) If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity; and

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 9 *Financial Instruments* are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 9 *Financial Instruments*. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.4 Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

| | |
|---|---|
| Computers and office equipment | 20% |
| Furniture and fittings | 20% |
| Motor vehicles | 20% |
| Renovation | 20% |

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Section 7.2.7 of this Report on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

**7.2.5 Leases**

**The Group as lessee**

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.5 Leases (continued)**

**The Group as lessee (continued)**

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets of RM20,000 and below. Short-term leases are leases with a lease term of twelve (12) months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***Right-of-use asset***

The right-of-use asset is initially recorded at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease terms of right-of-use assets are as follows:

| | |
|---|---|
| Offices | 1 – 3 years |
| Apartment | 2 years |

***Lease liability***

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales, if any, are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.6 Investments**

**(a) Subsidiaries**

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less any accumulated impairment losses.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

**(b) Joint arrangements**

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

(i) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are known as joint operators.

(ii) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures*.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.6 Investments (continued)**

**(b) Joint arrangements (continued)**

(ii) Joint venture (continued)

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

(a) The structure of the joint arrangement;

(b) The legal form of joint arrangements structured through a separate vehicle;

(c) The contractual terms of the joint arrangement agreement; and

(d) Any other facts and circumstances.

When there are changes in the facts and circumstances change, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

**7.2.7 Impairment of non-financial assets**

The carrying amounts of assets, except for financial assets (excluding investments in a subsidiary and a joint venture), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.8 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset (unless it is a trade receivable that does not contain a significant financing component) or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract in the event an embedded derivative is recognised separately is accounted for in accordance with the policy applicable to the nature of the host contract.

**(a) Financial assets**

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ('FVTPL'), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of impairment losses, if any.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.8 Financial instruments (continued)**

**(a) Financial assets (continued)**

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below (continued):

(ii) Financial assets measured subsequently at fair value

Financial assets that are debt instruments are measured at fair value through other comprehensive income ('FVTOCI'), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group had elected an irrevocable option to designate its equity instruments not held for trading other than investments in subsidiaries at initial recognition as financial assets measured at FVTPL.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.8 Financial instruments (continued)**

**(b) Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities measured at FVTPL or financial liabilities measured at amortised cost.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss except for when the Group's own credit risk increases or decreases and which is recognised in other comprehensive income. Net gains or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.8 Financial instruments (continued)**

**(c) Financial guarantee contract**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

**(d) Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution.

On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.9 Impairment of financial assets**

The Group applies the simplified approach to measure expected credit losses. This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of receivables sharing the same credit risk characteristics and past due days.

The Group considers historical credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Impairment for trade receivables that do not contain a significant financing component is recognised based on the simplified approach using the lifetime expected credit losses.

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables, amounts owing by subsidiary and joint venture are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. As at the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by other receivables, amounts owing by subsidiary and joint venture is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables, amounts owing by subsidiary and joint venture.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectable, it is written off against the allowance for impairment loss account.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.10 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**7.2.11 Inventory**

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. The cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**7.2.12 Income taxes**

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.12 Income taxes (continued)**

(b) Deferred tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

**7.2.13 Contract assets and contract liabilities**

Contract assets represent the Group's right to consideration in exchange for services transferred to customers. If the Group transfers services to customers before the customers pay consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities include advances received from customers and deferred income where the Group has billed or has collected the payment before the services are transferred to the customers. The contract liabilities will be recognised as revenue when the performance obligations are satisfied. These performance obligations are part of contracts that have original expected duration of one (1) year or less.

**7.2.14 Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.14 Provisions (continued)**

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

**7.2.15 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

**7.2.16 Employee benefits**

(a) Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Company incorporated in Malaysia makes contributions to a statutory provident fund and its foreign subsidiary makes contributions to its respective country's statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.17 Foreign currencies**

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at the end of the reporting period exchange rates to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

**7.2.18 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer. The Group recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.18 Revenue recognition (continued)**

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(a) Services rendered

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time.

Control of the asset is transferred over time if the performance of the Group creates or enhances an asset that the customer controls as the asset is created or enhanced and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract using the output method by reference to the milestones reached. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue recognised over time for each milestone reached is measured at the fixed transaction price agreed under the agreement.

There is no significant financing component in the revenue arising from services rendered as the contracts are on normal credit terms not exceeding twelve (12) months.

(b) Sales of goods

Revenue from sale of goods is recognised when the Company satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve (12) months.

Revenue recognition not in relation to performance obligations is described below:

(a) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(c) Rental income

Rental income is recognised on a straight line basis over the lease term of an ongoing lease.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.19 Fair value measurements**

The fair value of an asset or a liability (except for lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

**7.2.20 Government grants**

Government grants are recognised in the financial statements as deferred income when there is reasonable assurance that:

(a) The Group would comply with the conditions attached to the grant; and

(b) The grants would be received.

Government grants related to costs are recognised as income in profit or loss in the period in which the grants had been received to match them with the costs which they are intended to compensate.

Where the grants related to an asset, they are recognised as income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.2.21 Operating segments**

Operating segments are defined as components of the Group that:

(a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

**7.2.22 Earnings per share**

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent/common controlling shareholders of the combining entities by the expected number of ordinary shares upon completion of the Listing.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent/common controlling shareholders of the combining entities by the expected number of ordinary shares upon completion of the Listing and the effects of dilutive potential ordinary shares.

**7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs**

**7.3.1 New MFRSs adopted during the financial year**

The Group adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*
MFRS 2 *Share-based Payment*
MFRS 3 *Business Combinations*
MFRS 4 *Insurance Contracts*
MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
MFRS 6 *Exploration for and Evaluation of Mineral Resources*
MFRS 7 *Financial Instruments: Disclosures*
MFRS 8 *Operating Segments*
MFRS 9 *Financial Instruments*
MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 14 *Regulatory Deferral Accounts*
MFRS 15 *Revenue from Contracts with Customers*
MFRS 16 *Leases*
MFRS 101 *Presentation of Financial Statements*
MFRS 102 *Inventories*
MFRS 107 *Statement of Cash Flows*
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
MFRS 110 *Events after the Reporting Period*
MFRS 112 *Income Taxes*
MFRS 116 *Property, Plant and Equipment*
MFRS 119 *Employee Benefits*
MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*
MFRS 121 *The Effects of Changes in Foreign Exchange Rates*
MFRS 123 *Borrowing Costs*
MFRS 124 *Related Party Disclosures*
MFRS 126 *Accounting and Reporting by Retirement Benefit Plans*
MFRS 127 *Separate Financial Statements*
MFRS 128 *Investments in Associates and Joint Ventures*
MFRS 129 *Financial Reporting in Hyperinflationary Economies*
MFRS 132 *Financial instruments: Presentation*
MFRS 133 *Earnings per Share*
MFRS 134 *Interim Financial Reporting*
MFRS 136 *Impairment of Assets*
MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
MFRS 138 *Intangible Assets*
MFRS 139 *Financial Instruments: Recognition and Measurement*
MFRS 140 *Investment Property*
MFRS 141 *Agriculture*
IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*
IC Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
IC Interpretation 6 *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electrical Equipment*
IC Interpretation 7 *Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies*
IC Interpretation 10 *Interim Financial Reporting and Impairment*
IC Interpretation 12 *Service Concession Arrangements*
IC Interpretation 14 *MFRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)**

**7.3.1 New MFRSs adopted during the financial year (continued)**

The Group adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year (continued):

IC Interpretation 17 *Distributions of Non-cash Assets to Owners*
IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
IC Interpretation 21 *Levies*
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
IC Interpretation 23 *Uncertainty over Income Tax Treatments*
IC Interpretation 107 *Introduction of the Euro*
IC Interpretation 110 *Government Assistance - No Specific Relation to Operating Activities*
IC Interpretation 125 *Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*
IC Interpretation 129 *Service Concession Arrangements: Disclosures*
IC Interpretation 132 *Intangible Assets - Web Site Costs*
*Amendments to References to the Conceptual Framework in MFRS Standards*
Amendments to MFRS 3 *Definition of a Business*
Amendments to MFRS 101 and MFRS 108 *Definition of Material*
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform - Phase 2*
Amendments to MFRS 16 *Covid-19 Related Rent Concessions*
Amendments to MFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to MFRS 4 *Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9*

There is no material impact upon the adoption of these Standards during the financial year, other than the adoption of the following Standards:

MFRS 101 *Presentation of Financial Statements*

The Standard clarifies that the third statement of financial position is required only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. If the third statement of financial position is presented, the Standard clarifies that the related notes to the opening statement of financial position need not to be disclosed. Accordingly, there are no related notes disclosed in relation to the opening statement of financial position as at 1 April 2019.

MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

The Standard clarifies that the first MFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

MFRS 16 *Leases*

The Group adopted MFRS 16 using the full retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 April 2019. Accordingly, the comparative information presented is restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MPERS. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group.

**7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)**

**7.3.1 New MFRSs adopted during the financial year (continued)**

There is no material impact upon the adoption of these Standards during the financial year, other than the adoption of the following Standards (continued):

MFRS 16 *Leases* (continued)

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

**7.3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022**

| **Title** | **Effective Date** |
|---|---|
| Annual Improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |
| Amendments to MFRS 3 *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use* | 1 January 2022 |
| Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract* | 1 January 2022 |
| MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendment to MFRS 17 *Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 – Comparative Information* | 1 January 2023 |
| Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| Amendments to MFRS 101 *Disclosure of Accounting Policies* | 1 January 2023 |
| Amendments to MFRS 108 *Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |
| *Lease liability in a Sale and Leaseback* (Amendments to MFRS 16 *Leases*) | 1 January 2024 |
| Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Deferred |

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

**8. FINANCIAL INFORMATION AND LIMITATIONS**

The financial information in Section 9 of this Report is based on the respective audited financial statements of the Group with applicable appropriate adjustments and reclassifications made for the purpose of this Report.

All information, including the combined financial statements, have been extracted from the audited financial statements and records of the Group during the relevant reporting periods.

**9 HISTORICAL FINANCIAL INFORMATION**

**9.1 Statements of financial position**

| | Section | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9.5 | 540,919 | 1,127,160 | 1,532,492 | 2,109,641 |
| Right-of-use assets | 9.6 | 302,231 | 966,859 | 859,263 | 577,781 |
| Investment in a joint venture | 9.8 | - | - | - | - |
| Goodwill | 9.9 | - | - | - | 351,949 |
| Deferred tax assets | 9.10 | - | 423,700 | - | - |
| | | 843,150 | 2,517,719 | 2,391,755 | 3,039,371 |
| **Current assets** | | | | | |
| Inventories | 9.11 | - | - | - | 165,195 |
| Other investments | 9.12 | - | 1,942,139 | 3,486,614 | 2,938,438 |
| Trade and other receivables | 9.13 | 1,904,390 | 1,655,761 | 3,442,171 | 10,940,533 |
| Contract assets | 9.14 | - | - | 99,450 | 275,792 |
| Short-term funds | 9.15 | - | 3,997,083 | 4,818,941 | 7,773,912 |
| Current tax assets | | - | - | 54,300 | 111,754 |
| Cash and bank balances | 9.16 | 2,371,112 | 5,326,508 | 6,352,236 | 7,448,758 |
| | | 4,275,502 | 12,921,491 | 18,253,712 | 29,654,382 |
| **TOTAL ASSETS** | | 5,118,652 | 15,439,210 | 20,645,467 | 32,693,753 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to common controlling shareholders of the combining entities/owners of the parent** | | | | | |
| Share capital/Invested equity * | 9.17 | 901,000 | 901,000 | 7,061,800 | 7,061,800 |
| Reserves | 9.18 | 444,585 | 2,160,365 | 6,974,486 | 17,355,391 |
| | | 1,345,585 | 3,061,365 | 14,036,286 | 24,417,191 |
| Non-controlling interests | 9.7(f) | - | - | 409,666 | 351,356 |
| **TOTAL EQUITY** | | 1,345,585 | 3,061,365 | 14,445,952 | 24,768,547 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.1 Statements of financial position (continued)**

| | Section | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 9.19 | 1,083,608 | 1,468,726 | - | - |
| Lease liabilities | 9.6 | 192,092 | 589,991 | 323,484 | 91,184 |
| Deferred tax liabilities | 9.10 | - | - | 189,100 | 175,000 |
| | | 1,275,700 | 2,058,717 | 512,584 | 266,184 |
| **Current liabilities** | | | | | |
| Trade and other payables | 9.20 | 1,829,383 | 6,869,211 | 4,124,804 | 5,582,832 |
| Contract liabilities | 9.21 | - | 1,917,576 | - | 37,950 |
| Borrowings | 9.19 | 247,011 | 663,770 | - | - |
| Lease liabilities | 9.6 | 111,573 | 390,171 | 559,677 | 508,362 |
| Current tax liabilities | | 309,400 | 478,400 | 1,002,450 | 1,529,878 |
| | | 2,497,367 | 10,319,128 | 5,686,931 | 7,659,022 |
| **TOTAL LIABILITIES** | | 3,773,067 | 12,377,845 | 6,199,515 | 7,925,206 |
| **TOTAL EQUITY AND LIABILITIES** | | 5,118,652 | 15,439,210 | 20,645,467 | 32,693,753 |

* Number of ordinary shares on combined basis

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.2 Statements of profit or loss and other comprehensive income**

| | Section | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|---|
| Revenue | 9.22 | 15,964,928 | 29,262,212 | 50,560,743 | 28,815,169 | 26,418,172 |
| Cost of sales | | (12,817,208) | (17,442,522) | (20,425,914) | (11,829,449) | (9,931,359) |
| Gross profit | | 3,147,720 | 11,819,690 | 30,134,829 | 16,985,720 | 16,486,813 |
| Other operating income | | 156,756 | 1,230,462 | 966,906 | 1,233,949 | 795,012 |
| Administrative expenses | | (1,679,231) | (2,672,678) | (7,528,731) | (3,799,658) | (3,896,817) |
| Development expenses | | - | - | (111,707) | (193,745) | - |
| Other operating expenses | | (73,581) | (173,788) | (213,126) | (449,177) | (105,943) |
| Finance costs | 9.23 | (77,346) | (159,904) | (128,206) | (16,761) | (93,971) |
| Share of results of joint venture, net of tax | | - | (50,000) | - | - | - |
| Profit before tax | 9.25 | 1,474,318 | 9,993,782 | 23,119,965 | 13,760,328 | 13,185,094 |
| Tax expense | 9.26 | (1,052,978) | (2,195,095) | (6,512,614) | (3,422,343) | (3,487,126) |
| Profit for the financial years | | 421,340 | 7,798,687 | 16,607,351 | 10,337,985 | 9,697,968 |
| **Other comprehensive income, net of tax:** | | | | | | |
| **Item that may be reclassified subsequently to profit or loss** | | | | | | |
| Foreign currency translations | | - | 1,093 | 12,236 | (15,390) | 4,554 |
| **Total comprehensive income** | | 421,340 | 7,799,780 | 16,619,587 | 10,322,595 | 9,702,522 |
| **Profit for the financial years attributable to:** | | | | | | |
| Common controlling shareholders of the combining entities/Owners of the parent | | 421,340 | 7,798,687 | 16,629,795 | 10,396,295 | 9,697,968 |
| Non-controlling interests | 9.7(f) | - | - | (22,444) | (58,310) | - |
| | | 421,340 | 7,798,687 | 16,607,351 | 10,337,985 | 9,697,968 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.2 Statements of profit or loss and other comprehensive income (continued)**

| | Section | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|---|
| **Total comprehensive income attributable to:** | | | | | | |
| Common controlling shareholders of the combining entities/Owners of the parent | | 421,340 | 7,799,780 | 16,642,031 | 10,380,905 | 9,702,522 |
| Non-controlling interests | 9.7(f) | - | - | (22,444) | (58,310) | - |
| | | 421,340 | 7,799,780 | 16,619,587 | 10,322,595 | 9,702,522 |
| **Earnings per share attributable to common controlling shareholders of the combining entities/owners of the parent:** | | | | | | |
| Basic and diluted (sen) | 9.27 | 0.07 | 1.23 | 2.61 | 1.63 | 1.52 |

**9. HISTORICAL FINANCIAL INFORMATION (continued)**

**9.3 Statements of changes in equity**

| | Section | Invested equity RM | Foreign exchange translation reserve RM | Reorganisation debit reserve RM | Retained earnings RM | Total attributable to common controlling shareholders of the combining entities RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| <u>Audited</u> | | | | | | | | |
| Balance as at 1 April 2019 | | 500,000 | - | - | 423,245 | 923,245 | - | 923,245 |
| Profit for the financial year | | - | - | - | 421,340 | 421,340 | - | 421,340 |
| Other comprehensive income, net of tax | | - | - | - | - | - | - | - |
| Total comprehensive income | | - | - | - | 421,340 | 421,340 | - | 421,340 |
| **Transactions with common controlling shareholders of the combining entities** | | | | | | | | |
| Bonus issue | 9.17 | 400,000 | - | - | (400,000) | - | - | - |
| Issuance of ordinary shares | 9.17 | 1,000 | - | - | - | 1,000 | - | 1,000 |
| Total transactions with common controlling shareholders of the combining entities | | 401,000 | - | - | (400,000) | 1,000 | - | 1,000 |
| Balance as at 31 March 2020 | | 901,000 | - | - | 444,585 | 1,345,585 | - | 1,345,585 |

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.3 **Statements of changes in equity (continued)**

| | Section | Invested equity RM | Foreign exchange translation reserve RM | Reorganisation debit reserve RM | Retained earnings RM | Total attributable to common controlling shareholders of the combining entities RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| **Audited** | | | | | | | | |
| Balance as at 1 April 2020, as previously reported | | 901,000 | - | - | 1,272,798 | 2,173,798 | - | 2,173,798 |
| Prior year adjustments | 9.33 | - | - | - | (826,779) | (826,779) | - | (826,779) |
| Balance as at 1 April 2020, as adjusted | | 901,000 | - | - | 446,019 | 1,347,019 | - | 1,347,019 |
| Effects of adoption of MFRS 16 | 9.34 | - | - | - | (1,434) | (1,434) | - | (1,434) |
| Balance as at 1 April 2020, as restated | | 901,000 | - | - | 444,585 | 1,345,585 | - | 1,345,585 |
| Profit for the financial year | | - | - | - | 7,798,687 | 7,798,687 | - | 7,798,687 |
| Foreign currency translations | | - | 1,093 | - | - | 1,093 | - | 1,093 |
| Total comprehensive income | | - | 1,093 | - | 7,798,687 | 7,799,780 | - | 7,799,780 |
| **Transaction with common controlling shareholders of the combining entities** | | | | | | | | |
| Dividends | 9.28 | - | - | - | (6,084,000) | (6,084,000) | - | (6,084,000) |
| Total transaction with common controlling shareholders of the combining entities | | - | - | - | (6,084,000) | (6,084,000) | - | (6,084,000) |
| Balance as at 31 March 2021 | | 901,000 | 1,093 | - | 2,159,272 | 3,061,365 | - | 3,061,365 |

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.3 **Statements of changes in equity (continued)**

| | Section | Share capital RM | Foreign exchange translation reserve RM | Reorganisation debit reserve RM | Retained earnings RM | Total attributable to owners of the parent RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| <u>Audited</u> | | | | | | | | |
| Balance as at 1 April 2021 | | 901,000 | 1,093 | - | 2,159,272 | 3,061,365 | - | 3,061,365 |
| Profit/(Loss) for the financial year | | - | - | - | 16,629,795 | 16,629,795 | (22,444) | 16,607,351 |
| Foreign currency translations | | - | 12,236 | - | - | 12,236 | - | 12,236 |
| Total comprehensive income/(loss) | | - | 12,236 | - | 16,629,795 | 16,642,031 | (22,444) | 16,619,587 |
| **Transactions with owners of the parent** | | | | | | | | |
| Issuance of ordinary shares | 9.17 | 1,000 | - | - | - | 1,000 | - | 1,000 |
| Effects of acquisition of subsidiaries in business combinations under common control | | 6,159,800 | - | (6,159,800) | - | - | - | - |
| Dividends | 9.28 | - | - | - | (5,661,000) | (5,661,000) | - | (5,661,000) |
| Subscription of shares by non-controlling interests | | - | - | - | (7,110) | (7,110) | 432,110 | 425,000 |
| Total transactions with owners of the parent | | 6,160,800 | - | (6,159,800) | (5,668,110) | (5,667,110) | 432,110 | (5,235,000) |
| Balance as at 31 March 2022 | | 7,061,800 | 13,329 | (6,159,800) | 13,120,957 | 14,036,286 | 409,666 | 14,445,952 |

**9. HISTORICAL FINANCIAL INFORMATION (continued)**

**9.3 Statements of changes in equity (continued)**

| | Share capital RM | Foreign exchange translation reserve RM | Reorganisation debit reserve RM | Retained earnings RM | Total attributable to owners of the parent RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|
| **Audited** | | | | | | | |
| Balance as at 1 April 2022 | 7,061,800 | 13,329 | (6,159,800) | 13,120,957 | 14,036,286 | 409,666 | 14,445,952 |
| Profit for the financial year | - | - | - | 10,396,295 | 10,396,295 | (58,310) | 10,337,985 |
| Foreign currency translations | - | (15,390) | - | - | (15,390) | - | (15,390) |
| Total comprehensive income | - | (15,390) | - | 10,396,295 | 10,380,905 | (58,310) | 10,322,595 |
| Balance as at 30 September 2022 | 7,061,800 | (2,061) | (6,159,800) | 23,517,252 | 24,417,191 | 351,356 | 24,768,547 |
| **Unaudited** | | | | | | | |
| Balance as at 1 April 2021 | 901,000 | 1,093 | - | 2,159,272 | 3,061,365 | - | 3,061,365 |
| Profit for the financial year | - | - | - | 9,697,968 | 9,697,968 | - | 9,697,968 |
| Foreign currency translations | - | 4,554 | - | - | 4,554 | - | 4,554 |
| Total comprehensive income | - | 4,554 | - | 9,697,968 | 9,702,522 | - | 9,702,522 |
| **Transaction with owners of the parent** | | | | | | | |
| Issuance of ordinary shares for cash | 1 | - | - | - | 1 | - | 1 |
| Balance as at 30 September 2021 | 901,001 | 5,647 | - | 11,857,240 | 12,763,888 | - | 12,763,888 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.4 Statements of cash flows**

| | Section | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Profit before tax | | 1,474,318 | 9,993,782 | 23,119,965 | 13,760,328 | 13,185,094 |
| Adjustments for: | | | | | | |
| Depreciation of property, plant and equipment | 9.5 | 172,684 | 251,828 | 351,343 | 237,705 | 163,360 |
| Depreciation of right-of-use assets | 9.6 | 54,367 | 220,230 | 459,671 | 281,469 | 203,853 |
| Dividend income from other investments | 9.25 | - | - | (11,925) | (31,328) | (6,828) |
| Fair value loss on other investments | 9.25 | - | 108,056 | 198,241 | 368,727 | 13,116 |
| Gain on disposal of other investments | 9.25 | - | (40,747) | (325,779) | (25,753) | (350,651) |
| Gain on lease modifications | 9.6 | - | - | (400) | - | - |
| Gain on re-measurement of previously held stakes | | - | - | - | (50,000) | - |
| Income distribution from other investments | | - | - | (51,161) | (9,265) | (35,795) |
| Interest expense | 9.23 | 77,346 | 159,904 | 128,206 | 16,761 | 93,971 |
| Interest income | 9.25 | (7,212) | (23,981) | (34,038) | (9,000) | (13,427) |
| Property, plant and equipment written off | 9.5 | - | 14,351 | - | - | - |
| Share of results of joint venture | | - | 50,000 | - | - | - |
| Unrealised loss/(gain) on foreign exchange | 9.25 | 2 | 9,085 | 9,798 | (57,131) | 92,827 |
| Operating profit before changes in working capital | | 1,771,505 | 10,742,508 | 23,843,921 | 14,482,513 | 13,345,520 |
| Changes in working capital: | | | | | | |
| Trade and other receivables | | 140,203 | 239,207 | (1,797,203) | (7,563,647) | (6,567,604) |
| Contract assets | | - | - | (99,450) | (176,342) | (58,311) |
| Trade and other payables | | 589,673 | (450,172) | 2,745,593 | 1,202,799 | 3,164,059 |
| Contract liabilities | | - | 1,917,576 | (1,917,576) | 37,950 | 3,686,328 |
| Cash generated from operations | | 2,501,381 | 12,449,119 | 22,775,285 | 7,983,273 | 13,569,992 |
| Tax paid | | (835,881) | (2,449,795) | (5,430,064) | (2,966,469) | (2,063,299) |
| Net cash from operating activities | | 1,665,500 | 9,999,324 | 17,345,221 | 5,016,804 | 11,506,693 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Acquisition of a subsidiary, net of cash acquired | 9.7(h) | - | - | - | (158,006) | - |
| Addition of interests in joint venture | | - | (2) | - | - | - |
| Changes in deposit pledged to a licensed bank | | (305,841) | (3,469) | 309,310 | - | (5,722) |
| Dividend received from other investments | | - | - | 11,925 | 31,328 | 6,828 |
| Income received from other investments | | - | - | 51,161 | 9,265 | 35,795 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.4 Statements of cash flows (continued)**

| | Section | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES (continued)** | | | | | | |
| Interest received | | 7,212 | 23,981 | 34,038 | 9,000 | 13,427 |
| Proceeds from disposal of: | | | | | | |
| - other investments | | - | 428,129 | 2,911,311 | 1,686,904 | 1,812,242 |
| - property, plant and equipment | | - | - | 49,524 | - | - |
| Proceeds from subscription of shares by non-controlling interests | | - | - | 425,000 | - | - |
| Purchase of: | | | | | | |
| - other investments | | - | (2,437,577) | (4,306,992) | (1,495,400) | (2,397,508) |
| - property, plant and equipment | 9.5 | (509,426) | (852,362) | (805,938) | (759,387) | (337,739) |
| Subscription of ordinary shares in joint venture | | - | (49,998) | - | - | - |
| Net cash used in investing activities | | (808,055) | (2,891,298) | (1,320,661) | (676,296) | (872,677) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| Dividends paid | | - | (594,000) | (11,151,000) | - | (5,490,000) |
| Interest paid | | (72,490) | (130,622) | (83,318) | - | (70,575) |
| Payments of lease liabilities | 9.6 | (57,789) | (237,635) | (493,558) | (300,360) | (219,601) |
| Proceeds from: | | | | | | |
| - issuance of ordinary shares | | 1,000 | - | 1,000 | - | 1 |
| - term loans | | 1,600,000 | 1,000,000 | - | - | - |
| Repayments of term loans | | (269,381) | (234,367) | (2,096,252) | - | (648,500) |
| Net cash from/(used in) financing activities | | 1,201,340 | (196,624) | (13,823,128) | (300,360) | (6,428,675) |
| Net increase in cash and cash equivalents | | 2,058,785 | 6,911,402 | 2,201,432 | 4,040,148 | 4,205,341 |
| Effects of exchange rate changes | | (2) | 1,364 | (8,292) | 11,345 | (82,485) |
| Cash and cash equivalents at beginning of financial years/periods | | 6,488 | 2,065,271 | 8,978,037 | 11,171,177 | 8,978,037 |
| Cash and cash equivalents at end of financial years/periods | 9.16(c) | 2,065,271 | 8,978,037 | 11,171,177 | 15,222,670 | 13,100,893 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.4 Statements of cash flows (continued)**

***RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES***

| | Lease liabilities (Section 9.6) RM | Term loans (Section 9.19) RM |
|---|---|---|
| **Audited** | | |
| At 1 April 2019, as previously reported | - | - |
| Effects of adoption of MFRS 16 | 45,222 | - |
| At 1 April 2019, as restated | 45,222 | - |
| Cash flows | (57,789) | 1,330,619 |
| Non-cash flows: | | |
| - additions | 311,376 | - |
| - unwinding of interest | 4,856 | - |
| At 31 March 2020 | 303,665 | 1,330,619 |
| At 1 April 2020 | 303,665 | 1,330,619 |
| Cash flows | (237,635) | 765,633 |
| Non-cash flows: | | |
| - additions | 884,741 | - |
| - unwinding of interest | 29,282 | - |
| - exchange differences | 109 | - |
| At 31 March 2021 | 980,162 | 2,096,252 |
| At 1 April 2021 | 980,162 | 2,096,252 |
| Cash flows | (493,558) | (2,096,252) |
| Non-cash flows: | | |
| - additions | 366,172 | - |
| - effects of modifications to lease term | (14,532) | - |
| - unwinding of interest | 44,888 | - |
| - exchange differences | 29 | - |
| At 31 March 2022 | 883,161 | - |
| At 1 April 2022 | 883,161 | - |
| Cash flows | (300,360) | - |
| Non-cash flows: | | |
| - unwinding of interest | 16,761 | - |
| - exchange differences | (16) | - |
| At 30 September 2022 | 599,546 | - |
| At 1 April 2021 | 980,162 | 2,096,252 |
| Cash flows | (219,601) | (648,500) |
| Non-cash flows: | | |
| - additions | 9,270 | - |
| - unwinding of interest | 23,396 | - |
| - exchange differences | 14 | - |
| At 30 September 2021 | 793,241 | 1,447,752 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.5 Property, plant and equipment**

| <u>Audited</u> | Balance as at 1.4.2019 RM | Additions RM | Depreciation charge for the financial year RM | Balance as at 31.3.2020 RM |
|---|---|---|---|---|
| **Carrying amount** | | | | |
| Computers and office equipment | 120,337 | 137,090 | (63,705) | 193,722 |
| Furniture and fittings | 29,528 | 372,336 | (83,369) | 318,495 |
| Motor vehicles | 11,261 | - | (11,260) | 1 |
| Renovation | 43,051 | - | (14,350) | 28,701 |
| | 204,177 | 509,426 | (172,684) | 540,919 |

| | [---- At 31.3.2020 ---- | | ] |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Computers and office equipment | 326,625 | (132,903) | 193,722 |
| Furniture and fittings | 416,846 | (98,351) | 318,495 |
| Motor vehicles | 56,309 | (56,308) | 1 |
| Renovation | 71,751 | (43,050) | 28,701 |
| | 871,531 | (330,612) | 540,919 |

9 **HISTORICAL FINANCIAL INFORMATION (continued)**

9.5 **Property, plant and equipment (continued)**

| Audited | Balance as at 1.4.2020 RM | Additions RM | Written off RM | Depreciation charge for the financial year RM | Exchange differences RM | Balance as at 31.3.2021 RM |
|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | |
| Computers and office equipment | 193,722 | 209,518 | - | (81,231) | 58 | 322,067 |
| Furniture and fittings | 318,495 | 465,515 | - | (137,246) | - | 646,764 |
| Motor vehicles | 1 | - | - | - | - | 1 |
| Renovation | 28,701 | 177,329 | (14,351) | (33,351) | - | 158,328 |
| | 540,919 | 852,362 | (14,351) | (251,828) | 58 | 1,127,160 |

| | At 31.3.2021 | | |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Computers and office equipment | 536,214 | (214,147) | 322,067 |
| Furniture and fittings | 882,361 | (235,597) | 646,764 |
| Motor vehicles | 56,309 | (56,308) | 1 |
| Renovation | 177,329 | (19,001) | 158,328 |
| | 1,652,213 | (525,053) | 1,127,160 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.5 Property, plant and equipment (continued)**

| Audited | Balance as at 1.4.2021 RM | Additions RM | Disposals RM | Depreciation charge for the financial year RM | Exchange differences RM | Balance as at 31.3.2022 RM |
|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | |
| Computers and office equipment | 322,067 | 352,161 | (49,524) | (128,574) | 261 | 496,391 |
| Furniture and fittings | 646,764 | 210,702 | - | (184,149) | - | 673,317 |
| Motor vehicles | 1 | - | - | - | - | 1 |
| Renovation | 158,328 | 63,075 | - | (38,620) | - | 182,783 |
| Capital work-in-progress | - | 180,000 | - | - | - | 180,000 |
| | 1,127,160 | 805,938 | (49,524) | (351,343) | 261 | 1,532,492 |

| | At 31.3.2022 | | |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Computers and office equipment | 830,518 | (334,127) | 496,391 |
| Furniture and fittings | 1,093,063 | (419,746) | 673,317 |
| Motor vehicles | 56,309 | (56,308) | 1 |
| Renovation | 240,404 | (57,621) | 182,783 |
| Capital work-in-progress | 180,000 | - | 180,000 |
| | 2,400,294 | (867,802) | 1,532,492 |

9 HISTORICAL FINANCIAL INFORMATION (continued)

9.5 Property, plant and equipment (continued)

| Audited | Balance as at 1.4.2022 RM | Additions RM | Acquisition of subsidiary (Section 9.7(h)) RM | Depreciation charge for the financial period RM | Reclassification RM | Exchange differences RM | Balance as at 30.9.2022 RM |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| Computers and office equipment | 496,391 | 226,659 | 12,868 | (82,463) | - | (224) | 653,231 |
| Furniture and fittings | 673,317 | 374,130 | 1,656 | (116,635) | - | - | 932,468 |
| Motor vehicles | 1 | 63,000 | - | (2,100) | - | - | 60,901 |
| Renovation | 182,783 | 95,598 | 41,167 | (36,507) | 180,000 | - | 463,041 |
| Capital work-in-progress | 180,000 | - | - | - | (180,000) | - | - |
| | 1,532,492 | 759,387 | 55,691 | (237,705) | - | (224) | 2,109,641 |

| | [---- At 30.9.2022 ---- | | ] |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Computers and office equipment | 1,069,715 | (416,484) | 653,231 |
| Furniture and fittings | 1,468,849 | (536,381) | 932,468 |
| Motor vehicles | 119,309 | (58,408) | 60,901 |
| Renovation | 377,169 | 85,872 | 463,041 |
| | 3,035,042 | (925,401) | 2,109,641 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.6 Leases**

**Right-of-use assets**

**Carrying amount**

| Audited | Balance as at 1.4.2019 RM | Effects of adoption of MFRS 16 (Section 9.34) RM | Additions RM | Depreciation RM | Balance as at 31.3.2020 RM |
|---|---|---|---|---|---|
| Offices | - | 45,222 | 311,376 | (54,367) | 302,231 |

| Audited | Balance as at 1.4.2020 RM | Additions RM | Depreciation RM | Exchange differences RM | Balance as at 31.3.2021 RM |
|---|---|---|---|---|---|
| Offices | 302,231 | 853,907 | (211,237) | 117 | 945,018 |
| Apartment | - | 30,834 | (8,993) | - | 21,841 |
| | 302,231 | 884,741 | (220,230) | 117 | 966,859 |

| Audited | Balance as at 1.4.2021 RM | Additions RM | Depreciation RM | Effects of modifications to lease term RM | Exchange differences RM | Balance as at 31.3.2022 RM |
|---|---|---|---|---|---|---|
| Offices | 945,018 | 366,172 | (451,962) | - | 35 | 859,263 |
| Apartment | 21,841 | - | (7,709) | (14,132) | - | - |
| | 966,859 | 366,172 | (459,671) | (14,132) | 35 | 859,263 |

| Audited | Balance as at 1.4.2022 RM | Depreciation RM | Exchange differences RM | Balance as at 30.9.2022 RM |
|---|---|---|---|---|
| Offices | 859,263 | (281,469) | (13) | 577,781 |

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.6 Leases (continued)

**Lease liabilities**

**Carrying amount**

| Audited | Balance as at 1.4.2019 RM | Effects of adoption of MFRS 16 (Section 9.34) RM | Additions RM | Lease payments RM | Interest expense (Section 9.23) RM | Balance as at 31.3.2020 RM |
|---|---|---|---|---|---|---|
| Offices | - | 45,222 | 311,376 | (57,789) | 4,856 | 303,665 |

| Audited | Balance as at 1.4.2020 RM | Additions RM | Lease payments RM | Interest expense (Section 9.23) RM | Exchange differences RM | Balance as at 31.3.2021 RM |
|---|---|---|---|---|---|---|
| Offices | 303,665 | 853,907 | (228,185) | 28,495 | 109 | 957,991 |
| Apartment | - | 30,834 | (9,450) | 787 | - | 22,171 |
| | 303,665 | 884,741 | (237,635) | 29,282 | 109 | 980,162 |

| Audited | Balance as at 1.4.2021 RM | Additions RM | Effects of modifications to lease term RM | Lease payments RM | Interest expense (Section 9.23) RM | Exchange differences RM | Balance as at 31.3.2022 RM |
|---|---|---|---|---|---|---|---|
| Offices | 957,991 | 366,172 | - | (485,458) | 44,427 | 29 | 883,161 |
| Apartment | 22,171 | - | (14,532) | (8,100) | 461 | - | - |
| | 980,162 | 366,172 | (14,532) | (493,558) | 44,888 | 29 | 883,161 |

| Audited | Balance as at 1.4.2022 RM | Lease payments RM | Interest expense (Section 9.23) RM | Exchange differences RM | Balance as at 30.9.2022 RM |
|---|---|---|---|---|---|
| Offices | 883,161 | (300,360) | 16,761 | (16) | 599,546 |

**9. HISTORICAL FINANCIAL INFORMATION (continued)**

**9.6 Leases (continued)**

**Lease liabilities (continued)**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Represented by: | | | | |
| Current liabilities | 111,573 | 390,171 | 559,677 | 508,362 |
| Non-current liabilities | 192,092 | 589,991 | 323,484 | 91,184 |
| | 303,665 | 980,162 | 883,161 | 599,546 |

(a) Lease liabilities of the Group are owing to non-financial institutions.

(b) The Group has a lease of office with lease term of less than twelve (12) months. The Group applies the "short-term lease" exemption for this lease.

(c) The following are the amounts recognised in profit or loss:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Included in administrative expenses: | | | | | |
| Depreciation of right-of-use assets | 54,367 | 220,230 | 459,671 | 281,469 | 203,853 |
| Expenses relating to short-term lease | 4,337 | - | - | - | - |
| Included in finance costs: | | | | | |
| Interest expenses on lease liabilities | 4,856 | 29,282 | 44,888 | 16,761 | 23,396 |
| Included in other operating income: | | | | | |
| Gain on lease modifications | - | - | 400 | - | - |
| | 63,560 | 249,512 | 504,959 | 298,230 | 227,249 |

(d) The following are total cash outflows for leases as a lessee:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Included in net cash flows from operating activities: | | | | | |
| Payment relating to short-term lease | 4,337 | - | - | - | - |
| Included in net cash flows from financing activities: | | | | | |
| Payment of lease liabilities | 57,789 | 237,635 | 493,558 | 300,360 | 219,601 |
| | 62,126 | 237,635 | 493,558 | 300,360 | 219,601 |

**9. HISTORICAL FINANCIAL INFORMATION (continued)**

**9.6 Leases (continued)**

(e) Information on financial risks of lease liabilities is disclosed in Section 9.32 of this Report.

**9.7 Subsidiaries/Combining entities**

(a) Details of subsidiaries/combining entities are as follows:

| Name of subsidiaries/ combining entities | Country of incorporation/ Principal place of business | Effective interest in equity 2020 % | 2021 % | 2022 % | 30.9.2022 % | Principal activities |
|---|---|---|---|---|---|---|
| Oppstar Technology | Malaysia | 100 | 100 | 100 | 100 | Provision of integrated circuit design services and other related services |
| Alpha Core | Malaysia | 100 | 100 | 57.5 | 57.5 | Provision of post-silicon validation services, software and engineering solutions, integrated circuit design services and other related services |
| Oppstar Shanghai | People's Republic of China | 100 | 100 | 100 | 100 | Sales and marketing as well as provision of integrated circuit design services, post-silicon validation services and technical support |
| AIRIS Labs | Malaysia | - | * | * | 100 | Research and development on engineering and technology |

* Previously held as joint venture (refer section 9.8)

(b) Acquisition of subsidiaries on 22 December 2021:

(i) The Company acquired the entire issued share capital of Oppstar Technology comprising 900,000 ordinary shares for a purchase consideration of RM6,355,200, which was satisfied via the issuance of 423,680,000 new ordinary shares of the Company at an issue price of RM0.015 per share. Upon completion of the acquisition, Oppstar Technology became a wholly-owned subsidiary.

(ii) The Company acquired the entire issued share capital of Alpha Core comprising 1,000 ordinary shares for a purchase consideration of RM705,600, which was satisfied via the issuance of 47,040,000 new ordinary shares of the Company at an issue price of RM0.015 per share. Upon completion of the acquisition, Alpha Core became a wholly-owned subsidiary.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.7 Subsidiaries/Combining entities (continued)**

(c) On 17 January 2022, the equity interest of the Company in Alpha Core was diluted to 57.50% pursuant to the subscription of 425,000 new ordinary shares in Alpha Core by Sophic Automation, representing 42.50% equity interest in Alpha Core for a cash consideration of RM425,000. Upon completion of the subscription, Alpha Core became a 57.50% owned subsidiary.

(d) On 18 April 2022, Oppstar Technology subscribed for 210,000 new ordinary shares in AIRIS Labs for a cash consideration of RM210,000. On 19 May 2022, acquisition by Oppstar Technology of 260,000 ordinary shares in AIRIS Labs, representing the remaining 50% equity interest in AIRIS Labs from Lee Weng Fai and Lee Weng Fook for a purchase consideration of RM300,000, which was satisfied via cash. Thereafter, AIRIS Labs became a wholly-owned subsidiary of Oppstar Technology.

(e) Business combinations under common control that were undertaken during the financial years are disclosed in Section 7.1.1 of this Report.

(f) The subsidiary that has non-controlling interests ('NCI') is as follows:

| | Alpha Core 30.9.2022 Audited RM | Alpha Core 31.3.2022 Audited RM |
|---|---|---|
| NCI percentage of ownership interest and voting interest (%) | 42.50% | 42.50% |
| Carrying amount of NCI | (351,356) | 409,666 |
| Loss for the financial period/year attributable to NCI | (58,310) | (22,444) |
| Total comprehensive loss attributable to NCI | (58,310) | (22,444) |

(g) Summarised financial information before intra-group elimination of the subsidiary that has NCI as at the end of the reporting period is as follows:

| | Alpha Core 30.9.2022 Audited RM | Alpha Core 31.3.2022 Audited RM |
|---|---|---|
| **Assets and liabilities** | | |
| Non-current assets | 340,625 | 409,110 |
| Current assets | 684,595 | 823,026 |
| Non-current liabilities | (44,559) | (109,986) |
| Current liabilities | (153,943) | (158,231) |
| Net assets | 826,718 | 963,919 |
| **Results** | | |
| Revenue | - | 1,026,682 |
| (Loss)/Profit for the financial period/year | (137,201) | 405,147 |
| Total comprehensive (loss)/income | (137,201) | 405,147 |
| Cash flows (used in)/from operating activities | (109,632) | 440,865 |
| Cash flows from/(used in) investing activities | 153 | (179,842) |
| Cash flows (used in)/from financing activities | (67,267) | 290,466 |
| Net (decrease)/increase in cash and cash equivalents | (176,746) | 551,489 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.7 Subsidiaries/Combining entities (continued)**

(h) During the financial period, Oppstar Technology Sdn. Bhd., a wholly owned subsidiary, acquired remaining shareholdings in AIRIS Labs. Hence, AIRIS Labs ceased to be the Group's joint venture and it had became the subsidiary of the Group.

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

| | As at date of acquisition RM |
|---|---|
| Property, plant and equipment | 55,691 |
| Right-of-use assets | 13,706 |
| Inventories | 165,195 |
| Trade and other receivables | 100,400 |
| Cash and cash equivalents | 141,994 |
| Other payables | (254,108) |
| Lease liabilities (current liabilities) | (14,827) |
| Total identified assets | 208,051 |
| Goodwill on acquisition | 351,949 |
| Total purchase consideration | 560,000 |
| Purchase consideration previously invested | (50,000) |
| Net consideration paid | 510,000 |
| Less: Cash and cash equivalents of the subsidiary acquired | (141,994) |
| Capitalisation of amount owing | (210,000) |
| Net cash outflow of the Group on acquisition | 158,006 |

**9.8 Investment in a joint venture**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Unquoted shares, at cost | - | 50,000 | 50,000 | - |
| Share of post-acquisition reserves | - | (50,000) | (50,000) | - |
| | - | - | - | - |

(a) Details of the joint venture are as follows:

| Name of company | Country of incorporation/ Principal place of business | Effective interest in equity 2020 % | 2021 % | 2022 % | 30.9.2022 % | Principal activities |
|---|---|---|---|---|---|---|
| AIRIS Labs | Malaysia | - | 50 | 50 | - | Research and development on engineering and technology |

(b) The financial statements of the joint venture are coterminous with that of the financial year of the Group. The most recent available financial statements of the joint venture are used by the Group in applying the equity method of accounting. The share of results of the joint venture of the Group for the financial years ended 31 March 2021 and 2022 is based on audited financial statements.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.8 Investment in a joint venture (continued)**

(c) The joint venture, in which the Group participates, is an unlisted separate structured entity whose quoted market price is not available. The contractual arrangement stipulates unanimous consent of all parties over relevant activities of the joint venture and provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with the joint venture. This joint arrangement has been classified as joint venture and has been included in the consolidated financial statements using the equity method.

(d) On 24 February 2021, the Group subscribed for 49,998 ordinary shares in AIRIS Labs and on 26 March 2021, the Group acquired an additional 2 ordinary shares in AIRIS Labs. The subscription and acquisition represent 50% of the total issued and paid-up share capital of AIRIS Labs and were satisfied by way of cash at RM50,000.

(e) On 18 April 2022, the Group subscribed for 210,000 new ordinary shares in AIRIS Labs, representing 50% equity interest in AIRIS Labs for a cash consideration of RM210,000.

Subsequently on 10 May 2022, the Group acquired the remaining 50% equity interest in AIRIS Labs comprising 260,000 ordinary shares for a cash consideration of RM300,000. Upon completion of the acquisition on 19 May 2022, AIRIS Labs became a wholly-owned subsidiary and has been disclosed as investment in subsidiary which disclosed in Section 9.7 of this report.

(f) The summarised financial information of the joint venture is as follows:

| | 31.3.2021 Audited RM | 31.3.2022 Audited RM |
|---|---|---|
| **Assets and liabilities** | | |
| Non-current assets | 82,579 | 71,945 |
| Current assets | 416,713 | 423,195 |
| Non-current liabilities | (16,253) | - |
| Current liabilities | (573,008) | (684,154) |
| Net liabilities | (89,969) | (189,014) |
| **Results** | | |
| Revenue | 3,000 | 204,400 |
| Loss for the financial year | (189,969) | (99,045) |
| Total comprehensive loss | (189,969) | (99,045) |

(g) The reconciliation of net assets of the joint venture to the carrying amount of the investment in a joint venture is as follows:

| | 31.3.2021 Audited RM | 31.3.2022 Audited RM |
|---|---|---|
| Share of net assets | - | - |
| Carrying amount | - | - |
| **Share of results for the financial year** | | |
| Share of loss for the financial year | (50,000) | - |
| Share of total comprehensive loss | (50,000) | - |

(h) The unrecognised share of loss of joint venture for the financial year amounted to RM Nil (2022: RM49,523; 2021: RM8,408). As a result, the accumulated unrecognised share of losses of joint venture amounted to RM Nil (2022: RM57,931; 2021: RM8,408). The Group has ceased recognising its share of losses since there is no further obligation in respect of those losses using the equity method of accounting.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.9 Goodwill**

| | 30.9.2022 Audited RM |
|---|---|
| Balance as at 1 April 2022 | - |
| Acquisition of subsidiary (Note 9.7(h)) | 351,949 |
| Balance as at 30 September 2022 | 351,949 |

**9.10 Deferred tax**

The deferred tax assets/(liabilities) are made up of the following:

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Balance as at 1 April 2019/2020/2021/2022 | - | - | 423,700 | (189,100) |
| Recognised in profit or loss (Section 9.26) | - | 423,700 | (612,800) | 14,100 |
| Balance as at 31 March 2020/2021/2022/30 September 2022 | - | 423,700 | (189,100) | (175,000) |

Deferred tax assets/(liabilities) are attributable to the following:

| | Property, plant and equipment RM | Contract liabilities RM | Total RM |
|---|---|---|---|
| <u>Audited</u> | | | |
| Balance as at 1 April 2019 | - | - | - |
| Recognised in profit or loss | - | - | - |
| Balance as at 31 March 2020 | - | - | - |
| | | | |
| Balance as at 1 April 2020 | - | - | - |
| Recognised in profit or loss | (87,700) | 511,400 | 423,700 |
| Balance as at 31 March 2021 | (87,700) | 511,400 | 423,700 |
| | | | |
| Balance as at 1 April 2021 | (87,700) | 511,400 | 423,700 |
| Recognised in profit or loss | (101,400) | (511,400) | (612,800) |
| Balance as at 31 March 2022 | (189,100) | - | (189,100) |
| | | | |
| Balance as at 1 April 2022 | (189,100) | - | (189,100) |
| Recognised in profit or loss | 14,100 | - | 14,100 |
| Balance as at 30 September 2022 | (175,000) | - | (175,000) |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.11 Inventories**

| | 30.9.2022 Audited RM |
|---|---|
| **At cost** | |
| Raw materials | 59,332 |
| Work-in-progress | 39,071 |
| **At net realisable value** | |
| Finished goods | 66,792 |
| **Total** | 165,195 |

**9.12 Other investments**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Corporate bonds quoted outside Malaysia | - | 1,169 | 268,874 | 226,663 |
| Ordinary shares quoted in Malaysia | - | - | 887,516 | 799,790 |
| Ordinary shares quoted outside Malaysia | - | 441,169 | 648,488 | 370,867 |
| Unit trusts quoted in Malaysia | - | 1,499,801 | 1,681,736 | 1,541,118 |
| | - | 1,942,139 | 3,486,614 | 2,938,438 |

(a) Other investments are classified as financial assets measured at fair value through profit or loss.

(b) The fair values of corporate bonds and ordinary shares quoted in and outside Malaysia are determined by reference to the exchange quoted market prices at the close of the business on the reporting date and are categorised as Level 1 in the fair value hierarchy.

(c) The fair value of unit trusts quoted in Malaysia is determined by reference to the quotations from counterparties at the close of the business on the reporting date and are categorised as Level 1 in the fair value hierarchy.

(d) There is no transfer between levels in the hierarchy during the financial year/period.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.13 Trade and other receivables**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 1,818,818 | 1,066,465 | 2,598,567 | 10,327,699 |
| **Other receivables** | | | | |
| Other receivables | 52,379 | 265,590 | 133,359 | 173,100 |
| Amount owing by joint venture | - | 213,812 | 210,000 | - |
| Deposits | 30,613 | 105,627 | 146,448 | 157,495 |
| | 82,992 | 585,029 | 489,807 | 330,595 |
| **Total trade and other receivables (excluding prepayments)** | 1,901,810 | 1,651,494 | 3,088,374 | 10,658,294 |
| Prepayments | 2,580 | 4,267 | 353,797 | 282,239 |
| **Total trade and other receivables** | 1,904,390 | 1,655,761 | 3,442,171 | 10,940,533 |

(a) Trade and other receivables excluding prepayments are classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days (2020 and 2021: 30 to 75 days; 31.3.2022: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) Amount owing by joint venture is unsecured, interest-free and payable within the next twelve (12) months in cash and cash equivalents.

(d) The currency exposure profile of trade and other receivables, excluding prepayments are as follows:

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Ringgit Malaysia | 707,374 | 1,308,229 | 2,640,007 | 3,568,520 |
| Japanese Yen | 157,880 | 278,062 | 291,848 | 399,324 |
| United States Dollar | - | 62,356 | 134,592 | 166,717 |
| Chinese Renminbi | 962,813 | 2,847 | 21,927 | 6,523,733 |
| Singapore Dollar | 73,743 | - | - | - |
| | 1,901,810 | 1,651,494 | 3,088,374 | 10,658,294 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.13 Trade and other receivables (continued)**

(e) Aging analysis of trade receivables are as follows:

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Current | 1,818,818 | 658,231 | 1,984,805 | 9,651,628 |
| 1 to 30 days past due | - | 408,234 | 553,532 | 617,344 |
| More than 120 days past due | - | - | 60,230 | 58,727 |
| | 1,818,818 | 1,066,465 | 2,598,567 | 10,327,699 |

(f) The Group defined significant increase in credit risk based on the operating performance of the receivables, changes in contractual terms, payment trends and past due information. A significant increase in credit risk is presumed if contractual payments are more than 120 days past due.

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

The Group considers receivables to be in default when the receivables are more than twelve (12) months past due and there is no reasonable expectation of recovery.

The Group has identified industrial production index – electronics (31.3.2020: gross exports of manufactured goods - electrical and electronic products; 31.3.2021 and 31.3.2022: industrial production index - electrical products) as the key macroeconomic factors of the forward-looking information in determining the twelve-month or lifetime expected credit loss.

It requires the Directors and management of the Group to exercise significant judgement in determining the probabilities of default by trade receivables and appropriate forward-looking information.

(g) No expected credit losses were recognised arising from trade and other receivables as they were negligible.

(h) Information on financial risks of trade and other receivables is disclosed in Section 9.32 of this Report.

**9.14 Contract assets**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Contract assets | - | - | 99,450 | 275,792 |

No expected credit losses were recognised arising from contract assets as they were negligible.

**9.15 Short-term funds**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Unit trusts quoted in Malaysia | - | 3,997,083 | 4,818,941 | 7,773,912 |

(a) Short-term funds are classified as financial assets measured at fair value through profit or loss.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.15 Short-term funds (continued)**

(b) Short-term funds are denominated in Ringgit Malaysia.

(c) The fair value of unit trusts quoted in Malaysia is determined by reference to the quotations from counterparties at the close of the business on the reporting date and are categorised as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(d) Information on financial risks of short-term funds is disclosed in Section 9.32 of this Report.

**9.16 Cash and bank balances**

| | **31.3.2020 Audited RM** | **31.3.2021 Audited RM** | **31.3.2022 Audited RM** | **30.9.2022 Audited RM** |
|---|---|---|---|---|
| Cash and bank balances | 1,934,021 | 5,017,198 | 6,037,204 | 7,448,758 |
| Deposits with licensed banks | 437,091 | 309,310 | 315,032 | - |
| | 2,371,112 | 5,326,508 | 6,352,236 | 7,448,758 |

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

(b) The currency exposure profile of cash and bank balances are as follows:

| | **31.3.2020 Audited RM** | **31.3.2021 Audited RM** | **31.3.2022 Audited RM** | **30.9.2022 Audited RM** |
|---|---|---|---|---|
| Ringgit Malaysia | 1,531,559 | 5,079,775 | 5,606,956 | 3,196,386 |
| Chinese Renminbi | 839,553 | 160,342 | 608,948 | 3,868,191 |
| United States Dollar | - | 86,391 | 136,332 | 384,181 |
| | 2,371,112 | 5,326,508 | 6,352,236 | 7,448,758 |

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

| | **31.3.2020 Audited RM** | **31.3.2021 Audited RM** | **31.3.2022 Audited RM** | **30.9.2022 Audited RM** |
|---|---|---|---|---|
| Cash and bank balances | 1,934,021 | 5,017,198 | 6,037,204 | 7,448,758 |
| Deposits with licensed banks | 437,091 | 309,310 | 315,032 | - |
| Short-term funds (Section 9.15) | - | 3,997,083 | 4,818,941 | 7,773,912 |
| | 2,371,112 | 9,323,591 | 11,171,177 | 15,222,670 |
| Less: Bank overdrafts (Section 9.19) | - | (36,244) | - | - |
| Deposit pledged to a licensed bank | (305,841) | (309,310) | - | - |
| | 2,065,271 | 8,978,037 | 11,171,177 | 15,222,670 |

(d) Deposit pledged to a licensed bank is for banking facilities granted to the Group as disclosed in Section 9.19(c)(i) of this Report.

(e) No expected credit losses were recognised arising from the bank balances and deposits with licensed banks because the probability of default by these financial institutions was negligible.

(f) Information on financial risks of cash and bank balances is disclosed in Section 9.32 of this Report.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.17 Share capital/Invested equity**

| **Audited** | **Number of shares** | **RM** |
|---|---|---|
| **Issued and fully paid-up with no par value** | | |
| Balance as at 1 April 2019 | 500,000 | 500,000 |
| Bonus issue | 400,000 | 400,000 |
| Issuance of ordinary shares | 1,000 | 1,000 |
| Balance as at 31 March 2020 | 901,000 | 901,000 |
| Balance as at 1 April 2020 | 901,000 | 901,000 |
| Balance as at 31 March 2021 | 901,000 | 901,000 |
| Balance as at 1 April 2021 | 901,000 | 901,000 |
| Issuance of ordinary shares | 1,000 | 1,000 |
| Effects of acquisition of subsidiaries in business combinations under common control | | |
| - elimination of issued share capital of Oppstar Technology | (900,000) | (900,000) |
| - elimination of issued share capital of Alpha Core | (1,000) | (1,000) |
| - issuance of ordinary shares pursuant to acquisition of subsidiaries | 470,720,000 | 7,060,800 |
| Balance as at 31 March 2022 | 470,721,000 | 7,061,800 |
| Balance as at 1 April 2022 | 470,721,000 | 7,061,800 |
| Balance as at 30 September 2022 | 470,721,000 | 7,061,800 |

(a) During the financial year ended 31 March 2022, the issued and fully paid-up share capital of the Company was increased from RM1 (as at date of incorporation) to RM7,061,800 by way of:

(i) issuance of 999 new ordinary shares at an issue price of RM1 per share for cash; and

(ii) issuance of 470,720,000 new ordinary shares at an issue price of RM0.015 per share pursuant to the acquisition of subsidiaries.

(b) During the financial year ended 31 March 2020, the issued and fully paid-up invested equity of the Group was increased from 500,000 ordinary shares to 901,000 ordinary shares by way of:

(iii) bonus issue of 400,000 new ordinary shares which were issued by way of capitalisation of the retained earnings of the Group, credited as fully paid-up on the basis of four (4) bonus shares for every five (5) existing ordinary shares held; and

(iv) issuance of 1,000 new ordinary shares for cash by a combining entity under common control.

(c) As at 31 March 2020 and 2021, the number of ordinary shares is on combined basis.

(d) The common controlling shareholders of the combining entities/owners of the parent are entitled to receive dividends as and when declared by the combining entities and are entitled to one (1) vote per ordinary share at meetings of the combining entities. All ordinary shares rank pari passu with regard to the residual assets of the Group.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.18 Reserves**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| **Non-distributable:** | | | | |
| Foreign exchange translation reserve | - | 1,093 | 13,329 | (2,061) |
| Reorganisation debit reserve | - | - | (6,159,800) | (6,159,800) |
| **Distributable:** | | | | |
| Retained earnings | 444,585 | 2,159,272 | 13,120,957 | 23,517,252 |
| | 444,585 | 2,160,365 | 6,974,486 | 17,355,391 |

Foreign exchange translation reserve

The foreign exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

Reorganisation debit reserve

The reorganisation debit reserve arose as a result of the difference between consideration paid over the share capital of Oppstar Technology and Alpha Core pursuant to business combinations under common control.

**9.19 Borrowings**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| *Secured* | | | | |
| Term loans | 1,083,608 | 1,468,726 | - | - |
| **Current** | | | | |
| *Secured* | | | | |
| Bank overdrafts | - | 36,244 | - | - |
| Term loans | 247,011 | 627,526 | - | - |
| | 247,011 | 663,770 | - | - |
| **Total borrowings** | | | | |
| *Secured* | | | | |
| Bank overdrafts (Section 9.16(c)) | - | 36,244 | - | - |
| Term loans | 1,330,619 | 2,096,252 | - | - |
| | 1,330,619 | 2,132,496 | - | - |

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Borrowings are denominated in Ringgit Malaysia.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.19 Borrowings (continued)**

(c) Borrowings are secured by the following:

(i) deposit pledged to a licensed bank as disclosed in Section 9.16(d) of this Report;

(ii) joint and several guarantee by the Directors of the Group; and

(iii) 70% to 80% guarantee covered by the Government of Malaysia under the Government Guarantee Scheme.

(d) Information on financial risks of borrowings is disclosed in Section 9.32 of this Report.

**9.20 Trade and other payables**

| | 31.3.2020<br>Audited<br>RM | 31.3.2021<br>Audited<br>RM | 31.3.2022<br>Audited<br>RM | 30.9.2022<br>Audited<br>RM |
|---|---|---|---|---|
| **Trade payables** | | | | |
| Third parties | - | 114,000 | 73,300 | 117,065 |
| **Other payables** | | | | |
| Other payables | 406,554 | 429,963 | 215,603 | 451,507 |
| Amount owing to joint venture | - | - | 14,000 | - |
| Amounts owing to Directors | 624,746 | 1,946 | - | - |
| Accruals | 798,083 | 833,302 | 3,821,901 | 5,014,260 |
| Dividend payable | - | 5,490,000 | - | - |
| | 1,829,383 | 6,755,211 | 4,051,504 | 5,465,767 |
| **Total trade and other payables** | 1,829,383 | 6,869,211 | 4,124,804 | 5,582,832 |

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group are 30 days (31.3.2021 and 31.3.2022: 30 days).

(c) Amounts owing to joint venture and Directors are unsecured, interest-free and payable within the next twelve (12) months in cash and cash equivalents.

(d) Foreign currency exposure of trade and other payables are as follows:

| | 31.3.2020<br>Audited<br>RM | 31.3.2021<br>Audited<br>RM | 31.3.2022<br>Audited<br>RM | 30.9.2022<br>Audited<br>RM |
|---|---|---|---|---|
| Ringgit Malaysia | 1,707,388 | 6,762,726 | 3,982,995 | 5,408,751 |
| Chinese Renminbi | 121,995 | 106,485 | 141,809 | 174,081 |
| | 1,829,383 | 6,869,211 | 4,124,804 | 5,582,832 |

(e) Information on financial risks of trade and other payables is disclosed in Section 9.32 of this Report.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.21 Contract liabilities**

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Advances received from customers | - | 1,917,576 | - | 37,950 |

(a) Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied at the end of the reporting period, are as follows:

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| Within 1 year | - | 1,917,576 | - | 37,950 |

(b) All contract liabilities at the beginning of the financial year have been recognised as revenue in the current financial period.

**9.22 Revenue**

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| ***Revenue from contracts with customers*** | | | | | |
| **Recognised at a point in time:** | | | | | |
| Services rendered | 7,541,941 | 6,839,920 | 10,587,872 | 5,369,727 | 5,366,876 |
| **Recognised over time:** | | | | | |
| Services rendered | 8,422,987 | 22,422,292 | 39,972,871 | 23,445,442 | 21,051,296 |
| | 15,964,928 | 29,262,212 | 50,560,743 | 28,815,169 | 26,418,172 |

*Disaggregation of revenue from contracts with customers*

Revenue from contracts with customers is disaggregated in the table below by primary geographical market:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Malaysia | 7,021,070 | 4,044,931 | 7,651,605 | 6,796,930 | 3,351,320 |
| People's Republic of China | 8,422,987 | 22,424,307 | 39,408,800 | 20,709,592 | 21,052,787 |
| Japan | 157,880 | 2,442,486 | 3,318,667 | 890,082 | 1,981,498 |
| Singapore | 362,991 | - | 149,104 | 418,565 | - |
| United States of America | - | 350,488 | 32,567 | - | 32,567 |
| | 15,964,928 | 29,262,212 | 50,560,743 | 28,815,169 | 26,418,172 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.23 Finance costs**

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Interest expenses on: | | | | | |
| - bank overdrafts | 1,833 | 986 | 312 | - | 313 |
| - lease liabilities (Section 9.6) | 4,856 | 29,282 | 44,888 | 16,761 | 23,396 |
| - term loans | 70,657 | 129,636 | 83,006 | - | 70,262 |
| | 77,346 | 159,904 | 128,206 | 16,761 | 93,971 |

**9.24 Employee benefits**

The following amounts have been included in the cost of sales and administrative expenses:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Directors' remuneration: | | | | | |
| - fees | - | - | 46,225 | 130,623 | - |
| - emoluments other than fees | 516,080 | 906,780 | 1,657,768 | 966,061 | 614,696 |
| Salaries, wages, bonuses and allowances | 9,608,009 | 13,860,028 | 18,204,894 | 10,326,635 | 9,537,363 |
| Contributions to defined contribution plans | 983,905 | 1,558,213 | 1,876,995 | 1,012,973 | 729,951 |
| Social security contributions | 103,212 | 133,804 | 194,623 | 116,925 | 93,873 |
| Other employee benefits | 224,129 | 167,177 | 259,481 | 148,031 | 91,806 |
| | 11,435,335 | 16,626,002 | 22,239,986 | 12,701,248 | 11,067,689 |

**9.25 Profit before tax**

Other than those disclosed elsewhere in this Report, profit before tax is arrived at:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| After charging: | | | | | |
| Auditors' remuneration | 5,000 | 33,000 | 99,000 | 36,000 | 34,000 |
| Fair value loss on: | | | | | |
| - other investments | - | 108,056 | 198,241 | 368,727 | 13,116 |
| - short-term funds | - | 3,095 | - | - | - |
| Loss on foreign exchange: | | | | | |
| - realised | 73,580 | 39,200 | - | 77,081 | - |
| - unrealised | 2 | 9,085 | 9,798 | - | 92,827 |
| Rental expenses | - | - | - | 4,493 | - |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.25 Profit before tax (continued)**

Other than those disclosed elsewhere in this Report, profit before tax is arrived at (continued):

| | **1.4.2019 to 31.3.2020 Audited RM** | **1.4.2020 to 31.3.2021 Audited RM** | **1.4.2021 to 31.3.2022 Audited RM** | **1.4.2022 to 30.9.2022 Audited RM** | **1.4.2021 to 30.9.2021 Unaudited RM** |
|---|---|---|---|---|---|
| and crediting: | | | | | |
| Dividend income from other investments | - | - | 11,925 | 31,328 | 6,828 |
| Fair value gain on: | | | | | |
| - short-term funds | - | - | 21,829 | 54,972 | 4,911 |
| Gain on disposal of other investment | - | 40,747 | 325,779 | 25,753 | 350,651 |
| Gain on foreign exchange: | | | | | |
| - realised | - | - | 168,328 | - | 218,433 |
| - unrealised | - | - | - | 57,131 | - |
| Government assistance | - | 359,400 | - | - | - |
| Government grant | 148,516 | 765,148 | 256,752 | 976,743 | 94,752 |
| Income distribution from: | | | | | |
| - other investments | - | - | 51,161 | 9,265 | 35,795 |
| - short-term funds | - | 3,258 | 52,264 | 1,161 | 32,691 |
| Interest income | 7,212 | 23,981 | 34,038 | 9,000 | 13,427 |
| Rental income | - | 15,300 | 13,860 | 1,530 | 9,180 |

**9.26 Tax expense**

| | **1.4.2019 to 31.3.2020 Audited RM** | **1.4.2020 to 31.3.2021 Audited RM** | **1.4.2021 to 31.3.2022 Audited RM** | **1.4.2022 to 30.9.2022 Audited RM** | **1.4.2021 to 30.9.2021 Unaudited RM** |
|---|---|---|---|---|---|
| Current tax expense based on profit for the financial year: | | | | | |
| - current year | 318,561 | 741,242 | 2,504,848 | 1,585,941 | 1,102,072 |
| - (over)/underprovision in prior Years/period | - | (157,841) | (12,540) | 44,604 | 1,661 |
| | 318,561 | 583,401 | 2,492,308 | 1,630,545 | 1,103,733 |
| Deferred tax (Section 9.10) | | | | | |
| - relating to origination and reversal of temporary differences | - | (457,000) | 584,200 | 5,700 | 528,000 |
| - under/(over)provision in prior years/period | - | 33,300 | 28,600 | (19,800) | - |
| | - | (423,700) | 612,800 | (14,100) | 528,000 |
| Withholding tax expense | 734,417 | 2,035,394 | 3,407,506 | 1,805,898 | 1,855,393 |
| Total tax expense | 1,052,978 | 2,195,095 | 6,512,614 | 3,422,343 | 3,487,126 |

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (31.3.2020, 31.3. 2021 and 31.3.2022: 24%) of the estimated taxable profits for the fiscal year.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.26 Tax expense (continued)**

(b) Tax expense for the taxation authorities in People's Republic of China is calculated at the rate prevailing in that jurisdiction.

(c) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Profit before tax | 1,474,318 | 9,993,782 | 23,119,965 | 13,760,328 | 13,185,094 |
| Tax at Malaysian statutory tax rate of 24% (2020, 2021 and 31.3.2022: 24%) | 353,830 | 2,398,500 | 5,548,800 | 3,302,500 | 3,164,400 |
| Tax effects in respect of: | | | | | |
| Non-allowable expenses | 25,543 | 29,071 | 954,100 | 167,112 | 348,927 |
| Non-taxable income | - | (5,700) | (48,100) | (21,400) | (22,373) |
| Different tax rate for first RM600,000 (2020, 2021 and 31.3.2022: RM600,000) of chargeable income | (42,000) | (53,584) | (49,445) | - | (74,200) |
| Different tax rate in foreign jurisdiction | (18,812) | (21,412) | (90,607) | (66,373) | (144,355) |
| Tax incentive | - | - | (78,256) | - | - |
| Tax relief | - | (2,074,633) | (3,147,444) | (1,805,898) | (1,642,327) |
| Share of results of joint venture | - | 12,000 | - | - | - |
| Withholding tax expense | 734,417 | 2,035,394 | 3,407,506 | 1,805,898 | 1,855,393 |
| (Over)/underprovision of current tax expense in prior years/period | - | (157,841) | (12,540) | 44,604 | 1,661 |
| Under/(over)provision of deferred tax expense in prior years/period | - | 33,300 | 28,600 | (19,800) | - |
| Deferred tax assets not recognised during the financial period | - | - | - | 15,700 | - |
| | 1,052,978 | 2,195,095 | 6,512,614 | 3,422,343 | 3,487,126 |

(d) The amount of temporary differences for which no deferred tax assets has been recognised in the statement of financial position are as follows:

| | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|
| Unabsorbed capital allowances | 4,400 | 6,200 |
| Unabsorbed tax losses | | |
| - Expires by 31 March 2031/2028 | 162,500 | 162,500 |
| - Expires by 31 March 2032 | 83,100 | 83,100 |
| - Expires by 31 March 2033 | - | 63,500 |
| | 250,000 | 315,300 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.27 Earnings per share**

(a) Basic

Basic earnings per share for the financial years/period is calculated by dividing the profit for the financial years attributable to common controlling shareholders of the combining entities/owners of the parent by the expected number of ordinary shares upon completion of the Listing.

| | **1.4.2019 to 31.3.2020 Audited** | **1.4.2020 to 31.3.2021 Audited** | **1.4.2021 to 31.3.2022 Audited** | **1.4.2022 to 30.9.2022 Audited** | **1.4.2021 to 30.9.2021 Unaudited** |
|---|---|---|---|---|---|
| Profit for the financial years attributable to common controlling shareholders of the combining entities/owners of the parent (RM) | 421,340 | 7,798,687 | 16,629,795 | 10,396,295 | 9,697,968 |
| Expected number of ordinary shares upon completion of the Listing (unit) | 636,200,000 | 636,200,000 | 636,200,000 | 636,200,000 | 636,200,000 |
| Basic earnings per share (sen) | 0.07 | 1.23 | 2.61 | 1.63 | 1.52 |

(b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

**9.28 Dividends**

| | **Dividend per share RM** | **Amount of dividend RM** |
|---|---|---|
| <u>**Audited**</u> | | |
| **2021** | | |
| First interim single tier dividend | 0.66 | 594,000 |
| Second interim single tier dividend | 6.10 | 5,490,000 |
| | | 6,084,000 |
| **2022** | | |
| First interim single tier dividend | 6.29 | 5,661,000 |

**9.29 Related party disclosures**

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.29 Related party disclosures (continued)**

(a) Identities of related parties (continued)

Related parties of the Group include:

(i) Combining entities/Subsidiaries as disclosed in Section 9.7 of this Report;

(ii) A joint venture as disclosed in Section 9.8 of this Report; and

(iii) Key management personnel of the Group.

(b) The Group had the following transactions with a related party during the financial years:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| **Joint venture** | | | | | |
| Consultation fees expense | - | - | 66,000 | - | - |
| Purchase of office equipment | - | - | 17,000 | - | - |
| Rental income | - | 15,300 | 13,860 | - | 9,180 |

The above transactions were carried out in the ordinary course of business and have been established under negotiated and mutually agreed terms.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any Director of the Group.

The remuneration of the Directors and other members of key management during the financial years are as follows:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Directors' fees | - | - | 46,225 | 133,823 | - |
| Salaries, wages, bonuses and allowances | 559,728 | 1,072,110 | 2,364,571 | 1,361,118 | 1,252,196 |
| Contributions to defined contribution plans | 67,068 | 128,682 | 266,427 | 135,912 | 136,440 |
| Social security contributions | 2,969 | 3,314 | 5,938 | 3,305 | 3,452 |
| Other employee benefits | 4,979 | 5,176 | 18,235 | 9,490 | 10,879 |
| | 634,744 | 1,209,282 | 2,701,396 | 1,643,648 | 1,402,967 |

For financial year ended 31 March 2021, estimated monetary value of benefits-in-kind provided to an Executive Directors of the Company was RM5,169.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.30 Operating segments**

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely provision of integrated circuit design services, post-silicon validation services, software and engineering solutions and other related services.

No separate segment information is presented as the Directors view the Group as a single reportable segment.

**Geographical information**

Non-current assets are based on the geographical location of the assets of the Group. The non-current assets do not include deferred tax assets.

| | Non-current assets | | | |
|---|---|---|---|---|
| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
| Malaysia | 828,876 | 2,087,860 | 2,375,947 | 3,027,789 |
| Others | 14,274 | 6,159 | 15,808 | 11,582 |
| | 843,150 | 2,094,019 | 2,391,755 | 3,039,371 |

Revenue information based on geographical location of customers is as disclosed in Section 9.22 of this Report.

**Major customers**

The following are major customers with revenue equal or more than ten percent (10%) of revenue of the Group:

| | 1.4.2019 to 31.3.2020 Audited RM | 1.4.2020 to 31.3.2021 Audited RM | 1.4.2021 to 31.3.2022 Audited RM | 1.4.2022 to 30.9.2022 Audited RM | 1.4.2021 to 30.9.2021 Unaudited RM |
|---|---|---|---|---|---|
| Customer A group of companies | 6,161,090 | 3,235,198 | 5,583,865 | 3,553,550 | 2,680,580 |
| Customer B | 5,937,417 | * | * | * | * |
| Customer C | 2,485,570 | 20,698,463 | 34,599,600 | 18,058,978 | 19,098,168 |
| | 14,584,077 | 23,933,661 | 40,183,465 | 21,612,528 | 21,778,748 |

* Less than 10%

**9.31 Capital management**

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting periods.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes throughout the reporting periods.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.31 Capital management (continued)**

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes within net debt, trade and other payables, borrowings and lease liabilities, less cash and bank balances and short-term funds. The gearing ratios are as follows:

| | **1.4.2019 to 31.3.2020 Audited RM** | **1.4.2020 to 31.3.2021 Audited RM** | **1.4.2021 to 31.3.2022 Audited RM** | **1.4.2022 to 30.9.2022 Audited RM** |
|---|---|---|---|---|
| Trade and other payables | 1,829,383 | 6,869,211 | 4,124,804 | 5,582,832 |
| Borrowings | 1,330,619 | 2,132,496 | - | - |
| Lease liabilities | 303,665 | 980,162 | 883,161 | 599,546 |
| Less: Short-term funds | - | (3,997,083) | (4,818,941) | (7,773,912) |
| Cash and bank balances | (2,371,112) | (5,326,508) | (6,352,236) | (7,448,758) |
| Net debt/(cash) | 1,092,555 | 658,278 | (6,163,212) | (9,040,292) |
| Total equity | 1,345,585 | 3,061,365 | 14,445,952 | 24,768,547 |
| Gearing ratio | 81% | 22% | * | * |

* Gearing ratio is not presented as the Group is in a net cash position.

The Group is not subject to any externally imposed capital requirements.

**9.32 Financial risk management**

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to credit risk, liquidity and cash flow risk, foreign currency risk and interest rate risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms, short-term funds and deposit with a licensed bank. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.32 Financial risk management (continued)**

(a) Credit risk (continued)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

| | **31.3.2020 Audited** | | **31.3.2021 Audited** | | **31.3.2022 Audited** | | **30.9.2022 Audited** | |
|---|---|---|---|---|---|---|---|---|
| | **RM** | **% of total** | **RM** | **% of total** | **RM** | **% of total** | **RM** | **% of total** |
| **By countries** | | | | | | | | |
| Malaysia | 627,195 | 34% | 726,047 | 68% | 2,172,127 | 84% | 3,378,013 | 33% |
| Japan | 157,880 | 9% | 278,062 | 26% | 291,848 | 11% | 424,588 | 4% |
| Singapore | 73,743 | 4% | - | - | 74,362 | 3% | 82,727 | 1% |
| United States of America | - | - | 62,356 | 6% | 60,230 | 2% | 58,727 | 1% |
| People's Republic of China | 960,000 | 53% | - | - | - | - | 6,383,644 | 61% |
| | 1,818,818 | 100% | 1,066,465 | 100% | 2,598,567 | 100% | 10,327,699 | 100% |

At the end of the reporting period, approximately 79% (31.3.2020: 86%; 31.3.2021: 91% and 31.3.2022: 82%) of the trade receivables of the Group were due from two (2) (31.3.2020, 31.3.2021 and 31.3.2022: two (2)) customers within Malaysia and People's Republic of China (31.3.2020, 31.3.2021 and 31.3.2022: Malaysia).

(b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and funding through credit facilities.

9 **HISTORICAL FINANCIAL INFORMATION (continued)**

9.32 **Financial risk management (continued)**

(b) Liquidity and cash flow risk (continued)

The table below summaries the maturity profile of the liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations:

| | **On demand or within one (1) year RM** | **One (1) to five (5) years RM** | **Total RM** |
|---|---|---|---|
| <u>Audited</u> | | | |
| **Financial liabilities** | | | |
| **31.3.2020** | | | |
| Trade and other payables | 1,829,383 | - | 1,829,383 |
| Borrowings | 327,619 | 1,245,021 | 1,572,640 |
| Lease liabilities | 126,652 | 203,102 | 329,754 |
| Total undiscounted financial liabilities | 2,283,654 | 1,448,123 | 3,731,777 |
| **31.3.2021** | | | |
| Trade and other payables | 6,869,211 | - | 6,869,211 |
| Borrowings | 769,531 | 1,590,844 | 2,360,375 |
| Lease liabilities | 431,371 | 612,945 | 1,044,316 |
| Total undiscounted financial liabilities | 8,070,113 | 2,203,789 | 10,273,902 |
| **31.3.2022** | | | |
| Trade and other payables | 4,124,804 | - | 4,124,804 |
| Lease liabilities | 586,347 | 328,053 | 914,400 |
| Total undiscounted financial liabilities | 4,711,151 | 328,053 | 5,039,204 |
| **30.9.2022** | | | |
| Trade and other payables | 5,582,832 | - | 5,582,832 |
| Lease liabilities | 522,442 | 91,582 | 614,024 |
| Total undiscounted financial liabilities | 6,105,274 | 91,582 | 6,196,856 |

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The subsidiary of the Group has assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group is also exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the respective functional currencies of the entities within the Group.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.32 Financial risk management (continued)**

(c) Foreign currency risk (continued)

The following table demonstrates the sensitivity analysis of the profit after tax of the Group to a reasonably possible change in the Chinese Renminbi ('RMB') and Japanese Yen ('JPY') exchange rate against the functional currency of the Group, with all other variables held constant:

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| **Profit after tax** | | | | |
| RMB/RM | | | | |
| - strengthen by 10% (2020, 2021 and 2022: 10%) | 129,264 | (623) | 35,337 | 785,967 |
| - weaken by 10% (2020, 2021 and 2022: 10%) | (129,264) | 623 | (35,337) | (785,967) |
| JPY/RM | | | | |
| - strengthen by 10% (2020, 2021 and 2022: 10%) | 11,999 | 21,133 | 22,180 | 30,349 |
| - weaken by 10% (2020, 2021 and 2022: 10%) | (11,999) | (21,133) | (22,180) | (30,349) |

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from its borrowings. The Group borrows at both, floating and fixed rates of interest to generate the desired interest profile and to manage the exposure of the Group to interest rate fluctuations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of the reporting period changed by fifty (50) basis points with all other variables held constant:

| | 31.3.2020 Audited RM | 31.3.2021 Audited RM | 31.3.2022 Audited RM | 30.9.2022 Audited RM |
|---|---|---|---|---|
| **Profit after tax** | | | | |
| Increase by 0.5% (2020, 2021 and 2022: 0.5%) | (4,433) | (10,778) | (2,160) | (2,250) |
| Decrease by 0.5% (2020, 2021 and 2022: 0.5%) | 4,433 | 10,778 | 2,160 | 2,250 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.32 Financial risk management (continued)**

(d) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates ('WAEIR') or weighted average incremental borrowing rates ('WAIBR') as at the end of the reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

| | Section | WAEIR/ WAIBR * % | Within one (1) year RM | One (1) to two (2) years RM | Two (2) to three (3) years RM | Three (3) to four (4) years RM | Four (4) to five (5) years RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **31.3.2020** | | | | | | | | |
| **Fixed rates** | | | | | | | | |
| Deposits with licensed banks | 9.16 | 2.77% | 437,091 | - | - | - | - | 437,091 |
| Lease liabilities | 9.6 | * 5.30% - 6.28% | 111,573 | 99,914 | 92,178 | - | - | 303,665 |
| **Floating rates** | | | | | | | | |
| Term loans | 9.19 | 6.94% | 247,011 | 410,355 | 394,204 | 170,854 | 108,195 | 1,330,619 |
| **31.3.2021** | | | | | | | | |
| **Fixed rates** | | | | | | | | |
| Deposits with licensed banks | 9.16 | 1.85% | 309,310 | - | - | - | - | 309,310 |
| Lease liabilities | 9.6 | * 5.30% - 5.54% | 390,171 | 388,184 | 201,807 | - | - | 980,162 |
| **Floating rates** | | | | | | | | |
| Bank overdrafts | 9.19 | 7.45% | 36,244 | - | - | - | - | 36,244 |
| Term loans | 9.19 | 5.05% | 627,526 | 592,233 | 374,362 | 304,374 | 197,757 | 2,096,252 |
| **31.3.2022** | | | | | | | | |
| **Fixed rates** | | | | | | | | |
| Deposits with licensed banks | 9.16 | 1.85% | 315,032 | - | - | - | - | 315,032 |
| Lease liabilities | 9.6 | * 4.57% - 5.14% | 559,677 | 323,484 | - | - | - | 883,161 |
| **30.9.2022** | | | | | | | | |
| **Fixed rates** | | | | | | | | |
| Lease liabilities | 9.6 | *4.45% - 8.45% | 508,363 | 91,183 | - | - | - | 599,546 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.33 Prior year reclassification and adjustments**

During the financial years, the Group made the following prior year reclassification and adjustments:

(i) Certain comparative figures have been reclassified to conform with the current year's presentation so as to reflect appropriate presentation of the financial statements of the Group.

(ii) Certain comparative figures have been adjusted to correct prior year errors arising from over or under recognition of property, plant and equipment, trade and other receivables, cash and bank balances and trade and other payables.

The reclassification and adjustments gave rise to changes on the financial statements of the Group as follows:

| | As previously reported RM | Reclassi-fication (i) RM | Adjustments (ii) RM | As adjusted RM |
|---|---|---|---|---|
| **31.3.2020** | | | | |
| **Statement of financial position** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 541,368 | - | (449) | 540,919 |
| **Current assets** | | | | |
| Trade and other receivables | 2,641,387 | - | (736,997) | 1,904,390 |
| Cash and bank balances | 2,645,803 | - | (274,691) | 2,371,112 |
| **Equity attributable to common controlling shareholders of the combining entities** | | | | |
| Retained earnings | 1,272,798 | - | (826,779) | 446,019 |
| **Non-current liabilities** | | | | |
| Borrowings | 868,889 | 214,719 | - | 1,083,608 |
| **Current liabilities** | | | | |
| Trade and other payables | 2,007,108 | 7,633 | (185,358) | 1,829,383 |
| Borrowings | 461,730 | (214,719) | - | 247,011 |
| Current tax liabilities | 317,033 | (7,633) | - | 309,400 |
| **Statement of profit or loss and other comprehensive income** | | | | |
| Cost of sales | (758,232) | (12,041,971) | (17,005) | (12,817,208) |
| Other operating income | 155,573 | 36 | 1,147 | 156,756 |
| Administrative expenses | (13,469,794) | 11,863,645 | (76,504) | (1,682,653) |
| Other operating expenses | (171,610) | 98,029 | - | (73,581) |
| Finance costs | (147,971) | 75,481 | - | (72,490) |
| Profit before tax | 1,572,894 | (4,780) | (92,362) | 1,475,752 |
| Tax expense | (323,341) | 4,780 | (734,417) | (1,052,978) |
| Profit for the financial year | 1,249,553 | - | (826,779) | 422,774 |

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.33 Prior year reclassification and adjustments (continued)**

The reclassification and adjustments gave rise to changes on the financial statements of the Group as follows (continued):

| | As previously reported RM | Reclassi-fication (i) RM | Adjustments (ii) RM | As adjusted RM |
|---|---|---|---|---|
| **31.3.2020** | | | | |
| **Statement of cash flows** | | | | |
| **Cash flows from operating activities** | | | | |
| Profit before tax | 1,572,894 | (4,780) | (92,362) | 1,475,752 |
| Depreciation of property, plant and equipment | 172,235 | - | 449 | 172,684 |
| Changes in working capital: | | | | |
| Trade and other receivables | (596,794) | - | 736,997 | 140,203 |
| Trade and other payables | 767,398 | 7,633 | (185,358) | 589,673 |
| Tax paid | (98,611) | (2,853) | (734,417) | (835,881) |

**9.34 Explanation of transition to MFRSs**

The combining entities adopted the MFRS Framework during the financial year ended 31 March 2021.

The accounting policies set out in Section 7.2 of this Report have been applied in preparing the financial statements of the combining entities for the financial year ended 31 March 2021, as well as comparative information presented in this Report for the financial year ended 31 March 2020 and in the preparation of the opening MFRS combined statements of financial position at 1 April 2019.

The combining entities have adjusted amounts previously reported in financial statements that were prepared in accordance with the previous MPERSs Framework. An explanation on the impact arising from the transition from MPERSs to MFRSs on the combined financial position as at 31 March 2020, combined financial performance and combined cash flows of the combining entities for the financial year ended 31 March 2020 is set out below.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.34 Explanation of transition to MFRSs (continued)**

| | As adjusted * RM | Effects of adoption of MFRS 16 RM | As restated under MFRSs RM |
|---|---|---|---|
| **1.4.2019** | | | |
| **Statement of financial position** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | - | 45,222 | 45,222 |
| **Non-current liabilities** | | | |
| Lease liabilities | - | 10,026 | 10,026 |
| **Current liabilities** | | | |
| Lease liabilities | - | 35,196 | 35,196 |
| **31.3.2020** | | | |
| **Statement of financial position** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | - | 302,231 | 302,231 |
| **Equity attributable to common controlling shareholders of the combining entities** | | | |
| Retained earnings | 446,019 | (1,434) | 444,585 |
| **Non-current liabilities** | | | |
| Lease liabilities | - | 192,092 | 192,092 |
| **Current liabilities** | | | |
| Lease liabilities | - | 111,573 | 111,573 |
| **Statement of profit or loss and other comprehensive income** | | | |
| Administrative expenses | (1,682,653) | 3,422 | (1,679,231) |
| Finance costs | (72,490) | (4,856) | (77,346) |
| Profit before tax | 1,475,752 | (1,434) | 1,474,318 |
| Profit for the financial year | 422,774 | (1,434) | 421,340 |
| **Statement of cash flows** | | | |
| **Cash flows from operating activities** | | | |
| Profit before tax | 1,475,752 | (1,434) | 1,474,318 |
| Depreciation of right-of-use assets | - | 54,367 | 54,367 |
| Interest expense | 72,490 | 4,856 | 77,346 |
| **Cash flows from financing activities** | | | |
| Payments of lease liabilities | - | (57,789) | (57,789) |

***** Amounts presented are after adjustments made in Section 9.33 of this Report.

**9 HISTORICAL FINANCIAL INFORMATION (continued)**

**9.35 Significant event during the financial period and subsequent to the end of financial period**

The Bursa Malaysia Securities Berhad has, vide its letter dated 8 December 2022, approved amongst others, the admission of the Company to the Official List and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

## 13. BY-LAWS OF THE LTIP

**OPPSTAR BERHAD ("OPPSTAR" OR "COMPANY")**
**BY-LAWS OF THE LONG TERM INCENTIVE PLAN**

### 1. DEFINITIONS AND INTERPRETATIONS

1.1 Except where the context otherwise requires, the following expression in these By-Laws shall have the following meanings:

| | | |
|---|---|---|
| Act | : | Companies Act 2016, as amended from time to time including any re-enactment thereof |
| Board | : | The Board of Directors of the Company |
| Bursa Depository | : | Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W)) |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W)) |
| By-Laws | : | The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time) |
| CDS | : | Central Depository System |
| CDS Account | : | An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor |
| Central Depositories Act | : | The Securities Industry (Central Depositories) Act 1991, as amended from time to time including all subsidiary legislations made thereunder and any re-enactment thereof |
| Constitution | : | The constitution of the Company, including any amendments thereto that may be made from time to time |
| Date of Expiry | : | Last day of the duration of the Scheme or last day of any extended period pursuant to By-Law 13.2 (as the case may be) |
| Director | : | A natural person who holds a directorship in the Company or any company within Oppstar Group, whether in an executive or non-executive capacity, and shall have the meaning of Section 2(1) of the Capital Markets and Services Act 2007 |
| Effective Date | : | The date on which the Scheme comes into force as provided in By-Law 13.1 |
| Eligible Person | : | Executive Director or Employee of the Company or any company within Oppstar Group who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4 hereof and Non-Executive Director within Oppstar Group who meets the criteria of eligibility for participation in SOP as set out in By-Law 4 hereof |

## 13. BY-LAWS OF THE LTIP *(CONT'D)*

| | | |
|---|---|---|
| Employee | : | A natural person who is employed by and on the payroll of the Company or any company within Oppstar Group |
| Entitlement Date | : | The date as at the close of business on which shareholders' names must appear in the record of depositors of the Company maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions |
| Listing Requirements | : | Main or ACE Market Listing Requirements of Bursa Securities (as the case may be) including all amendments thereto and any Practice Notes or Guidance Notes issued in relation thereto |
| LTIP | : | Long Term Incentive Plan as stipulated in these By-Laws |
| LTIP Award(s) | : | Means the SGP Award(s) and/or the SOP Award(s), as the case may be |
| LTIP Award Date(s) | : | Means the SGP Award Date(s) and/or the SOP Award Date(s), as the case may be |
| LTIP Award Vesting Date(s) | : | Means the SGP Vesting Date(s) and/or the SOP Vesting Date(s), as the case may be |
| LTIP Committee | : | The committee comprising such persons as may be appointed and duly authorised by the Board pursuant to By-Law 14 to implement and administer the Scheme |
| LTIP Participant(s) | : | Means the SGP Participant(s) and/or the SOP Participant(s), as the case may be |
| LTIP Scheme or Scheme | : | The long term incentive plan for the award of SGP Award(s) and/or SOP Award(s) to any Eligible Person in accordance with the provisions of these By-Laws and such scheme shall be known as the "**Oppstar's Long Term Incentive Plan**" |
| Market day | : | A day on which Bursa-Securities is open for trading in securities |
| Maximum Allowable Allotment | : | The maximum number of Shares in respect of the LTIP Awards that can be made available to an Eligible Person as set out in By-Law 5 hereof |
| Oppstar or the Company | : | Oppstar Berhad (Registration No. 202101031391 (1431691-M)) |
| Oppstar Group or the Group | : | The Company and its subsidiary companies as defined in Section 4 of the Act, and in the context of the LTIP, shall exclude subsidiary companies which are dormant. Subject to the foregoing, subsidiary companies include subsidiary companies which are existing as at the Effective Date and subsidiary companies which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in By-Law 11 |

## 13. BY-LAWS OF THE LTIP *(CONT'D)*

| | | |
|---|---|---|
| Oppstar Share(s) or Share(s) | : | Ordinary share(s) in Oppstar |
| Option Price | : | The price at which SOP Participant(s) shall be entitled to subscribe for the Share(s) upon the exercise of the SOP Option(s), as initially determined and as may be adjusted, pursuant to the provisions of By-Law 38 |
| RM and sen | : | Ringgit Malaysia and sen respectively |
| Rules of Bursa Depository | : | The rules of Bursa Depository, as issued pursuant to the Central Depositories Act |
| SGP | : | Share Grant Plan as stipulated in Section 1 of these By-Laws |
| SGP Award(s) | : | The award of such number of Shares to an Eligible Person in the manner and subject to the terms and conditions provided in these By-Laws |
| SGP Award Date(s) | : | The date of which an SGP Award(s) is awarded to an Eligible Person pursuant to a LTIP Award letter |
| SGP Participant(s) | : | Eligible Person(s) who has accepted SGP Award(s) in the manner provided in By-Law 30 |
| SGP Vesting Date(s) | : | The date upon which all or any parts of the Shares awarded to SGP Participant(s) are eligible to be vested upon fulfilment of all terms and vesting conditions, if any, as determined by the LTIP Committee |
| SOP | : | Share Option Plan as stipulated in Section 2 of these By-Laws |
| SOP Award(s) | : | The award of such number of SOP Option(s) to an Eligible Person to subscribe for the Shares at the Option Price in the manner and subject to the terms and conditions provided in these By-Laws |
| SOP Award Date(s) | : | The date of which an SOP Award(s) is awarded to an Eligible Person pursuant to a LTIP Award letter |
| SOP Option(s) | : | The right of SOP Participant(s) to subscribe for the Share(s) at the Option Price in the manner provided in By-Law 36 |
| SOP Participant(s) | : | Eligible Person(s) who has accepted the SOP Award(s) in the manner provided in By-Law 35 |
| SOP Vesting Date(s) | : | The date upon which all or any part of the SOP Options awarded to SOP Participant(s) are eligible to be vested and are entitled to exercise the SOP Options upon fulfilment of all terms and vesting conditions, if any, as determined by the LTIP Committee |

1.2 In these By-Laws:

(i) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and Listing Requirements and any policies and/or guidelines of the relevant authorities (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or the relevant authorities);

(ii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any LTIP Award(s) awarded and accepted during the duration of the Scheme and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;

(iii) words denoting the singular shall include the plural and vice versa and references to gender shall include both genders and the neuter;

(iv) any liberty or power which may be exercised or any determination which may be made hereunder by the LTIP Committee may be exercised in the LTIP Committee's absolute discretion and the LTIP Committee shall not be under any obligation to give any reasons thereof, except as may be required by the relevant authorities;

(v) the headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws;

(vi) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day;

(vii) any reference to the Company and/or other person shall include a reference to its successors-in-title and permitted assigns; and

(viii) "**person connected**" shall have the meaning as defined in Rule 1.01 of the Listing Requirements.

## 2. NAME OF SCHEME

2.1 This Scheme shall be called the "**Oppstar's Long Term Incentive Plan**".

## 2A. OBJECTIVES OF THE SCHEME

2A.1 The objectives of the Scheme are as follows:

(i) to serve as a long-term incentive plan to reward the Eligible Persons and to align their interest with the corporate goals and objectives of Oppstar Group;

(ii) to recognise the contributions of Eligible Persons whose services are valued and considered vital to the operations and continued growth of Oppstar Group;

(iii) to motivate Eligible Persons to work towards better performance through greater productivity and loyalty;

(iv) to stimulate a greater sense of belonging and dedication since Eligible Persons are given the opportunity to participate directly in the equity of the Company;

(v) to encourage Eligible Person to remain with Oppstar Group thus ensuring that any loss of key personnel is kept to a minimum;

(vi) to reward Eligible Persons by allowing them to participate in Oppstar Group's growth and profitability and eventually realise potential capital gains arising from any appreciation in the value of the Shares;

(vii) to make Oppstar Group's remuneration scheme more competitive to attract more skilled and experienced individuals to join Oppstar Group and contribute to its continued growth;

(viii) to provide Oppstar with the flexibility to determine the most appropriate LTIP Awards to reward and retain Eligible Persons who have contributed to the success of the Group;

(ix) to incentivise the Directors of Oppstar Group for their contribution towards development, growth and success and strategic direction to drive long-term shareholder value enhancement of Oppstar Group; and

(x) to incentivise the senior management and employees of Oppstar Group for their commitment, dedication and loyalty towards attainment of higher performance.

**3. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME**

3.1 The maximum number of the Shares which may be made available under the Scheme shall not in aggregate exceed fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the Scheme as provided in By-Law 13.2.

3.2 Notwithstanding the provision of By-Law 3.1 above and any other provisions contained herein, in the event the total number of the Shares that may be made available under the Scheme exceeds fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling and/or reducing the Shares in accordance with the provisions of the Act or the Company undertaking any corporate proposal and thereby diminishing the total number of issued shares of the Company, then such LTIP Award(s) awarded prior to the adjustment of the issued shares of the Company (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of this Scheme. However, in such a situation, the LTIP Committee shall not make further LTIP Award(s) until the total number of the Shares under the subsisting LTIP Award(s) falls below fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any).

**4. ELIGIBILITY**

4.1 Subject to the sole discretion of the LTIP Committee, only Eligible Persons who fulfil the following conditions as at the LTIP Award Date shall be eligible to participate in the Scheme:

(i) in respect of an Employee, the Employee must fulfil the following criteria as at the LTIP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is employed by Oppstar Group on a full-time basis or serving in a specific designation under an employment contract with Oppstar Group for a fixed duration (or any other contract as may be determined by the LTIP Committee) and is on the payroll of any company within Oppstar Group and has not served a notice of resignation or received notice of termination;

(c) must have been in employment of the Oppstar Group for a period of at least six (6) months prior to the LTIP Award Date;

(d) is confirmed in writing as a full-time Employee of Oppstar Group prior to and up to the LTIP Award Date; and

(e) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(ii) in respect of an executive Director, the executive Director must fulfil the following criteria as at the LTIP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is appointed as an executive Director of the Company or any company within Oppstar Group for such periods as may be determined by the LTIP Committee prior to and up to the LTIP Award Date; and

(c) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

(iii) in respect of a non-executive Director, the non-executive Director must fulfil the following criteria as at the SOP Award Date:

(a) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(b) is appointed as a non-executive Director of the Company or any company within Oppstar Group for such periods as may be determined by the LTIP Committee prior to and up to the SOP Award Date; and

(c) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

4.2 Notwithstanding the above, the LTIP Committee may, at its absolute discretion, waive any of the eligibility conditions as set out in By-Law 4.1 above. The eligibility and number of LTIP Award(s) to be awarded to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

4.3 Subject to By-Law 4.1, the LTIP Committee may from time to time at its own discretion decide on the performance targets to be achieved by the LTIP Participants before the LTIP Awards can be vested.

4.4 Notwithstanding By-Law 4.1, the LTIP Award(s) to be awarded to any Eligible Person, who is a Director, major shareholder or chief executive of the Company or persons connected with such Director, major shareholder or chief executive (as defined in the Listing Requirements), shall also be approved by the shareholders of the Company in general meeting to be convened unless such approval is no longer required under the Constitution, the Listing Requirements and any other prevailing guidelines issued by the authorities.

4.5 Any Eligible Person who holds more than one (1) position within Oppstar Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those category/designation of employment. The LTIP Committee shall be entitled at its sole discretion to determine the applicable category/designation of employment.

4.6 An Employee or Director of a dormant company within Oppstar Group is not eligible to participate in the Scheme.

4.7 An Employee or Director may, at the sole discretion of the LTIP Committee, be eligible to participate in the Scheme, subject to the Maximum Allowable Allotment.

4.8 Eligibility under the Scheme does not confer on an Eligible Person any claim or right to participate in or any right whatsoever under the Scheme and an Eligible Person does not acquire or has any right over or in connection with the LTIP Award(s) unless the LTIP Award(s) has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the LTIP Award(s) in accordance with these By-Laws.

## 5. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION

5.1 The allocation of the Shares to be made available for the LTIP Award(s) under the Scheme shall be determined by the LTIP Committee.

5.2 Subject to By-Law 3 and any adjustment which may be made under By-Law 9, the maximum number of Shares to be awarded to an Eligible Person under the Scheme at any point of time in each LTIP Award shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the Eligible Person's designation, length of service, work performance and/or such other factors as the LTIP Committee deems fit, and subject to the following conditions:

(i) the total number of Shares made available under the Scheme shall not exceed the amount in By-Law 3.1 above;

(ii) not more than ten percent (10%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through persons connected (as defined in the Listing Requirements) with the Eligible Person, holds twenty percent (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

(iii) up to fifty percent (50%) of the total number of Shares which may be made available under the Scheme could be allocated, in aggregate, to the Directors and senior management of Oppstar Group who are Eligible Persons (where "**senior management**" shall be subject to any criteria as may be determined at the sole discretion of the LTIP Committee from time to time); and

(iv) the Directors and senior management of Oppstar Group shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any;

PROVIDED ALWAYS THAT it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

5.3 The LTIP Committee shall determine the maximum number of Shares for the LTIP Award(s) that will be made available to an Eligible Person under the Scheme, in the manner provided in these By-Laws in relation to each class or grade of Directors and Employees and the aggregate maximum number of LTIP Award(s) that can be awarded to the Directors and Employees under the Scheme from time to time, and the decision of the LTIP Committee shall be final and binding.

5.4 In the event that an Eligible Person is promoted, the Maximum Allowable Allotment applicable to such Eligible Person shall be the Maximum Allowable Allotment that may be awarded corresponding to the category of employee of which he/she then is a party, subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 3.1.

5.5 In the event that an Eligible Person who is demoted/re-designated to a lower grade for whatsoever reason shall only be entitled to the allocation of that lower grade unless an award has been made and accepted by him before such demotion/re-designated and where he has accepted an award which exceeds his Maximum Allowable Allotment under that lower grade, he shall not be entitled to any further allocation for that lower grade.

5.6 The Company shall ensure that the LTIP Award(s) awarded pursuant to the Scheme is verified by the Audit Committee of Oppstar Group at the end of each financial year as being in compliance with the award criteria of the LTIP Award(s) which have been disclosed to the Eligible Person.

5.7 The LTIP Committee may at its sole and absolute discretion determine whether the LTIP Award(s) to the Eligible Person(s) will be made on a staggered basis over the duration of the Scheme or in a single award and/or whether the LTIP Award(s) are subject to any vesting period and if so, to determine the vesting conditions.

5.8 If any Eligible Person is a member of the LTIP Committee, such Eligible Person shall not participate in the deliberation or discussion of his/her LTIP Award(s).

## 13. BY-LAWS OF THE LTIP *(CONT'D)*

5.9 The selection of any Eligible Person to participate in the Scheme will be at the sole discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

5.10 At the time the LTIP Award(s) is awarded in accordance with these By-Laws, the LTIP Committee shall set out the basis of award, identifying the category or grade of the Eligible Person and the Maximum Allowable Allotment that may be awarded to such Eligible Person under the LTIP Award(s).

5.11 Subject to By-Law 5.2, nothing herein shall prevent the LTIP Committee from awarding more than one (1) LTIP Award(s) to an Eligible Person **PROVIDED THAT** the total aggregate number of Shares comprised in the LTIP Award(s) awarded to such Eligible Person during the duration of the Scheme shall not exceed the Maximum Allowable Allotment that an Eligible Person is entitled under the LTIP Award(s).

### 6. RIGHTS OF LTIP PARTICIPANT(S)

6.1 The LTIP Award(s) shall not carry any right to vote at any general meeting of the Company.

6.2 The Shares which are credited into the LTIP Participants' CDS Account upon vesting of the SGP Awards and/or exercising of the SOP Options, would carry rights to vote at the general meeting of the Company, if the LTIP Participant(s) is registered in the Record of Depositors on the Entitlement Date to be entitled to attend and vote at the general meeting.

6.3 A LTIP Participant(s) shall not be entitled to any dividends, rights and/or other distributions on his/her unvested SGP Awards and/or unexercised SOP Options.

### 7. RIGHTS ATTACHING TO THE SHARES

7.1 The Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options shall, upon allotment and issuance, rank equally in all respects with the existing Shares and together with the Shares procured by the Company, via the Trustee, for transfer shall:

(i) be subject to the provisions of the Constitution; and

(ii) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date on which the Shares are credited into the CDS Account of the LTIP Participant(s) and shall in all other respects rank equally with other existing Shares then in issue.

7.2 Notwithstanding any provision in these By-Laws, the LTIP Participant(s) shall not be entitled to any rights, dividends or other distributions attached to the Shares prior to the date on which such Shares are credited into their respective CDS Accounts.

**8. RETENTION PERIOD**

8.1 The Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options will not be subjected to any retention period or restriction on transfer unless otherwise as stated in the LTIP Award(s) as determined by the LTIP Committee from time to time. However, LTIP Participant(s) are encouraged to hold the Shares as a long-term investment and not for any speculative and/or realisation of any immediate gain. The expression "**retention period**" shall mean the period in which the Shares awarded and issued pursuant to the Scheme must not be sold, transferred, assigned or otherwise disposed of by the LTIP Participant(s).

8.2 Notwithstanding to the above By-Law 8.1, the LTIP Committee shall be entitled at its discretion to prescribe or impose, in relation to any LTIP Award(s), any condition relating to any retention period or restriction on transfer (if applicable) as the LTIP Committee sees fit.

8.3 An eligible Director who is a non-executive Director in the Group shall not sell, transfer or assign the Shares obtained through the exercise of the SOP Options granted to him within one (1) year from the SOP Award Date.

**9. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT**

9.1 Subject to By-Law 9.5 hereof, in the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of capitalisation of profits or reserves, rights issue, bonus issue, consolidation or subdivision of the Shares or reduction in share capital (save for set-off against accumulated losses) or any other variation of capital shall take place during the duration of the Scheme, the Company shall cause such adjustment to be made:

(i) in relation to SGP:

(a) the number of Shares comprised in the SGP Award(s) to the extent not yet vested; and/or

(b) the method and/or manner in the vesting of the Shares comprised in the SGP Award(s).

(ii) in relation to SOP:

(a) the Option Price and/or number of SOP Options comprised in the SOP Award(s) to the extent not yet vested or exercised; and/or

(b) the method and/or manner in the vesting of the SOP Options comprised in the SOP Awards.

9.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 9.1:

(i) any adjustment to the Option Price shall be rounded down to the nearest one (1) sen; and

(ii) in determining a LTIP Participant's entitlement to have the Shares vested and/or to exercise the SOP Options, any fractional entitlements will be disregarded.

9.3 Subject to By-Law 9.2, the Option Price for the SOP Award(s) and/or the number of new Shares unvested/SOP Options relating to the LTIP Award(s) awarded to each LTIP Participant(s) shall from time to time be adjusted, calculated and determined by the LTIP Committee in accordance with the following relevant provisions in consultation with the Adviser and/or the external auditor of the Company:

**(i) <u>Consolidation and subdivision</u>**

Whenever a Share by reason of any consolidation or subdivision, the total number of issued shares shall be different. Then, the Option Price for the SOP Award(s) and/or the number of additional Oppstar Shares/SOP Options relating to the LTIP Award(s) to be issued shall be adjusted, calculated or determined in the following formula:

(a) New Option Price

$$\text{New Option Price} = EP \times \frac{\text{Former total number of issued shares before the consolidation or subdivision}}{\text{Revised total number of issued shares after the consolidation or subdivision}}$$

(b) Number of additional Shares/SOP Options

$$\text{Number of additional Shares/SOP Options} = T \times \frac{\text{Former total number of issued shares after the consolidation or subdivision}}{\text{Former total number of issued shares before the consolidation or subdivision}} - T$$

Where:

EP = Existing Option Price; and

T = Existing number of Shares/SOP Options relating to the LTIP Award(s) awarded.

Such adjustment will be effective from the close of business on the Market Day immediately following the Entitlement Date on which the consolidation or subdivision becomes effective (being the date when the Shares are traded on Bursa Securities), or such other period as may be prescribed by Bursa Securities.

**(ii) Capitalisation of profits/reserves**

If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation issue from profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund), the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the number of additional Shares/SOP Options relating to the LTIP Award(s) to be issued shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[\frac{A + B}{A} - T\right]$$

Where:

A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid-up by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund); and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(iii)** If and whenever the Company shall make:

**(a) Capital Distribution**

a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

**(b) Rights issue of the Shares**

any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for new Shares by way of rights; or

**(c) Rights issue of convertible securities**

any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto, then and in respect of each such case, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 9.3(iii)(b) hereof, the number of additional Shares/SOP Options comprised in the LTIP Award(s) to be issued shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{C}{C - D^*} - T \right]$$

Where:

T = as T above;

C = the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 9.3(iii)(b) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 9.3(iii)(c) above, the value of rights attributable to one (1) existing Share (as defined below); or

(bb) in the case of any other transaction falling within By-Law 9.3(iii) hereof, the fair market value as determined by the Principal Adviser and/or the external auditor of the Company of that portion of the Capital Distribution attributable to one (1) existing Share.

D*= the value of rights attributable to one (1) existing Shares (as defined below).

For the purpose of definition "(aa)" of D above, the "**value of rights attributable to one (1) existing Share**" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = as C above;

E = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for the Share or subscription price of one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for the Shares; and

F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or subscribe for security convertible into one (1) additional Shares or rights to acquire or subscribe for one (1) additional Shares.

For the purpose of definition "D*" above, the "**value of rights attributable to one (1) existing Shares**" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = as C above;

E*= the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and

F*= the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 9.3(iii) hereof, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 9.3(ii) hereof) or other securities issued by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any capital redemption reserve fund).

Any distribution out of profits or reserves (including any capital redemption reserve fund) made (whenever paid and howsoever described) shall be deemed to be a Capital Distribution unless the distribution is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated statements of profit or loss and other comprehensive income of the Company.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(iv) Capitalisation of profits/reserves and rights issue of Shares/convertible securities**

If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 9.3(iii)(b) or (c) above and Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

**13. BY-LAWS OF THE LTIP *(CONT'D)***

$$\frac{(G \times C) + (H \times I)}{(G+H+B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 9.3(iii)(b) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Shares comprised in the LTIP Award(s) to be issued shall be calculated as follow:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

B = as B above;

C = as C above;

G = the aggregate number of issued and fully paid-up Shares on the Entitlement Date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for the Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into the Shares or rights to acquire or subscribe for the Shares, as the case may be;

H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for the Shares by way of rights;

I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for the Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for the Shares; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(v) <u>Rights issue of the Shares and rights issue of convertible securities</u>**

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for new Shares as provided in By-Law 9.3(iii)(b) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares as provided in By-Law 9.3(iii)(c) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional Shares/SOP Options comprised in the LTIP Award(s) shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{(G+H^*) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = the aggregate number of the Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for the Shares by the ordinary shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

## 13. BY-LAWS OF THE LTIP *(CONT'D)*

**(vi) <u>Capitalisation of profits/reserve, rights issue of the Shares and rights issue of convertible securities</u>**

If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 9.3(ii) above and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for the Shares as provided in By-Law 9.3(iii)(b) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for the Share as provided in By-Law 9.3(iii)(c) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C)+(H \times I)+(J \times K)}{(G+H+J+B) \times C}$$

and the number of additional Shares/SOP Options comprised in the LTIP Award(s) shall be calculated as follows:

Number of additional Shares/SOP Options =

$$T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} - T \right]$$

Where:

B = as B above;

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = as J above;

K = as K above; and

T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

**(vii) <u>Others</u>**

If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under By-Laws 9.3(iii)(b), (iii)(c), (iv), (v) or (vi) above), the Company shall issue either new Shares or any securities convertible into new Shares or any rights to acquire or subscribe for the Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price (as defined below) for one (1) Share or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Option Price for the SOP Award(s) shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

Where:

L = the number of the Shares in issue at the close of business on Bursa Securities on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of the Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and

N = the aggregate number of the Shares so issued or, in the case of securities convertible into the Shares or securities with rights to acquire or subscribe for the Shares, the maximum number (assuming no adjustment of such rights) of the Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of By-Law 9.3(vii), the "**Total Effective Consideration**" shall be determined by the LTIP Committee with the concurrence of the external auditor shall be:

(i) in the case of the issue of new Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;

(ii) in the case of the issue by the Company of securities wholly or partly convertible into new Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or

(iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for new Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**Total Effective Consideration per Share**" shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 9.3(vii), "**Average Price**" of a Share shall be the average market price of one (1) Share as derived from the last traded prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately following the date on which the Company determines the subscription price of such Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

For the purpose of By-Laws 9.3(iii), (iv), (v) and (vi), the current market price in relation to one (1) existing Shares for any relevant day shall be the based on the volume weighted average market price of the Shares for the five (5) Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

Such adjustment must be confirmed in writing by the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the LTIP Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

(a) any adjustment to the Option Price shall be rounded up to the nearest one (1) sen;

(b) in the event that a fraction of a new Share arising from the adjustment referred to in these By-Laws would otherwise be required to be issued upon vesting of the SGP Awards and/or exercising of an SOP Option by the LTIP Participant(s), the LTIP Participant(s)' entitlement shall be round down to the nearest whole number;

(c) upon any adjustment being made pursuant to these By-Laws, the LTIP Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the LTIP Participant(s) (or his legal representatives where applicable) in writing informing him of the adjusted Option Price for the SOP Award(s) thereafter in effect and/or the number of the Shares/SOP Options comprised in the LTIP Award(s); and

(d) any adjustments made must be in compliance with the provisions for adjustments provided in these By-Laws.

For avoidance of doubt, any adjustments to the Option Price for the SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) so far as unvested and/or unexercised arising from bonus issue, subdivision or consolidation of the Shares need not be confirmed in writing by the external auditors of the Company.

9.4 Save as expressly provided for herein, the external auditors must confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of the external auditors shall be final, binding and conclusive.

9.5 The provisions of By-Law 9 shall not apply where the alteration in the capital structure of the Company arises from any of the following:

(i) an issue of Shares pursuant to the vesting of LTIP Award(s) under the Scheme;

(ii) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;

(iii) private placement or restricted issue or special issue of new Shares by the Company;

(iv) a special issue of securities to Bumiputera parties or investors nominated by the Ministry of International Trade and Industry and/or other government authority to comply with the government's policy on Bumiputera capital participation;

(v) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to Section 127 of the Act; or

(vi) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to new Shares or upon exercise of any other rights including warrants and convertible loan stocks or other instruments (if any) issued by the Company.

9.6 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part III (Division 7, Subdivision 2) of the Act, By-Law 9.1 shall be applicable in respect of such part(s) of the scheme which involves any alteration(s) in the capital structure of the Company to which By-Law 9.1 is applicable, but By-Law 9.1 shall not be applicable in respect of such part(s) of the scheme which involves any alteration(s) in the capital structure of the Company to which By-Law 9.1 is not applicable as described in By-Law 9.5.

An adjustment pursuant to By-Law 9.1 shall be made according to the following terms:

(a) in the case of a right issue, bonus issue or other capitalisation issue, on the next Market Day following the Entitlement Date in respect of such issue; or

(b) in the case of a consolidation or subdivision of the Shares or reduction of capital, on the Market Day immediately following the date on which the consolidation or subdivision or capital reduction becomes effective, or such period as may be prescribed by Bursa Securities.

Upon any adjustment being made, the LTIP Committee shall give notice in writing within thirty (30) days from the date of adjustment to the LTIP Participant(s), or his/her legal representative, where applicable, to inform him/her of the adjustment and the event giving rise thereto.

Notwithstanding the provisions referred to in these By-Laws, the LTIP Committee may exercise its sole discretion to determine whether any adjustments to the Option Price for SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price for the SOP Award(s) and/or the number of the Shares/SOP Options comprised in the LTIP Award(s) notwithstanding that no such adjustment formula has been explicitly set out in these By-Laws.

**10. TAKE-OVERS AND MERGERS, SCHEMES OF ARRANGEMENT, AMALGAMATIONS, RECONSTRUCTIONS AND DISPOSAL OF ASSETS**

10.1 In the event of:

(i) a take-over offer being made for, under the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-Overs, Mergers and Compulsory Acquisitions (or any replacement thereof), to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over ("**Offeror**") or any persons acting in concert with the Offeror);

(ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of the Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the LTIP Participant(s) that it intends to exercise such rights on a specific date ("**Specified Date**"); or

(iii) the Company disposes of all or substantially all of its assets and the disposal becomes unconditional;

the LTIP Committee may at its discretion to the extent permitted by law permit the vesting of the LTIP Awards and the LTIP Participant(s) will be entitled to within such period to be determined by the LTIP Committee, to subscribe and/or exercise all or any of his/her LTIP Awards and the Directors of the Company shall use their best endeavours to procure that such a general offer be extended to the new Shares that may be issued pursuant to the LTIP Award(s) under these By-Law.

In the foregoing circumstances, all LTIP Award(s) which the LTIP Committee permits to be vested and/or exercisable, shall automatically lapse and become null and void to the extent remain unvested and/or unexercised by the date prescribed by the LTIP Committee notwithstanding that the LTIP Award Vesting Date has not commenced or has not expired.

10.2 Notwithstanding to the provisions of these By-Laws and subject to the sole discretion of the LTIP Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 or any other provisions of the Act or the Company decided to merge with other company or companies, the LTIP Committee may at its absolute discretion decide whether a LTIP Participant(s) may be entitled to be vested and/or to exercise all or any of his/her unvested and/or unexercised LTIP Awards at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective PROVIDED ALWAYS THAT no LTIP Awards shall be vested and LTIP Awards shall be subscribed and/or exercised after the expiry of the LTIP Award Vesting Date. Upon the compromise or arrangement becoming effective, all unvested and/or unexercised LTIP Awards shall automatically lapse and become null and void and of no further force and effect.

**11. DIVESTMENT FROM AND TRANSFER TO/FROM THE GROUP**

11.1 If a LTIP Participant(s) is in the employment of a company within the Group and such company is subsequently divested, wholly or in part, from Oppstar Group, the LTIP Participant(s):

(i) shall cease to be capable of being vested with any unvested LTIP Awards awarded to him/her under the Scheme from the date of completion of such divestment or the Date of Expiry, whichever expires first;

(ii) will not be entitled to exercise any unexercised vested SOP Options from the date of completion of such divestment, unless the LTIP Committee at its discretion permit such exercise of the unexercised vested SOP Option or the vesting of the unvested LTIP Awards including its allocation thereof. For avoidance of doubt, save and except to the extent permitted by the LTIP Committee, all existing LTIP Awards shall automatically lapse and become null and void and of no further force and effect; and

(iii) shall not be eligible to participate for further LTIP Award(s) under the Scheme as from the date of completion of such divestment.

11.2 For the purposes of By-Law 11.1 above, a company shall be deemed to be divested from Oppstar Group or disposed of from Oppstar Group in the event that the effective interest of the Company in such company is reduced from above fifty percent (50%) to fifty percent (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act (other than pursuant to a takeover, scheme of arrangement, amalgamation, reconstruction, merger or otherwise as provided under the By-Law 10).

11.3 In the event that:

(i) an employee who was employed in a company which is not related to the Company pursuant to Section 7 of the Act (that is to say, a company which does not fall within the definition of Oppstar Group") and is subsequently transferred from such company to any company within Oppstar Group; or

(ii) an employee who was in the employment of a company which subsequently becomes a company within Oppstar Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within Oppstar Group with any of the first mentioned company stated in (i) above;

(the first abovementioned company in (i) and (ii) herein referred to as the "**Previous Company**"), such an employee of the Previous Company will be eligible to participate in this Scheme for the remaining duration of the Scheme, if the affected employee becomes an "**Eligible Person**" within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into Oppstar Group pursuant to part (ii) above as a subsidiary as defined in Section 4 of the Act or any other statutory regulation in place thereof during the duration of the Scheme, the Scheme shall apply to the employees of such company on the date of such company becomes a subsidiary of Oppstar Group (PROVIDED THAT such subsidiary is not dormant) falling within the meaning of the expression of "Eligible Person" under By-Law 1 and the provisions of these By-Laws shall apply.

**12. WINDING UP**

12.1 All outstanding LTIP Awards under the Scheme shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise the SOP Options and/or vest in the LTIP Awards pursuant to the Scheme shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise the SOP Options and/or vest the LTIP Awards pursuant to the Scheme shall accordingly be unsuspended.

**13. DURATION AND TERMINATION OF THE SCHEME**

13.1 The Effective Date for the implementation of the Scheme shall be at the date of full compliance with all relevant requirements in the Listing Requirements, including but not limited to the following:

(i) submission of the final copy of the By-Laws to Bursa Securities together with a letter of a compliance pursuant to Rule 2.12 of the Listing Requirements and checklist showing compliance with Appendix 6E of the Listing Requirements;

(ii) receipt of the approval or approval-in-principle, as the case may be, from Bursa Securities for the listing of and quotation for the new Shares to be issued under the Scheme;

(iii) receipt of the approval of any other relevant authorities whose approvals are necessary in respect of the Scheme; and

(iv) fulfilment or waiver (as the case may be) of all conditions attached to any of the abovementioned approvals, if any.

The principal adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of Bursa Securities stating the Effective Date of implementation of the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

13.2 The Scheme, when implemented, shall be in force for a period of five (5) years from the Effective Date. The Company may, if the Board deems fit and upon the recommendation of the LTIP Committee, extend the Scheme for a period of up to a maximum of five (5) years, commencing from the day after the date of expiration of the original five (5) years period, and shall not in aggregate exceed ten (10) years from the Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities. Such extended Scheme shall be implemented in accordance with the terms of these By-Laws, save for any amendment and/or change to the relevant statutes and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals from the shareholders of the Company shall be required for the extension of the Scheme and the Company shall serve appropriate notices on each LTIP Participant(s) and/or make any necessary announcements to any parties and/or Bursa Securities (if required) within thirty (30) days prior to the Date of Expiry or such other period as may be stipulated by Bursa Securities.

13.3 LTIP Award(s) can only be made from the Effective Date and up to the Date of Expiry.

13.4 Notwithstanding anything to the contrary, all unvested LTIP Awards and/or unexercised vested SOP Options shall lapse and become null and void on the Date of Expiry.

13.5 The Scheme may be terminated by the LTIP Committee at any time before the Date of Expiry PROVIDED THAT an announcement is released to Bursa Securities on the following:

(i) the effective date of termination ("**Termination Date**");

(ii) the number of the Shares vested pursuant to the SGP and/or number of SOP Option(s) exercised pursuant to the SOP; and

(iii) the reasons and justification for termination.

13.6 In the event of termination as stipulated in By-Law 13.5 above, the following provisions shall apply:

(i) no further LTIP Award(s) shall be awarded by the LTIP Committee from the Termination Date;

(ii) all LTIP Award(s) which have yet to be accepted by the Eligible Persons shall automatically lapse and become null and void on the Termination Date; and

(iii) any LTIP Award(s) which have yet to be vested or exercised (as the case may be and whether fully or partially) awarded under the Scheme shall be deemed cancelled and be null and void.

13.7 Subject to the requirements under the Listing Requirements, approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of LTIP Participant(s) who have yet to be vested their LTIP Awards and/or exercise their vested SOP Options are not required to effect a termination of the Scheme.

## 14. ADMINISTRATION AND IMPLEMENTATION OF THE SCHEME

14.1 The Scheme shall be administered by the LTIP Committee. The LTIP Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall deem fit and with such powers and duties as are conferred upon it by the Board. The decision of the LTIP Committee shall be final and binding.

14.2 Without limiting the generality of By-Law 14.1, the LTIP Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any error(s) in the LTIP Award(s), execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its sole discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:

(i) subject to the provisions of the Scheme, construe and interpret the Scheme and LTIP Award(s) awarded under it, to define the terms therein and to recommend to thereto establish, amend and revoke rules and regulations relating to the Scheme and its administration. The LTIP Committee in the exercise of this power may correct any defects, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for the LTIP Award(s) in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

(ii) determine all question of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary and/or expedient to promote the best interests of the Company.

14.3 The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the LTIP Committee as it shall deem fit.

14.4 In implementing the Scheme, the LTIP Committee may at its absolute discretion decide that the LTIP Awards be satisfied by the following methods:

(i) issuance of new Shares;

(ii) acquisition of existing Shares from the open market of Bursa Securities;

(iii) transfer of the Company's treasury shares (if any) or any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or

(iv) a combination of any of the above.

In considering the method of satisfaction as referred to in (i) to (iv) above, the LTIP Committee shall take into consideration, amongst others, factors such as the prevailing market price of the Shares, the potential cost arising from awarding the LTIP Awards and dilutive effects on the Company's capital base as well as applicable laws and/or regulatory requirements. The method of satisfaction to be made by the Company shall be at the discretion of the LTIP Committee.

14.5 For the purpose of facilitating the implementation of the Scheme, the Company and/or the LTIP Committee may, but shall not be obligated to, establish a trust to be administered by a trustee(s) to be appointed by the Company ("**Trustee**") ("**Trust**") in accordance with the trust deed to be entered into between the Company and the Trustee ("**Trust Deed**"). Accordingly, the Company shall have the power to appoint or rescind the appointment of any Trustee as it deems fit for the purpose of administering the Scheme, in accordance with the provision of the Trust Deed. The Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.

14.6 For the purpose of administering the Trust, if and when the Trust is established, the Trustee shall do all such acts and things and enter into any transaction, agreement, deed, document or arrangement or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its absolute discretion direct for the implementation and administration of the Trust which are expedient for the purpose of giving effect to and carrying out the powers and duties conferred on the Trustee by the Trust Deed.

14.7 The Trustee shall, at such times as the LTIP Committee shall direct, subscribe for and/or acquire the necessary number of existing Shares from the open market of Bursa Securities to accommodate any transfer of the Shares to the CDS account of the LTIP Participant(s). For this purpose, the Trustee will be entitled, from time to time, to the extent permitted by law and as set out under these By-Laws to accept funding and/or assistance, financial or otherwise from Oppstar and/or any company within Oppstar Group. The LTIP Committee shall have the discretion to instruct the Trustee to subscribe for new Shares and/or acquire existing Shares from time to time and also to revoke or suspend any such instruction that has earlier been given to the Trustee.

14.8 Should the Trust be terminated pursuant to the Trust Deed, the Trustee shall sell the remaining Shares held by the Trustee and/or its authorised nominee(s) and deal with such funds in accordance with the instructions of the LTIP Committee.

14.9 The appointment or involvement of a Trustee shall not be required in the event that the Shares to be awarded under the LTIP are to be satisfied solely via issuance of new Shares and/or transfer of treasury shares held by the Company, if any, pursuant to Section 127(7) of the Act.

**15. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME**

15.1 Subject to By-Law 15.2 and compliance with the Listing Requirements, the LTIP Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of these By-Laws as it shall at its sole discretion deem fit and the Board shall have the power, at any time, by resolution to, add, amend, modify and/or delete all or any of the terms in these By-Laws upon such recommendation and the Company will submit the amended By-Laws together with a confirmation letter to Bursa Securities confirming that such amendment and/or modification is in compliance with the provisions of the Listing Requirements pertaining to the Scheme and the Rules of Bursa Depository.

15.2 Subject to By-Law 15.3, the approval of the shareholders of the Company in general meeting shall not be required in respect of any additions, modifications or amendments to or deletions of these By-Laws PROVIDED THAT no additions, modifications or amendments to or deletions of these By-Laws shall be made which will:

(i) prejudice any rights which would have accrued to any LTIP Participant(s) without the prior consent or sanction of that LTIP Participant(s);

(ii) increase the number of the Shares available under the Scheme beyond the maximum amount set out in By-Law 5 above;

(iii) prejudice any rights of the shareholders of the Company; or

(iv) alter to the advantage of an Eligible Person and/or LTIP Participant(s) in respect of By-Laws 3.1, 4, 5.2, 7, 8, 9, 11, 12, 13.2, 30.2, 35.2 and 38.1, without the prior approval of the Company's shareholders obtained in a general meeting unless allowed by the provisions of the Listing Requirements.

Such amendment or modification to the By-Laws does not need the prior approval of Bursa Securities. However, the Company shall submit to Bursa Securities a confirmation letter that the amendment or modification does not contravene any of the provisions of the Listing Requirements pertaining to the Scheme no later than five (5) Market Days after the effective date of the said amendment or modification is made.

15.3 The LTIP Committee shall within ten (10) Market Days of any amendment and/or modification made pursuant to these By-Laws notify the LTIP Participant(s) in writing of any amendment and/or modification made pursuant to these By-Laws.

## 16. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

16.1 All LTIP Participant(s) are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during normal business hours on any working day of the registered office.

## 17. SCHEME NOT A TERM OF EMPLOYMENT

17.1 This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in Oppstar Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Eligible Person.

## 18. NO COMPENSATION FOR TERMINATION

18.1 No Eligible Person shall be entitled to any compensation for damages arising from the termination of the LTIP Awards(s) or this Scheme pursuant to the provisions of these By-Laws.

18.2 Notwithstanding any provisions of these By-Laws:

(i) this Scheme shall not form part of any contract of employment between the Company or any company within Oppstar Group and any Eligible Person of any company of Oppstar Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within Oppstar Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the LTIP Award(s) or consideration for the LTIP Award(s) afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;

(ii) this Scheme shall not confer on any person any legal or equitable right or other rights under any other law (other than those constituting the LTIP Award(s)) against the Company or any company within Oppstar Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other law against any company within Oppstar Group;

(iii) no LTIP Participant(s) or his/her personal or legal representative (as the case may be) shall bring any claim, action or proceeding against any company within Oppstar Group, the LTIP Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights to his/her LTIP Award(s) or his/her LTIP Award(s) ceasing to be valid pursuant to the provisions of these By-Laws; and

(iv) the Company, the Board (including Directors that had resigned but were on the Board during the duration of the Scheme) or the LTIP Committee shall in no event be liable to the LTIP Participant(s) or his/her personal or legal representative (as the case may be) or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company within Oppstar Group, the Board or the LTIP Committee has been advised of the possibility of such damage.

**19. DISPUTES**

19.1 In case any dispute or difference shall arise between the LTIP Committee and an Eligible Person or a LTIP Participant or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the LTIP Committee during the duration of the Scheme. The LTIP Committee then shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person and/or the LTIP Participant, as the case may be PROVIDED THAT where the dispute is raised by a member of the LTIP Committee, the said member shall abstain from voting in respect of the decision of the LTIP Committee in that instance. In the event the Eligible Person or the LTIP Participant(s), as the case may be, shall dispute the same by written notice to the LTIP Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, PROVIDED THAT any Director of the Company who is also in the LTIP Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the LTIP Committee shall be borne by such party.

19.2 Notwithstanding the foregoing provisions of By-Law 19.1 above, matters concerning adjustments made pursuant to By-Law 9 shall be referred to external auditors or the principal adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

**20. COSTS AND EXPENSES**

20.1 Unless otherwise stipulated by the Company in the LTIP Award(s), all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issuance and/or transfer of the Shares pursuant LTIP Award(s), shall be borne by the Company. Notwithstanding this, the LTIP Participant(s) shall bear any fees, costs and expenses incurred in relation to his/her acceptance of the LTIP Award(s) and/or exercise of the SOP Option(s) under the Scheme and any holding or dealing of the Shares after the Shares have been successfully issued and allotted or transferred to the LTIP Participant(s) pursuant to the LTIP Award(s), including but not limited to the opening and maintenance of his or her own CDS Account, brokerage commissions and stamp duties.

**21. CONSTITUTION**

21.1 In the event of a conflict between any of the provisions of these By-Laws and the Constitution, the provisions of the Constitution shall at all times prevail save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

**22. TAXES**

22.1 For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including, without limitation, income tax), if any, arising from the acceptance and vesting of the Shares pursuant to the SGP Award(s) and/or exercising of the SOP Option(s) and any holding or dealing of such Shares (including but not limited to brokerage commissions and stamp duty) under the Scheme shall be borne by the LTIP Participant(s) for his own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

**23. LISTING OF AND QUOTATION FOR THE SHARES**

23.1 An application will be made by the Company for the listing of and quotation for such new Shares to be issued pursuant to LTIP Award(s) on the ACE Market or Main Market of Bursa Securities (as the case may be).

23.2 The Company and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list the Shares for which the LTIP Participant(s) are entitled to.

**24. NOTICE**

24.1 Any notice under the Scheme required to be given to or served upon the LTIP Committee by an Eligible Person or LTIP Participant(s) or any correspondence to be made between an Eligible Person or LTIP Participant(s) to the LTIP Committee shall be given or made in writing and either delivered by hand or sent to the LTIP Committee or the Company by email or ordinary letter. Notwithstanding the foregoing, proof of posting shall not be evidence of receipt of the letter.

24.2 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the LTIP Participant(s) pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given;

(i) if it is sent by ordinary post by the Company to the Eligible Person or the LTIP Participant(s) at the last address known to the Company as being his/her address such notice or request shall be deemed to have been received three (3) Market Days after posting;

(ii) if it is delivered by hand to the Eligible Person or the LTIP Participant(s), such notice or request shall be deemed to have been received on the date of delivery; and

(iii) if it is sent by electronic media, including but not limited to electronic mail to the Eligible Person or the LTIP Participant(s), such notice or request shall be deemed to have been received by the recipient on the Market Day immediately following the day on which the electronic mail is sent or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected.

Any change of address of the Eligible Person or the LTIP Participant(s) shall be communicated in writing to the Company by email or ordinary letter.

24.3 Where any notice which the Company or the LTIP Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the LTIP Participant(s) (as the case may be) pursuant to the Scheme, the Company or the LTIP Committee may give such notice through an announcement to all employees of Oppstar Group to be made in such manner deemed appropriate by the LTIP Participant(s) (including via electronic media). Upon the making of such an announcement, the notice to be made under By-Law 24.2 above shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or LTIP Participant(s), as the case may be.

**25. SEVERABILITY**

25.1 Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

**26. DISCLOSURES IN ANNUAL REPORT**

26.1 The Company will make such disclosures in its annual report for as long as the Scheme continues in operation as from time to time required by the Listing Requirements.

**27. SUBSEQUENT LONG TERM INCENTIVE PLAN**

27.1 Subject to the approval of Bursa Securities and other relevant authorities, the Company may establish a new long term incentive plan after the expiry date of this scheme or upon termination of this Scheme.

27.2 The Company may implement more than one (1) scheme PROVIDED THAT the aggregate number of shares available under all the Schemes does not breach the maximum limit prescribed in the prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

**28. GOVERNING LAW AND JURISDICTION**

28.1 The Scheme, these By-Laws, all LTIP Award(s) awarded and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia.

28.2 The Eligible Persons, by accepting the LTIP Award(s) in accordance with these By-Laws and terms of the Scheme and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.

**SECTION 1**

**SGP**

**29. SGP AWARD**

29.1 During the duration of the Scheme as provided under By-Law 13, the LTIP Committee may, at its sole discretion, at any time and from time to time award the SGP Award(s) in writing to an Eligible Person subject to the Maximum Allowable Allotment as set out in By-Law 5 and further subject to other terms and conditions of these By-Laws. Each SGP Award(s) awarded to the selected Eligible Person(s) shall be separate and independent from any previous or subsequent SGP Award(s) awarded by the LTIP Committee to that Eligible Person.

29.2 The actual number of the Shares which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee, subject to any adjustments that may be made under By-Law 9. The number of the Shares arising from the vesting of the SGP Award(s) shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allotment as set out in By-Law 5 and shall be in multiples of one hundred (100) Shares. The LTIP Committee may stipulate any terms and conditions it deems appropriate in a SGP Award(s) and the terms and conditions of each may differs.

29.3 The LTIP Committee shall, in its LTIP Award letter to an Eligible Person, state, amongst others:

(i) the number of the Shares which the Eligible Person shall be entitled upon acceptance of the SGP Award(s);

(ii) the SGP Award Date;

(iii) the manner of acceptance of the SGP Award(s);

(iv) the closing date for acceptance of the SGP Award(s);

(v) the vesting conditions of the SGP Award(s) as determined by the LTIP Committee, if any;

(vi) the SGP Vesting Date(s); and

(vii) any other terms and conditions deemed necessary by the LTIP Committee.

29.4 Under the SGP, the reference price of the SGP Awards to be awarded will be determined based on the fair value of the SGP Awards, which will take into account, amongst others, the market price of the Shares as at or prior to the award date of the SGP Awards.

29.5 Without prejudice to By-Law 14, in the event the LTIP Award letter contains an error on the part of the Company in stating any of the particulars in By-Law 29.3 above, as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental LTIP Award letter, stating the correct particulars referred to in By-Law 29.3.

## 30. ACCEPTANCE

30.1 The SGP Award(s) shall be valid for acceptance by the Eligible Person(s) for a period of thirty (30) days from the SGP Award Date (inclusive) or such period as may be determined by the LTIP Committee at its sole discretion on a case to case basis.

30.2 The SGP Award(s) shall be accepted by an Eligible Person within the time as aforesaid by written notice to the Company accompanied by a nominal non-refundable payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only, as acceptance of the SGP Award(s).

30.3 The day of receipt by the Company of such written notice shall constitute the date of acceptance of the SGP Award(s).

30.4 If the SGP Award(s) is not accepted in the manner as set out in By-Law 30.2 and within the time as set out in By-Law 30.1 or in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt prior to his/her acceptance of the SGP Award(s), the SGP Award(s) shall automatically lapse and become null and void. The SGP Award(s) may, at the discretion of the LTIP Committee, be re-offered to other Eligible Person.

30.5 Upon acceptance of the SGP Award(s) by the Eligible Person(s), the SGP Award(s) will be vested to the SGP Participant(s) on the SGP Vesting Date(s) during the duration of the Scheme subject to the SGP Participant(s) fulfilling the vesting conditions, if any, as determined by the LTIP Committee.

30.6 The SGP Participant is not required to pay for the Shares they are entitled to receive upon vesting of the SGP Award(s).

## 31. SGP VESTING CONDITIONS

31.1 The LTIP Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the SGP Award(s). The Shares to be issued under the SGP Award(s) shall be vested to the SGP Participant(s) on the SGP Vesting Date once the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:

(i) the SGP Participant(s) must remain as an employee and shall not have given a notice to resign or receive a notice of termination as at the SGP Vesting Date; and

(ii) any other conditions which are determined by the LTIP Committee.

31.2 If applicable, where the LTIP Committee has determined that the vesting conditions have been fully and duly satisfied, the LTIP Committee shall notify the SGP Participant(s) of the number of the Shares vested or which will be vested to him/her on the SGP Vesting Date ("**SGP Vesting Notice**").

31.3 No SGP Participant(s) shall have the right to or interest in the Shares under the SGP Award(s) until and unless such number of new Shares are credited into their respective CDS Accounts.

31.4 The SGP Participant(s) shall provide all information as required in the SGP Vesting Notice and subject to the provisions of the Listing Requirements, the Central Depositories Act, the Rules of Bursa Depository, the Constitution and any other relevant laws, the Company shall within eight (8) Market Days from the SGP Vesting Date or such other period as may be prescribed or allowed by Bursa Securities,

(i) allot and issue such number of new Shares and/or transfer the relevant number of existing Shares to the SGP Participant(s) (subject to absolute discretion of the LTIP Committee);

(ii) despatch notices of allotment and/or notice of transfer to the SGP Participant(s) accordingly, if applicable; and

(iii) apply for quotation of such new Shares.

31.5 The Shares arising from the vesting of the SGP Award(s) shall be credited directly to the CDS Account of the SGP Participant(s) and no physical share certificate will be issued and delivered to the SGP Participant(s) or his authorised nominee as the case may be. The SGP Participant(s) shall provide the LTIP Committee with his/her CDS Account number when accepting the SGP Award(s). Any change to the SGP Participant(s)' CDS Account number will need to be made in writing to the LTIP Committee.

31.6 Any failure to comply with the procedures specified by the LTIP Committee or to provide information as required by the Company in the SGP Vesting Notice or inaccuracy in the CDS Account number provided shall result in the SGP Vesting Notice being rejected at the sole discretion of the LTIP Committee. The LTIP Committee shall inform the SGP Participant of the rejection of the SGP Vesting Notice within five (5) Market Days from the date of rejection and the SGP Participant shall then be deemed not to have vested his/her SGP Award(s).

31.7 Notwithstanding anything contrary contained in these By-Laws, the LTIP Committee shall have the right, at its sole discretion by notice in writing to the relevant SGP Participant(s) to that effect, to suspend the unvested SGP Award(s) of any SGP Participant(s) who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such SGP Participant or are found to have had no basis or justification) pending the outcome of such disciplinary proceedings.

31.8 In addition to the right to suspend, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole discretion, on the SGP Participant's unvested SGP Award(s) having regard to the nature of the charges made or brought against such SGP Participant, PROVIDED ALWAYS THAT:

(i) in the event such SGP Participant is found not guilty of the charges which gave rise to such disciplinary proceedings, the LTIP Committee shall reinstate the unvested SGP Award(s) of such SGP Participant;

(ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such SGP Participant, all or any part of any unvested SGP Award(s) of the SGP Participant shall immediately lapse and become null and void and of no further force and effect, without notice to the SGP Participant, upon pronouncement of the dismissal or termination of service of such SGP Participant notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the SGP Participant in any other forum; or

(iii) in the event the SGP Participant is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its sole discretion whether or not the SGP Participant may continue to satisfy the vesting conditions of the unvested SGP Award(s).

and nothing herein shall impose any obligations on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws.

**32. NON-TRANSFERABILITY**

32.1 An SGP Award(s) is personal to the Eligible Person(s) and shall be accepted solely by that Eligible Person(s) and is not capable of being accepted by any third party on behalf of that Eligible Person(s) by his/her representative or any other persons.

32.2 Subject to the provisions in these By-Laws, an SGP Award(s) is personal to the SGP Participant(s) during his/her employment or appointment within Oppstar Group and it shall not be transferred, assigned or disposed of by the SGP Participant(s).

**33. TERMINATION OF SGP AWARD(S)**

33.1 Prior to the full vesting of any SGP Award(s) in the manner as provided for under By-Law 31.2, such SGP Award(s) that remain unvested shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company in the following circumstances:

(i) termination or cessation of employment of the SGP Participant(s) within Oppstar Group for any reason whatsoever, in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the day the SGP Participant(s)' employer accepts his/her notice of resignation or the SGP Participant(s)' employer notifies the SGP Participant(s) of termination of his/her employment or on the day the SGP Participant(s) notifies his/her employer of his/her resignation or on the SGP Participant(s)' last day of employment, whichever is the earlier;

(ii) bankruptcy of the SGP Participant(s), in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the date a receiving order is made against the SGP Participant(s) by a court of competent jurisdiction;

(iii) upon the happening of any other event which results in the SGP Participant(s) being deprived of the beneficial ownership of the unvested SGP Award(s), in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the date such event occurs;

(iv) winding up or liquidation of the Company, in such event the unvested SGP Award(s) shall be automatically terminated and/or cease to be valid on the following date:

(a) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or

(b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company;

(v) the subsidiary which employs the SGP Participant(s) ceasing to be part of the Oppstar Group in such event the SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid on the date the subsidiary ceases to be part of the Oppstar Group; or

(vi) termination of the Scheme pursuant to By-Law 13.5, in such event the unvested SGP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the termination date,

whichever shall be applicable.

33.2 Upon the termination of the unvested SGP Award(s) pursuant to By-Laws 33.1 above, the SGP Participant(s) shall have no right to compensation or damages or any claim against the Company or any company within Oppstar Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any SGP Award(s) or his/her SGP Award(s) ceasing to be valid.

33.3 Notwithstanding By-Law 33.1(i) above, the LTIP Committee may at its discretion allow for all or any part of any unvested SGP Award(s) to vest in accordance with the provisions of these By-Laws on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) retirement upon or after attaining the age in accordance with the Company's retirement policy;

(ii) retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) ill-health, injury, physical or mental disability;

(iv) redundancy or retrenchment pursuant to the acceptance by that SGP Participant(s) or a voluntary separation scheme offered by a company within Oppstar Group; or

(v) any other circumstance as may be deemed as acceptable to the LTIP Committee in its sole discretion,

PROVIDED THAT no SGP Award(s) shall vest after the expiry of the vesting period. Unless the LTIP Committee in its discretion permits such vesting in accordance with this By-Law 33.3, any unvested SGP Award(s) shall cease or be deemed to cease to be capable of vesting to the SGP Participant(s) without any liability or right to claim against the Company and/or the LTIP Committee and/or the Board.

33.4 Where a SGP Participant(s) dies before the expiry of the vesting period for the SGP Award(s), the LTIP Committee may at its discretion determine that all or any part of any unvested SGP Award(s) held by the SGP Participant(s), be vested to the executor or administrator of that deceased SGP Participant(s), and the times or periods at or within which such SGP Award(s) may vest, PROVIDED ALWAYS THAT no SGP Award(s) may vest after the expiry of the vesting period. In this regard, the LTIP Committee may require the executor or administrator of that deceased SGP Participant(s) to provide evidence satisfactory to the LTIP Committee of his status as such executor or administrator, as the case may be.

33.5 Notwithstanding By-Law 33.4 above, the SGP Participant(s) may, during his/her lifetime, nominate any of his/her immediate family members who have attained the age of eighteen (18) years at the time of nomination to receive the SGP Award(s) (which are unvested at the time of the death of the deceased SGP Participant(s)) after the death of the deceased SGP Participant(s) but in any event during the duration of the Scheme. The SGP Award(s) awarded pursuant to the provision of this By-Law 33.5 may be for the benefit of the estate of the SGP Participant(s) or the personal benefit of the nominated person. The nomination as aforesaid shall be made by the SGP Participant(s) during his/her lifetime and shall be in the prescribed form approved by the LTIP Committee and the Shares to be allotted and issued will be in the name of the deceased SGP Participant(s)'s estate or in the name of the nominated person as the SGP Participant(s) shall elect in his/her lifetime. In the event no nomination is made by the SGP Participant(s) during his/her lifetime, the LTIP Committee may at its discretion determine that his/her unvested SGP Award(s) shall only vested to the legal personal representatives pursuant to By-Law 33.4 above.

33.6 For the purposes of By-Law 33.5 above, the term "**immediate family members**" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the SGP Participant(s).

**SECTION 2**

**SOP**

**34. SOP AWARD**

34.1 During the duration of the Scheme as provided under By-Law 13, the LTIP Committee may, at its sole discretion, at any time and from time to time award the SOP Award(s) in writing to an Eligible Person subject to the Maximum Allowable Allotment as set out in By-Law 5 and further subject to other terms and conditions of these By-Laws. Each SOP Award(s) awarded to selected Eligible Person(s) shall be separate and independent from any previous or subsequent SOP Award(s) awarded by the LTIP Committee to that Eligible Person.

34.2 The actual number of SOP Option(s) which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee, subject to any adjustments that may be made under By-Law 9. The number of the Shares which may be allotted and issued upon exercising the SOP Option(s) shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allotment as set out in By-Law 5 and shall be in multiples of one hundred (100) Shares. The LTIP Committee may stipulate any terms and conditions it deems appropriate in a SOP Award(s) and the terms and conditions of each may differs.

34.3 The LTIP Committee shall, in its LTIP Award letter to an Eligible Person, state, amongst others:

(i) the number of SOP Option(s) under the SOP Award(s) that are being awarded to the Eligible Person;

(ii) the number of the Share(s) which the Eligible Person shall be entitled to subscribe for upon the exercise of the SOP Option(s);

(iii) the SOP Award Date;

(iv) the manner of acceptance of the SOP Award(s);

(v) the Option Price;

(vi) the closing date for acceptance of the SOP Award(s);

(vii) the vesting conditions of the SOP Option(s) as determined by the LTIP Committee, if any;

(viii) SOP Vesting Date(s); and

(ix) any other terms and conditions deemed necessary by the LTIP Committee.

34.4 Without prejudice to By-Law 14, in the event the LTIP Award letter contains an error on the part of the Company in stating any of the particulars in By-Law 34.3 above, the following provisions shall apply:

(i) as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental LTIP Award letter, stating the correct particulars referred to in By-Law 34.3;

(ii) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental LTIP Award letter shall remain as the Option Price as per the original LTIP Award letter; and

(iii) in the event that the error relates to the Option Price, the applicable Option Price shall be the Option Price in the supplemental LTIP Award letter and with effect as at the date of the supplemental LTIP Award letter, save and except with respect to any SOP Option(s) which have already been exercised as at the date of issue of the supplemental LTIP Award letter.

**35. ACCEPTANCE**

35.1 The SOP Award(s) shall be valid for acceptance by the Eligible Person(s) for a period of thirty (30) days from the SOP Award Date (inclusive) or such period as the LTIP Committee at its sole discretion on a case to case basis.

35.2 The SOP Award(s) shall be accepted by an Eligible Person within the time as aforesaid by written notice to the Company accompanied by a nominal non-refundable payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only, as acceptance of the SOP Award(s).

35.3 The day of receipt by the Company of such written notice shall constitute the date of acceptance of SOP Award(s).

35.4 If the SOP Award(s) is not accepted in the manner as set out in By-Law 35.2 and within the time as set out in By-Law 35.1 or in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt prior to his/her acceptance of the SOP Award(s), the SOP Award(s) shall automatically lapse and become null and void. The SOP Award(s) may, at the discretion of the LTIP Committee, be re-offered to other Eligible Person.

35.5 Upon acceptance of the SOP Award(s) by the Eligible Person(s), the SOP Award(s) will be vested to the SOP Participant(s) on the SOP Vesting Date(s) during the duration of the Scheme, subject to the SOP Participant(s) fulfilling the vesting condition(s), if any, as determined by the LTIP Committee.

**36. SOP VESTING CONDITIONS AND EXERCISE OF OPTIONS**

36.1 Subject to the provisions of these By-Laws, the SOP Option(s) awarded to the SOP Participant(s) are exercisable by that SOP Participant(s) during his/she employment in Oppstar Group during the duration of the Scheme. All unexercised SOP Options shall become null and void after the expiry date of this Scheme without any claim against the Company or any company within Oppstar Group.

36.2 The LTIP Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the SOP Award(s). The SOP Option(s) can be exercised by the SOP Participant(s) on the SOP Vesting Date once the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:

(i) the SOP Participant(s) must remain as an employee and shall not have given a notice to resign or receive a notice of termination on the SOP Vesting Date; and

(ii) any other conditions which are determined by the LTIP Committee.

36.3 If applicable, where the LTIP Committee has determined that the vesting conditions have been fully and duly satisfied, the LTIP Committee shall notify the SOP Participant(s) the number of SOP Options vested or which will be vested to him/her on the SOP Vesting Date ("**SOP Vesting Notice**").

36.4 A SOP Participant shall exercise his/her vested SOP Option(s) by notice in writing to the Company in such form as the LTIP Committee may prescribe or approve. The procedure for the exercise of the SOP Option(s) to be complied with by a SOP Participant shall be determined by the LTIP Committee from time to time.

36.5 Every written notice to exercise the SOP Option(s) shall state the number of the Shares that a SOP Participant intends to subscribe and shall state his CDS Account ("**Notice of Exercise**").

36.6 The SOP Participant(s) shall complete the Notice of Exercise together with the remittance for the full amount of the subscription monies payable in respect thereof in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the LTIP Committee for the full amount of the Option Price in relation to the number of the Shares in respect of which the Notice of Exercise is given and subject to the provisions of the Listing Requirements, the Central Depositories Act, the Rules of Bursa Depository, the Constitution and any other relevant laws, the Company shall within eight (8) Market Days from the date of receipt of the Notice of Exercise or such other period as may be prescribed or allowed by Bursa Securities,

(i) allot and issue such number of new Shares and/or transfer the relevant number of existing Shares to the SOP Participant(s) (subject to absolute discretion of the LTIP Committee);

(ii) despatch a notice of allotment to the SOP Participant, if applicable; and

(iii) apply for quotation of such new Shares.

36.7 The Shares arising from the exercising of the SOP Award(s) shall be credited directly to the CDS Account of the SOP Participant(s) and no physical share certificate will be issued and delivered to the SOP Participant(s). The SOP Participant(s) shall provide the LTIP Committee with his/her CDS Account number when accepting the SOP Award(s). Any change to the SOP Participant(s)' CDS Account number will need to be made in writing to the LTIP Committee.

36.8 Any failure to comply with the procedures specified by the LTIP Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the sole discretion of the LTIP Committee. The LTIP Committee shall inform the SOP Participant of the rejection of the Notice of Exercise within five (5) Market Days from the date of rejection and the SOP Participant shall then be deemed not to have exercised his/her SOP Option(s).

36.9 The LTIP Committee may with its power under By-Law 14, at any time and from time to time, before and after the SOP Award(s) is awarded, limit the exercise of the SOP Options to a maximum number of Shares and/or such percentage of the total Shares comprised in the SOP Options and impose any other terms and/or conditions deemed appropriate by the LTIP Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.

36.10 A SOP Participant shall exercise the SOP Option(s) awarded to him/her in whole or part multiples of one hundred (100) new Shares or such other units of the Shares constituting one (1) board lot as may be determined by the LTIP Committee, save and except where a SOP Participant's balance of SOP Option(s) exercisable in accordance with these By-Laws shall be less than one hundred (100) new Shares or such other units of the Shares constituting one (1) board lot as may be determined by the LTIP Committee, in which case the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an SOP Option shall not preclude the SOP Participant from exercising the SOP Option(s) as to the balance of any SOP Option(s).

36.11 Notwithstanding anything contrary contained in these By-Laws, the LTIP Committee shall have the right, at its sole discretion by notice in writing to the relevant SOP Participant(s) to that effect, to suspend the right of any SOP Participant(s) who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such SOP Participant or are found to have had no basis or justification) to exercise his/her SOP Option(s) pending the outcome of such disciplinary proceedings.

36.12 In addition to the right to suspend, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole discretion, on the SOP Participant's right to exercise his/her SOP Option(s) having regard to the nature of the charges made or brought against such SOP Participant, PROVIDED ALWAYS THAT:

(i) in the event such SOP Participant is found not guilty of the charges which gave rise to such disciplinary proceedings, the LTIP Committee shall reinstate the right of such SOP Participant to exercise his/her SOP Option(s);

(ii) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such SOP Participant, all unexercised and partially exercised SOP Option(s) of the SOP Participant shall immediately lapse and become null and void and of no further force and effect, without notice to the SOP Participant, upon pronouncement of the dismissal or termination of service of such SOP Participant notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the SOP Participant in any other forum; or

(iii) in the event the SOP Participant is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its sole discretion whether or not the SOP Participant may continue to exercise his/her SOP Option(s) or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise right.

and nothing herein shall impose any obligations on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such disciplinary proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws.

## 37. NON-TRANSFERABILITY

37.1 An SOP Award(s) is personal to the Eligible Person(s) and shall be accepted solely by that Eligible Person(s) and is not capable of being accepted by any third party on behalf of that Eligible Person(s) by his/her representative or any other persons.

37.2 Subject to the provisions in these By-Laws, an SOP Award(s) is personal to the SOP Participant(s) during his/her employment or appointment within Oppstar Group and it shall not be transferred, assigned or disposed of by the SOP Participant(s).

## 38. OPTION PRICE

38.1 Subject to any adjustments in accordance with By-Law 9 and pursuant to the Listing Requirements, the Option Price shall be based on a price to be determined by the Board upon recommendation of the LTIP Committee which will be based on the volume weighted average price of the Shares for the five (5) Market Days immediately preceding the SOP Award Date with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Scheme.

38.2 The Option Price in respect of any offer which is made in conjunction with the listing of the Company shall be the initial public price of the Shares in the Company.

**39. TERMINATION OF SOP AWARD(S)**

39.1 Prior to the full vesting of any SOP Award(s) in the manner as provided for under By-Law 36.3, such SOP Award(s) that remain unvested shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company in the following circumstances:

(i) termination or cessation of employment of the SOP Participant(s) within Oppstar Group for any reasons whatsoever, in which event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the day the SOP Participant(s)' employer accepts his/her notice of resignation or the SOP Participant(s)' employer notifies the SOP Participant(s) of termination of his/her employment or on the day the SOP Participant(s) notifies his/her employer of his/her resignation or on the SOP Participant(s)' last day of employment, whichever is the earlier;

(ii) bankruptcy of the SOP Participant(s), in which event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the date a receiving order is made against the SOP Participant(s) by a court of competent jurisdiction;

(iii) upon the happening of any other event which results in the SOP Participant(s) being deprived of the beneficial ownership of the SOP Award(s), in such event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the date such event occurs;

(iv) winding up or liquidation of the Company, in such event the SOP Option(s) shall be automatically terminated on the following date:

(a) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or

(b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or

(v) termination of the Scheme pursuant to By-Law 13.5, in such event the SOP Award(s) shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any company within Oppstar Group on the termination date;

whichever shall be applicable.

39.2 Upon the termination of the SOP Award(s) pursuant to By-Laws 39.1 above, the SOP Participant(s) shall have no right to compensation or damages or any claim against the Company or any company within Oppstar Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any SOP Award(s) or his/her SOP Award(s) ceasing to be valid.

39.3 Notwithstanding By-Law 39.1 above, the LTIP Committee may at its discretion allow a SOP Participant to continue to hold and to exercise any SOP Option(s) held by him/her in accordance with the provisions of these By-Laws on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) retirement upon or after attaining the age in accordance with the Company's retirement policy;

(ii) retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) ill-health, injury, physical or mental disability;

(iv) redundancy, retrenchment pursuant to the acceptance by that SOP Participant(s) or voluntary separation scheme offered by a company within Oppstar Group; or

(v) any other circumstances as may be deemed as acceptable to the LTIP Committee in its sole discretion.

39.4 Applications under By-Law 39.3 above shall be made during the duration of the Scheme and:

(i) in a case where By-Law 39.3(i), (ii) or (v) is applicable, within one (1) month before the SOP Participant(s)' last day of employment, the SOP Participant(s) may be vested with such number of unvested Shares under the SOP Award(s) within the said one (1) month period. In the event that no application is received by the LTIP Committee within the said period, any such number of unvested Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated;

(ii) in a case where By-Law 39.3(iii) is applicable, within one (1) month after the SOP Participant(s) notifies his/her employer of his/her resignation due to ill-health, injury, physical or mental disability, the SOP Participant(s) may be vested with such number of unvested Shares under the SOP Award(s) within the said one (1) month period. In the event that no application is received by the LTIP Committee within the said period, any unvested Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated; and

(iii) in a case where By-Law 39.3(iv) is applicable, within one (1) month after the SOP Participant(s) are notified that he/she will be retrenched or, where he/she is given an offer by his/her employer as to whether he/she wishes to accept retrenchment upon certain terms, within one (1) month after he/she accepts such offer. Thereafter, any such number of unvested and/or unexercised Shares under the SOP Award(s) at the expiry of the said period shall be automatically terminated.

39.5 The LTIP Committee shall consider applications under By-Law 39.3 on a case to case basis and may at its sole discretion approve or reject any application in whole or in part without giving any reasons thereof and may impose any terms and conditions in granting an approval. The decisions of the LTIP Committee shall be final and binding. In the event the LTIP Committee approves an application in whole or in part, the SOP Participant(s) may exercise the SOP Option(s) which are the subject of the approval for such period so approved by the LTIP Committee during the duration of the Scheme and subject to the provisions of By-Law 36. Any SOP Option(s) in respect of which an application is rejected shall be deemed automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 39.1 or on the date of the LTIP Committee's decision, whichever is the later.

39.6 In the event a SOP Participant(s) dies before the expiration of the duration of the Scheme and at the time of his/her death held unexercised SOP Option(s), such unexercised SOP Option(s) may be exercised by the representative of the deceased SOP Participant(s) after the date of his/her death PROVIDED THAT such exercise shall be within the duration of the Scheme subject to the approval of the LTIP Committee.

39.7 Notwithstanding By-Law 39.6 above, the SOP Participant(s) may, during his/her lifetime, nominate any of his/her immediate family members who have attained the age of eighteen (18) years at the time of nomination to exercise the SOP Option(s) (which are unexercised at the time of the death of the deceased SOP Participant(s)) or after the death of the deceased SOP Participant(s) but in any event during the duration of the scheme. The SOP Option(s) exercised pursuant to the provision of this By-Law 39.7 may be for the benefit of the estate of the SOP Participant(s) or the personal benefit of the nominated person. The nomination as aforesaid shall be made by the SOP Participant(s) during his/her lifetime and shall be in the prescribed form approved by the LTIP Committee and the Shares to be allotted and issued will be in the name of the deceased SOP Participant(s)'s estate or in the name of the nominated person as the SOP Participant(s) shall elect in his/her lifetime. In the event no nomination is made by the SOP Participant(s) during his/her lifetime, his/her unexercised SOP Option(s) shall only be exercised by the legal personal representatives pursuant to By-Law 39.6 above.

39.8 For the purposes of By-Law 39.7 above, the term "**immediate family members**" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the SOP Participant(s).

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# 14. ADDITIONAL INFORMATION

## 14.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable laws. The words and expressions appearing in the following provisions shall have the same meaning used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

| Words | Meanings |
|---|---|
| ACE Market | ACE Market of Bursa Securities or any other market of Bursa Securities on which the Company is listed at the relevant time |
| appointing director | A director who appoints an alternate director under Clause 168 |
| Auditor | The Company's auditor. That person must be an approved company auditor. Where two or more are appointed, any of them |
| benefits | Any benefits, payable or to be given to directors referred to in Section 230(1) of CA |
| Board | The Company's Board |
| Bursa Securities | Bursa Malaysia Securities Berhad |
| Business Day | A day which is not a public holiday in the state or territory where the registered office of the Company is located |
| CA | Companies Act 2016 |
| CMSA | Capital Markets and Services Act 2007 |
| Company | Oppstar Berhad (Registration No. 202101031391 (1431691-M)) |
| Constitution | This constitution of the Company, including, any changes made to it |
| convertible securities | Securities which may convert or be exercised (by their terms of issue), into shares |
| corporation | A corporate body, established anywhere |
| Deposited Security | A security, as used in Section 2 of SICDA, of the Company, as stands to the credit of a securities account of a Depositor. It covers a security which is in suspense |

## 14. ADDITIONAL INFORMATION *(CONT'D)*

| Words | Meanings |
|---|---|
| Deposited Share or Depository Shares | A share which is a Deposited Security |
| Depositor | A holder of a securities account |
| Depository | Bursa Malaysia Depository Sdn. Bhd. (Registration No. 198701006854 (165570-W)), the depository of the Company's shares prescribed under Section 14 of SICDA. This term can also mean another depository acting as such a depository, approved to be a central depository under SICDA. Successors-in-title and permitted assigns are also included in this term |
| director | Director of the Company includes any person occupying the position of director of a corporation by whatever name called and includes a person in accordance with whose directions or instructions the majority of directors of a corporation are accustomed to act, and includes an alternate director and a substitute director |
| DR | Rules of the Depository. It covers the Procedural Manuals (as meant in those rules) |
| eDividend service | The eDividend service (electronic dividend payment) through which companies listed on Bursa Securities are required to pay dividends |
| electronic form | Documents or information sent or supplied by electronic means or by any other means while in electronic form (such as by e-mail, text message, fax or sending a compact disc by post). It also covers any electronic form referred to in Section 612(1) of CA |
| electronic means | A document or information is sent or supplied by electronic means if it is sent initially, and received at its destination by means of electronic equipment for the processing (which expression includes digital compression) or storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means |

## 14. ADDITIONAL INFORMATION *(CONT'D)*

| Words | Meanings |
|---|---|
| exempt authorised nominee | An authorised nominee as meant by SICDA, which is exempted from compliance with Section 25A(1) of SICDA |
| existing shares | Shares in issue at the relevant time |
| General Meeting | A meeting of shareholders held in accordance with the Constitution. This includes any General Meeting held as the Company's Annual General Meeting |
| hard copy | Documents or information sent or supplied in paper copy or similar form which can be read. It also covers, anyhow, any hard copy referred to in Section 612(1) of CA |
| Insolvency Laws | Insolvency Act 1967 (Act 360) as amended or substituted from time to time |
| Laws | CA, SICDA, and all regulations, DR, practice notes, practice directives and guidelines made under them |
| listed security or listed securities | A security or securities of the Company admitted to the Official List |
| LR | Listing Requirements of the ACE Market of Bursa Securities or any other market of Bursa Securities on which the Company is listed at the relevant time. For the purpose of this Constitution, it also covers any guidance notes or directives issued by Bursa Securities and any amendment that may be made from time to time in relation to these Listing Requirements |
| Malaysia | Federation of Malaysia |
| market day | Any day between Mondays and Fridays (inclusive) which is not a public holiday and on which Bursa Securities is open for trading in securities |
| Minister | Has the meaning given in Section 3 of the Interpretation Acts 1948 and 1967 (Act 388), when used in CA |
| month | Calendar month |
| Non-Depository Shares | Shares which are not Deposited Shares |

## 14. ADDITIONAL INFORMATION *(CONT'D)*

| Words | Meanings |
|---|---|
| officer | Includes, a director, manager and secretary of the entity but does not include, an auditor |
| Official List | A list specifying all securities listed on the ACE Market or any other market of Bursa Securities |
| ordinary business | All the following business (if it takes place at an Annual General Meeting):<br>• laying of audited financial statements and the reports of the directors and the Auditor;<br>• the election of directors in place of those retiring;<br>• the appointment and the fixing of the fees and benefits of directors;<br>• the appointment of the Auditor; and/or<br>• declaring and approving dividends |
| Ordinary Shareholders | Shareholders of ordinary shares of the Company |
| pay | A payment of commission in Section 80 of CA. For other times, when used elsewhere, this term can cover any kind of reward or payment for services |
| person or people | Corporate bodies and unincorporated bodies, established anywhere. They do not, however, cover unincorporated bodies, when used in relation to transfers or registration of shareholders which involve Deposited Shares and these bodies are not allowed or recognised by SICDA or DR |
| public holiday | The public holiday established by law in Malaysia or any part of Malaysia |
| Registered Office | The Company's registered office |
| Registrar | The Company's registrar |
| related corporations | Has the meaning given in Section 7 of CA |
| representative | A person or persons authorised to act as representative of a corporation which is a shareholder, under Section 333 of CA |
| rights | The rights attached to the share, when issued, or afterwards |

## 14. ADDITIONAL INFORMATION *(CONT'D)*

| Words | Meanings |
|---|---|
| RM | The lawful currency of Malaysia |
| ROC | The Registrar designated under Subsection 20A(1) of the Companies Commission of Malaysia Act 2001 (Act 614) |
| ROD | A record of depositors of holders of securities of the Company kept by the Depository under SICDA and DR |
| ROM | Register of members of the Company kept under CA |
| Seal | The Company's common seal or Securities Seal. This is where the Company chooses to keep such a seal |
| Secretary | A person appointed by the Board to do work as the company secretary. This includes an assistant, deputy or temporary company secretary. Where two or more are appointed to act jointly, it includes any one of them |
| securities | Has the meaning given in Section 2 of CMSA |
| securities account | This is an account which the Depository establishes for the Depositor under SICDA and DR. It is to record the deposit, withdrawal and dealing of securities |
| Securities Seal | An official seal kept by the Company under Section 63 of CA |
| Share Scheme | A scheme which involves a new issue of the Company's shares or grant of the Company's existing or new shares to eligible directors and employees of the Company or its subsidiaries |

## 14. ADDITIONAL INFORMATION *(CONT'D)*

| Words | Meanings |
|---|---|
| shareholders | Holders of the Company's shares. Where those shares are deposited with the Depository under SICDA and DR, it must be a person whose name appears on the ROD as the holder of such shares and treated as a member of the Company under Section 35 of SICDA. This is subject to SICDFOR and the Constitution. This term does not include, the Depository in its capacity as a bare trustee or nominee company. Where those shares are not deposited and do not need to be deposited under SICDA, it must be a person whose name appears in the ROM |
| SICDA | Securities Industry (Central Depositories) Act 1991 (Act 453) |
| SICDFOR | Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 |
| special business | All business at General Meetings except for ordinary business |
| UCA | Unclaimed Monies Act, 1965 (Act 370) |
| written or in writing | In writing or in any way representing or copying words legibly so that they are permanent. It includes, anything in electronic form. It may also be partly in one form and partly in another. Where used in relation to notices of meeting, it must be in hard copy or electronic form in the way allowed by Sections 319 and 320 of CA, subject to LR. Where used in another context, it must be in a form allowed or not prohibited by CA or LR |

### 14.1.1 Remuneration of our Directors

Clause 175

The fees and benefits payable to the directors shall annually be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree provided always that:

(a) salaries payable to executive directors may not include a commission on or percentage or turnover;

(b) fees payable to non-executive directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;

## 14. ADDITIONAL INFORMATION *(CONT'D)*

(c) any fee paid to an alternate director shall be such as shall be agreed between himself and the director nominating him and shall be paid out of the remuneration of the latter; and

(d) fees and benefits payable to directors shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Clause 176

The Board can also repay to a director all expenses properly incurred in:

176.1 attending and returning from shareholders' meetings, Board meetings or Board committee meetings; or

176.2 any other way in connection with the Company's business.

Clause 177

The Board can award extra fees to a director who:

177.1 holds an executive position;

177.2 acts as chairman or deputy chairman; or

177.3 serves on a Board committee or board at the request of the Board.

Clause 178

If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being wiling shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing a special remuneration in addition to his Directors' Fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged.

Clause 179

Subject to LR, the Board can decide whether to provide:

179.1 pensions;

179.2 annual payments; or

179.3 other allowances or benefits,

to any people including people who are or who were directors of the Company. The Board can decide to extend these arrangements to relations or dependants of, or people connected to, these people. The Board can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes.

Clause 180

The Company can only provide pensions and other similar benefits to:

(a) people who are or were directors; and

(b) relations or dependants of, or people connected to, those directors or former directors.

The receipt of a benefit of any kind given in accordance with this Clause does not prevent a person from being or becoming a director of the Company.

Clause 181

Shareholders must approve the matters in Clauses 175 to 179 as far as the Laws require in relation to directors' fees and benefits.

### 14.1.2 Voting and borrowing powers of our Directors

Clause 197

A director cannot vote (and if the director does vote, such vote will not be counted) on a resolution in regard to a contract in which the director (or a person connected with the director) is directly or indirectly interested.

Clause 198

A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote.

Clause 199

A director is not interested in a contract where Sections 221(2) or (3) of CA say that they are not. This Clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This Clause is subject to LR.

Clause 200

This Clause applies if the Board is considering proposals to appoint two or more directors to positions with the Company or any company in which the Company has an interest. It also applies if the Board is considering fixing or varying the terms of the appointment. These proposals can be split up to deal with each proposed director separately. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 197) and be counted in the quorum for each resolution.

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Clause 201

If a question comes up at a meeting about whether a director (other than the chairman of the meeting) has all interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling about the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question comes up about the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution about the chairman is conclusive, unless the nature or extent of the chairman's interests has not been disclosed to the Board.

Clause 223

To the extent that CA, LR and the Constitution allow, the Board can exercise all the powers of the Company to:

(a) borrow money;

(b) mortgage or charge all or any part of the Company's business, property and assets (present and future);

(c) issue debentures and other securities; and

(d) give security (including (without limitation), guarantees, indemnities and mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person.

### 14.1.3 Changes in capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 21

The Company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.

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Clause 24

If the Company's share capital is split into different classes of shares, the special rights attached to any of these classes can be varied or withdrawn if the shareholders approve this by passing a special resolution. This must be passed at a separate meeting of the holders of that class of shares. This is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of the class (by voting rights) can give their written consent.

Clause 25

The parts of the Constitution which relate to General Meeting apply, with any necessary changes, to a class meeting, but with these adjustments:

25.1 a shareholder who is present in person or by proxy can demand a poll;

25.2 on a poll, the holders of shares will have one vote for every share of the class which they hold;

25.3 the vote will, anyhow, be by poll if LR requires this.

This is subject to any special rights or restrictions which are attached to a class of shares by the Constitution, or any rights attached to shares in some other way under the Constitution.

A special resolution of shareholders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights). However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within 2 months of that meeting shall be as valid and effective as a special resolution passed at a meeting.

Clause 26

Clauses 24 and 25 also apply if:

26.1 special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this Clause;

26.2 preference shares are issued which rank equally with existing preference shares. However, these Clauses do not apply if the terms of issue of existing preference shares or the Constitution allows those preference shares to be issued.

Clause 37

The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of CA, whether with the confirmation of the Court or a solvency statement.

Clause 38

The shareholders can pass special resolutions to alter the Company's share capital in accordance with Section 84 of CA.

Clause 39

If any shares are consolidated or divided, the Board may deal with any fractions of shares which result or any other problem that arises. If the Board decide to sell any shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if CA and LR allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 40

The shareholders can also pass ordinary resolutions to convert any paid-up shares into stock and reconvert any stock into paid-up shares in accordance with Section 86 of CA.

### 14.1.4 Transfer of securities

Clause 50

Transfers of any listed security or class of listed security shall be by way of book entry by the Depository in accordance with DR. The Company shall not register or effect any transfer of listed securities although Sections 105, 106 and 110 of CA may say something else. It shall not do so despite Sections 103(1), 106 and 110 of CA. This does not, however, apply to a transfer of securities to the Depository or its nominee or from the Depository or its nominee to Depositors under Section 148(2) of CA or any transfer of securities under any exemption given from compliance with Section 148(1) of CA.

Clause 51

Where:

51.1 the securities of the Company are listed on another stock exchange; and

51.2 the Company is exempt from complying with Section 14 of SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as applicable, under DR in respect of such securities,

the Company shall, on request of a securities holder, allow securities held by that holder to be transmitted from the register of holders kept by the Registrar in the other stock exchange's jurisdiction, to the register of holders kept by the Registrar in Malaysia and the other way around. However, there must be no change in the ownership of such securities.

Clause 52

Transfers of Non-Depository Shares must be in any form which CA requires. If CA does not require a specific form, the transfer must be in the usual standard form, or another form approved by the Board. A transfer must be signed, or made effective in some other way, by or on behalf of the persons making and receiving the transfer.

Clause 53

The Depository may refuse to transfer any Deposited Shares which does not comply with SICDA and DR. A shareholder can transfer some or all of his Non-Depository Shares unless the Constitution says something else.

Clause 54

The transfer for Non-Depository Shares must be delivered to the Registered Office or some other place which the Board decide. The transfer must have with it:

54.1 the share certificate for shares to be transferred;

54.2 any other evidence which the Board ask for to prove that the person wanting to make or receive the transfer is entitled to do this; and

54.3 if the transfer is executed by another person on behalf of the person making or receiving the transfer, evidence of the authority of that person to do so.

Clause 55

A transfer delivered under Clause 54:

55.1 cannot be in favour of more than 4 joint holders;

55.2 must be properly stamped to show payment of any applicable stamp duty.

Clause 56

The Board can refuse to register such a transfer delivered:

56.1 where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;

56.2 where the transfer is unlawful under Malaysian law; or

56.3 the transfer relates to partly paid shares where a call has been made and is unpaid.

Clause 57

If the Board decide not to register a transfer of a share delivered under Clause 54, it must comply with Section 106 of CA.

Clause 58

If the Company registers a transfer delivered under Clause 54, it can keep the transfer. A transfer cannot be used to transfer more than 1 class of shares. Each class needs a separate transfer. No fee is payable to the Company for transferring Non-Depository Shares or registering changes relating to the ownership of any such shares.

Clause 59

The person making a transfer of Non-Depository Shares will be treated as continuing to be the shareholder until the name of the person to whom a share is being transferred is entered on the ROM for that share.

### 14.2 LIMITATION ON THE RIGHT TO OWN SECURITIES AND/OR EXERCISE VOTING RIGHTS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her/its Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his/her/its Shares to the Ministry of Finance and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be our shareholder and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Subject to the above, there is no limitation on the right to own our Shares, including limitations on non-resident or foreign shareholders' right to hold or exercise voting rights on our Shares imposed by Malaysian law or by our Constitution.

### 14.3 SHARE CAPITAL

(i) As at the date of this Prospectus, we have only one (1) class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(ii) The details of the share capital of our Company and our subsidiaries together with their respective changes for the past three (3) FYEs 2020 to 2022 and up to the LPD are disclosed in Sections 5.1.4 and 5.2 of this Prospectus respectively.

(iii) Save as disclosed in Section 5 of this Prospectus, there is no more than 10% of share capital of our Company or our subsidiaries has been paid for with assets other than cash, within the past three (3) years from the LPD.

(iv) Save for the SOP Awards as disclosed in Section 3.3.4 of this Prospectus, none of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.

(v) As at the date of this Prospectus, neither our Company nor our subsidiaries have any outstanding warrant, option, convertible security or uncalled capital in respect of our Shares.

(vi) Save for the Pink Form Allocations and LTIP as disclosed in Sections 3.3.1(ii) and 3.3.4 of this Prospectus, there is no other scheme involving our Directors and employees in the capital of our Group.

(vii) No Shares will be allotted, issued or offered on the basis of this Prospectus later than six (6) months after the date of this Prospectus.

### 14.4 EXCHANGE CONTROLS

As at the LPD, save as disclosed below, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profits by or to our Group:

(i) Oppstar Technology owns 100% equity interest in Oppstar Shanghai whose registered capital is USD100,000, where the deadline to pay up the committed capital contribution is in March 2039. As at the LPD, Oppstar Technology has duly paid up 100% of the total registered capital of Oppstar Shanghai, which is USD100,000.

(ii) According to Foreign Investment Law, PRC Company Law and Corporate Income Tax Law, etc., foreign invested entities ("**FIEs**") are allowed to repatriate incomes out of sales of goods or services, income from royalties, dividends and/or profits attributable to its shareholders outside of PRC by satisfying certain procedures:

(a) for sales of goods or services and royalties, withholding tax, value-added tax (VAT) and surcharge, if applicable, have been deducted from the amount of payables evidenced by supporting tax clearance form.

(b) for distribution of dividends to shareholders outside of PRC,

(aa) the FIE has made up for losses in previous years, if any, until the losses of previous years have been fully made up;

(bb) the FIE has contributed 10% of the profits into their statutory surplus reserve before distributing their post-tax profits of the current year, unless the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital (where the balance of the statutory surplus reserve of a company is insufficient to make good its losses in the previous year, the company shall make good such losses using its profits of the current year before making contribution to the statutory surplus reserve);

(cc) the FIE has paid applicable corporate income tax (usually collected by local tax authority), and the applicable tax rate is 25% (if not being recognised as high and new technology enterprise, or enjoying preferential rate as small sized companies);

(dd) the FIE has duly adopted board of directors' resolution to distribute profits and dividends pursuant to audited financial statements by certified accountants; and

(ee) the FIE has duly deducted withholding tax (at the rate of 10%) for overseas shareholders of FIEs from such dividends or profits to be repatriated.

## 14. ADDITIONAL INFORMATION *(CONT'D)*

(iii) PRC exerts foreign exchange ("**Forex**") control measures over both current account items and capital account items, thus capital paid up in foreign currency by foreign shareholders will be administered by banks, and the paid up capital in foreign currency can be converted to RMB only for the purposes and needs for normal business operation, etc. Repatriation of income and profits shall go through a Forex clearance process primarily dealing with the banks which maintains Forex account for the FIE. According to Foreign Investment Law, foreign investors may freely remit into or out of China, in RMB or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of China, and no organisation or individual may restrict the currency type and amount as well as the frequency of inbound and outbound remittance. The Forex clearance process is less relevant to the threshold of amount of the repatriated profits. In practice, however, the timeframe of Forex clearance may differ from place to place, subject to the FIE's size, amount of profits, and frequency of repatriation, etc., all of which factors may be taken into account by the Forex administration when examining the repatriated profits.

## 14.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contract (not being contract in the ordinary course of business) during the Financial Years Under Review and up to the date of this Prospectus:

(i) Oppstar, had on 13 January 2022, entered into a strategic partnership agreement with Sophic Automation for the subscription by Sophic Automation of 425,000 new ordinary shares in Alpha Core, representing 42.50% equity interest in Alpha Core for a total cash consideration of RM425,000. The Sophic Automation Subscription was completed on 17 January 2022.

The salient terms of the strategic partnership agreement are as follows:

| | Details |
|---|---|
| Contracting parties | Oppstar and Sophic Automation (collectively, Oppstar and Sophic Automation shall be referred to as the "**Partners**") |
| Objective of the partnership | To become an established and preferred enabler of silicon validation engineering to the semiconductor IC design industries in Malaysia and globally. |
| Name of proposed company | Alpha Core was incorporated on 22 August 2019. Total issued and paid-up capital for Alpha Core as at 5 January 2022 is RM575,000 comprising 575,000 ordinary shares.<br><br>Alpha Core is a wholly owned subsidiary of Oppstar prior to the proposed partnership. The principal activities of Alpha Core are the provision of post-silicon validation services, software and engineering solutions, IC design services and other related services. |
| Shareholdings after the completion of the partnership | Oppstar will own 57.50% of Alpha Core while Sophic Automation will own the remaining 42.50% of Alpha Core. |

## 14. ADDITIONAL INFORMATION *(CONT'D)*

| | Details |
|---|---|
| Arrangement of the capital commitment and capital injection | Oppstar shall maintain approximately RM575,000 of the NA value in the latest accounts as at 31 December 2021 and prior to Sophic Automation's injection of funds into the partnership, after which Sophic Automation will inject RM425,000 cash into an account to be specified to make up for Sophic Automation's portion of the shares in Alpha Core. Alpha Core will issue 425,000 ordinary shares at RM1 per share to Sophic Automation upon injection of the RM425,000 into Alpha Core's bank account. The ordinary shares issued to Sophic Automation will rank pari passu with all the existing shares of Alpha Core. |
| Role of each party of the Partners | Oppstar's roles and responsibilities within the partnership are as follows:<br><br>• finance and administrative functions of Alpha Core;<br>• sales and marketing especially towards the customers in East Asia;<br>• assistance to develop pre-silicon capabilities within Alpha Core; and<br>• act as the key manager for the operation of Alpha Core.<br><br>Sophic Automation's roles and responsibilities within the partnership are as follows:<br><br>• to assist on the human resource and payroll function of Alpha Core;<br>• sales and marketing especially on the areas where Sophic Automation has developed in the past years;<br>• develop post silicon capabilities; and<br>• introduction of the engineering lab automation capabilities of Alpha Core.<br><br>The Partners are committed to grow the partnership and its respective roles and responsibilities may go beyond those mentioned above. |
| Transaction & Costing | Both parties agreed to keep the profit from all transactions related in the partnership scope in Alpha Core with the intention to grow the business. All related party transactions shall be kept at cost plus in a transparent and arm's length manner. The Partners, shall ensure that the transactions will comply with the transfer pricing guidelines of the respective tax jurisdiction. |
| Further injection of funds for the operations of the Partnership | The Partners are committed to further inject additional capital as and when necessary to grow the business to ensure the sustainability of Alpha Core. The Partners shall commit to ensure the partnership has at least two (2) months of operational cashflow for the partnership at all times.<br><br>In the event, either one (1) of the Partners is not agreeable to further inject funds when the partnership has less than two (2) months of operations cashflow, the party who rejects to further inject funds into the partnership shall not prohibit the other party from doing so.<br><br>Unless agreed otherwise by both the Partners, the valuation for each new share to be issued in the event that additional capital is injected into Alpha Core shall be at 1.00 time of Alpha Core's latest audited NA value per share. |

| | Details |
|---|---|
| | The Partners shall not prevent Alpha Core from further raising funds through equity, debt or other means of financing from external source as long as the conditions of the funds are reasonable. |
| Termination | The partnership is set up with the aim to achieve the common agreed objective and with no intention to be abolished. Nevertheless, it is agreed that both parties shall commit to review the business growth and operation of the partnership at each anniversary of the establishment of the partnership, and if any party intends to withdraw from the partnership, its shares will be sold and transferred to the other party at prevailing book value of Alpha Core. Book value is defined to be the NA value of Alpha Core. |

(ii) Our Company had on 2 February 2023, entered into the Underwriting Agreement with the Sole Underwriter for the underwriting of 54,077,000 IPO Shares under Section 3.3.1(i) and 3.3.1(ii) of this Prospectus, in accordance with the terms and conditions as set out in the Underwriting Agreement. Further details of the Underwriting Agreement are set out in Section 3.9 of this Prospectus.

### 14.6 PUBLIC TAKE-OVER

None of the following has occurred during the last financial year up to the LPD:

(i) public take-over offers by third parties in respect of our Shares; and

(ii) public take-over offers by us in respect of other company's shares.

### 14.7 CONSENTS

(i) Our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, Company Secretary, Solicitors, Share Registrar and Issuing House have given their respective written consents for the inclusion in this Prospectus of their names and all references in the form and context in which such names appear before the issue of this Prospectus, and such consents have not subsequently been withdrawn.

(ii) Our Auditors and Reporting Accountants have given their written consent for the inclusion in this Prospectus of their name, Accountants' Report, Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 30 September 2022 and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.

(iii) Our IMR has given their written consent for the inclusion in this Prospectus of their name, IMR Report and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.

## 14.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at No. 39, Irving Road, 10400 Georgetown, Pulau Pinang a during normal office hours for a period of six (6) months from the date of this Prospectus:

(i) our Constitution;

(ii) the audited financial statements of Oppstar for the FYE 2022 and FPE 2023;

(iii) the audited financial statements of each of our subsidiaries for the FYEs 2020, 2021 and 2022, where applicable;

(iv) the IMR Report as included in Section 7 of this Prospectus;

(v) the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 30 September 2022 as included in Section 11.9 of this Prospectus;

(vi) the Accountants' Report as included in Section 12 of this Prospectus;

(vii) the By-Laws as included in Section 13 of this Prospectus;

(viii) the material contracts referred to in Section 14.5 of this Prospectus; and

(ix) the letters of consent referred to in Section 14.7 of this Prospectus.

## 14.9 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Affin Hwang IB, being our Principal Adviser, Sponsor, Sole Placement Agent and Sole Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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## 15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.**

### 15.1 OPENING AND CLOSING OF APPLICATIONS

Applications for our IPO Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATIONS: 10.00 A.M., 22 FEBRUARY 2023

CLOSING OF THE APPLICATIONS: 5.00 P.M., 3 MARCH 2023

If there is any change to the time or date for the closing of the applications for our IPO Shares, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper within Malaysia and announce it on Bursa Securities' website accordingly. The dates for the balloting of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

**Late Applications will not be accepted.**

### 15.2 METHODS OF APPLICATION

Applications must accord with the terms of our Prospectus and our Constitution. You agree to be bound by our Constitution.

#### 15.2.1 Application for our IPO Shares by the Malaysian Public and the Eligible Persons

| **Types of Application and category of investors** | **Application method** |
|---|---|
| Applications by the Malaysian Public: | |
| (i) Individuals | White Application Form or Electronic Share Application or Internet Share Application |
| (ii) Non-Individuals | White Application Form only |
| Applications by the Eligible Persons | Pink Application Form only |

The submission of an Application Form does not mean that your Application will succeed.

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### 15.2.2 Application for our IPO Shares via private placement

| Types of Application | Application method |
|---|---|
| Applications by: | |
| (i) Selected Investors | Our Sole Placement Agent will contact the Selected Investors directly. They should follow the Sole Placement Agent's instructions |
| (ii) Bumiputera investors approved by MITI | MITI will contact the Bumiputera investors directly. They should follow the MITI's instructions |

## 15.3 ELIGIBILITY

### 15.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE (1)** Application Form for **each category** from each applicant will be considered and **APPLICATION MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

### 15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares;

(b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit the Application by using only one (1) of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

### 15.3.3 Application by the Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

The Eligible Persons who have made applications using the Pink Application Form may still apply for our IPO Shares allocated to the Malaysian Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

## 15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions printed therein or which are illegible will not be accepted.

The FULL amount payable is RM0.63 for each IPO Share.

Payment must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NO. 627"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

**Malaysian Issuing House Sdn Bhd**
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

(ii) or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 3 March 2023 or by such other time and date specified in any change to the time or date for the closing of the applications for our IPO Shares.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

### 15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Applications.

Electronic Share Applications may be made through the ATMs of these Participating Financial Institutions and their branches namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

### 15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of these Internet Participating Financial Institutions namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

### 15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

(i) reject Applications which:

(a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(b) are illegible, incomplete or inaccurate; or

(c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

## 15.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in Section 3.3.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Sole Underwriter based on the terms of the Underwriting Agreement.

## 15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

### 15.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/ registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National registration identity card ("**NRIC**") or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by the issuance of banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

**15.9.2 For applications by way of Electronic Share Application and Internet Share Application**

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5$^{th}$ Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot.

(iv) For Applications that are held in reserve and subsequently unsuccessful or partially successful, the relevant Participating Financial Institution or Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution or Internet Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

### 15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

(i) Our IPO Shares allotted to you will be credited into your CDS Account.

(ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. Consequently, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No share certificates will be issued to you and you shall not be entitled to withdraw any deposited security held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

### 15.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

| Mode of application | Parties to direct the enquiries |
|---|---|
| Application Form | Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700 |
| Electronic Share Application | The relevant Participating Financial Institution |
| Internet Share Application | The relevant Internet Participating Financial Institution and Authorised Financial Institution |

You may also check the status of your Application by calling your respective ADA at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. +603-7890 4700 between five (5) to 10 Market Days (during office hours only) after the final ballot day.

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## ANNEXURE A: OUR MATERIAL PROPERTIES

### A.1 MATERIAL PROPERTY OWNED BY OUR GROUP

As at the LPD, we do not have any material property owned by our Group.

### A.2 MATERIAL PROPERTIES RENTED BY OUR GROUP

As at the LPD, the details of the material properties rented by our Group are as follows:

| No. | Location/ Title No. | Landlord/ Beneficial owner | Tenant | Description/ Existing Use | Monthly Rental (RM) | Approximate land area/ Built-up area (sq ft) | Period of Tenancy | Date of issuance of CF/ CCC |
|---|---|---|---|---|---|---|---|---|
| 1. | Level 6, Block G, Left Wing, Building I2U, Sains@USM, 10 Persiaran Bukit Jambul, 11900 Bayan Lepas, Pulau Pinang/<br><br>Lot 11516 Mukim 13, Daerah Timor Laut, Negeri Pulau Pinang held under Pajakan Negeri Hakmilik No. 6835, ("**Lot 11516**") | USM | Oppstar Technology | An office unit at 6th floor of a nine (9)-storey corporate building/<br><br>Corporate office | 10,500.00 | 926,966.44/ 3,750.00 | 1 January 2023 till 31 August 2025 | 29 April 2019 |

**ANNEXURE A: OUR MATERIAL PROPERTIES *(CONT'D)***

| No. | Location/ Title No. | Landlord/ Beneficial owner | Tenant | Description/ Existing Use | Monthly Rental (RM) | Approximate land area/ Built-up area (sq ft) | Period of Tenancy | Date of issuance of CF/ CCC |
|---|---|---|---|---|---|---|---|---|
| 2. | Level 6, Block G, Right Wing, Building I2U, Sains@USM, 10 Persiaran Bukit Jambul, 11900 Bayan Lepas, Pulau Pinang/<br><br>Lot 11516 | USM | Oppstar Technology | An office unit at 6th floor of a nine (9)-storey corporate building/<br><br>Corporate office | 9,000.00 | 926,966.44/ 3,750.00 | 1 September 2020 till 31 August 2023 | 29 April 2019 |
| 3. | Level 7, Block G, Left Wing, Building I2U, Sains@USM, 10 Persiaran Bukit Jambul, 11900 Bayan Lepas, Pulau Pinang/<br><br>Lot 11516 | USM | Oppstar Technology | An office unit at 7th floor of a nine (9)-storey corporate building/<br><br>Corporate office | 5,335.65 | 926,966.44 / 1,905.59 | 1 October 2020 till 30 September 2023 | 29 April 2019 |

**ANNEXURE A: OUR MATERIAL PROPERTIES *(CONT'D)***

| No. | Location/ Title No. | Landlord/ Beneficial owner | Tenant | Description/ Existing Use | Monthly Rental (RM) | Approximate land area/ Built-up area (sq ft) | Period of Tenancy | Date of issuance of CF/ CCC |
|---|---|---|---|---|---|---|---|---|
| 4. | L2-E-7A, Enterprise 4, Lebuhraya Bukit Jalil, Taman Teknologi Malaysia, 57000 Bukit Jambul, Kuala Lumpur/<br><br>PT 13799, Tempat Technology Park Malaysia, Mukim Petaling, Daerah Kuala Lumpur held under Hakmilik Sementara Daftar 116017 | Technology Park Malaysia Corporation Sdn Bhd (now known as Mranti Corporation Sdn Bhd) | Oppstar Technology | A unit at second floor of a six (6) storey commercial building/<br><br>Corporate office | 15,365.00 | 1,066,778.90/ 4,390.00 | 15 December 2021 till 14 December 2023 | 13 December 2001 |
| 5. | Level 5, Block G, Left Wing, Building I2U, Sains@USM, 10 Persiaran Bukit Jambul, 11900 Bayan Lepas, Pulau Pinang/<br><br>Lot 11516 | USM | Alpha Core | An office unit at 5$^{th}$ floor of a nine (9)-storey corporate building /<br><br>Corporate Office | 11,211.20 | 926,966.44/ 4,004.00 | 1 October 2020 till 30 September 2023 | 29 April 2019 |

The properties disclosed above are not in breach of any land use condition or current regulatory requirements, land rules, building regulations or environmental issues which may materially affect our operations and the utilisation of the said properties.

## ANNEXURE B: OUR MAJOR LICENCES AND PERMITS

As at the LPD, the details of our major licences and permits for our operations, together with the main conditions imposed and the corresponding status of compliance, are as follows:

| No. | Licensee | Approving Authority / Issuer | Description of Licence / Permit | Licence No. / Reference No. / Registration No. | Effective Date / Date of Expiry | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|---|
| 1. | Oppstar Technology | Majlis Bandaraya Pulau Pinang ("**MBPP**") | Business licence for advertising signboard used at business office located at I2U Building, Sains @ USM, 10, Persiaran Bukit Jambul, 11900 Pulau Pinang. | PA012624/2022/ LC2022089655 | 7 December 2022/ 31 December 2023 | Nil | N/A |
| 2. | Alpha Core | MBPP | Business licence for advertising signboard used at business office located at Left Wing, Blok G, 10, Persiaran Bukit Jambul, 11900 Bayan Lepas, Pulau Pinang. | PA012652/2022/ LC2022089695 | 7 December 2022/ 31 December 2023 | Nil | N/A |

**ANNEXURE B: OUR MAJOR LICENCES AND PERMITS *(CONT'D)***

| No. | Licensee | Approving Authority / Issuer | Description of Licence / Permit | Licence No. / Reference No. / Registration No. | Effective Date / Date of Expiry | Major Conditions Imposed | Status of Compliance |
|---|---|---|---|---|---|---|---|
| 3. | Oppstar Technology | Dewan Bandaraya Kuala Lumpur | Business licence for business office and advertising signboard used at business office located at L2-E-7A, Enterprise 4, Lebuhraya Bukit Jalil, Taman Teknologi Malaysia, 57000 Kuala Lumpur. | DBKL.JPPP/01100/01/2023/KM01 | 18 January 2023/ 17 January 2024 | Workers at the premises shall have 50% Malaysian workers and for the 50% non-Malaysian shall have valid working permits | Complied, all workers are Malaysians. |
| 4. | Oppstar Shanghai | Market Supervision Administration of Lin'gang New Zone, China (Shanghai) Pilot Free Trade Zone | Business licence (Certificate of Incorporation) | Registration No. 91310000MA1HR62HXL (Serial No. of Certificate 42000002202112020008) | 9 April 2019/ 8 April 2039 | Nil | N/A |