



Innovative & Intelligent Efforts

PRESENTATION ON

AN EFFICIENT ENERGY MANAGEMENT WITH GREEN TECHNOLOGY LIGHTING

TO :

1 ST NOVEMBER 2014

THE PROFILE



EXTRA-BUILT (M) SDN BHD

No. OG1 & G3, Lot 3,
Jalan Halba 16/16, Seksyen 16
40200 Shah Alam, Selangor
MALAYSIA



website : www.extrabuilt.com

COMPANY PROFILE

EXTRA-BUILT LED

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- Incorporation Date : 30th May 1995
- Registration no. : 345091-P
- Office Address : OG1, Lot 3, Jalan Halba 16/16, Section 16, 40200 Shah Alam, Selangor
- Factory Address : G3, Lot 3, Jalan Halba 16/16, Section 16, 40200 Shah Alam, Selangor
- Telephone : 03-5511 8980 (Sales & Marketing)
03-5510 0543 (Account & HR)
- Fax : 03-55118407
- Email : admin@extrabuiltled.com / sales@extrabuiltled.com
- Website : www.extrabuilt.com
- Authorized Capital : RM5,000,000
- Paid Up Capital : RM2,000,000
- Company Status : 100% Bumiputera owned





Vision

A Leader Of Green Technology Lighting Solution In Malaysia & A Key Player In The International Market.

Mission

To deliver high quality products & excellent after-sales services through continuous product innovation & improvement.

Core Values

Innovative and intelligent efforts

High discipline

Effective team work

Excellent customer service





MOHD FADZIL A RASHID

Education Background

- UiTM 85' of Mechanical Engineering

Experiences & Expertise – 29 Years In Lighting Industry

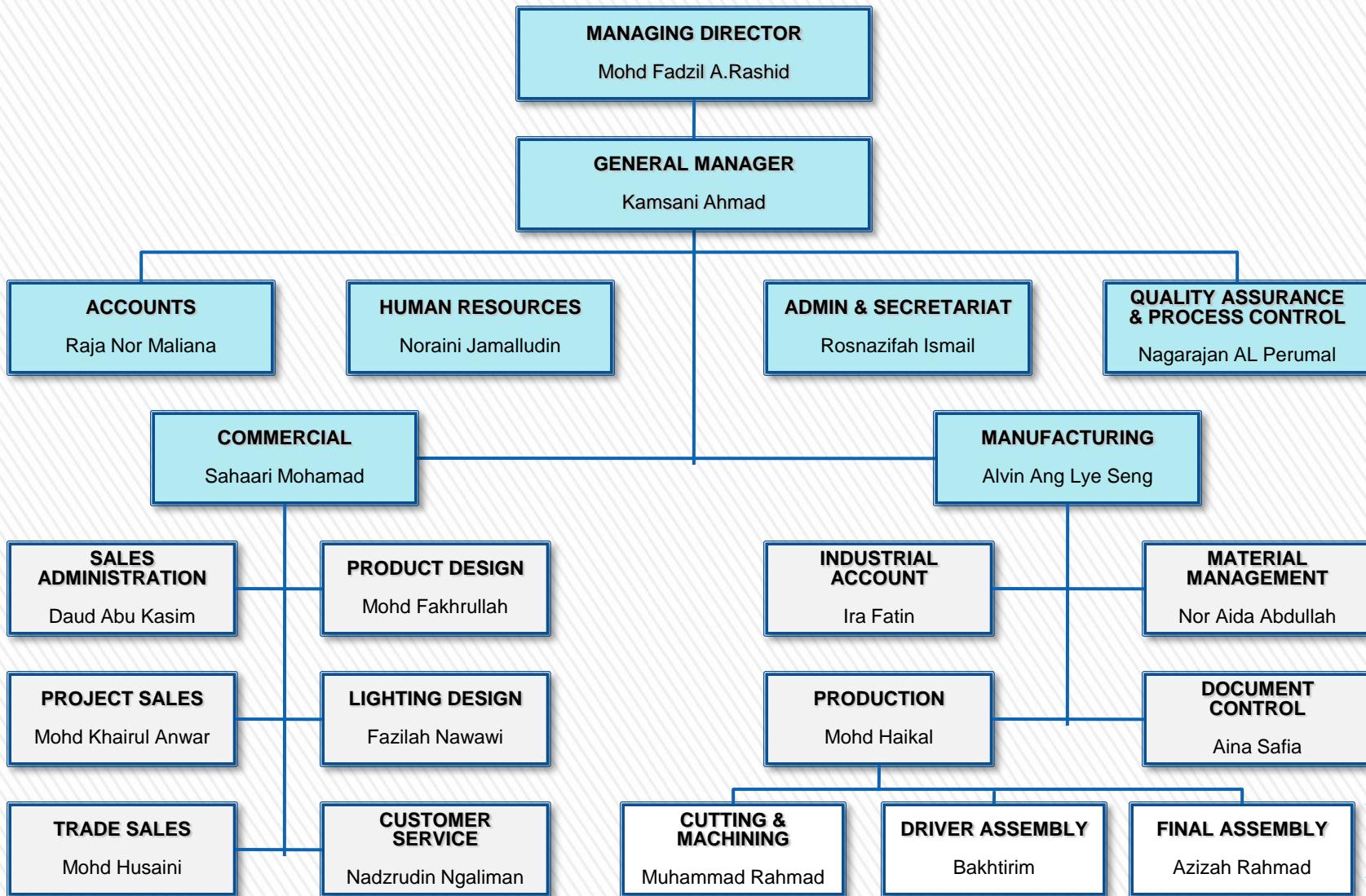
- Managing director of Extra-Built (M) Sdn. Bhd. since 1997
- Ex-plant manager Philips lighting Malaysia for 12 years
- Philips Netherlands glass technology training for lighting
- Lighting consultancy on design & application
- Chairman of Led Consortium of Malaysia (LCM)



ORGANISATION STRUCTURE

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STRENGTH

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FACILITIES

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SPHERE



3D PRINTER



FACILITIES

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MANUFACTURING

EXTRA-BUILT LED

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CONSULTANCY & CERTIFICATION

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ISO 9001:2008 Certified



QAV
QAV Technologies Sdn. Bhd.

CE



الهيئة السعودية للمعايير والمقاييس واجهة
Saudi Standards Metrology and Quality Organization



REGISTRATION

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KEMENTERIAN KEWANGAN (MOF)

TERAJU
PENERAJU BUMIPUTERA



SYARIKAT PERUMAHAN NEGARA BERHAD
[Milik Menteri Kewangan (Diperbadankan) (444205-M)]



CPLUS

 **TENAGA
NASIONAL** BERHAD



 **MRT** CORP






KPT
KEMENTERIAN PENGAJIAN TINGGI

**Sime
Darby**

PNB
Permodalan Nasional Berhad
(38218-X)



PROJECT REFERENCES

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LINKEDUA Nusajaya



PROTON Manufacturing Plant



PROTON LOTUS Showroom



Majlis Bandaraya Shah Alam (MBSA)



Lembaga Lebuhraya Malaysia (LLM)



JBCC Mall, KOMTAR



PROJECT REFERENCES

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NORTH PORT SIME DARBY REFINERY COMPLEX (NURI) – BDR SULAIMAN, KLANG



INNOVATIVE INDOOR PRODUCTS

EXTRA-BUILT LED

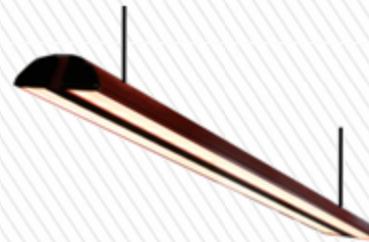
Innovative & Intelligent Efforts



BATTEN



PENDANT



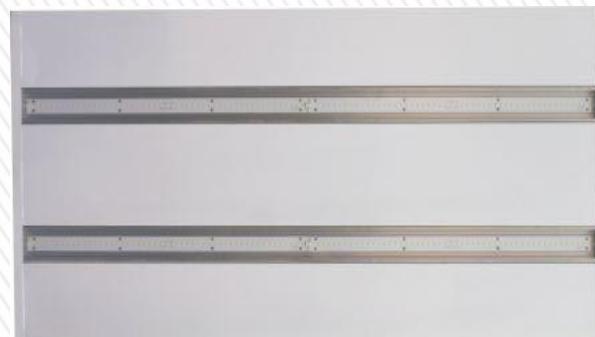
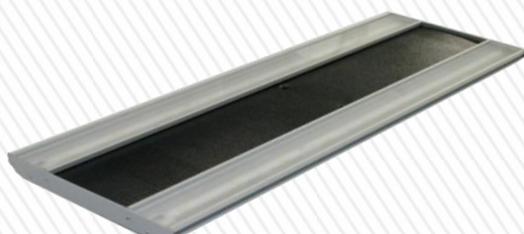
DOUBLE TUBE BATTEN



RECESSED



DOUBLE LINEAR BATTEN



INNOVATIVE INDOOR PRODUCTS

EXTRA-BUILT LED

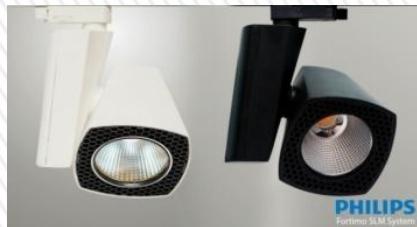
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MR16



TRACK



ROUND



GIMBAL

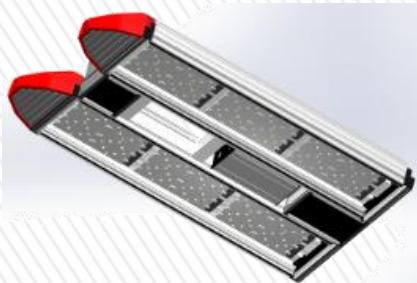


ZHAGA



SQUARE





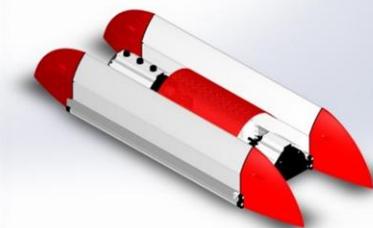
**GOLDEN PHYTON
HIGHWAY LIGHTING**



**GOLDEN EAGLE
HIGHWAY LIGHTING**



**GOLDEN DRAGON
COMPOUND & STREET LIGHTING**



INNOVATIVE OUTDOOR PRODUCTS

EXTRA-BUILT LED

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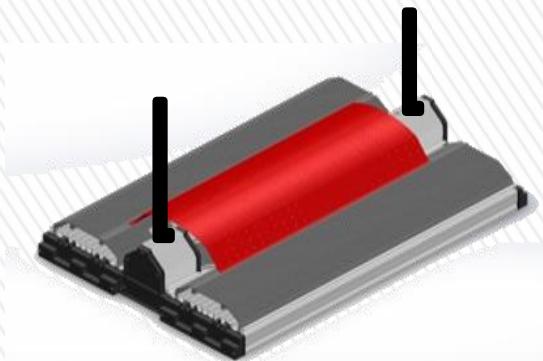
INDUSTRIAL Highbay



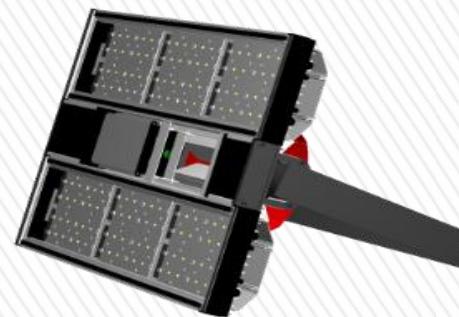
INDUSTRIAL FLOODLIGHT



SPORT/INDUSTRIAL Highbay



INDUSTRIAL HIGHMAST



MEDIA COVERAGE

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36 **POLITIK** **enterprise**

ANY business worth its salt will say it takes time to turn around a business lost in the face of a RM3.5 million debt, would they say?

This was the predicament of Extra-Built (M) Sdn Bhd founder and CEO Mohd Faizal Nordin. However, instead of giving up, he soldiered on and proved it is possible to turn around a company lost with RM3.5 million owed the bank.

It's been a tough journey and one that has seen Extra-Built claw their way back to the face of success.

Formerly a plant manager for Philips Malaysia, Faizal was let go by Philips in 2005 and became an original equipment manufacturer (OEM) for Philips, was good.

During his tenure, he continually stats that hit the region, his plant started closing machinery factories and stepped up its efforts to increase the lot of lost consumers in any construction project, the lighting sector felt the impact.

As one of the vendors in whom large orders were given but whose incoming payment were not processed, and ended up in a bind, he turned to a loan from several banks, Extra-Built was born.

"All the resources went down the drain and it almost drove me to bankruptcy. It was difficult to bounce back," he said.

"It was a rough time, we had a lot of problems, and when we were done, all the local and international investment agencies were on our backs. It's a miracle we made it through."

As he looks back, he believes in innovation, as well as resilience and the guts to take on the challenge, played a major role in helping the business survive.

Says Faizal: "First of all, I think talking to the right people is key to turning your business around. You need to have the right contacts to close accounts and entrepreneurs, and label you bankrupt. Walking with the hand of God is also important, because he believes that there's much room for recovery."

Today, he represented Bank Negara Malaysia, Discourses had to a small debt restructuring fund in which the sum of RM1.5 million was provided for operating capital, helped finance all interest rates and restructured all loans from commercial banks.

With the right attitude and every right to sue Phillips for the non-purchase of orders, Faizal did not, as he stated by the tagline, "We can't let go of our relationships. By not pressing

Field says creativity and innovation, as well as resilience and guts, played a big part in helping rebuild the business from the ground up

How Extra-Built rebuilt its business

By Farhan Syahidin

Deputy heavy losses in the Asian financial crisis, one man turns the tide to make his company profitable again

against Phillips, when relationship with Extra-Built continued on a smaller scale despite a lack of volume, more orders in the restructure were possible, says Faizal.

Efforts pay off

Businessman Faizal stuck his horse back to the market, this time against Phillips, when relationship with Extra-Built continued on a smaller scale despite a lack of volume, more orders in the restructure were possible, says Faizal.

Deputy heavy losses in the Asian financial crisis, one man turns the tide to make his company profitable again

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Efforts pay off

Businessman Faizal stuck his horse back to the market, this time



Business Awani Interview: (ETP)



Business Awani Interview:
Pasca Budget 2015

B4 • BISNES

Extra-Built pelengkap, bukan pesaing

» Perlu ada perancangan rapi pastikan kelongsong perniagaan

pada tahun depan

perancangan produk

dan teknologi

Alii permulaan tidak menggunakan mesyuarat untuk perniagaan pelabur bersama dengan kerajaan yang sejajar

Mohd Faizal Abdul Aziz,

Alis Permai Sdn Bhd



dan strategik perniagaan pada masa mendatang

Kami perlu melanjutkan jalinan kerjasama dengan pelabur-pelabur sejajar dan pelabur-pelabur yang berminat untuk berinvestasi dalam perniagaan LED pada masa hadapan

Beliau berkata, teknologi maklumat klasik memang tidak lagi relevan

dan teknologi maklumat moden juga tidak lagi relevan

Malah, teknologi maklumat moden perlu diperkenalkan kepada masyarakat

Sebagaimana menyatakan Alii

“Hari ini perniagaan tidak lagi berorientasi pada teknologi maklumat

“Ketika ini teknologi maklumat

“Malangnya hari ini teknologi maklumat

Coming together to increase chances of survival

EXTRA-BUILT Sdn Bhd CEO Mohd Faizal Abdul Hafiz Nordin said the company is looking forward to a bright future as a result of the Group of Multilateral Development Banks (GMD) support to the government to create global value chain lighting (GVC) industry.

Under the direction of MIDA Corp., the first phase of the programme saw representatives from various government agencies sent to Oxford Business School for two weeks to learn about internationalisation, operational excellence, covering aspects and strategies of marketing, branding, intellectual property, technology and more.

Says Faizal: "I asked my fellow businessmen who work with me, were they sure they ready to go forward?" This led to the formation of MLC.

"We have the 10 companies to form a consortium to work together to increase our competitiveness in the international Trade and Commerce," he said.

"This means a strategic alliance between Extra-Built and MIDA Corp., Malaysia Resources Development Finance Bhd (MRDF), Multi Billion Holdings Bhd and others," he said.

"We're trying to make our way into the ocean but if nobody guides us, individually we won't be able to make it. When we reached the water, Aspiration is the oil, the ocean, the deeper we go the greater the possibility we'll survive, because

of the fact that there are so many countries first requires a fact record and research," he said.

The companies formed a consortium which signed a memorandum of understanding (MoU) with MIDA Corp. and MRDF.

"The MoU is an MoU covers all aspects of the cycle, funding to turnover," Faizal says.

"If the government wants to grow, it can't wait to grow, it needs to give grants and expect that to work."

"It needs to guide them in to Z, otherwise there's no point in grants, because these companies aren't going to say,

Focus Malaysia Magazine
(Nov 23-29, 2013)



Presentation to MIDA-TGV (27th Oct 2014)

STRICTLY CONFIDENTIAL

Berita Harian Newspaper
(Apr 21, 2014)

website : www.extrabuilt.com

MOU SIGNING

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Technology
Partners



RECOGNITION & AWARDS

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SME 100
Award 2013
FAST MOVING COMPANIES™

SME
RECOGNITION
AWARD 2012
2012 年中小型企业卓越成就奖



UNIQUE SELLING PROPOSITION

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END



Thank you



website : www.extrabuilt.com



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EXECUTIVE SUMMARY





EBMSB Investment Request

- Extra Built (M) Sdn. Bhd (EBMSB) is an established Bumiputera LED Lighting company that intends to make the quantum leap for growth as it expands its market scope and size.
- EBSB is looking for an investor to support its increased participation and financing of Lighting Projects in Malaysia and the region.
- The intention for the investment is to prepare EBSB for an IPO in 2016.
- The required funding will allow EBSB to quadruple its revenue base and position it for IPO by 2016.
- The investor can expect a 5X return on investment from the IPO exercise



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Why EBSB

- Founded in 1997, EBSB specialises in the design, development and installation of outdoor and specialty LED lighting solutions.
- EBSB has developed a complete range of external LED lighting products that are commercially sold.
- All of EBSB's products are designed, developed and branded in-house.
- The company has grown from a revenue base of about RM300K in 1998 to about RM4 Million in 2013 as it changed business models and industry positioning several times before setting its course on LED lighting in 2007.
- EBSB's revenue growth grew nearly 3X from about RM2.5 Million in 2002 to about RM8 Million in 2012.
- EBSB's source of revenue comes from:
 - Supply of LED Lighting to contractors and other LED Lighting companies
 - Project Management (Consult, Supply, Installation and Maintenance of LED Lighting)
 - Private Financing Initiative (Lease Financing of LED Lights for factories and buildings)
 - Export of LED Lighting Products





Business Model

- **EBSB's business model encompasses:**
 - Tendering process for Private and Public Infrastructure projects, such as highway lighting (40% Revenue)
 - Direct Negotiation for supply and installation of Lighting solutions for IHLs and government buildings (20% Revenue)
 - Project Partnership with third parties to secure high value projects (10% Revenue)
 - Private Financing Initiative (PFI) (30% Revenue) : The PFI business model allows EBSB to secure monthly residual income from savings enjoyed by the customer due to the switch to LED lights



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Commercial and Financial Highlights

Strengths

- EBSB has the following pre-requisites for expansion in place:
 - All R&D knowledge and IHL partnerships in place
 - Engaged and experienced Management Team
 - Technical team in place
 - Established Customer Base and strong business relationship
 - Established and mature supply chain
 - Ability to scale book orders with investment
 - Established branding and market goodwill
- EBSB's strength is in high powered outdoor LED Lighting products, particularly Street Lights
- EBSB is debt free with low gearing and all outstanding bank loans will be settled by end 2014.
- EBSB makes an average 40% gross margin on its products
- EBSB has a developed and reliable supply chain to support its product development and commercialisation as well as strategic partnerships with specialised vendors to co-develop next-generation products



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Opportunities

- 2014 has seen the revenue opportunity of EBSB double to RM8 Million and has the potential to double again in 2015.
- EBSB's revenue has been stagnant in the last 2 years due to the a lack of funds for revenue expansion
- EBSB is at a point where it has opportunities for further growth but requires strong financial support to allow it to capture new market opportunities.
- EBSB's strategy is to secure as many light points in commercial and governmental buildings and facilities in Malaysia which in turn allows EBSB to lock in the customer for a period of 10 years and beyond.
- There are over 5 Million Street Lights in Malaysia with a potential installation value of RM20billion
- There are over RM 25 billion of other application of indoor and outdoor lighting product to be replace with Led light
- EBSB is in the midst of an exponential market growth but lacks the financial strength to capitalise on the opportunity



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Notable Highlights

- EBSB's list of clients include: (refer co.profile)
- Iconic projects done by EBSB include:(refer co .profile)
- Key Industry achievements of EBSB include:
 - One of 7 companies selected in 2013 and 2014 to be developed as world-class LED companies under SMECorp SSL Champions Program
 - Secured Grants worth RM1 Million in 2013 from SME Corp
 - Secured Grants worth RM 2.5 million in 2012 from MIDF
 - 1 Innocert 2013 winner with cash prize of RM400K
 - Branding Malaysia 2014 Recipient
 - Selected Government to Government Green Energy Vendor for Malaysia-UK
 - TERAS-accredited company for Government projects
 - sole bumiputera project dealer for philips lighting-strategic value added partner



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Industry Background

- The LED market in Malaysia is growing at CAGR of 25% per annum largely fuelled by the Malaysian Government's move to phase out high energy consuming incandescent lights in 2014.
- The key enabler for the growth of the LED industry in Malaysia is:
 - The drive to reduce electricity costs – LEDs have been proven to reduce electricity consumption by more than 50% at the same brightness
 - Government legislation – The Malaysian Government has emulated the government of other advanced nations, phasing out incandescent lights and replacing them with green lighting such as LEDs
 - Green Agenda – The Malaysian Government has set a target to reduce carbon footprint as committed in the Kyoto Protocol by 2020 and the mass adoption of LED lighting is one of the ways of ensuring the target is met.



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History

- EBSB was founded with the original business model of becoming a contract manufacturer and supplier of lighting products for Philips Lighting Malaysia in 1998.
- An unfortunate cancellation of orders from Philips Lighting in YEAR almost caused the bankruptcy of EBSB with a debt of RM3.5 Million
- Fortunately, the management team of EBSB was able to recover from the incident through a debt restructuring exercise with its lending banks and a special financing package by Bank Negara Malaysia
- EBSB changed its business model from contract manufacturer/ dealer to an OEM in 2006 using profits made in lighting project for Bank Negara Malaysia and TNB after it became apparent that it could generate better profits from developing and marketing its own range of high powered outdoor LED products
- EBSB saw its revenue grow from RM300K in 1998 to about RM2 Million in 2006
- Between 2006 and 2014, EBSB has launched a dozen different models of made-in-Malaysia high powered outdoor LED lights, namely street lights and flood light



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Investment Requirements:

i. Investment Requirement:

- a. Total Investment Requirement: RM17 Million
- b. Cap-Ex Requirements: RM4 Million
- c. Op-Ex Requirement: RM5 Million
- d. Cash-up for Founder: RM8 Million
- e. Breakdown of Cap-Ex Investment
- f. Breakdown of Op-Ex Investment

ii. Shareholding Structure: 30% equity stake to investor (negotiable)

iii. Payback Period:

- a. Exit set at 2 ½ years from initial injection – ROI period is in 3 years.

b. Exit method will depend on market conditions at the time:

- i. IPO (preferred strategy for exit and expansion)

- c. ROI (EBIDTA) – Year 3

- d. Average Yield over 5 years (EBIDTA) – 5X over 3 years

- e. Operational Profit – Average margin of 40%

- f. Commercial Volume – Capacity capability of 500 volume a month worth RM 1.5 Million





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INTERNAL DUE DELIGENCE AUDIT



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1. BACKGROUND

- Tuan has been presented with an opportunity to invite in a proposed joint venture with the shareholders of EBMSB to manufacture from downstream and commercialize its high power Led professional Lighting Luminaire for the LED industry via a joint venture company ("Proposed JVCo") (hereinafter referred to as "the Proposed Project").
- The primary focus of the Proposed JVCo is as follows:
 - To gear up the expansion plan from downstream manufacturing activities and commercialize the production of Led professional lighting Luminaire {"LPLL"}, based on the technology platform from EBMSB;
 - To promote and export of led manufacturing products globally.
 - To promote and distribute the LPLL, which in the form of finish products.



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2. BACKGROUND OF THE EBMSB

- The shareholders of EBMSB, were the founder of EBMSB was a lighting luminaire technology specialist in Malaysia, focusing on the product design, manufacturing ,lighting simulation application design of various professional luminaire applications for indoor, outdoor and planning for explosion proof light fittings for oil and gas industries.
- EBMSB was incorporated in 1995 by Mohd Fadzil Bin A Rashid with the intention of exploiting the relatively untapped niche market of hybrid Led professional lighting luminaire market and advanced Total Lighting solutions by providing full turnkey solutions from the design concept, manufacture, marketing and after sales service and secured a set of Pre-Packaged grant Incentives from MTDC and SMECORP in 2010



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- In 2006, EBMSB invested RM1.5million in Its R&D department to towards solid state led lighting luminaire project via product design house EBTB.
- By end 2010, the production line for street lighting was ready and complete product range of indoor and outdoor ready for commercialization.
- EBMSB being spotted by MIDA and SMECORP to be enrolled as one of the potential company in search for EPP10 transformation program to be groom as top 5 companies to be a global champion.
- January 2011, due to a change of corporate direction, EBMSB decided to restructure all operations under one roof moving to section 16 industrial area to streamline manufacturing operation.
- EBMSB through matching grants had invested to improve their production, quality ,R&D ,certification and marketing facilities in their expansion plan and being recognized with several SME awards



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- Since then, EBMSB start to design and introduce more value added product range and application which complying to standard and requirement to Malaysian market and involved in few prestigious projects.
- The founders of EBMSB, through SMECORP Green Led/SSL program was sent to Oxford Business school United Kingdom by SMECORP and trained in International Commercialization Readiness program as Phase 1 project for globalization.
- EBMSB finally being selected to proceed into the 2nd phase amongst 10 companies currently involved in few special project mission to Frankfurt, Nairobi and Dubai international lighting exhibition 2014
- Currently being selected as priority vendor for National Housing Project (SPNB)
- Shortlisted as supplier for MRCB (construction), Mass Rapid Transit Co. (train industries), PETRONAS projects including Private Financing Initiative (PFI) project program with DRB group (Proton National Car Manufacturing Plant) and Town council projects.(MP Kuantan)



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- Appointed as Chairman for LED CONSORTIUM MALAYSIA
- MOU signing with Government Link Company (GLC) such as:
 - J-CORP
 - MRCB
 - DRB
 - MRT Co and
 - PETRONAS etc.
- International Technical collaboration:
 - CREE of USA
 - ADICs of KOREA
 - Diamante Lighting of Milan ITALY
 - INTERMATIX



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PROPOSAL

In approaching your company as a potential JV partner/investor, the tentative structure and framework for the Proposed JVCo are:

A proposed investment from your company of up to RM 17million to expand the down stream manufacturing facility and for a minority equity interest of 30%, in the Proposed JVCo.

Aquiring of 30% equity at RM8 millions

Shah alam Expansion plan of RM 2,000,000 PHASE 1 :

30% of investment at RM 600,000 by your company

70% of investment RM 1,400,000 by EBMSB.

The remaining 70% equity interest shall be held by the shareholders of EBMSB as follows:

- Mohd Fadzil Bin A Rashid (70%)



THE PROPOSED PROJECT

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Contd.....

Expansion program in Brunei Darulsallam RM 2,000,000

PHASE 2

A proposed investment from your company of up to RM 1,400,000 and rm 600,000 from EBMSB to expand the distribution marketing arm and manufacturing assembly facilities in Brunei with 70% owned by your company and 30% owned by EBMSB as Proposed JVCo:

- Directors from Brunei (70%)
- Directors from EBMSB (30%)



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- The RM10 millions invested by your company into the Proposed JVCo shall fund PHASE 1 & 2:
 - The establishment of the proposed JV which includes the expansion of a proposed LPLL facility in Malaysia and Brunei Darussalam;
 - The acquiring of 30% equity from EBMSB .
 - Process development and optimization activities for customer acceptance tests and mass production;
 - Development and optimization (R&D) activities to develop Level 2 and Level 3 LPLL. That covers system integration technologies.



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PROJECT OVERVIEW

Establishment of a Proposed JVCo, to undertake establishment of the LPLL manufacturing facility and commercialization of the product including setting up new plant in Brunei Darussalam.

TECHNOLOGY OVERVIEW:

The creation of a newer generation of Led lighting luminaire technology products (i.e. professional high powered led luminaire technology) that does not require too many tooling to produce multi purpose product applications and spill over nature of business from indoor application to outdoor and into Oil & Gas industries Led luminaire products. The technology involves product innovation which allows flexibility in the design of the luminaire professional applications. EBMSB has developed various luminaire products using extruded aluminum, casting, latest state of the art diode, electronic drivers, and top range optical and MCPCB including lighting design software to support its applications.



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BUSINESS MODEL

- To produce and market Level 2 LPLL which is a diversify components transformation creating multipurpose product dimension in vast application to professional market within 6–12 months upon commencement of the Proposed JVCo.
- To develop, produce and market Level 3 LPLL which is in the stage of entering into Global market new product design had been develop and line up and being selected under the government back programmed EPP10 by SMECORP Green led/SSL which is 12 month upon the commencement of the Proposed JVCo.
- Propose investment and funding Amount:
RM 2 mil from both company over a 2 year period to fund the purchase of equipment, cost of materials, development and optimization efforts and working capital in EBMSB.

Propose investment of 2 million from EBMSB over a 2 years period to fund the new JVCo in Brunei Darulsalam as 30% interest stake.



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OPPORTUNITY : IMPACT DEAL

▪ Idea	5.0	4.5
▪ Market	5.0	4.5
▪ Product market strategy	5.0	3.5
▪ Acceptance	5.0	3.5
▪ Competitive landscape	5.0	3.5
▪ Timing	5.0	4.0

DEAL

▪ Project financials	5.0	3.5
▪ Project funding	5.0	3.5
▪ Deal structure	5.0	3.5
▪ Risk & return	5.0	4.0

ASSESSMENT:

This section highlights the assessment of the Proposed Project, based on the IMPACT-Deal framework. The assessment is then scored, in terms of state of readiness, on a scale of "1 to 5", with:

- "1" being not ready/very high risks exposure;
- "2" being less than ready/high risks;
- "3" being somewhat ready/medium risks;
- "4" being ready/manageable risks;
- "5" being most ready/low risk exposure.

The following is the summary of our assessment:



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Based on the scoring scale of 1 – 5, the score is 3.8, indicating medium to low risk.

As the scoring is in the “ready and manageable low risk category”, it reflects the investment intention continues to remain positive, mitigation factors should be in place and actions should be directed by EBMSB to rectify the low scoring areas.

A further review should be performed to determine whether the investment scoring improves before finalization of an investment decision.





IMPACT ANALYSIS

- **IMPACT** is assessed based on the following criteria:
 - Idea
 - Market
 - Product
 - Acceptance
 - Competition
 - Timing
- **IDEA**
 - The EBMSB have presented to your Company an opportunity to invest in what they believe to be new and innovative in the Green technology for the LED industry, the LPLL as a better solution to the existing conventional lighting application Market
 - EBMSB believe that the LPLL technology has the potential to capture a sizeable share of the LED luminaire industry.



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EBMSB starts to develop its own product with an eagle design as the concept and straight into solid state lighting doing away with conventional lighting product design.

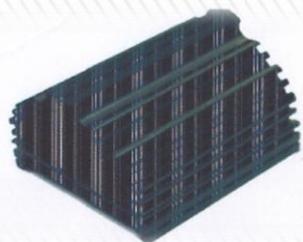


THE PROPOSED PROJECT

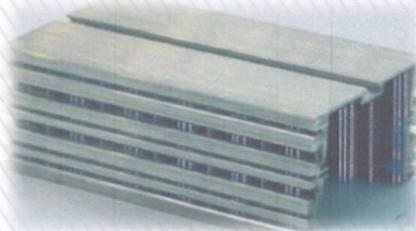
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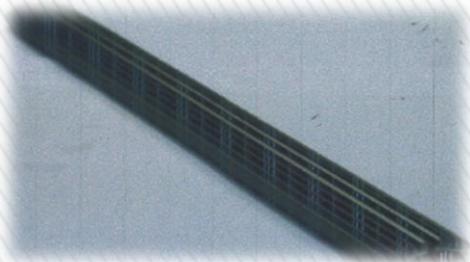
EAGLE DESIGN AS BASE LINE



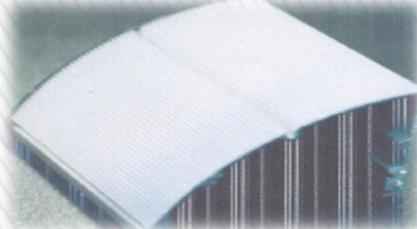
Body Mother Eagle



Body Baby Eagle



Grandson



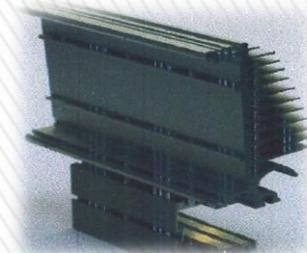
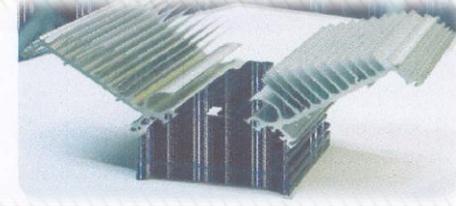
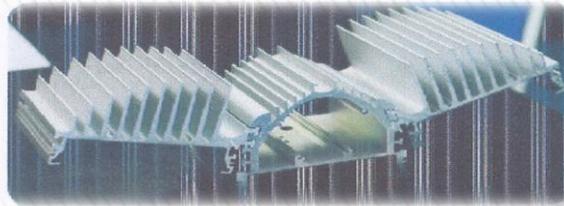
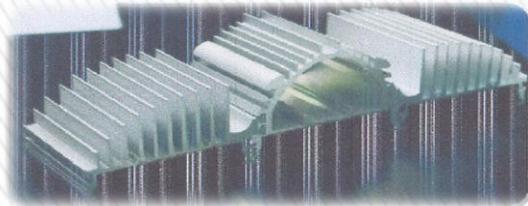
THE PROPOSED PROJECT

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**THE CREATION OF MOTHER EAGLE, BABY EAGLE AND GRANDSON ENABLE EBMSB
TO DESIGN AT LEAST 2000 PRODUCTS FROM THE EAGLE CONCEPT BASELINE**





PROPOSED TECHNOLOGY

- The proposed technology by EBMSB is LPLL technology which is the homegrown product development design house producing:
 - Professional led lighting luminaire products for indoor and outdoor professional applications
 - The LPLL technology by EBMSB consists of 2 types, which are:
 - Level 2 technology (L2) - upgrading of current design product competitive to global market international certification and specification for export ready products.
 - Level 3 technology (L3) - designing and certification of explosion proof led professional lighting luminaire for oil & gas industries with international certification.



INNOVATIVE INDOOR PRODUCTS

EXTRA-BUILT LED

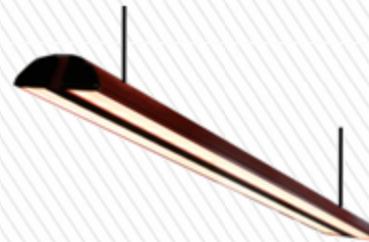
Innovative & Intelligent Efforts



BATTEN



PENDANT



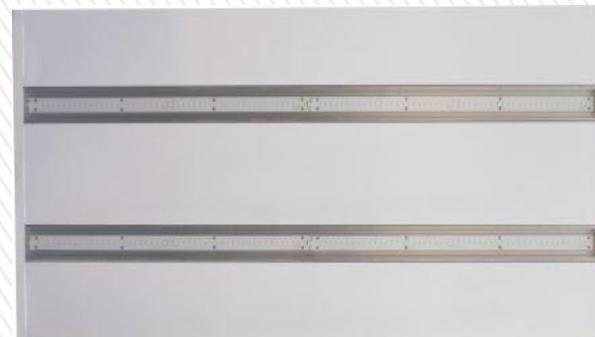
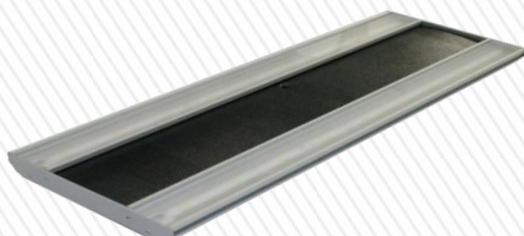
DOUBLE TUBE BATTEN



RECESSED



DOUBLE LINEAR BATTEN



INNOVATIVE INDOOR PRODUCTS

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MR16



TRACK



ROUND



GIMBAL



ZHAGA



SQUARE



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The technology will be in continuous development, improvement activities and some in the prototype. Some product already with the certification body to acquire local certification requirement.

EBMSB will outsource the front of line manufacturing activities to external parties as there are various local companies in Penang, Kuala Lumpur and Selangor that provide such services. In addition, some of the LED components part manufacturers conduct the sub assembly of the manufacturers conduct the sub assembly of the LED internally to preserve its LED 'secret recipe' from potential plagiarism.



INNOVATIVE OUTDOOR PRODUCTS

EXTRA-BUILT LED

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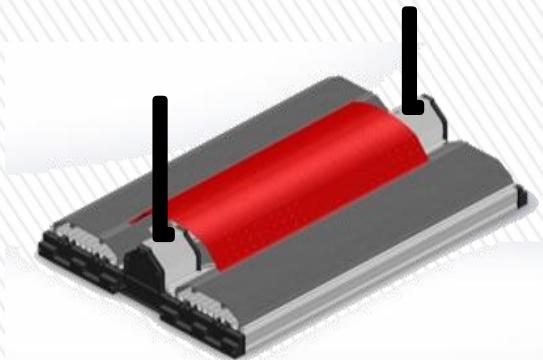
INDUSTRIAL Highbay



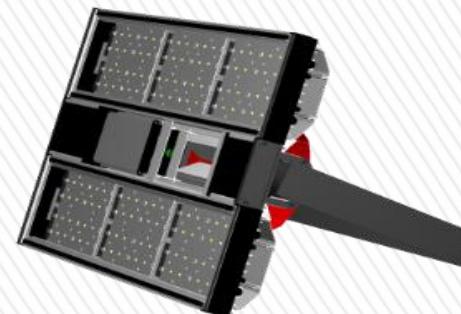
INDUSTRIAL FLOODLIGHT



SPORT/INDUSTRIAL Highbay



INDUSTRIAL HIGHMAST



THE PROPOSED PROJECT

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EBMSB proposed technology is however more futuristic than other existing LPLL technology in the market. The key difference is that they have collaborated with material specialists to enhance their materials for the aluminum and ceramic substrates for better application and performance.

EBMSB is working closely with ISIS Innovation Oxford Center through SME Corp to patent their product design and MYIPO for product branding under the work stream of intellectual property.

The EBMSB's LPLL are designed for multipurpose product application to minimize wastage when total solution lighting requirement towards application needed.

Waste treatment is not required as there are no toxic wastes generated from the production of the LPLL.





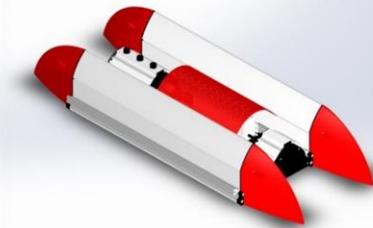
**GOLDEN PHYTON
HIGHWAY LIGHTING**



**GOLDEN EAGLE
HIGHWAY LIGHTING**



**GOLDEN DRAGON
COMPOUND & STREET LIGHTING**

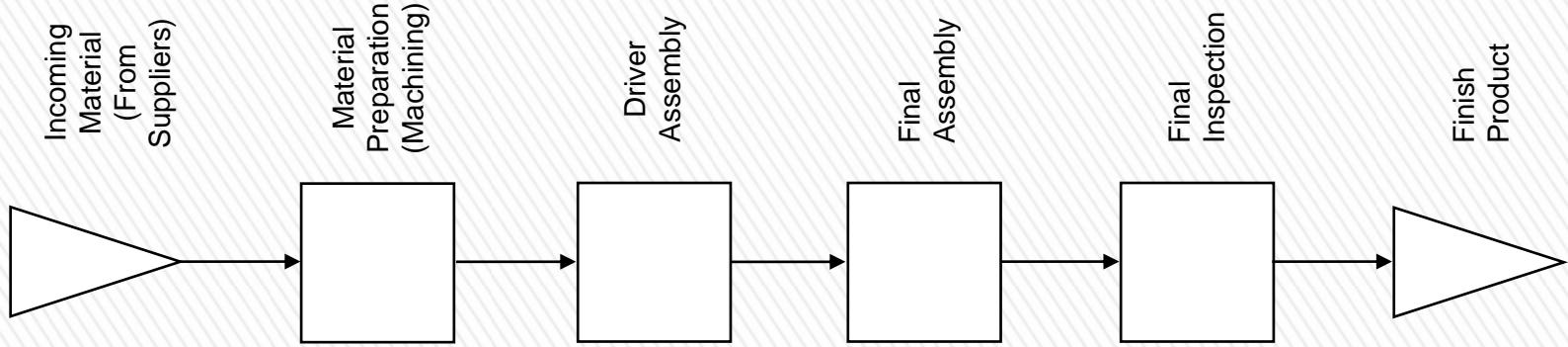


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The production process of EBMSB LPLL:

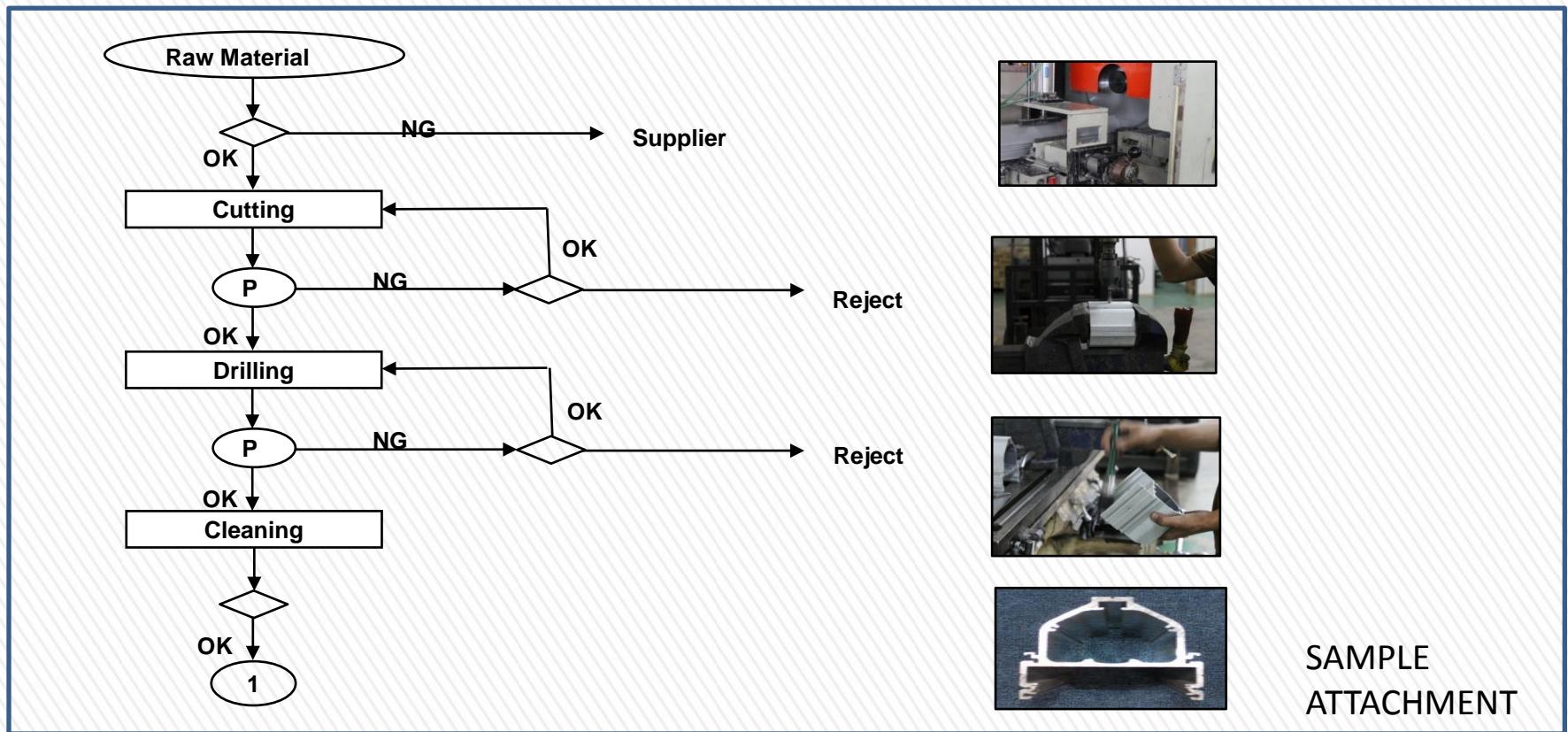


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The production process of EBMSB LPLL:

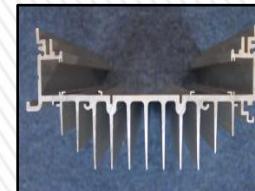
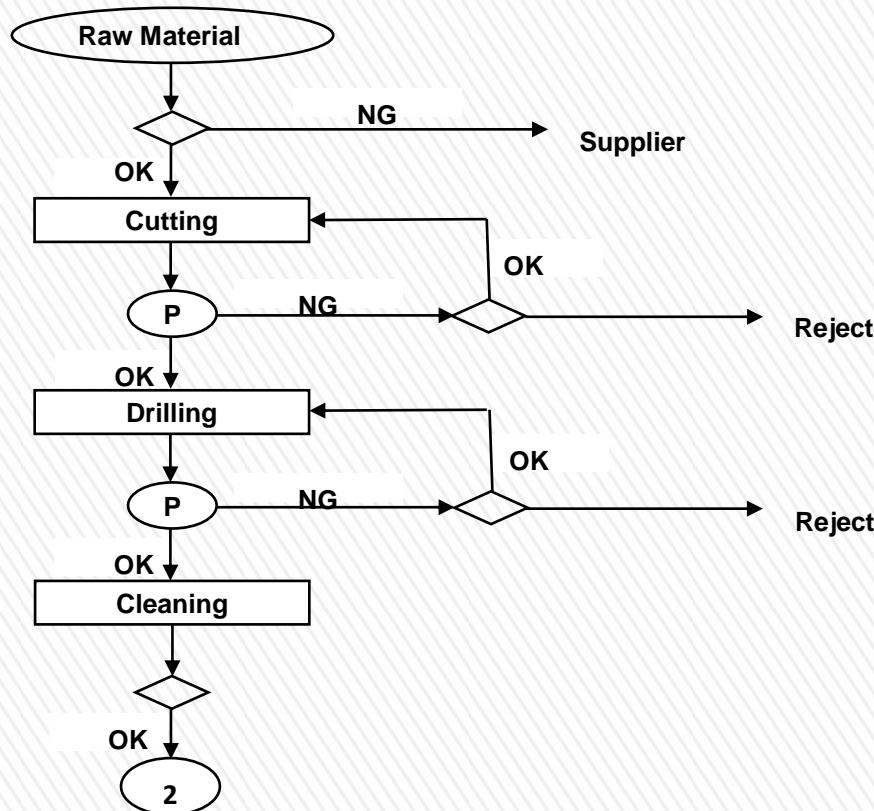


THE PROPOSED PROJECT

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The production process of EBMSB PLL:



SAMPLE
ATTACHMENT



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KEY COMMENTS/ASSESSMENT:

EBMSB technology is slightly similar to establish luminaire technology company that uses various type of aluminum base either high pressure die casting, sand casting or extrusion.

- Higher price compare to high pressure die casting technology available in the market.
- The materials used currently with extrusion aluminum are “secret recipe” developed by EBMSB with the technical support of material and components specialists. As all the materials are purchased from external parties, there is full dependency on the market for supply of materials. This may expose to future fluctuation of the supply of materials and thus, affecting production cost, depending on their purchasing power





COMPETITIVE ADVANTAGE:

The following are key advantages of EBMSB LPLL technology compared to their competitors:

- EBMSB may be the first Malaysian company that produce extrusion base street lantern. Moreover quite fast gaining the market acceptance beside Philips lighting, other players may also enter the market.
- EBMSB technology can be customized to the specification required by end user.
- The composition of components ,materials and product design used is a “secret recipe” developed by the EBMSB with the materials specialist. The enhanced materials are more compatible to EBMSB production process and thus, requires less monitoring as compare to other finished products.



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EXTRA-BUILT LED
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COMPETITIVE ADVANTAGE:

- The setting up of expansion production facilities in Shah Alam, Malaysia puts the Proposed JVCo “closer” to a few of the leading Luminaire manufacturers located throughout Malaysia such as Shreader ,Success Electronics, Osram and Phillips. The Proposed JVCo can fill the downstream of the supply chain in the production cycle of the final LED luminaire products. There is always an advantage to be close to the customers (end user) if the Proposed JVCo has good quality control and is able to pass the validation of these potential customers with competitive pricing.



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KEY COMMENTS/ASSESSMENT:

- Early entry into the expanding LED industry in Malaysia. The Proposed JVCo offers a good value proposition to the LED manufacturers in Malaysia such as Osram and Philips, provided that they can produce good quality LPLL and can scale up their production. However, for OEM manufacturers, the Proposed JVCo may not have the advantage of being “good and competitive” if they lack the economies of scale to compete with suppliers from China and Taiwan
- Efficiency levels, improved quality and price points will be the determining factors in securing a comfortable position in the competitive luminaire management technology market.



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CURRENT STATE OF DEVELOPMENTS

EBMSB is an established formed company. The development history was with Philips and Thorn lighting which is well known currently in the global market.

- The technology support partners on the R&D for EBMSB are as follows:
 - Cree USA
 - Philips Components Asia Pacific
 - Meanwell Taiwan
 - Inventronics China
 - Ledil Finland
 - Adic's Korea
 - Diamante Lighting Italy
 - Local manufacturers



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CURRENT STATE OF DEVELOPMENTS

- Product Pipeline
 - EBMSB will commence production and commercialization of the L2 PLL after the sixth month upon the establishment of the Proposed JVCo. and intends to start the production of the L3 PLL, which is the oil & gas EEX product range, 18 months after the commencement of the Proposed JVCo, as illustrated below.
 - EBMSB is in the possession of a new semi-detached factory finance by MIDF as part of expansion plan and owing its own building at the cost of RM 4.5 millions an expected to move in by 2015^{2nd} quarter.



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MARKETS

The LED industry is recognized as an industry with strong future growth potential, thus numerous makers currently participate in the industry as the LED light source has many applications, and is applied in all fields that require light energy such as electronics, mobile devices, cars, and signboards.

As shown in chart (on the left), the LED market is expected to show a compounded annual growth rate ("CAGR") of 26% over 2008 to 2013 and grow from US\$5.1 billion in 2008 to US\$16.5 in 2013. The LCD BLU and lighting market are predicted to show rapid growth of CAGR of 121% and 52% respectively (source: Unique LED: LED Outlook).

In regional performance, Korean LED output value have in recent times, increased at an exceptional rate.

The main reason behind the growth was that large conglomerates that own television brands such as Samsung and LG provided the necessary support to drive the growth of Korea's LED industry. Looking forward into 2011, LED-backlit TV and LED lighting markets are still the main driving force for LED demand, and it is estimated that there is still substantial room for further growth. From the perspective of market supply, LED manufacturers have undergone aggressive capacity expansion in 2010.



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MARKETS

LED Market 2011-16



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MARKETS

Therefore, it is foreseeable that in 2014 onwards the industry will witness explosive growth in both supply and demand up to 2020. Nonetheless, only the manufacturers which are able to maintain quality while keeping costs low can out perform others in the competitive industry. The boom in the LED industry may be due to the many advantages of LEDs (source: LED inside, Study on LED Industry, Led Magazine etc).

- Key comments/assessment:
 - LED is a booming industry with the expected CAGR of 26% from 2008 to 2013.
 - In 2015, LED industry is expected to increase by 28% to US\$16.5 billion by 2017.
 - New product design and application management technologies are one of the crucial factors in rapid growing LED industry as it allows manufacturers to produce LEDs that have higher light output , longer lifespan and customization



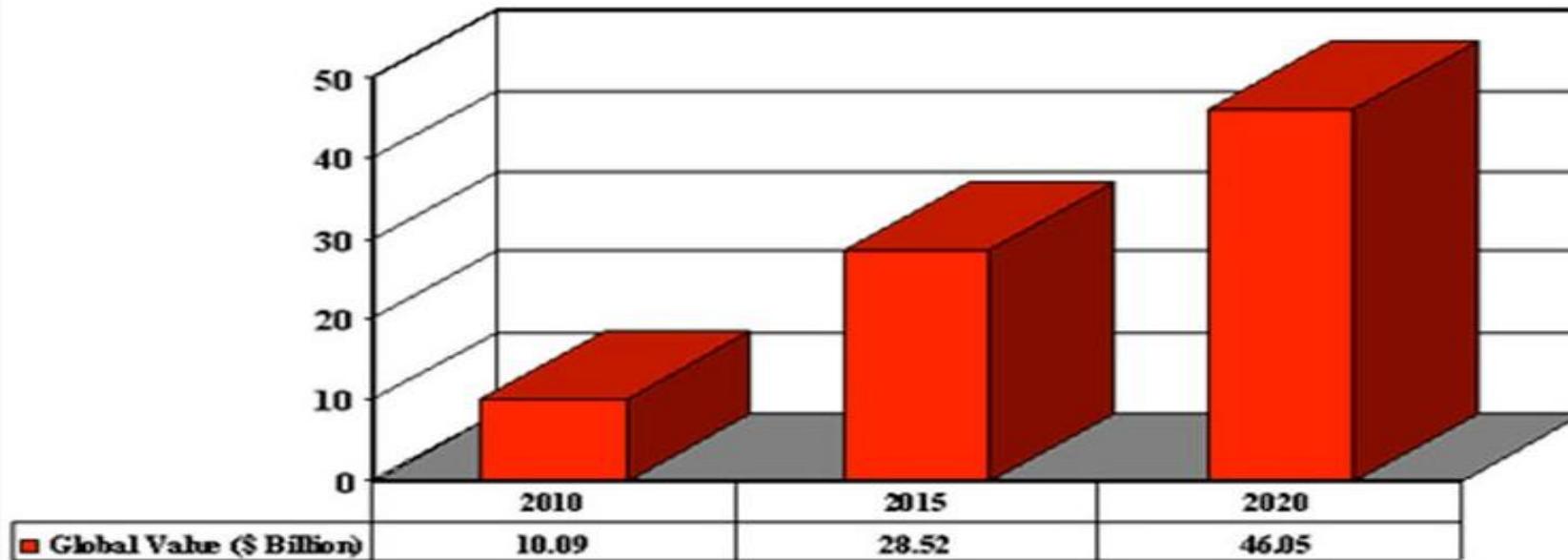
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HB-HIGH BRIGHTNESS LED MARKET OUTLOOK

**HB-LED Global Consumption Market Forecast,
By Region (Value Basis, in US \$Billion)**





MARKETS

Target Market

The Proposed JVCo intends to focus on selling to end users that are in the HB-LED market and UHB-LED markets. This is because:

- HB-LED and UHB-LED markets have higher margin contributor and moving into the high volume segment.
- HB-LED and UHB-LED markets require:
- More advanced thermal substrates solutions.
- More aesthetic and value added product design and application
- More integrated application and user friendly with security.
- More towards energy conservation products



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MARKETS

Pricing

- Based on the financial projections provided by EBMSB,
- the price for the LPLL base on the product fort folio and the price gradually increases and competitive due to high added value by the Y4
- and decreases in the Y5. The average price estimated by EBMSB for their LPLL products, which is almost double the price.
- Expected the price of led component decrease and cost of energy might influence price stability



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MARKETS

Key comments/assessment:

- The proposed LPLL technology is still at early stages of development. Proposed target markets, customers and collaboration are in the advance stages of planning and development, and as such, there are certainty of securing these targets.
- Dynamic and stringent technical trade barriers through qualification requirements by customers will typically lengthen commercialization and market acceptance cycles.





MARKETS

Key comments/assessment:

- The average proposed price of LPLL which is competitive to the existing established player in the market. Ability to reach attractive price points is crucial and can be highly competitive.



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MARKETS

Key comments/assessment:

- Despite, it is expected that the mass production expansion plan capacity will commence by the Y2, the projected price of the LPLL will gradually increase till Y4 and it reduce slightly by the Y5 . The decrease of the price in Y5 is still not lower than the price at the initial stage of production.
- The forecasted average price for HB-LED is expected to fall in near future and this will indirectly impact the pricing of LPLL as LED luminaire manufacturers will seek for cheap materials and high value added integrated system or total solutions



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MARKETS

Acceptance:

- The boom in the LED industry especially in the HB-LED market segment has positive impact on the demand and market acceptance of successfully developed LPLL as thermal management continues to be a crucial factor for the performance of LED lights.
- However, it is noted that the pricing of HB-LED will experience a downward trend in the future. As such, right pricing coupled with application strategies are also important drivers in determining wide acceptance of LPLL among the LED luminaire manufacturers.
- Stage of Acceptance
 - As LPLL is considered as a new green technology lighting solution, the boom in the HB-LED will support the demand of LPLL..
 - Currently, MCPCBs are the main thermal management solution used by LED manufacturers in addressing heat issue for LEDs. As LPLL is a recent luminaire technologies the product life cycle is currently headed towards the growth stage.



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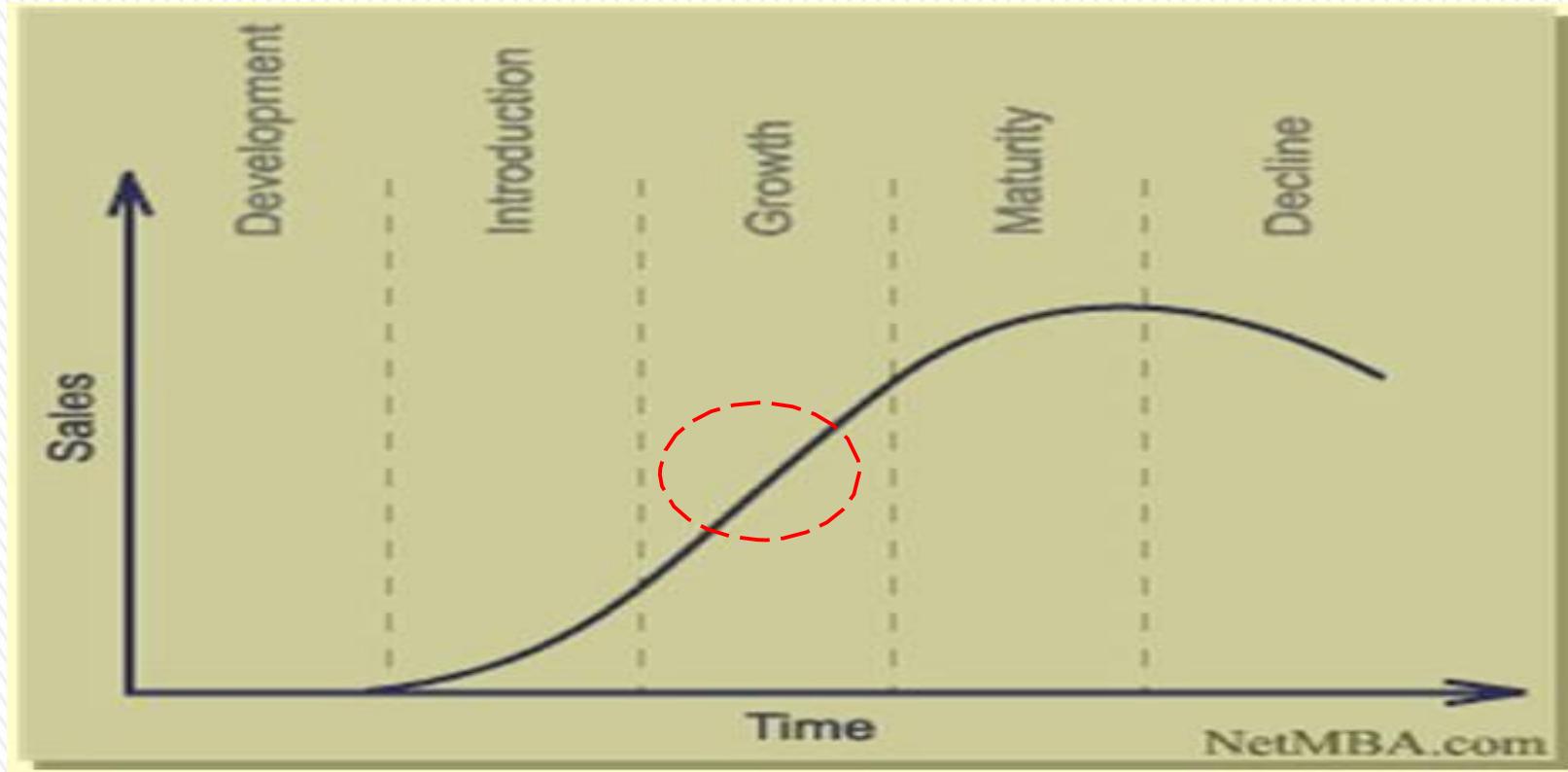
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MARKETS

Acceptance:



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MARKETS

Acceptance:

- During this stage, the goal is to penetrate the market quickly by gaining quick acceptance from end users, to increase sales and thus market share and enhance own positioning from existing product range as market players. A well planned product development pipeline to meet the needs of the LED luminaire market will help in customer retention.
- It is important to note that most luminaire LED manufacturers are multinational companies who will work with any good technology provider.
- Applications
 - EBMSB has identified their target market segments which are customers who are in the HB-LED segment.
 - However to date, the LPLL has been commercially applied to any particular LED lighting. The Proposed JVCo will need to conduct moderate prototyping work with LED customers before the LPLL can be commercialized globally.



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MARKETS

Competition:

- Competitive Landscape
 - As only 25% of energy is converted to light in a typical high-brightness LED, and the rest to heat, packaging technology for thermal management appears to offer the most headroom for improving the light output, and is the focus of many companies' distinguishing competitive efforts. It may also be one of the best options to bring down costs. Yole Développement concluded that "more than 70% of the cost is in the package." Yole Développement further notes that the recent round of announcements of development chips with efficiencies pushing >150 lumen/Watt (lm/W) are enabled primarily by advances in the packaging technology.
 - According to Yole Développement, HB-LED packaging market is expected to surpass US\$3 billion by 2015.



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COMPETITION:

Competitors	Technology Description
1. Philips lighting Netherland	A thermal management company utilizing PCB technology to conduct heat out of the LED system and into the atmosphere at a much greater rate. While the primary focus of the Philips technology is to solve thermal problems of the rapidly evolving high power LED market.
2. CREE luminaire USA	Merging and acquisition of luminaire technology companies accelerate end product to customer and capturing light point for future market leader through integration hybrid with custom design and assemblies, proprietary design radio frequency modules, avionic application modules, electro medical instruments, remote controls.
3. Osram Germany	Provider of microelectronic modules with in-house ceramic- based hybrid circuits manufacturing is on: <ul style="list-style-type: none">- Alumina (Al₂O₃) for general purpose thick film hybrid circuits,- Aluminum Nitride (AlN) for high frequency, high resistance and high voltage circuits- Aluminum substrate for high thermal conductivity applications.
4. Zumtobel –Iguzzini lighting	Merging and acquisition and strongly in new design outlook for various application incorporated high integration control system can influence the landscape of customers choices.



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COMPETITION:

- Key comments/assessment:
 - LED luminaire expected to continue growing thru fast track via merging and acquisition.
 - Players are enhancing the product performance and reducing cost.
 - There are alternative or similar R&D undertaken by various companies in the Industry. The Proposed JVCo must eventually be able to compete globally.





COMPETITION:

- New Entrants & Barriers to Entry
 - The proposed technology by EBMSB is not new and competition already exists. The differentiation will be the final quality of the product, efficiency of the thermal management, cost advantages and improved processors. Nevertheless, the aforesaid factors are the “must have” in all other similar technology providers.
 - Barriers to entry are in the upfront capital cost, technical expertise, ability to ensure quality, creative in product design and the acceptance of the product by the global LED makers and certification that able to penetrate technical barriers





COMPETITION:

- Key comments/assessment:
 - Barriers to entry are such as high capital cost, technical expertise and the acceptance of the product by the global LED makers. However, it is important to note that entry is not difficult for the fact that there are many companies out there researching on similar technology.
 - Buyer power is also high as the global LED market is dominated by 4 – 5 key players, which thus have the choice of partnering the best solution providers for the total solution provider management. Hence, continuous R&D with a relevant pipelines is crucial to ensure that the Proposed JVCo remains as the partner of choice for LED luminaire products in the HB LED market.



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TIMING:

TASK/MONTH	1	2	3	4	5	6	7	8	9	10	11	12
SECURE FACTORY												
FACTORY RENOVATION AND FACILITATION												
EQUIPMENT TRANSFER AND COMMISSIONING												
DESIGNING OF TEST STRUCTURE												
RAW MATERIAL MOVEMENT AND PURCHASE												
IMPLEMENTATION NEW ERP PROGRAM												
PROCESS DEVELOPMENT AND OPTIMISATION												
INLINE PROCESS CONTROL SYSTEM												
ENVIRONMENTAL SEQUENCE TEST												
TEMP CYCLE												
THERMAL SHOCK												
BURNING RACK TESTING												
OPERATION SEQUENCE TEST												
LIFE TEST												
HIGH TEMPLIFE TEST												
HIGH HUMIDITY LIFE TEST												
LOW TEMP LIFE TEST												
FURTHER PROCESS OPTIMISATION FOR MASS PRODUCTION YIELD AND COST CONTROL												
MASS PRODUCTION												
MASS PRODUCTION COST CONTROL												



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TIMING

Key Deliverables:

- The intended facility is to be IN Shah Alam facilities. The main equipment is currently warehoused in Selangor, upon commissioning, the facility should be operational by month 4.
- Between months 4 – 6, the Proposed JVCo will focus on R&D activities related to process development and optimization.
- Months 7-12 will be focused on production engineering of samples for the customers, to meet stringent qualification process and acceptance. This entails repetitive testing on the engineered samples as well as operations sequence test on the samples for the required series of procedures.
- Mass production is anticipated on going activities and the Proposed JVCo will commence on cost improvement analysis thereafter.
- Production will commence with the L2 LPLL products. Proposed JVCo will start with a production capacity of producing up to 5 major product fort folio in its first three years of commencement. The economies of scale starts at forth year with the production capacity increased almost 4 folds within the period of 3 years starting from 2016



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TIMING:

Key comments/assessment:

- Possible potential delays may be anticipated in the search and renovation of the facility resulting in a potential delay in the timing of the pre-operations. Impact may also be on the cost and ultimately the profitability of the Proposed JV Co due to expenses incurred and delay in revenue.
- The technology is not tested for mass production scale, nor has it been tested on small scale production. Furthermore, the technology has not been successfully applied to any consumer products and or other identified industries by the Promoter.
- For mass production the Proposed JVCo will need to work with subcontractors for assembly work activities. It will require time for the selection of the right parties who can provide the required quality and price.
- The timeframe of 12 months to successfully establish and commission the facility may be relatively tight, in view that current processors are at lab scale and will need to be designed and developed for commercialization levels.



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TIMING:

Key comments/assessment:

- There may be a further lead time for customers to issue bulk POs and purchase in bulk as the testing, qualification and acceptance period required from customers are unknown. Hence this will slightly delay the start of the revenue generating period. Production engineering of samples for the customers, to meet stringent qualification process and acceptance may also delay speed to market. The estimated period of 6 months for customers testing may be insufficient, as testing, qualification and acceptance cycle by customers may typically take between 12 – 18 months where in the mean time current certification can be upgraded and increasing the speed to market.
- The Proposed JVCo will need to ensure sufficient funding in place to facilitate working capital requirements and financing for the pre-commercialisation stage, as projected mass production will only commence after 12 months.
- Medium volume of production for the first three years and this may be a challenge to bring down the cost of production.
- The Proposed JVCo will require the relevant expertise in manufacturing, operation and quality control as these are the critical success factors at this stage.



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SCORING : IMPACT

KEY AREAS: IMPACT	Points Assigned	Score
<input type="checkbox"/> Idea	5.0	3.0
<input type="checkbox"/> Market	5.0	3.5
<input type="checkbox"/> Product Strategy	5.0	2.0
<input type="checkbox"/> Acceptance	5.0	3.0
<input type="checkbox"/> Competition	5.0	2.0
<input type="checkbox"/> Timing	5.0	2.0
SCORE: IMPACT	30.0	15.5





ANALYSIS : DEAL

- Project Financials

The financial projection prepared by the EBMSB is based on a 5-year model (Y0 is assumed as continuous growth operations).



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Project Profitability – Base Case

SALES PROJECTON 2014-
2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2014	152,767	1,490,302	90,879	136,494	121,112	346,085	128,730	1,682,601	1,084,630	305,085	1,368,000	577,686	7,484,369
				2,200,00									
2015	0	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	26,402,015
				3,485,00									
2016	0	3,485,000	3,485,000	3,485,000	3,485,000	3,485,000	3,485,000	3,485,000	3,485,000	3,485,000	3,485,000	3,485,000	41,822,016
				6,385,00									
2017	0	6,385,000	6,385,000	6,385,000	6,385,000	6,385,000	6,385,000	6,385,000	6,385,000	6,385,000	6,385,000	6,385,000	76,622,017
				7,800,00									
2018	0	7,800,000	7,800,000	7,800,000	7,800,000	7,800,000	7,800,000	7,800,000	7,800,000	7,800,000	7,800,000	7,800,000	93,602,018
				3,662,00	11,762,00								
	0	0	10,412,000	7,527,000	3,394,000	10,394,000	11,244,000	13,344,000	14,844,000	8,844,000	9,009,000	14,874,000	245,932,435



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Project Profitability – Base Case

EXTRA-BUILT (M) SDN BHD						
PROJECTED PROFIT & LOSS ACCOUNTS FOR THE 5 YEARS ENDING 31 DECEMBER 2018						
Income	2014	2015	2016	2017	2018	Grand Total
	RM	RM	RM	RM	RM	RM
SALES	7,484,369	26,402,015	41,822,016	76,622,017	93,602,018	245,932,435
Total Income	7,485,135	26,402,015	41,822,016	76,622,017	93,602,018	245,933,201
Cost Of Goods Sold						-
Total Cost Of Goods Sold	1,584,662	17,459,310	25,193,210	43,338,327	49,352,570	136,928,078
Gross Profit	5,900,473	8,942,705	16,628,806	33,283,690	44,249,448	112,699,116
	79%	34%	40%	43%	47%	46%
Expenses			0			0
Total Expenses	2,382,200	3,193,924	3,912,970	4,555,897	5,657,359	19,702,350
Operating Profit	3,518,273	5,748,781	15,503,392	28,727,794	38,592,089	92,090,329
Other Expenses						-
Tax Payable	35,000	1,235,988	2,800,000	3,200,000	6,000,000	16,656,231
Total Other Expenses	35,000	1,235,988	870,432	3,200,000	6,000,000	14,726,664
Net Profit/(Loss)	3,483,273	4,512,793	14,632,960	25,527,794	32,592,089	77,363,666
Taxation	181,352	442,660	980,000	1,200,000	1,600,000	3,266,593
Net Profit/(Loss)	3,301,921	4,070,134	13,762,528	24,327,794	30,992,089	74,097,072



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ANALYSIS : DEAL

• Key assumptions for Financial Projections

The following highlights the key assumptions underlying the financial projections

Category	Assumptions
Revenue	<ul style="list-style-type: none">• Simplistic revenue assumption where revenue figures are purely based on targets set for sales and not supported by any market figures or comparable data.• Revenue is targeted at RM12 million in Year 1, increasing to RM25 million in the following first full year, and increasing by over 4 times to RM100 million by year 5.
Cost of materials	<ul style="list-style-type: none">• Cost of sales adopts a simplistic top down approach, and is basically derived as a percentage of target sales revenue figures. Cost of sales is assumed initially at 60% of revenue, reducing competitively to 50% by Year 5.• The initial cost of materials is targeted at 60% for each product. The average cost of major components declines by 10% to for Y2 – Y4, and eventually, reducing by another 10%, to in Y5.• Cost of materials comprises:<ul style="list-style-type: none">• Aluminum extrusion/casting (37%)• led chip (25%)• Led driver (12%)• performance optic (6.%)• Casting end plate (5%)• Glass (5%)• Reject/Wastage (3%)• Logistics, Packaging & Other Costs (7%)



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Category	Assumptions
Operating expenses	<ul style="list-style-type: none">• Operating expenses consist largely of HR expenses (5-year average at 47%), general and admin (33%) and selling & distribution (14%).• HR expenses include mainly:<ul style="list-style-type: none">• Salaries for management team, starting initially, and increasing in Year 5. Management team consists initially of 10 personnel and will increase to 16 personnel by Y5.• Salaries for technical and management personnel, starting initially and increasing to in Year 5. The technical team consists initially of 11 personnel and increasing significantly to 100 personnel by Y5.• General and admin expenses consist mainly of rental for the manufacturing facility, utilities, telecommunication, licensing and IP fees, motor vehicle expenses and development and optimization costs.• Sales commission is assumed at 3% of revenue. Other selling & distribution costs include entertainment, travelling, market intelligence reports and marketing expenses.
Shared services cost	Shared expenses such as IT, accounting, legal and technical costs
Depreciation	Depreciation rate as follows: <ul style="list-style-type: none">• Equipment 14% pa• Renovation 20% pa• Computers 33% pa



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Category	Assumptions
Initial funding requirement & Capex	Initial funding requirement is for the capex for Y0-Y2.
	RM Million
Capex	2.0
Cost of Materials	1.8
Working Capital(HR,Selling<distribution,G&A shared service cost,development& optimisation	6.5
Total	10.3

Capital Expenditure (CAPEX)

Total CAPEX is as follows:

	RM millions
Upgrading of manufacturing equipment(gonio meter,burning life test rackmachining and automation of production assembly line	2.0
Renovation and clean room	0.5
computer& software system	0.3
Total	2.8

The CAPEX invested will increase production capacity as follows:



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Category	Assumptions
Sources of funding	<ul style="list-style-type: none">• In equity of up to RM10.3 million.• In debt of up to RM2.8 million• Current banking facilities SMEBANK RM 5 million• New factory financing MIDF RM 4.5million
Taxation	6% GST



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- Based on the projections, the Proposed JV Co is projected to be profitable by Y2.
- We note that revenue increases by over 5 times to RM93 million by Y5 from the Y1's first full year of operations, based on sales revenue targets set.
- Gross profit margin remains at a constant above 40 percentile level throughout the projected period after the initial low in Y1 due to cost improvement measures.
- The Proposed JVCo is at an operating loss in Y1 and thereafter at operating profit level by Y2. Operating profit is at 34% in Y2, increasing to >40% in Y5.



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- Comments on Key Assumptions of the Financial Projections

The following highlights critical observations of key assumptions which require further review and fine-tuning by the EBMSB:

i. Revenue

There is no underlying basis for the estimated revenue projections (e.g. mark-up percentage, supporting market data and comparison data, etc). The estimated revenue projections are based on simplistic assumption where revenue figures are purely based on sales targets. As such, there are certainty of achieving the revenue levels.

Furthermore, revenue assumptions seem to be aggressive, with low levels of revenues of RM50,000 per month (from commencement of pre-operations), and increasing by years

ii. Selling price

The estimated selling price of the product range may not reflect the competitive market pricing and reducing price points due to rapid technological changes. The price is derived by working backwards, based on revenue targets, volume of products sold calculated based on target cost of sales margins, and estimated cost of materials.

Based on this, the selling price is estimated competitive at the initial stage, increasing 12% and eventually declining to by 20% by Y5. This is contrary to the general trend of the industry where prices typically tend to be on a declining scale due to economies of scale and where competition as well as buyer's power will are also factors compelling prices to reduce.

Based on the estimated selling price at the initial stage, i.e. this is much higher than the existing product selling price (Source: Alibaba.com).



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iii. Sales Volume

Working backwards, the sales volume is projected to increase aggressively, in the first full year (Y2), an increase of 450% in 4 years.

- Based on the projections, the Proposed JV Co is projected to be profitable by Y2.
- We note that revenue increases by over 4 times to RM93 million by Y5 from the Y2's first full year of operations, based on sales revenue targets set.
- Gross profit margin remains at a constant at the 40 percentile level throughout the projected period after the initial low in Y1 due to cost improvement measures.
- The Proposed JVCo is at an operating loss in Y1 and thereafter at operating profit level by Y2. Operating profit is at 34% in Y2, increasing to 47% in Y5.

iv. Production capacity

The utilization of the production capacity is below 20% in Y1, due to setting up of the facility and thereafter increasing by 3 times to 67% utilization in Y2. From Y2 to Y5, utilization of production capacity is above 50% but below 80%.

The utilization of the production capacity is based on the projected revenue divided by the cost per product. This may not be a reasonable reflection of the potential utilization as there is no underlying basis for the estimated revenue.



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v. **CAPEX**

High capex to maintain capacity against the output of number of products. Based on the chart below, the capital expenditure in the early years may be staggered further into the projected period.

It is noted that by Y1, the Proposed JVCo will increase the number of production facilities to 4 to dedicate 2 production facilities each for the shah alam and Brunei operation. This is intended to minimize disruptions to the production setting and thereby increasing efficiency of the manufacturing process.

vi. **Cost of materials**

Aggressive assumption that the Proposed JVCo is able to achieve lower cost of materials over the projected period, from 60% of revenue to 38% revenue by Y5.



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vii. R&D

- Sufficiency of development & optimization costs of RM740,000 for the first 2 years (thereafter none) to fund and in hand MIDF and SMEcorp Grant estimated RM 2million left .
 - Activities in R&D development of the L2 and L3 LPLL; and
 - Continued efforts to reduce cost of production.
- Depreciation of equipment is at 14% as technology related equipment have a shorter life span resulting from technology changes.
- Sufficiency of factory rental costs, depending on location and type of property rented to determine the rental rates. Initial costs is at RM40,000 per month for 15,000 sqft. By Y3, the Proposed JVCo will require a new facility of 100,000 sqft, with a projected rental of RM100,000 per month.
- Other costs
 - Installation and commissioning of the facility and the systems integration of the process have been included into the capex.
 - Other costs estimations which may not have been sufficiently taken into consideration, such as:
 - Foreign exchange losses as some materials are imported;
 - General living expenses for the expatriate team member;
 - Sufficiency of legal fees for registration of IP may depend on the number of countries where the IP will be registered.





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END



Thank you



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