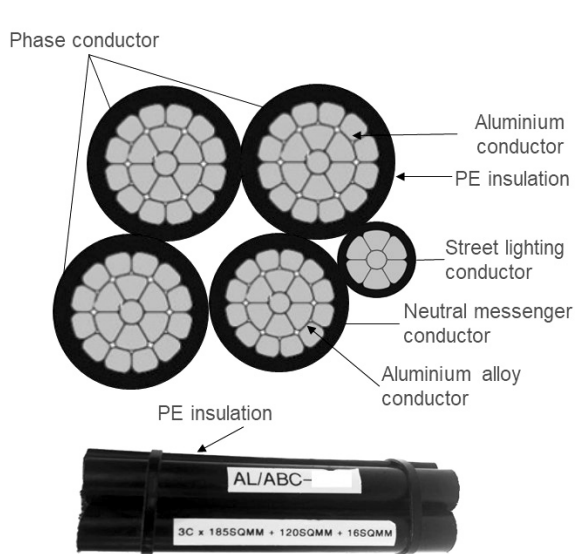


5. INFORMATION ON OUR GROUP (CONT'D)



Low voltage ABC
(3 phase conductors with street lighting conductor)



Medium voltage ABC

High Voltage Power Cables

In June 2019, we started manufacturing high voltage power cables, however this type of power cables accounted for less than 1.00% and 3.00% of our total revenue for the FYE 31 December 2019 and FPE 30 June 2020 respectively. These types of high voltage power cables are mainly used in the transmission of electrical power with voltage up to 132kV from power generation plant to primary distribution substation.

5. INFORMATION ON OUR GROUP (CONT'D)

(iii) Communications Cables and Wires

Our communications cables and wires are used in communications equipment, network devices and electronic devices. These cables primarily transmit the following:-

- text (letters, numerals and symbols);
- sound (mainly audible including voice, music and other types of sound); and
- images (still images including pictures and photos, and moving images like videos) in the form of signals or electromagnetic waves. The communications cables that we manufacture include telephone cables, coaxial cables as well as alarm cables.

The following are the communications cables that we manufactured and its respective general specifications:-

- **Telephone cables** consist of one (1) or more twisted pair conductors which are then assembled together. Twisted pair conductor is where two (2) insulated conductors are twisted together to form a pair. Our telephone cables may also be protected with a layer of moisture barrier sheath.

Conductor material	Copper
Insulation	PE/HDPE
Number of pairs	Single
	Multiple (up to 2,400 pairs)
Sheath	MDPE

Twisted pair insulated conductors in a telephone cable



- **Coaxial cable** is used to transmit signals. They are commonly used to transmit television or moving images as well as data signals. The conductor of a coaxial cable is insulated and surrounded by a braided shield made from copper or aluminium to shield the cable from electromagnetic interference.

Conductor material	Copper
Insulation	PE
Number of cores	Single
	Multiple (up to 21 cores)
Shielding	Copper/tinned copper/aluminium
Sheath	PVC

Coaxial cable with braided copper shield



- **Alarm cables** are used in various applications such as fire alarm systems and smoke detectors.

Conductor material	Tinned copper
Insulation	PVC
Number of cores	Multiple (4 cores)
Sheath	PVC

5. INFORMATION ON OUR GROUP (CONT'D)

(iv) Control and Instrumentation Cables and Wires

We also manufacture control and instrumentation cables and wires. These said cables and wires are mainly used for connecting machinery, equipment, instruments and process control systems. The primary functions of these types of cables are to obtain and transmit data, and communications among various devices so as to control and automate processes. These types of cables are used in virtually all manufacturing and processing industries that are automated, as well as modern buildings, amenities and infrastructures. Among others, they include power generation, oil and gas, petrochemical and chemical plants, as well as oil and gas platforms and marine vessels. Infrastructure may include oil, gas and water pipelines that require instruments to monitor and to transmit data in real time within a supervisory control and data acquisition (SCADA) system.

Our control and instrumentation cables and wires consist of one (1) or more twisted pair conductors which are assembled together. Some of these cables may include individual and overall screen and drain wire. Our control and instrumentation cables and wires may also be fire resistant or flame retardant.



The following are some general specifications of our control and instrumentation cables and wires:-

	Control cables and wires	Instrumentation cables and wires
Conductor material	Copper	Copper
Insulation	PVC/PE/XLPE	PVC/PE/XLPE
Voltage	300/500V, 600/1000V	300/500V, 450/750V, 600/1000V
Nominal cross-sectional areas	0.5mm ² up to 6mm ²	0.5mm ² up to 2.5mm ²
Number of cores/pairs	Multiple (up to 50 cores)	Multiple (up to 28 pairs)
Inner sheath	PE/PVC/HDPE	PE/PVC/HDPE
Screen	Aluminium PE foil (Individual/Overall)	Aluminium PE foil (Individual/Overall)
Armouring	Non-armoured	Non-armoured
	Armoured (galvanised steel wire)	Armoured (galvanised steel wire)
Outer sheath	PVC, LSZH	PVC, LSZH
Others	-	With drain wire

5. INFORMATION ON OUR GROUP (CONT'D)

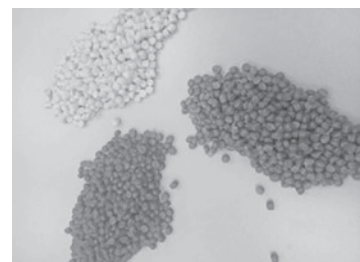
(v) Supporting Activities

- (a) As copper and aluminium rods serve as conductors in our cables and wires, the manufacture of copper and aluminium rods play a key supporting role in our operations. This supporting activity is undertaken by our subsidiary, Southern at our main production facilities in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman.
- (b) Our production facilities are equipped with three production lines consisting mainly of furnace and continuous casting and rolling facilities to produce the following types of materials:-

- Copper rods: We have two (2) electric furnaces dedicated to production of copper rods with a total combined capacity of 12,000 tonnes per year. For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, almost all of the copper rods that we manufacture were used as copper conductors for our cables and wires.
- Aluminium rods: We have one (1) gas-fired furnace dedicated to the production of aluminium rods with a capacity of 18,000 tonnes per year. The aluminium rods that we manufacture are mainly used as aluminium conductor for our cables and wires. We also sell aluminium rods to external parties.

- (c) We also manufacture plastic compounds at our production facility in Kawasan Perusahaan Cendana Sungai Petani, Kedah Darul Aman. This activity is undertaken by our subsidiary, Nextol.

Coloured PVC compound pellets



We currently manufacture one (1) type of plastic compound, namely PVC compound, which is one (1) of the main materials used to produce insulation, bedding and sheathing materials for our cables and wires. Our PVC compound production facility has the capacity of producing 650 tonnes of PVC compounds per month.

- (d) The manufacture of wooden cable drums was previously undertaken by our subsidiary, Daya, up to 29 February 2020. Its production facility was located in Kawasan Perindustrian Kuala Ketil, Kedah Darul Aman, which was within close proximity to Southern Factory. We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020, when we decided to relocate Daya Factory. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

Wooden cable drum



Wooden cable drums are packing materials used to store and deliver our cables and wires to our customers premises or on-site. Our wires and cables are coiled around these wooden cable drums. Our production facility had the capacity of producing 5,000 units of wooden cable drums per month.

Please refer to Section 5.5.5 of this Prospectus for further details on the above production processes.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.2.2 Related Products and Services

Related products and services include sales of copper strips and aluminium rods, PVC compounds, wooden cable drums; trading of cables and wires, copper strips, polyamide compounds as well as supply of electrical devices and accessories.

We purchased cables and wires from external parties when our capacity is fully committed to meet scheduled deliveries while the trading of copper strips are based on customer's request. We were involved in manufacturing copper strips in FYE 31 December 2016 but subsequently ceased the manufacturing of this product in 2017 to focus on our core competency in cables and wires.

In 2018, we secured a contract from a local telecommunications company, TMB, for the supply and installation of rectifier systems. A rectifier is a device that converts alternating current to direct current. The normal electricity that we use is provided as alternating current, which periodically changes direction, while direct current flows only in one direction. Some transmission applications and devices require direct current for their operations. We supply rectifiers together with on-site cabling and wiring, and installation.

5.5.3 Our Principal Market

Our principal market for our products is Malaysia.

For the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019, and FPE 30 June 2020, we generated approximately 98.49%, 92.77%, 98.40%, 98.06% and 87.91% of our total revenue directly from Malaysia.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.4 Key types, sources and availability of supplies

The following are the major types of input materials and services that we purchased for our business operations for the FYE 31 December 2016 to 2019 and FPE 30 June 2020:-

Purchases of Input Materials and Services

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing Operations	422,301	98.38	483,758	95.37	529,561	93.05	522,975	97.81	221,303	98.40
Materials	409,937	95.50	474,051	93.46	518,074	91.03	509,849	95.36	216,154	96.11
<i>Copper based materials</i>	256,608	59.78	320,667	63.22	361,028	63.44	332,729	62.23	140,381	62.42
<i>Aluminium based materials</i>	53,422	12.45	40,214	7.93	64,046	11.25	88,872	16.62	41,425	18.42
<i>Plastic based materials</i>	59,986	13.97	63,656	12.55	58,174	10.22	58,889	11.01	22,463	9.99
<i>Others⁽¹⁾</i>	39,921	9.30	49,514	9.76	34,826	6.12	29,359	5.50	11,885	5.28
Subcontracted and other services	12,364	2.88	9,707	1.91	11,487	2.02	13,126	2.45	5,149	2.29
<i>Electricity⁽²⁾</i>	7,653	1.78	7,053	1.39	8,033	1.41	8,984	1.68	3,943	1.75
<i>Tolling services</i>	3,871	0.90	1,920	0.38	1,585	0.28	2,474	0.46	524	0.23
<i>Diesel fuel/Gas</i>	840	0.20	734	0.14	1,869	0.33	1,668	0.31	682	0.31
Other Business	6,953	1.62	23,503	4.63	39,533	6.95	11,732	2.19	3,611	1.60
<i>Cables and wires</i>	5,650	1.32	9,020	1.78	29,948	5.26	6,640	1.24	-	-
<i>Copper strips</i>	-	-	7,776	1.53	8,713	1.53	4,935	0.92	2,777	1.23
<i>Other materials</i>	1,303 ⁽³⁾	0.30	6,707 ⁽⁴⁾	1.32	872 ⁽⁵⁾	0.16	157 ⁽⁴⁾	0.03	834 ⁽⁶⁾	0.37
TOTAL	429,254	100.00	507,261	100.00	569,094	100.00	534,707	100.00	224,914	100.00

5. INFORMATION ON OUR GROUP (CONT'D)

Notes:-

- (1) Includes steel wires, wood materials, wooden cable drums, fillers, aluminium PE foil, Mica tape, PP woven tape as well as other materials used for cable and wire manufacturing.
- (2) Includes electricity used for general purposes.
- (3) Includes batteries and cable accessories.
- (4) Includes batteries as well as rectifier and related devices.
- (5) Includes batteries, rectifier and related devices, as well as polyamide compounds.
- (6) Includes rectifier and related devices, as well as cable accessories.

5. INFORMATION ON OUR GROUP (CONT'D)

As a manufacturer of cables and wires, the main input materials for our business operations are as follows:-

- copper and aluminium based materials such as copper cathode, copper rods and wires, aluminium ingots and aluminium rods. The purchase of copper and aluminium based materials accounted for 72.23%, 71.15%, 74.69%, 78.85% and 80.84% of our total purchases for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively; and
- plastic based materials including PVC resins for manufacturing of PVC compounds, and PE based plastic compounds which are used as insulation, bedding or sheathing materials for our cable and wire manufacturing. The purchase of plastic based materials accounted for 13.97%, 12.55%, 10.22%, 11.01% and 9.99% of our total purchases for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

Copper and aluminium are globally traded commodities and are subject to price fluctuations or volatility (*Source: Industry Overview*). We purchase copper and aluminium based materials as input materials for our cable and wire manufacturing operations. As such, their raw material global prices affect our purchase prices. Please refer to Section 8.1.1 of this Prospectus for further details on risks of fluctuations in the prices of copper and aluminium.

In addition, electricity was the main energy source to power two (2) furnaces for the production of copper rods used as input materials for our cable and wire manufacturing operations for the FYE 31 December 2016 to 2019 and FPE 30 June 2020. Electricity cost accounted for RM7.653 million, RM7.053 million, RM8.033 million, RM8.984 million and RM3.943 million for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

We utilised diesel as fuel source to power one (1) furnace to produce aluminium rods for the FYE 31 December 2016 to 2018. In the second half of 2018, we converted the said furnace into gas-fired furnace. In January 2019, this furnace started using gas as the energy source to melt the aluminium ingots to produce aluminium rods. On 31 October 2018, we secured a Gas Supply Agreement with Gas Malaysia Berhad to supply and deliver an agreed daily quantity of gas. This Gas Supply Agreement is valid until 31 December 2022. Please refer to Section 5.5.12 of this Prospectus for further details on the Gas Supply Agreement.

Locally sourced materials and services accounted for 34.78%, 36.93%, 30.38%, 33.93% and 29.00% of our total purchases of materials and services for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. Meanwhile, imported materials accounted for 65.22%, 63.07%, 69.62%, 66.07% and 71.00% of our total purchases of materials and services for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. Imported materials include materials that are purchased from local stockists.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.5 Production Process Flow

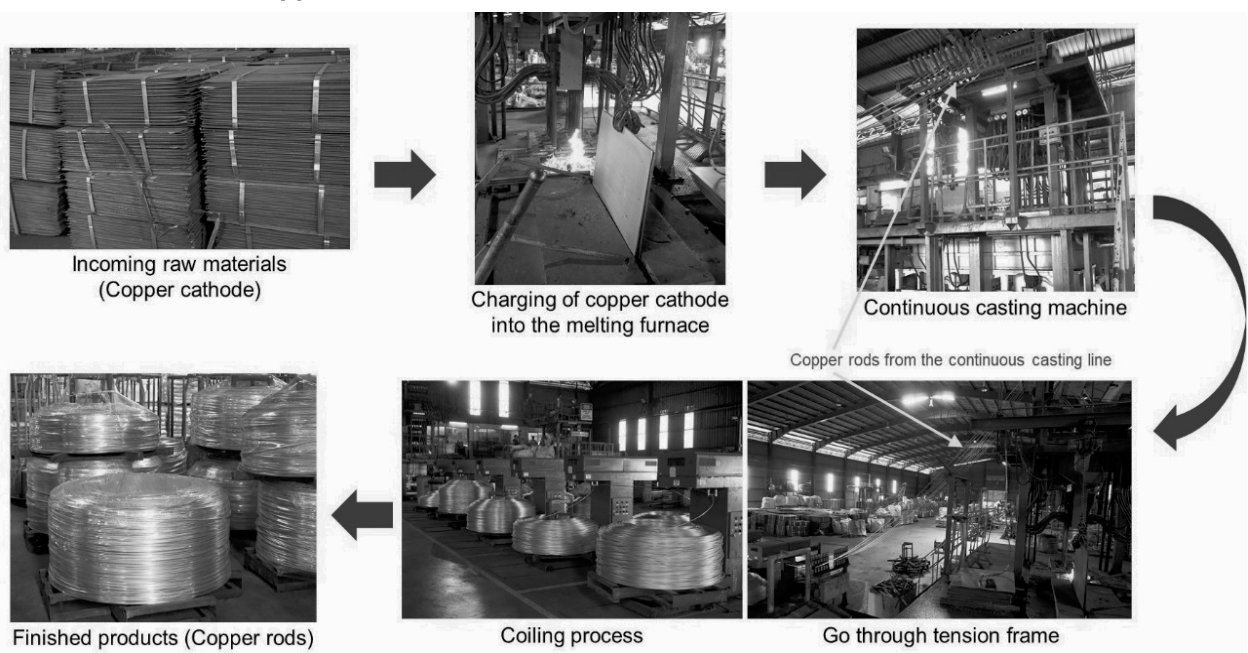
Our cable and wire manufacturing are supported by the following manufacturing activities, including (i) furnace and continuous casting; (ii) plastic compounding; and (iii) wooden cable drum manufacturing.

The process flow for the manufacture of cables and wires begins with the manufacturing of copper and aluminium rods as follows.

5.5.5.1 Copper and Aluminium Rod Manufacturing

The following depicts the general process flow of our manufacturing of copper rods using electric furnace and continuous casting, and aluminium rods using gas-fired furnace and continuous casting.

(i) Production of copper rod



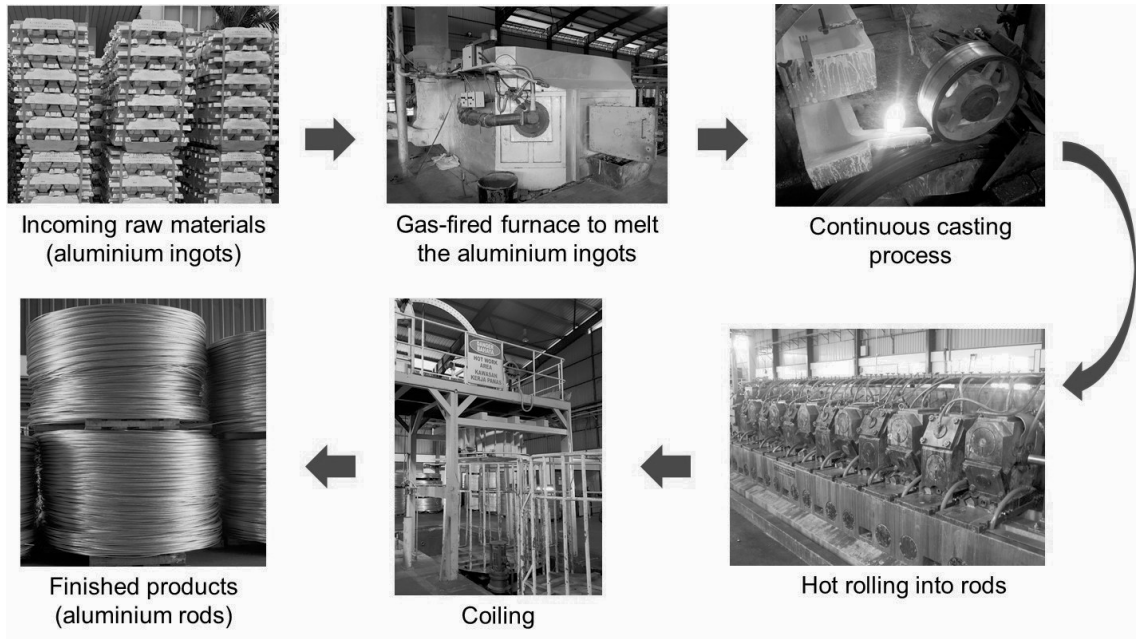
The main input material, copper cathodes, are in plate or sheet form which is used for production of copper rods for cables and wires. Copper cathodes are preferred material for conductors as they have a high purity of 99.99% copper content. Our copper cathodes are at least 99.99% pure and these are usually accompanied by mill certification and/or tested and certified by external laboratories.

For the production of copper rod, the process begins with the melting of the copper cathodes in an electric furnace. The furnace has a melting pot and is charged with electricity which increases the temperature to approximately 1,250 degrees Celsius. Once melted, the molten copper flows into a holding furnace that will keep the temperature at around 1,250 degrees Celsius.

The molten copper will enter the casting die and solidify as it is being cast upwards through coolers. The die in the casting machine will form the shape of the copper rods while the coolers will solidify the copper rods. Casting is a continuous process where the cast copper rods are drawn upwards by servomotors. Subsequently, the copper rods are wound into coils.

5. INFORMATION ON OUR GROUP (CONT'D)

(ii) Production of Aluminium Rods

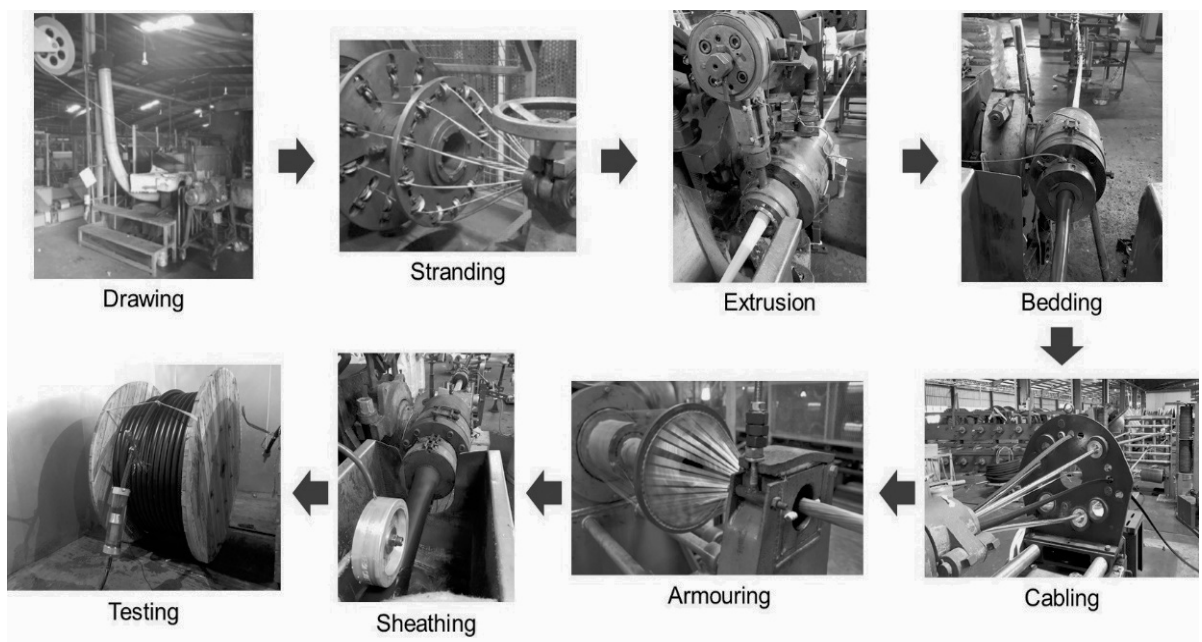


In January 2019, we started using gas-fired furnace for melting the aluminium ingot. The process begins with the melting of aluminium ingots at a heating temperature up to 760 degrees Celsius. The molten aluminium is then casted into bars and subsequently rolled into 9.5mm diameter rods. The aluminium rods are then wound into coils.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.5.2 Cable and Wire Manufacturing

A typical process flow of our cable and wire manufacturing is provided below:-



First, our quality control personnel inspects the incoming raw materials including rods, plastic compounds and wires for armouring.

The manufacturing process of cables and wires begin with the copper or aluminium rod being passed through the drawing process. The objective of the drawing process is to reduce the diameter of the rod to that of the required diameter of the wire. The metal rod is drawn through a series of dies, starting with a larger diameter die gradually followed by a smaller diameter die. Through this process, the rod is then reduced to its desired diameter.

During the drawing process, the copper rods also undergo a heat treatment process called annealing, which makes the drawn wire softer, more ductile (pliable) and workable. Annealing is also the process of reducing stress within the drawn wire which will ultimately increase the tensile strength of the wire.

Our drawing machine can draw copper rods starting from a maximum diameter of 8.0mm to wires as fine as 0.12mm in diameter. Meanwhile, aluminium rods are drawn from a maximum diameter of 9.5mm to wires as fine as 1.04mm in diameter.

The stranding process is where multiple drawn wires are bundled and twisted together to form the core conductor for our cables and wires.

5. INFORMATION ON OUR GROUP (CONT'D)

The next process in the manufacture of cables and wires is to insulate the bare conductors using plastic extrusion method. The bare conductor is pulled through a tubing die and is simultaneously coated with the insulation material to form a complete layer around the conductor. One of the main insulation materials we use is PVC which is compounded in-house.

This is followed by the cabling process where two (2) or more insulated cores are assembled together to form a multiple core cable. The gap between cores is sometimes filled with fillers. Subsequently, a layer of shielding or screen such as copper tape or aluminium PE foil may be applied over the insulated cores before being wrapped in a layer of binder tape.

As for armoured cables, the cabling process is followed by the bedding process where a layer insulated plastic material is extruded before a layer of aluminium or steel wire armour is wrapped around the insulated and shielded cores. The armoured cables are then wrapped in a layer of binder tape.

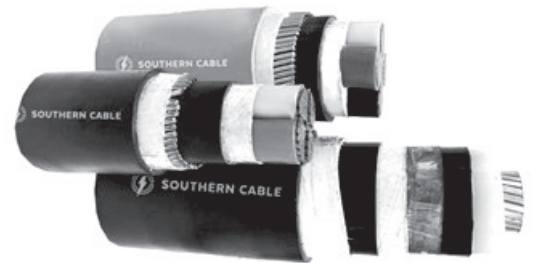
If required, medium voltage and high voltage cables may undergo a screening process where a layer of copper wire or copper tape is placed over the cables.

Lastly, the armoured or non-armoured cables will be covered with a layer of sheathing material such as PVC or PE to form the outer sheath of the cable.

Overall, we will carry out in-process quality inspection after each of the process mentioned above where our quality control personnel will inspect and test the semi-finished products.

The cables then undergo a final inspection and testing to ensure that the cables meet customers' specifications before it is sent for packing. Our cables are wound around wooden cable drums for delivery or storage. We usually conduct a pre-delivery inspection before our products are delivered to customers.

A 4-core cable



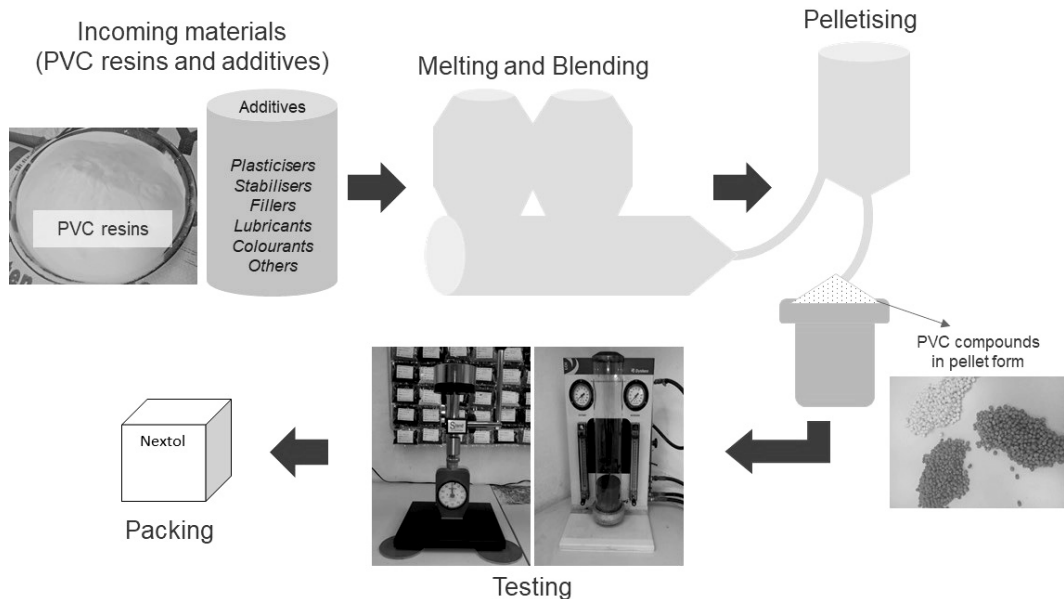
5. INFORMATION ON OUR GROUP (CONT'D)

5.5.5.3 PVC Compounding Process

Compounding is the process of mixing additives to the base plastic resin to obtain certain specifications and desired properties. Different properties are required to meet operating conditions and environment for example fire resistant properties.

In the manufacture of cables and wires, insulation, bedding and sheathing materials are made of plastics such as PVC or PE. The original plastic resins (such as PVC) will need to be mixed or compounded with additives to enable them to serve their intended purposes.

A typical process flow of PVC compounding is illustrated below:-



The process begins with the inspection of all incoming raw materials including PVC resins and additives such as fillers, plasticisers, stabilisers and pigments.

The PVC resins and additives are then loaded into the dosing system which incorporates a hopper that measures and feed the precise quantity of each of the input materials. The dosing system feeds PVC resins into the extruder at a controlled rate together with the specific quantities of additives in accordance with the formulation.

The mixture is melted and blended together as it travels through a heated barrel and screw extruder. The melted material is extruded through a die, and long strands of semi-solid plastic is formed as it exits the extrusion machine.

The output semi-solid plastic strands then run through a cooling chamber to cool and solidify before they are cut into uniformed size PVC compound pellets. The pellets then undergoes further cooling followed by dust removal.

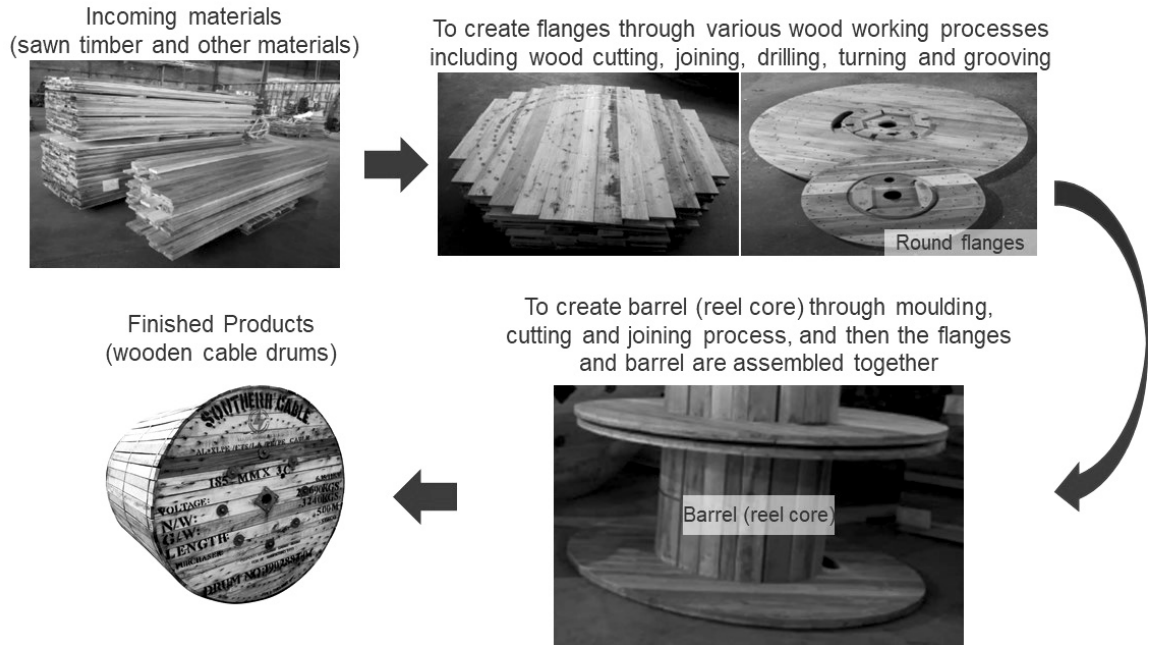
The finished pellets are then loaded into a classifier where pellets that do not meet the standard size are removed to be recycled. Our quality control personnel will then carry out quality control inspection and testing before these PVC compound pellets are packed.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.5.4 Wooden Cable Drum Manufacturing

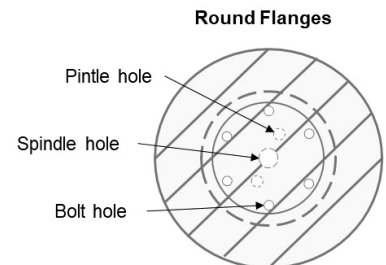
Wooden cable drums are a cost-effective means to store and deliver cables and wires to customers.

A general process flow of our wooden cable drum manufacturing is illustrated below:-



The incoming materials for the manufacture of wooden cable drums are mainly sawn timber and related materials. They are inspected to ensure that they comply with our specifications.

The manufacturing process begins with the assembly of the flanges. Firstly, the sawn timber is sanded and then cut into the desired length. The cut sawn timber are stacked in two (2) layers and arranged lengthwise side-by-side, and nailed to form one square solid piece. This square solid piece will go through a bandsaw to cut off the edges to form a round flange. Following that is the boring and drilling of spindle hole, pintle hole, and bolt hole on the flange.



The next step is the assembly of the wooden cable drums, where two (2) pieces of flanges are assembled together with multiple wood pieces in between the flanges to form a barrel. The completed wooden cable drum will then be inspected before delivery.

We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020, when we decided to relocate Daya Factory. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.6 Quality, Safety and Health and Environment

5.5.6.1 Quality Management Systems and Certifications

We place emphasis on the quality of our cables and wires and we adhere to quality standards to ensure they meet customers' requirements and specifications. This is demonstrated by the fact that Southern is accredited with the following quality management system:-

Standard	Scope	Issuing Party	Validity Period
ISO 9001:2015	Design and manufacture of low and medium voltage power cables, telecommunication cables (copper and fibre optics), aluminium rods, copper strips and electronic wires.	SIRIM	5 August 2020 to 5 August 2023

5.5.6.2 Quality Control Procedures

We carry out the following quality control procedures during our manufacturing process:-

- **Incoming Inspection and Testing:** Our quality control personnel will carry out inspection and/or random test on samples for incoming raw materials such as plastic compounds to be used in our cable and wire manufacturing operations.
- **In-process Quality Control:** Throughout the production process, the semi-finished products will be inspected and/or tested after each of the process for our cable and wire manufacturing operations. This allows us to identify and rectify any defects at the earliest possible stage to minimise wastage or rework in the finished products.

Some of the tests we carry out during in-process quality testing include dimensional, conductor resistance and insulation resistance test.

- **Final Inspection:** All finished products will undergo a final quality inspection process (including factory acceptance test, if required) to ensure that they meet the customers' specifications and quality standards before they are sent for packing. The final inspection includes high voltage electrical test, dimensional test, conductor resistance test, insulation resistance test, tensile strength and elongation test. Please refer to Section 5.5.6.3(a) of this Prospectus for further details on related tests.





As at the LPD, we have a team of 57 personnel involved in quality assurance and quality control.

5. INFORMATION ON OUR GROUP (CONT'D)

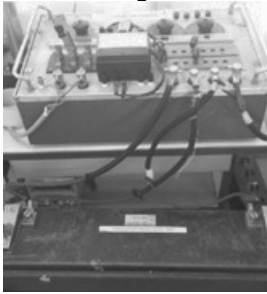



5.5.6.3 Our Quality Control and Testing Facilities

(a) Cable and Wire Manufacturing



The following are some of the tests carried out during our quality control process using our testing equipment and facilities:-

Type of Equipment or Facility	Type of Test
<p>High voltage test facility</p> 	<p>High voltage electrical test</p> <p>AC voltage and current testing to determine the effectiveness of the insulation, insulating strength and integrity of power cables and wires.</p> <p>This voltage test is carried out in our high voltage testing shielded room which is designed to test cables up to 132kV.</p>
<p>AC high potential tester</p>  <p>DC high potential tester</p> 	<p>AC and DC high potential test</p> <p>To test the electrical strength of the insulation of the cable. A high voltage is applied across the cable to ensure that the insulation is able to withstand the applied voltage.</p>
<p>Profile projector</p> 	<p>Dimensional test</p> <p>To measure the thickness of the cable insulation, bedding and sheathing. This is to ensure safe and reliable performance of the cables and wires and that they comply with specifications.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Type of Equipment or Facility	Type of Test
<p>Double bridge measuring instrument</p> 	<p>Conductor resistance test</p> <p>To determine electric current resistance of conductors. Conductors with lower electric current resistance have better conductivity.</p>
<p>Insulation resistance tester</p> 	<p>Insulation resistance test</p> <p>To measure the effectiveness of the insulation layer as poor insulation may result in short circuit, fire or injuring people.</p>
<p>Tensile tester</p> 	<p>Tensile strength and elongation test</p> <p>To determine the mechanical properties of conductors and insulation materials. Tensile strength test measures the maximum force the material can withstand before breaking, while elongation test measures the length that the material can be stretched before breaking.</p>
<p>Hot set oven</p> 	<p>Hot set test</p> <p>A type of aging test to determine the mechanical properties of XLPE based insulation and sheathing materials.</p>




5. INFORMATION ON OUR GROUP (CONT'D)

Type of Equipment or Facility	Type of Test
<p>Fire testing chamber</p> 	<p>Fire resistant test</p> <p>Fire resistant test is to ensure that cables are able to maintain its circuit integrity. This is a test of fire directly applied onto the cable samples for at least 30 minutes or more, depending on the requirements. The temperature on the cable ranges from 750 to 950 degree Celsius.</p>
<p>Fire testing chamber (in vertical tray)</p> 	<p>Flame retardant test</p> <p>Flame retardant test is to ensure that the cables do not easily spread the fire.</p>



5. INFORMATION ON OUR GROUP (CONT'D)

(b) Plastic compounding operation

For the plastic compounding operations, we have the following testing equipment for quality control (QC) tests:-

Type of Equipment or Facility	Type of Test
<p>Tensile tester</p> 	<p>Tensile and elongation test</p> <p>To determine the mechanical properties such as strength and stiffness of plastic compounds.</p>
<p>Hardness tester</p> 	<p>Hardness test</p> <p>To measure the resistance of plastic compounds to determine the hardness of plastics.</p>
<p>Pilot extrusion system</p> 	<p>Pilot scale test for plastic compounds</p> <p>To determine the mechanical and chemical properties of plastic compounds from pilot production, prior to mass production and commercialisation of products.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Type of Equipment or Facility	Type of Test
<p>Limited oxygen index tester</p> 	<p>Limited oxygen index test</p> <p>To measure the minimum percentage of oxygen required to support combustion, which is used to assess fire resistance or retardant properties.</p>
<p>Volume resistivity tester</p> 	<p>Volume resistivity test</p> <p>To measure the insulation material's resistance to current leakage.</p>

5. INFORMATION ON OUR GROUP (CONT'D)**5.5.6.4 Our Accreditations and Certifications**

The following is the list of accreditations and certifications from relevant authorities and certification bodies we have obtained as at the LPD:-

(i) SIRIM

Description	Validity Period
Product Certification Licence for 'Armoured 600/1000V Multi Core PVC Insulated, PVC Sheathed Cables complying with MS 2103 : 2007'	10 August 2020 to 7 August 2021
Product Certification Licence for 'Armoured 600/1000V Single Core PVC Insulated, PVC Sheathed Cables complying with MS 2101 : 2007'	13 May 2020 to 26 February 2021
Product Certification Licence for 'Non-Armoured 600/1000V Single Core XLPE Insulated Cables complying with MS 2104 : 2007'	10 August 2020 to 10 July 2021
Product Certification Licence for 'Armoured 600/1000V Single Core XLPE Insulated Cables complying with MS 2105 : 2007'	10 August 2020 to 10 July 2021
Product Certification Licence for 'Power Cables With Extruded Solid Insulation complying with IEC 60502-1 : 2004'	10 August 2020 to 27 August 2021
Product Certification Licence for 'PVC-Insulated Cables (Sheathed) For Fixed Wiring complying with MS 2112-4 : 2009'	20 September 2019 to 24 September 2020 ⁽¹⁾
Product Certification Licence for 'PVC-Insulated Cables (Non-Sheathed) For Fixed Wiring complying with MS 2112-3 : 2009'	20 September 2019 to 28 September 2020 ⁽¹⁾
Product Certification Licence for 'Power Cables with Extruded Insulation For Rated Voltages From 6KV up to 30KV complying with IEC 60502-2 : 2005'	15 November 2019 to 7 December 2020
Product Certification Licence for 'Armoured 600/1000V Multi Core XLPE Insulated Cables complying with MS 2107 : 2007'	11 January 2020 to 10 December 2020
Product Certification Licence for 'Non-Armoured 600/1000V Multi Core XLPE Insulated Cables complying with MS 2106 : 2007'	11 January 2020 to 10 December 2020
Product Certification Licence for 'Fire Resistant Cables complying with BS 6387 : 1994'	20 April 2020 to 11 May 2021
Product Certification Licence for 'Flexible Cables complying with MS 2112-5 : 2009'	17 April 2020 to 20 May 2021
Product Certification Licence for 'Non-Armoured 600/1000V Multi Core PVC Insulated, PVC Sheathed Cables complying with MS 2102 : 2007'	7 August 2020 to 7 August 2021
Product Certification Licence for 'PVC Insulated Cables (Non-Armoured) For Electric Power and Lighting complying with BS 6004 : 2000'	27 November 2019 to 15 November 2020

5. INFORMATION ON OUR GROUP (CONT'D)**(ii) Bomba**

Description	Validity Period
Approval Certificate for 'Fire Resistant Cable complying with BS 6387: 1994, IEC 60331-21: 1999 & IEC 60332-1-1993'	18 November 2019 to 17 November 2020
Approval Certificates for 'Fire Resistant Cable complying with BS 6387: 1994'	22 January 2020 to 21 January 2021 and 12 May 2020 to 11 May 2021

(iii) Energy Commission of Malaysia

Description	Validity Period
Approval Certificate for 'PVC Insulated Flexible Cord & Cable'	19 June 2020 to 18 June 2021
Approval Certificate for 'PVC Insulated Non-Sheathed Cables for type 1C x 630mm square and 1C x 1.5mm square'	30 September 2019 to 29 September 2020 ⁽¹⁾
Approval Certificate for 'PVC Insulated PVC Sheathed Cables for type 1 Core x 35 mm Class 2'	1 November 2019 to 31 October 2020
Approval Certificate for 'PVC Insulated PVC Sheathed Cables for type 5 Core x 1.5 mm Class 2'	21 October 2019 to 20 October 2020
Approval Certificate for 'PVC Insulated Non-Sheathed Cables for type 1C x 0.5mm Class 1'	17 March 2020 to 16 March 2021
Approval Certificate for 'PVC Insulated Non-Sheathed Cables for type 1C x 1.0mm square'	26 February 2020 to 25 February 2021

Note:-

- (1) We have submitted an application for renewal and are currently pending issuance of a new certification.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.6.5 Environmental Matters**Disposal of Scheduled Wastes**

During the copper and aluminium melting process in our furnaces, wastes are generated in the form of dross and sludges. These wastes are scheduled waste listed in the First Schedule of the Environmental Quality (Scheduled Wastes) Regulation 2005, which falls under two categories as follows:-

- SW 104 Dust, slag, dross and ashes containing aluminium, arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium, excluding slag from iron and steel factory.
- SW 204 Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium.

In this respect, the disposal of dross and sludges must comply with the Environmental Quality (Scheduled Wastes) Regulation 2005.

We use three (3) licenced contractors by the Department of Environment, Malaysia (DOE) for the collection and disposal of the dross and sludges.

5.5.7 R&D

We do not carry out R&D on our cable and wire manufacturing operations and plastic compounding operations. In this respect, there is no R&D expenditure for this business segment for the FYE 31 December 2016 to 2019 and FPE 30 June 2020.

However, we do carry out product enhancement on plastic compounds to meet the performance requirements for cable and wire insulation, bedding and sheathing. Some areas of improvement and enhancement include heat resistance, chemical resistance, insulation properties and mechanical properties. The improvements can be made by using various types and quantity of additives, as well as the process of compounding.

Pursuant to our products' continuous improvement and enhancement on plastic compounds please refer to Section 5.8.3.2 of this Prospectus for further details on new range of plastic compounds.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.8 Technology

We use various technologies in our cable and wire manufacturing operations:-

- Copper rod manufacturing technology, which comprise electric furnace to melt the copper cathode and at the same time minimise contamination from introduced materials like sulphates that can negatively affect the conductivity of the copper rod. This also includes a continuous casting technology to obtain oxygen-free copper rod, which improves conductivity.
- Wire drawing technology, where a cross section of a long metal rod is drawn to the required size by passing through a series of dies to reduce its diameters. We have the expertise to carry out wire drawing from copper rods with diameter sizes of 8mm down to 0.12mm and aluminium rods with diameter sizes of 9.6mm down to 1.04mm.
- Extrusion technology is used to form a layer of insulation wrapped around the conductors or other parts of the cables and wires. Typically, extrusion is the process of continuously forcing soften plastic materials through a die to envelope the conductor core or some other parts of the cable.

In addition, polymer compounding technology is relevant to our operations as we undertake plastic compounding, specifically PVC compounding. PVC resin is inherently hard and brittle and must be mixed with additives to make a compound with the desired properties and characteristics before being used for further processing.

Some of the additives used in our plastic compounding include plasticisers, stabilisers, modifiers, fillers, lubricants and pigments. These additives can make the PVC either flexible or rigid, resistant to chemical corrosion, protection against ultraviolet rays, softness and a wide range of solid colours.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.9 Modes of marketing, distribution and sales

5.5.9.1 Sales and Marketing Strategies

Our marketing strategies are focused on large volume users of our cables and wires and some of these include utility companies, EPCC and other contractors, and manufacturing and processing plants. Our marketing strategy also targets resellers including distributors, wholesalers, trading companies, and other cable and wire manufacturers, all of whom resell our cables and wires to their respective customers.

In general, we secure sales orders through competitive biddings or open tenders. In some situations, we respond to published invitations such as those from newspapers, and websites of various organisations such as utility companies.

We will continue to employ the following sales and marketing strategies to sustain and grow our business:-

- Position ourselves as an established manufacturer of cables and wires with at least 27 years of experience in manufacturing cables and wires since we commenced operations in 1993.
- Capability of meeting large volume requirements as demonstrated by the size of our revenues of RM683.199 million and RM656.687 million for FYE 31 December 2018 and FYE 31 December 2019 respectively.
- We have key supporting activities including manufacturing of copper and aluminium rods, plastic compounding and wooden cable drums manufacturing. This reduces our dependency on external parties with the ability to control product quality.

We also participate in local and overseas exhibitions to promote our products. The exhibitions that we have participated in FYE 31 December 2019 and up to the LPD are as follows:-

Name of Event	Location	Year
Asean M&E 2019	Kuala Lumpur, Malaysia	2019
5 th Cable & Wire Indonesia 2019	Jakarta, Indonesia	2019
5 th GMS Rail Expansion Summit 2019	Yangon, Myanmar	2019
Oil and Gas Asia 2019	Kuala Lumpur, Malaysia	2019
Powerex Myanmar 2019	Yangon, Myanmar	2019
Electric, Power & Renewable Energy Indonesia 2019	Jakarta, Indonesia	2019
Power Expo Myanmar 2019	Yangon, Myanmar	2019
Myanmar Build & Decor 2019	Yangon, Myanmar	2019
Oil & Gas Thailand 2019	Bangkok, Thailand	2019
Myanbuild 2019 Expo	Yangon, Myanmar	2019

As at the LPD, we have a total of 37 sales and marketing personnel who are involved in the business development activities.

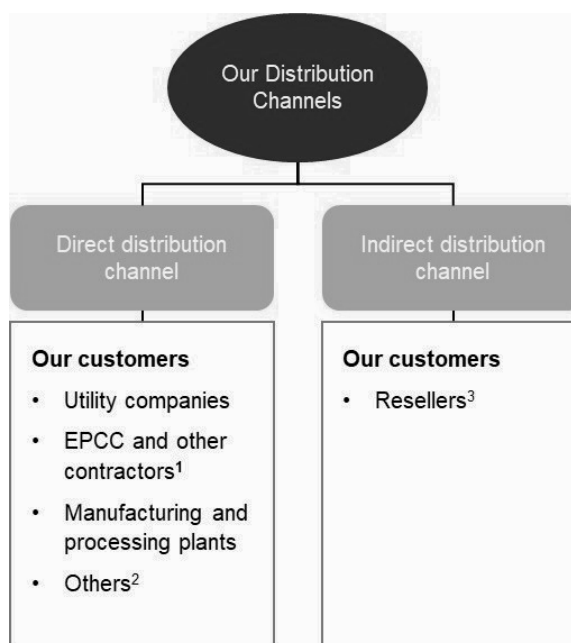
As a result of the COVID-19 pandemic and the travel restrictions in certain countries, some of the exhibitions that we intend to participate have either been postponed and/or cancelled until 2021. During the RMCO period, we have been proactively contacting our existing customers as part of our continuing sales and marketing efforts. This will continue to be our sales and marketing approach until such a time, the restrictions are lifted.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.9.2 Distribution Channels

We adopt both direct and indirect distribution channel strategies to reach our customers:-

- direct distribution channels where we sell our products to customers for their usage. This enables us to work closely with the users to meet their specifications and requirements; and
- indirect distribution channels where we sell our products to intermediaries who subsequently resell our products to others. This enables us to use the intermediaries' existing network to expand our market coverage without the need for significant investments in logistics.



Notes:-

- (1) Other contractors include mechanical and electrical, engineering, railway system, telecommunications and ICT service contractors.
- (2) Others include mainly cable and wire manufacturers who purchased our aluminium rods, plastic compounds and wooden cable drums for their own use during the FYE 31 December 2016 to 2019 and FPE 30 June 2020, a highway operating company who purchased our cables and wires in FYE 31 December 2017 and FYE 31 December 2018, railway operator in FYE 31 December 2019 and seaport operator in FYE 31 December 2019 and FPE 30 June 2020.
- (3) Resellers include distributors, wholesalers, trading companies, and other cable and wire manufacturers, all of whom resell our cables and wires to their respective customers.

5. INFORMATION ON OUR GROUP (CONT'D)

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, our revenue contribution by direct and indirect distribution channels are set-out as follows:-

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Direct channel distribution	317,541	67.47	449,059	75.38	438,116	64.13	408,419	62.19	147,473	61.17
Indirect channel distribution	153,115	32.53	146,635	24.62	245,083	35.87	248,268	37.81	93,613	38.83
Total Revenue	470,656	100.00	595,694	100.00	683,199	100.00	656,687	100.00	241,086	100.00

Under our direct distribution channel, we market and sell our products directly to customers who are the end-users of our cables and wires. These end-user customers are power utility operators, telecommunications company, EPCC and other contractors. We also sell our other products such as aluminium rods, PVC compounds and wooden cable drums to cable and wire manufacturers for their own use.

We also adopt an indirect distribution channel strategy using resellers including distributors, wholesalers, trading companies and other cable and wire manufacturers. These customers resell our cables and wires to their customers.

As at the LPD, we have four (4) appointed distributors, one (1) in Malaysia, one (1) in Myanmar, one (1) in Indonesia and one (1) in Cambodia. Our distributor in Malaysia, Dominco Sdn Bhd who is located in Sarawak, purchases our cables and wires, and subsequently resells them to a utility operator in Sarawak. Meanwhile our exclusive distributors in Myanmar, Indonesia and Cambodia resell our products to their customers in their respective countries by virtue of the distribution agreements entered into on 1 January 2019 for an initial period of one (1) year, which shall be automatically renewed on a yearly basis. Our exclusive distributors are listed as follows:-

Distributor	Geographical Coverage
Dominco Sdn Bhd	Malaysia
Southern Cable Company Limited	Myanmar
Southern Cable (Cambodia) Co., Ltd	Cambodia
PT. Ceramic Asia Indonesia	Indonesia

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.10 Major approvals, licences and permits obtained

Details of major approvals, licences and permits applicable to our Group as at the LPD are as follows:-

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Certificate of registration of installation for Lot 34	Energy Commission of Malaysia	Serial No. 011138/2019	23 November 2019 to 22 November 2020	Nil.	N/A.
Southern	Certificate of registration of installation for Lot 35	Energy Commission of Malaysia	Serial No. 011136/2019	23 November 2019 to 22 November 2020	Nil.	N/A.
Southern	Certificate of registration of installation for Lot 36	Energy Commission of Malaysia	Serial No. 000171/2020	1 March 2020 to 28 February 2021	Nil.	N/A.
Southern	Certificate of registration of installation for Lot 42	Energy Commission of Malaysia	Serial No. 011135/2019	23 November 2019 to 22 November 2020	Nil.	N/A.
Southern	Permit for Scheduled Controlled Items / Approval to purchase 1,600 litres of diesel and being stored at Lot 42	Ministry of Domestic Trade and Consumer Affairs	Serial No. P: K003327	6 January 2020 to 5 January 2021	(i) Southern is subject to the Control of Supplies Act 1961 and its subsidiary legislations. (ii) Southern shall comply with the description of the scheduled controlled items stated in the permit i.e. to purchase diesel only. (iii) Southern is to store the scheduled controlled items at Lot 42.	Noted. Noted and complied. Noted and complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Licence to supply product/service to exploration and oil/gas companies in Malaysia	PETRONAS	Nil	6 January 2019 to 5 January 2022	<p>(iv) Southern is to store or have in its possession the scheduled controlled items not exceeding the quantity permitted under this permit.</p> <p>(v) The scheduled controlled items are only for own use and not for sale.</p> <p>(vi) This permit is non-transferrable.</p> <p>(vii) Any renewal application of the permit shall be submitted thirty (30) days prior to the expiry date. Any application made after the expiry of the permit shall be deemed as new application.</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted.</p> <p>Noted and to be complied.</p>
					<p>(i) This licence is subject to renewal three (3) months before the expiry date.</p> <p>(ii) This licence is not transferable to any company/other party;</p> <p>(iii) This licence will be revoked if the company is found to be in the process of liquidation, winding-up or dissolution.</p>	<p>Noted and to be complied.</p> <p>Noted.</p> <p>Noted.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(iv) Southern shall inform PETRONAS on any changes related to company's position such as equity ownership, board of directors and management staff within fourteen (14) days. Failure to do so can result in revocation of licence.	Noted.
					(v) Southern should take immediate action to adhere to the special conditions imposed as stated in the appendix of the PETRONAS licence certificate and to inform PETRONAS on the progress of this action.	Noted.
					(vi) Southern is not allowed to take another company as principal, agent, sub-contractor or otherwise to provide any service or supply of any facility, fittings or equipment on its behalf without prior written consent from PETRONAS.	Noted and complied.
					(vii) Southern can be penalised if in PETRONAS' opinion, it has conducted one (1) or more of the following:-	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					<p>(a) Failure to complete the contract awarded;</p> <p>(b) Failure to perform any contractual obligations or any other obligations under the law;</p> <p>(c) Receipt of garnishee order;</p> <p>(d) Commencement of any bankruptcy proceedings;</p> <p>(e) Cannot be traced through the last address;</p> <p>(f) Sub-contract work to another contractor without written consent from PETRONAS;</p> <p>(g) Reject any contract or tender awarded;</p> <p>(h) Entering or accepting contract or tender during the licence suspension period;</p> <p>(i) Provide false, inaccurate or misleading information;</p> <p>(j) Non-compliance with tender's regulations and ethics; or</p>	

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					<p>(k) Engaged in any inappropriate activities with this licence.</p> <p>(viii) According to Regulation 9 of the Petroleum Regulations 1974, a person who commences or continues any business or service as mentioned in Regulation 3 without a licence or do not comply with any condition of the licence shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM50,000 or imprisonment for a term not exceeding two (2) years or to both and in the case of a continuing offence, it shall be liable to a further fine of RM1,000 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.</p>	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Certificate of Registration as manufacturer of electric cables and accessories	Ministry of Finance	K28631039682097682	22 October 2018 to 21 October 2021	<p>(ix) This licence may be revoked, suspended or blacklisted at any time if any of the above conditions, general conditions of PETRONAS licence and registration and any other conditions set in PETRONAS licence and Registration General Guidelines are not fulfilled.</p> <p>1. General conditions</p> <p>(i) The newly registered company is not allowed to change the owner or the director within six (6) months from the date the company is registered.</p> <p>2. Suspension/revocation of registration</p> <p>(i) The registration of Southern will be suspended/revoked if Southern committed any of the offences below:-</p> <p>(a) Southern/owner/partner/director/any member of the management has committed a crime and has been convicted by any court in Malaysia or overseas or bears any civil liability.</p>	Noted.
						Noted and complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(b) Southern withdraws the offer before the tender is considered or rejected after the offer is made.	Noted.
					(c) Southern fails to perform the obligations arising from the contracts entered into with the Government.	Noted.
					(d) Southern is found to have amended the Certificate of Registration of the company for the purpose of deceiving or for other purposes.	Noted.
					(e) Southern allows the Certificate of Registration of the company to be misused by another person/company.	Noted.
					(f) Southern is found to have made a price pact with other companies when submitting a tender to the Government or have sub-contracted without the prior consent of the relevant government agency.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					<p>3. Renewal</p> <p>(i) Southern must submit a renewal application three (3) months before the expiry of the registration.</p> <p>(ii) Applications received after the expiry of the registration period are considered renewal registration.</p> <p>4. Government's rights</p> <p>(i) The Government has the right to revoke/suspend/terminate Southern's registration if disciplinary action is taken against Southern pursuant to the Treasury Circular/ Government Procurement 8.</p> <p>5. Reminder in relation to bribery</p> <p>(i) Any act or attempt to offer or to give, soliciting or accepting any bribe to and from any person in connection with the Government's acquisition is a criminal offence under the Malaysian Anti-Corruption Commission Act 2009.</p>	<p>Noted and to be complied.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Manufacturing Licence to manufacture:- (i) power cables; and (ii) control and instrument cables, at Lots 35 and 42	MITI	Licence No. A 022188 Serial No. A 037497	16 January 2020/-	(i) Southern shall notify MITI and MIDA in the event of sale of shares in Southern. (ii) Southern must provide training to Malaysian citizens so that there is dissemination of technology and expertise to all levels of employment. (iii) Southern shall comply with the capital investment per employee of at least RM140,000. (iv) Upon application to MIDA, Southern's existing employees is 543. The total full time employee shall comprise of at least 80% Malaysian. The employment of foreigners including the outsourced workers is subject to the current policy. (v) The total full time employment shall comprise at least 80% Malaysian by year 2020. The employment of foreigners including the outsourced workers is subject to the current policy.	Noted and complied. Noted and complied. Noted and to be complied. Noted and to be complied. Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					<p>(vi) Southern has to submit its investment performance and project implementation plan pursuant to the Industrial Co-Ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965 at the request of MIDA. Failure to do so may result Southern:-</p> <p>(a) guilty of an offence and is liable to a fine not exceeding one thousand ringgit or imprisonment to a term not exceeding three (3) months or to both and to a further fine not exceeding five hundred ringgit for every day which such default continues; or</p> <p>(b) committing an offence in the event false or misleading information is provided in any material items and is liable to a fine not exceeding two thousand ringgit or imprisonment to a term not exceeding six (6) months or to both.</p>	Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Manufacturing Licence to manufacture fibre optic cable and accessories at Lot 42	MITI	Licence No. A 010496 Serial No. A 031460	16 March 2012/-	(i) Southern shall notify MITI and MIDA in the event of sale of shares in Southern.	Noted and complied.
Southern	Manufacturing Licence to manufacture:- (i) cables and wires for electronic devices; (ii) fire resistant cables; (iii) power and telecommunication cables, at Lot 42	MITI	Licence No. A 010496 Serial No. A 015955	10 July 1996/-	(i) This licence is subject to the approval from the relevant state government and the Department of Environment. (ii) Southern is exempted from the equity conditions. If Southern's shareholders fund reaches RM2.5 million, Southern shall notify MITI in writing. (iii) The shares of Southern which are held by non-Malaysians shall not be sold without the prior written permission from MITI. (iv) The composition of the Board of Directors of Southern shall, in general, reflect the equity structure of Southern, and MITI shall be notified of any appointment or changes in the Board of Directors.	Noted. Noted and complied. Noted. Noted and complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					<p>(v) Southern needs to obtain approval in writing from MITI before signing any transfer of technology agreement with a foreign party such as:-</p> <ul style="list-style-type: none"> (a) Joint Venture Agreement (b) Technical Assistance and Know-How Agreement (c) Licence Agreement (d) Trademark and Patent Agreement (e) Turnkey Contract (f) Management Agreement <p>The above conditions are not applicable for the purchase of machines in which supervision for the initial installation or start-up of such machines is required from the technical officer who manufactures such machines.</p>	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Manufacturing Licence to manufacture aluminium rods and power cables at Lots 34, 43 and 44	MITI	Licence No. A 016992 Serial No. A 028960	18 November 2008/-	(vi) Southern shall use its best endeavors to appoint company owned by Malaysian to distribute its products as well as to appoint Bumiputera distributors to distribute at least 30% of its sales in the domestic market. The selection and appointment of Bumiputera distributors shall be made after consultation with MITI. Prior approval is required from MITI for the appointment of foreign companies as distributors.	Noted.
Southern	Approval letter for manufacturing licence to manufacture low voltage power cables at Lot 39 ⁽¹⁾	MITI	Letter of Approval Reference No. 350/31302/010186/00009 2AC1	Letter of approval from MITI dated 25 June 2020 (pending issuance of manufacturing licence by MITI)-	(i) Southern shall notify MITI and MIDA in the event of sale of shares in Southern. (ii) Southern must provide training to Malaysian citizens so that there is dissemination of technology and expertise to all levels of employment. (iii) Southern shall comply with the capital investment per employee of at least RM140,000 by year 2020.	Noted and to be complied. Noted and to be complied. Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					<p>(iv) The total full-time employee shall comprise at least 80% Malaysian. The employment of foreigners including the outsourced workers is subject to the current policy.</p> <p>(v) Southern has to submit its investment performance and project implementation plan pursuant to the Industrial Co-Ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965 at the request of MIDA. Failure to do so may result in Southern:-</p> <p>(a) guilty of an offence and is liable to a fine not exceeding one thousand ringgit or imprisonment to a term not exceeding three (3) months or to both and to a further fine not exceeding five hundred ringgit for every day which such default continues; or</p>	<p>Noted and complied.</p> <p>Noted and to be complied.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Grade "G7" Certificate of Registration pursuant to Part VI of the Construction Industry Board Development Board Malaysia Act 1994 in respect of:- (i) Category B (building construction); (ii) Category CE (civil engineering construction); and (iii) Category ME (mechanical and electrical)	CIDB	0120160801-SL177444	27 July 2020 to 29 July 2021	(b) committing an offence in the event false or misleading information is provided in any material items and is liable to a fine not exceeding two thousand ringgit or imprisonment to a term not exceeding six (6) months or to both. (vi) Southern shall implement its projects which are approved in accordance with the laws and regulations enforced in Malaysia.	Noted and complied.
					<p>1. General conditions</p> <p>(i) This certificate is non-transferable.</p> <p>(ii) CIDB reserves the right to review the registration grade of Southern from time to time.</p> <p>2. Disciplinary actions</p> <p>The registration of Southern shall be cancelled or suspended if:-</p> <p>(i) Southern fails to comply with the requirement of any other written law.</p> <p>(ii) Southern has been wound up.</p>	Noted. Noted. Noted. Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(iii) A winding up petition in relation to Southern has been presented.	Noted.
					(iv) Southern contravenes or fails to comply with any provision of the CIDB Act 1994.	Noted.
					(v) Southern has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise.	Noted.
					(vi) Southern has abandoned any construction undertaken without any good reason.	Noted.
					(vii) Southern is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken.	Noted.
					(viii) Southern contravenes any of the terms and conditions of the contractor's Responsibilities and Obligations as specified in section 2 of the Certificate of Registration.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Business Licence for Lot 34:- (i) Office (ii) Plating works (iii) Factory without list	Baling District Council	L-0010623-08	1 January 2020 to 31 December 2020	Nil.	-
Southern	Business Licence for Lots 35 and 42:- (i) Office (ii) Office/Private canteen (area exceeding 150 sq. m) (iii) Partil (iv) Non-illuminated advertisement (v) Storage of diesel more than 2,300 litres (vi) Plating Works (vi) Factory without list	Baling District Council	L-0010624-09	1 January 2020 to 31 December 2020	Nil.	-

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Business Licence for Lots 36 and 41:- (i) Office (ii) Warehouse (area exceeding 200 sq. m) (iii) Factory without list	Baling District Council	L-0010621-06	1 January 2020 to 31 December 2020	Nil.	-
Southern	Business Licence for Lot 39:- (i) Plating works (ii) Factory without list	Baling District Council	L-0011345-04	4 August 2020 to 3 August 2021	Nil.	-
Southern	Business Licence for Lots 43 and 44:- (i) Carpark (more than 10) (ii) Office (iii) Plating works (iv) Partil (v) Non-illuminated advertisement	Baling District Council	L-0010622-07	1 January 2020 to 31 December 2020	Nil.	-
Southern	Fire Certificate issued pursuant to Fire Services Act 1988	Bomba	JBPM:KD/7/1/2019	29 April 2020 to 28 April 2021	Nil.	-

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Class C, Class E and Class H Licence under the Atomic Energy Licensing Act 1984 for purchasing, possessing, handling, using, storing, importing and exporting a X-ray unit on Lot 34	Atomic Energy Licensing Board	Licence No. LPTA/A/1373 Serial No. 1373-24074	28 January 2020 to 27 January 2021	<p>(i) The violation of any provision in the licence is an offence and shall on conviction be liable under Section 40 of the Atomic Energy Licensing Act 1984 whereby Southern may be liable to an imprisonment for a term not exceeding 10 years or a fine of not more than RM100,000 or to both.</p> <p>(ii) Atomic Energy Licensing Board has the right to withdraw or revoke the licence any time without prior notice if it is found that Southern failed to comply with the Atomic Energy Licensing Act 1984, its subsidiary regulations and any conditions as stipulated under this licence.</p> <p>(iii) The licence issued by Atomic Energy Licensing Board cannot be transferred.</p> <p>(iv) The application for renewal of the licence shall be made not less than 14 days and not more than 30 days via online before the expiry date of the licence.</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted and to be complied.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Nextol	Business Licence for Factory 4846:- (i) Office (ii) Warehouse (iii) Factory for production of polymer products/wire/cable (iv) Factory purchase accessory cable selling/ of wire/ cable (v) Storage of diesel (vi) Non-illuminated advertisement	Sungai Petani District Council	102022/000000004	1 January 2020 to 31 December 2020	(v) If Southern intends to discontinue the use of the radiation equipment, Southern shall submit an application for the cancellation of the licence via online (e-Licence). (vi) Southern has to comply with all the instructions issued by the Atomic Energy Licensing Board from time to time.	Noted. Noted.
				Nil.		-

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Nextol	Permit for Scheduled Controlled Items/ Approval to purchase 50 litres of diesel per day and being stored at Nextol Factory 4846	Ministry of Domestic Trade and Consumer Affairs	Serial No. PK: K002316	8 June 2020 to 7 December 2020	<p>(i) Nextol is subject to the Control of Supplies Act 1961 and its subsidiary legislations.</p> <p>(ii) Nextol is allowed to purchase 50 litres of diesel per day from Universal Flexible Technology Sdn Bhd.</p> <p>(iii) Nextol is to store the scheduled controlled items at Nextol Factory 4846 only.</p> <p>(iv) Nextol is to store or have in its possession the scheduled controlled items not exceeding the quantity permitted under this permit.</p> <p>(v) The scheduled controlled items are only for own use and not for sale.</p> <p>(vi) Nextol is only allowed to purchase the scheduled controlled items from the supplier specified in this permit and is required to maintain a record of purchases as per the specified format.</p> <p>(vii) Nextol shall comply with the conditions specified in this permit.</p>	<p>Noted.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and complied.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Nextol	Manufacturing licence to manufacture PVC compounds at Nextol Factory 4846	MITI	Licence No. A 021881 Serial No. A 036987	18 July 2019/ -	<p>(viii) Failure to comply with any of the conditions contained in this permit may result in action taken under the Control of Supplies Act 1961 and its subsidiary legislations.</p> <p>(ix) The permit is non-transferrable.</p>	Noted.
					<p>(i) Nextol shall notify MITI and MIDA in the event of sale of shares in Nextol.</p> <p>(ii) Nextol must provide training to Malaysian citizens so that there is dissemination of technology and expertise to all levels of employment.</p> <p>(iii) Nextol shall comply with the capital investment per employee of at least RM140,000 by year 2020.</p> <p>(iv) The total full-time employee shall comprise at least 80% Malaysian. The employment of foreigners including the outsourced workers is subject to the current policy.</p>	<p>Noted and complied.</p> <p>Noted and complied.</p> <p>Noted and to be complied.</p> <p>Noted and complied.</p>

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					<p>(v) Nextol has to submit its investment performance and project implementation plan pursuant to the Industrial Co-Ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965 at the request of MIDA. Failure to do so may result in Nextol:-</p> <p>(a) guilty of an offence and is liable to a fine not exceeding one thousand ringgit or imprisonment to a term not exceeding three (3) months or to both and to a further fine not exceeding five hundred ringgit for every day which such default continues; or</p> <p>(b) committing an offence in the event false or misleading information is provided in any material items and is liable to a fine not exceeding two thousand ringgit or imprisonment to a term not exceeding six (6) months or to both.</p>	Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(vi) Nextol shall implement its projects which are approved in accordance with the laws and regulations enforced in Malaysia.	Noted and complied.

Note:-


- (1) We have obtained an approval from MIDA on 25 June 2020 and we have submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.11 Patents, trademarks and registrations



Save for the trademarks disclosed below, our Group does not have patent, trademarks and registrations as at the LPD.

Registered trademarks

No.	Trademark	Registered owner/ Registrant	Registration number	Class	Issuing Authority	Validity Period
Malaysia						
1.	SOUTHERN CABLE	Southern	08013082	9 ⁽¹⁾	Intellectual Property Corporation of Malaysia	3 July 2008 to 3 July 2028
Myanmar						
2.		Southern	4/11628/2017	9 ⁽¹⁾	Office of Registration of Deeds, Yangon	23 October 2017 to 22 October 2020
Cambodia						
3.	SOUTHERN CABLE	Southern Cable (Cambodia) Co., Ltd. ⁽²⁾	KH/72792/19	9 ⁽¹⁾	The Department of Intellectual Property of Ministry of Commerce	22 February 2019 to 22 February 2029

5. INFORMATION ON OUR GROUP (CONT'D)

Applications which have been submitted but pending approval for registration

No.	Trademark	Applicant	Application number	Application Date	Class	Approving Authority
Malaysia						
1.		Southern	2017066582	29 August 2017 ⁽³⁾	9 ⁽¹⁾	Intellectual Property Corporation of Malaysia
Indonesia						
2.		PT Ceramic Asia Indonesia ⁽⁴⁾	D002018035512	27 July 2018	9 ⁽⁶⁾	Directorate General of Intellectual Property Rights - Ministry of Law and Human Rights, Republic of Indonesia

5. INFORMATION ON OUR GROUP (CONT'D)

Notes:-

- (1) Apparatus and instruments for conducting, switching, transforming, accumulating, regulating, or controlling electricity, apparatus for recording, transmission or reproduction of sound or images, electric cables and wires; all included in Class 9.
- (2) Southern has entered into a Distribution Agreement with Southern Cable (Cambodia) Co., Ltd. dated 1 January 2019 for the company to be the exclusive distributor for the distribution of "Southern Cable" brand of cables and wires within Cambodia.
- (3) This application was verified and has been approved by the Intellectual Property Corporation of Malaysia on 7 August 2020.
- (4) Southern has entered into a Distribution Agreement with PT Ceramic Asia Indonesia dated 1 January 2019 for the company to be the exclusive distributor for the distribution of "Southern Cable" brand of cables and wires within Indonesia.
- (5) Electric Cable.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.12 Material dependency on commercial contracts, agreements or other arrangements

As at the LPD, save for the major approvals, licences and permits as set out in Section 5.5.10 of this Prospectus and as disclosed below, there are no contracts, agreement and other arrangements or other matters which have been entered into by or issued to us or which our Group is materially dependent and is material to our business or profitability.

Description	Gas Supply Agreement dated 31 October 2018 for the supply and delivery of gas by Gas Malaysia Berhad (" Gas Malaysia ")						
Contract Period	1 October 2018 to 31 December 2022						
Renewal	Southern shall give written notice to Gas Malaysia not later than one (1) year prior to the expiry of the Contract Period						
Minimum Quantity	300 million British thermal units ("MMBtu")/day 102,000 (MMBtu/ year)						
Contract Sum	<p>Minimum payment of the tariff payable by Southern for the gas delivered is as set out in accordance with the base tariff as set out below:- <u>Contract Gas Price & Gas Charges Calculation</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Tariff Price</td> <td>Unit Price = RM31.94/MMBtu Minimum Volume = 611 MMBtu/month</td> </tr> <tr> <td>LNG plus price</td> <td>Includes LNG price and port charges, reclassification fee, transmission fee and other relevant fees and charges for procuring and delivering the LNG to Southern and appropriate margin to Gas Malaysia</td> </tr> <tr> <td>Total Gas Charge per month</td> <td>Unit Charge x Quantity of Gas Supplied by Gas Malaysia in the relevant month</td> </tr> </table> <p>Based on the Tariff Price quoted, the contract sum shall be at least RM19,240.39 per month.</p>	Tariff Price	Unit Price = RM31.94/MMBtu Minimum Volume = 611 MMBtu/month	LNG plus price	Includes LNG price and port charges, reclassification fee, transmission fee and other relevant fees and charges for procuring and delivering the LNG to Southern and appropriate margin to Gas Malaysia	Total Gas Charge per month	Unit Charge x Quantity of Gas Supplied by Gas Malaysia in the relevant month
Tariff Price	Unit Price = RM31.94/MMBtu Minimum Volume = 611 MMBtu/month						
LNG plus price	Includes LNG price and port charges, reclassification fee, transmission fee and other relevant fees and charges for procuring and delivering the LNG to Southern and appropriate margin to Gas Malaysia						
Total Gas Charge per month	Unit Charge x Quantity of Gas Supplied by Gas Malaysia in the relevant month						
Payment Terms	<p>(i) Gas Malaysia will issue to Southern an invoice for the aggregate quantity of gas delivered to Southern during the billing period and an invoice for any variance surcharge, excess gas, make-up gas and other additional charges.</p> <p>(ii) If Southern fails to pay Gas Malaysia any amounts due and payable, Gas Malaysia may suspend the delivery of gas to Southern after giving seven (7) days' notice in writing.</p> <p>(iii) If Southern fails to make timely payment of any sums due, Southern shall pay interest to Gas Malaysia based on the number of days lapsed up to and including the date when payment is made. Interest shall be calculated at 2% above the prevailing base lending rate per annum as quoted from time to time by Malayan Banking Berhad.</p>						
Bank Guarantee	RM360,764 for the duration of one (1) year and subject to yearly renewal.						

5. INFORMATION ON OUR GROUP (CONT'D)

Suspension of Supply by Gas Malaysia	<ul style="list-style-type: none"> (i) Southern fails to meet payment of any gas invoice or surcharge invoice in accordance with the Gas Supply Agreement; (ii) The Bank Guarantee expires and not being maintained; (iii) Southern fails to maintain the gas supply facilities; (iv) Southern is in breach of any applicable laws or in breach of obligations under the Gas Supply Agreement and fails to remedy; and/or (v) Gas Malaysia is of the opinion that the reading of the meter is inaccurate.
Termination/ Events of Default	<ul style="list-style-type: none"> (i) Either party may forthwith terminate the Gas Supply Agreement by issuing a written notice if:- <ul style="list-style-type: none"> (a) the other party becomes insolvent or suspends payment of its debts generally or is unable to pay its debts as and when they fall due; or (b) a receiver, manager, liquidator or similar officer is appointed or take over the role of the other party or over all or a substantial part of its assets or an order is made or a resolution is passed for the winding-up, liquidation and/or dissolution of either party; or (c) the other party secures or compounds with or enters into an arrangement with its creditors. (ii) Gas Malaysia may terminate the Gas Supply Agreement by issuing a termination notice if Southern fails to remedy any breach as mentioned in the suspension clauses within fourteen (14) days after the date of receipt of notice from Gas Malaysia specifying that such breach has occurred. (iii) Southern may terminate the Gas Supply Agreement by issuing a written notice if Gas Malaysia's licence issued pursuant to the Gas Supply Act 1993 is revoked. (iv) Either party may terminate this Agreement in the event of a prolonged force majeure event of more than six (6) months or such other extended period to be agreed between the parties. (v) The Gas Supply Agreement shall terminate immediately if Gas Malaysia's Gas Supply Agreement with its supplier including PETRONAS and/or other party is terminated for any reason whatsoever. (vi) Upon termination of the Gas Supply Agreement due to Southern's default, Gas Malaysia shall cease supply of gas to Southern and Southern shall settle all amounts due to Gas Malaysia under the Gas Supply Agreement up to the date of termination and compensate Gas Malaysia for the costs recoverable by Gas Malaysia from Southern relating to Gas Malaysia's facilities used to deliver gas to Southern.
Other Salient Terms	<ul style="list-style-type: none"> (i) If Gas Malaysia intends to suspend the supply and delivery of gas, it shall notify Southern stating the date on which such suspension will commence. (ii) Gas Malaysia will not be liable for any loss or damage suffered by Southern as a result of failure to supply gas unless it is caused solely by the recklessness and wilful misconduct of Gas Malaysia. (iii) The aggregate liability of Gas Malaysia under this agreement is not more than RM500,000 per year.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.13 Interruptions to business and operations

Save as disclosed below, our Group has not experienced any material interruption in our business which had a significant effect on operations during the 12 months period prior to the date of this Prospectus.

COVID-19 pandemic

The World Health Organisation declared the COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of the disease in the country, commencing from 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. Our business operations in Malaysia were temporarily interrupted by these measures.

MCO Period

On 16 March 2020, the Government announced MCO issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020 with several 14-day extensions up to 3 May 2020.

During the MCO, our business operations had been temporarily suspended for 11 days from 18 March 2020 to 28 March 2020. Southern resumed partial operations from 29 March 2020 onwards for a period of 31 days before resuming full operations from 29 April 2020 onwards.

Our Directors took the necessary precautions to continue our business and manufacturing operations while working under stringent health SOP enforced by the authorities during the MCO, CMCO and RMCO. As at the LPD, our Group has not breached any applicable laws or SOP which resulted in fines or penalties being imposed by the Ministry of Health, MITI and other relevant authorities.

The Group's operational activities during the MCO are among others, as follows:-

- (a) Our key senior management and administrative personnel worked from home for 31 days from 18 March 2020 to 17 April 2020, while the sales and marketing/business development team worked from home for 42 days from 18 March 2020 to 28 April 2020, during all three (3) phases of MCO;
- (b) Our manufacturing operations were temporarily suspended for 11 days and were in partial operations for 31 days due to the following restrictions imposed by the Government:-
 - During Phase 1 of MCO, effectively from 18 to 31 March 2020, Southern obtained an approval letter from MITI dated 28 March 2020 where Southern was allowed to resume its manufacturing operations with seven (7) production staff to maintain the two (2) electric furnaces and one (1) gas-fired furnace for the manufacturing of copper and aluminium rods from 29 March 2020 onwards;
 - During Phase 2 of MCO, effectively from 1 to 14 April 2020, Southern obtained a second approval letter from MITI dated 2 April 2020 which permits an additional 37 production staff to resume work from 3 April 2020 onwards;

5. INFORMATION ON OUR GROUP (CONT'D)

- During Phase 3 of MCO, effectively from 15 to 28 April 2020, Southern obtained its third approval letter from MITI dated 16 April 2020 which permits 406 production staffs to resume work from 17 April 2020 onwards. Nextol had also obtained an approval from MITI dated 25 April 2020 to resume its manufacturing operations from 29 April 2020 onwards; and
- Our Group fully resumed its operations since Phase 4 of the MCO, which commenced on 29 April 2020.

CMCO Period

The Government implemented the CMCO from 4 May 2020 to 9 June 2020. Some of the measures implemented during the MCO were relaxed, allowing most economic sectors to resume business provided that specified guidelines and SOP were followed, and large gatherings avoided. Restrictions on the movement of people within Malaysia were also relaxed, while restrictions on international travel were modified slightly.

During the CMCO period, we continued to operate according to the guidelines with adherence to SOP during the MCO period. We continued to receive orders from customers and were able to deliver our products to customers during the CMCO period.

RMCO Period

The CMCO was followed by the RMCO from 10 June 2020 to 31 August 2020 and further extended to 31 December 2020. Starting from 10 June 2020, almost all economic sectors are allowed to resume provided that they follow the specified guidelines and SOP. The movement of people within Malaysia was further relaxed, although restrictions on international travel remained the same as during the CMCO period.

We continued to operate according to the guidelines with adherence to SOP during the RMCO period.

Measures and steps taken in our business operations in response to COVID-19 pandemic

To ensure the continuity of our cables and wires manufacturing operations, we have and will continue to manage our supply chain to ensure that we have continuing supply of raw materials to meet our production schedules based on orders received. In addition, we have and will continue to monitor the cost of our raw materials to manage our overall production costs. During the MCO, CMCO and RMCO, we took precautionary measures and implemented SOP at our manufacturing facilities and hostels based on the conditions imposed by MITI, including, among others, the following as and when applicable and/or amended by the relevant authorities:

- (a) Monitoring the updates from the relevant authorities closely and informing all employees as to the updates;
- (b) All visitors, customers and contractors must declare their travel history and current health status before entering the Company's premises;
- (c) Temperature measurement of each person must be recorded prior to their entry into the office or factory;
- (d) Minimising physical meetings and avoid unnecessary business-related travelling;
- (e) Sanitisation and cleaning process must be conducted at the common areas of the office, factory as well as workers' hostel at least three (3) times per day;

5. INFORMATION ON OUR GROUP (CONT'D)

- (f) Provide adequate personal protective equipment for its employees (including but not limited to, face masks, hand soap and sanitisers);
- (g) Employees are required to wear facemask at all time during work. Employees who engage with outsiders are required to wear additional face shield visor for extra protection;
- (h) Practicing social distancing and no handshake;
- (i) Employees who travel outside the country recently or have close contact with an infected person are required to be quarantined at home for two (2) weeks. Starting from 24 July 2020, Government has imposed compulsory quarantine orders whereby all individuals entering Malaysia must undergo mandatory quarantine for two (2) weeks in quarantine stations set by the Government;
- (j) Visitors are not allowed to enter the workers' hostel premise without prior approval;
- (k) Sports, social and religious activities which involve a group of people gathered are prohibited;
- (l) Conducting morning briefing on COVID-19 at the factory;
- (m) Providing COVID-19 awareness information and educating employees about COVID-19 preventive measures; and
- (n) Implementation of COVID-19 SOP.

If any of our employees are infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily shut down our manufacturing operations for a period of time as advised by the Ministry of Health, Malaysia to contain the spread of the disease. In the event any of our employees are infected, all our employees would have to undergo COVID-19 swab test. As at the LPD, none of our employees are infected with COVID-19.

As a result of the implementation of an administrative enhanced MCO in Kota Setar District, Kedah from 11 September 2020 to 25 September 2020, one (1) of our employees, who is a process engineer, was unable to come to work in view that his residence is in this district. There is no material adverse impact on our business operations as there are three (3) other process engineers to carry out the roles in supporting the manufacturing processes.

Impact on our production and financial performance

During the MCO, our manufacturing activities were temporarily suspended for 11 days from 18 March 2020 to 28 March 2020. Due to the restrictions imposed by the Government during the MCO, we were unable to deliver our products to our customers for 14 days from 18 March 2020 to 31 March 2020 and the estimated value of our products that we were unable to deliver during this period was RM23.219 million. The incoming orders via purchase orders had reduced substantially during the MCO save for orders from our customers who were operating in the essential services sector. Our revenue from the sales of cables and wires declined by 95.84% from RM37.096 million in March 2020 to RM1.543 million in April 2020. In this respect, we continued to receive call-up orders pursuant to the existing contracts with TNB and TMB. As a manufacturer of cables to our customers, who were operating in the essential sector, we were allowed to operate during the MCO. TNB and TMB are categorised under essential services in the respective Federal Gazettes of Prevention and Control of Infectious Diseases (Measures within Infected Local Areas) Regulations 2020 as companies that are allowed to operate during the MCO.

5. INFORMATION ON OUR GROUP (CONT'D)

Upon the resumption of our operations, we continued to take the necessary precautions while working under the various constraints imposed by the authorities during the MCO as mentioned above. Upon receiving the first approval from MITI on 28 March 2020, we resumed partial operations with a limited number of staff allowed in the factory. As a result of the restrictions imposed by the Government during the MCO and CMCO, our Group's monthly production output of cables and wires has been affected as below:-

	February 2020	March 2020	April 2020	May 2020	June 2020
Production output (km)	15,037	10,445	727	7,268	13,057
Change (%)		-30.54	-93.04	899.72	79.65

Our Group's monthly production output of cables and wires had declined by 30.54% in March 2020, and further declined by 93.04% in April 2020. Our monthly production output of cables and wires improved by 899.72% in May 2020 and continued to increase by 79.65% in June 2020.

The utilisation rate for the manufacture of power cables and wires was 48% in FPE 30 June 2020 as compared to 88% in FYE 31 December 2019. This was because our manufacturing operations were temporarily suspended for 11 days and were in partial operations for 31 days during the MCO period. Please refer to Section 5.7 of this Prospectus for further details on operating capacities and output.

As a result of the reduction in our production output, our delivery schedules were adversely affected during the MCO. In April 2020, we notified our customers in the utility sector pertaining to the constraints resulting from the MCO and they have acknowledged and agreed on the deferment of the delivery schedules. In this respect, we do not expect any liquidated ascertained damages to be imposed on us for the late delivery, if any, of those attributable to the MCO. At the same time, we were unable to deliver our products to our customers due to the lockdown during the MCO.

As a result of the above business interruptions during the MCO between March and April 2020, our financial performance was affected due to delays and/or reduction in our billings. This contributed to a decline in our revenue by 27.35% from RM331.842 million in FPE 30 June 2019 to RM241.086 million in FPE 30 June 2020. This was also reflected in the revenue from our cable and wire manufacturing, which decreased by RM87.197 million or 28.92% to RM214.350 million in FPE 30 June 2020.

Please refer to Section 11.2 of this Prospectus for further details on the management discussion and analysis of our financial conditions and results of operations. The operations and financial performance of our customers may be affected and our customers may cancel their orders or request for a delay in payment. As at the LPD, we have not received any cancellations of orders from our customers. Furthermore, we continued to incur cash outflow from fixed operating expenses such as labour cost, factory overheads, and other administration expenses during the MCO amounting to RM2.497 million in April 2020. Our Group resumed full operations from 29 April 2020 onwards while continuing to adhere to SOP enforced by the authorities.

5. INFORMATION ON OUR GROUP (CONT'D)

Impact on our supply chain

For our manufacturing operations, we need to ensure that we have sufficient level of raw materials mainly copper and aluminium based materials for our production run, as these materials are mainly imported. In this respect, we purchased these main materials during the first quarter of 2020 prior to the MCO. This was planned to meet the initial production schedules. The lower production activities during COVID-19 pandemic and MCO conditions resulted in a lower usage of raw materials. As such, there is no material adverse impact on our supply as we still have sufficient level of raw materials when we resumed our manufacturing operations.

In addition, this also affected our trade payable turnover days which increased from 10 days for the FYE 31 December 2019 to 20 days for the FPE 30 June 2020, which is still within the credit period given by our suppliers.

In addition, any possible future outbreak of viruses may have an adverse effect on our suppliers and may result in a deficit of raw materials and supplies necessary for our Group to carry out our manufacturing operations. If the spread of COVID-19 continues or increases, there is a risk that the Government may implement increased restrictions in movement and economic and social activities in the future. In such an event or if the MCO is reintroduced, we may not be able to complete the orders as scheduled, and we may be liable to pay liquidated ascertained damages. As a result of the foregoing, our business operations and cash flow may be disrupted, and our result of operations and financial performance may be adversely affected.

Impact on our customers

Further to the above, the Group may be adversely affected by the wider macroeconomic effects of the on-going COVID-19 pandemic and possible future outbreaks. While the final effects of the COVID-19 pandemic are difficult to assess at this stage, it is possible that it will have a substantial negative effect on the markets in which we and our customers operate. These effects may also impact the operations of our customers and consequently affect their demand for our products.

In addition, our trade receivables turnover period increased from 93 days for FYE 31 December 2019 to 122 days for the FPE 30 June 2020. This was mainly due to slow payments from customers impacted by the COVID-19 pandemic.

Notwithstanding the above, there can be no assurance that the outbreak of COVID-19 pandemic in Malaysia can be effectively controlled, or that there would not be another resurgence of COVID-19 pandemic or other virulent diseases in the future. These adverse events, if materialise and persist for a substantial period of time, will significantly and adversely affect our business operations and financial performance.

5. INFORMATION ON OUR GROUP (CONT'D)

Impact of business and earnings prospects

Our business is affected due the impact of COVID-19 pandemic resulting in a temporary suspension subsequently followed by partial operations during the MCO and CMCO periods. According to the Bank Negara Malaysia, the Malaysian economy contracted by 17.1% while the manufacturing sector contracted by 18.3% in the second quarter of 2020 due to the impact of the stringent containment measures to control the COVID-19 pandemic. Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in Malaysia in the long run. As at LPD, we have an unbilled order book of RM405.429 million which is expected to be recognised between FYE 31 December 2020 and up to the 2022. Please refer to Section 11.2.17 of this Prospectus for further details on our order book.

According to the Industry Overview, Malaysia's economy is expected to gradually improve in the second half of 2020 underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial. In addition, it is expected that there will be a gradual normalisation in economic activities and labour market conditions contributed by the rebound of key indicators such as wholesale and retail trade, industrial production, gross exports and electricity generation during the second half of 2020. The recovery of Malaysia's economy will be supported by the Government's economic stimulus packages including the Prihatin Rakyat Economic Stimulus (PRIHATIN) with an allocation of RM250 billion, Prihatin SME Economic Stimulus Package (PRIHATIN SME+) with an allocation of RM10 billion and Short Term Economic Recovery Plan (PENJANA) with an allocation of an RM35 billion. In 2020, the Malaysian economy is forecasted to register a contraction ranging between 3.5% and 5.5% before staging a rebound with a forecasted growth ranging between 5.5% and 8.0% in 2021.

A bill on temporary measures to reduce the impact of COVID-19 pandemic, known as Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Bill 2020 ("**COVID-19 Bill**") has been approved at the policy stage on 25 August 2020 in the House of Representatives of the Malaysia Parliament. This COVID-19 Bill seeks to offer temporary relief to businesses and individuals who are unable to perform their contractual obligations due to COVID-19. Section 7 of the COVID-19 Bill provides that the inability of any parties to perform any contractual obligations arising from any contracts specified in the COVID-19 Bill, shall not give rise to the other party or parties exercising his or their rights under the contract. Furthermore, any dispute in respect of any inability of any party or parties to perform any contractual obligations arising from any categories of contracts may be settled by way of mediation. The COVID-19 Bill will come into operation on the date of its publication in the Gazette.

Please refer to Section 8 of this Prospectus for further details on the risk pertaining to the impact of MCO, CMCO and RMCO as well as COVID-19 pandemic.

5.5.14 Seasonality

We do not experience any material seasonality or cyclicity in our business as the demand for our products and services are neither subject to seasonal fluctuations nor cyclical variations.

5. INFORMATION ON OUR GROUP (CONT'D)**5.5.15 Major customers**

Our top five (5) major customers by revenue for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 are as follows:-

FYE 31 December 2016

Major Customers	RM'000	% of Total Revenue⁽¹⁾	Types of products offered	Length of business relationship (years)
TNB	93,875	19.95	Power cables and wires	12
TMB	50,351	10.70	Communications cables and wires	14
Gentlelite Electrical Trading Sdn Bhd	15,832	3.36	Power cables and wires	12
Tenaga Poly Sdn Bhd	14,856	3.16	Power cables and wires	5
Oon Brothers Electrical Trading Co Sdn Bhd	13,448	2.86	Power cables and wires	18
Total	188,362	40.03		

The top five (5) major customers contributed 40.03% of our total revenue for FYE 31 December 2016. The remaining 59.97% of our total revenue was contributed by 302 customers in FYE 31 December 2016.

5. INFORMATION ON OUR GROUP (CONT'D)**FYE 31 December 2017**

Major Customers	RM'000	% of Total Revenue⁽¹⁾	Types of products offered	Length of business relationship (years)
PRPC Utilities and Facilities Sdn Bhd	68,234	11.45	Power cables and wires, control and instrumentation cables	*
TNB	56,109	9.42	Power cables and wires	13
TMB	50,671	8.51	Communications cables and wires	15
Punj Lloyd Limited	39,325	6.60	Power cables and wires, control and instrumentation cables and wires	1
Shorefield Sdn Bhd	21,562	3.62	Power cables and wires	7
Total	235,901	39.60		

The top five (5) major customers contributed 39.60% of our total revenue for 31 FYE December 2017. The remaining 60.40% of our total revenue was contributed by 299 customers in FYE 31 December 2017.

5. INFORMATION ON OUR GROUP (CONT'D)**FYE 31 December 2018**

Major Customers	RM'000	% of Total Revenue⁽¹⁾	Types of products offered	Length of business relationship (years)
TNB	103,159	15.10	Power cables and wires	14
TMB	84,724	12.40	Communications cables and wires	16
Dominco Sdn Bhd	34,162	5.00	Power cables and wires, bare stranded copper wires	7
Oon Brothers Electrical Trading Co Sdn Bhd	26,261	3.84	Power cables and wires	20
Shorefield Sdn Bhd	22,366	3.27	Power cables and wires	8
Total	270,672	39.61		

The top five (5) major customers contributed 39.61% of our total revenue for FYE 31 December 2018. The remaining 60.39% of our total revenue was contributed by 373 customers in FYE 31 December 2018.

5. INFORMATION ON OUR GROUP (CONT'D)

FYE 31 December 2019

Major Customers	RM'000	% of Total Revenue ⁽¹⁾	Types of products offered	Length of business relationship (years)
TNB	113,731	17.32	Power cables and wires	15
Bonisa Resources Sdn Bhd	27,527	4.19	Aluminium rods	7
TMB	25,004	3.81	Communications cables and wires	17
Pembinaan Tajri Sdn Bhd	20,370	3.10	Power cables and wires	1
Oon Brothers Electrical Trading Co Sdn Bhd	18,869	2.87	Power cables and wires	21
Total	205,501	31.29		

The top five (5) major customers contributed 31.29% of our total revenue for FYE 31 December 2019. The remaining 68.71% of our total revenue was contributed by 471 customers in FYE 31 December 2019.

5. INFORMATION ON OUR GROUP (CONT'D)**FPE 30 June 2020**

Major Customers	RM'000	% of Total Revenue⁽¹⁾	Types of products offered	Length of business relationship (years)
TNB	30,028	12.46	Power cables and wires	16
Farmer Pho Yar Zar Co. Ltd	13,208	5.48	Power cables and wires	*
Best Eternity Recycle Technology Sdn Bhd	11,183	4.64	Power cables and wires	*
TMB	10,357	4.30	Communications cables and wires	18
Bonisa Resources Sdn Bhd	9,925	4.11	Aluminium rods	8
Total	74,701	30.99		

The top five (5) major customers contributed 30.99% of our total revenue for FPE 30 June 2020. The remaining 69.01% of our total revenue was contributed by 335 customers in FPE 30 June 2020.

Notes:-

* Length of relationship is less than 1 year.

(1) Total revenue for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 were RM470.656 million, RM595.694 million, RM683.199 million, RM656.687 million and RM241.086 million respectively.

We are dependent on TNB by virtue of its revenue contribution of more than 10% to our Group's total revenue for the FYE 31 December 2016, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, and TMB by virtue of its revenue contribution of more than 10% to our Group's total revenue for the FYE 31 December 2016 and FYE 31 December 2018. We have a long-term business relationship with TNB and TMB which extend to 16 years and 18 years respectively. We believe that our established relationship provides a basis for business continuity.

5. INFORMATION ON OUR GROUP (CONT'D)

As at the LPD, we have three (3) on-going contracts with TNB and two (2) on-going contracts with TMB. However, we are not materially dependent on any one (1) of these contracts awarded by TNB and TMB. The contracts with TNB and TMB are not long term in nature and these contracts are only for a specific duration of one (1) to three (3) years for the Group to supply the cables and wires, which is the core activities of Southern. Please see the table below for further information in connection with the on-going contracts with TNB and TMB:-

	Duration	Contract value (RM'000)	Types of products offered
TNB	July 2018 – July 2020 ⁽¹⁾	243,661	Power cables and wires
	September 2019 – March 2020 ⁽²⁾	784	Power cables and wires
	March 2020 – March 2021	228,025	Power cables and wires
TMB	October 2018 – September 2021	70,034	Communication cables
	January 2020 – December 2022	5,463	Supply and installation of rectifier system

Notes:-

- (1) As at the LPD, this contract is still on-going and the duration of this contract has been extended to September 2021.
- (2) As at the LPD, this contract is still on-going and the duration of this contract has been extended to April 2021.

5. INFORMATION ON OUR GROUP (CONT'D)

Generally, our sales are based on purchase orders from customers, including those customers where we have entered into contractual agreements. The analysis of the contracts awarded to our Group for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 are as follows:-

	Total contract value											
	2016		2017		2018		2019		2020		FPE 30 June 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Top five (5) major customers	300,874	84.57	1,860	1.84	191,865	80.35	5,945	71.59	255,059	82.62		
Other customers	54,876	15.43	99,096	98.16	46,925	19.65	2,359	28.41	53,671	17.38		
Total	355,750	100.00	100,956	100.00	238,790	100.00	8,304	100.00	308,730	100.00		

In connection with the top five (5) major customers, there were contracts awarded by two (2) customers for FYE 31 December 2016, one (1) customer for FYE 31 December 2017, two (2) customers for FYE 31 December 2018, two (2) customers for FYE 31 December 2019 and three (3) customers for FPE 30 June 2020 respectively. As for other customers, there were contracts awarded by four (4) customers for FYE 31 December 2016, five (5) customers for FYE 31 December 2017, four (4) customers for FYE 31 December 2018, one (1) customer for FYE 31 December 2019 and four (4) customers for FPE 30 June 2020 respectively. The average contract value⁽¹⁾ from other customers ranges from approximately RM2 million to RM20 million per customer for the FYE 31 December 2016 to 2019 and FPE 30 June 2020.

The abovementioned contracts awarded by the top five (5) major customers to our Group are generally for a duration of six (6) months to three (3) years. As at the LPD, we have ten (10) on-going contracts totalling of RM657.569 million, an unbilled order book of RM405.429 million which is expected to be recognised between FYE 31 December 2020 and up to the 2022. Please refer to Section 11.2.17 of this Prospectus for further details on our order book.

Note:-

- (1) The average contract value is computed based on contract value awarded from other customers divided by number of other customers with contracts.

5. INFORMATION ON OUR GROUP (CONT'D)**5.5.16 Major suppliers**

Our top five (5) major suppliers by total purchases of materials and services for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 are as follows:-

FYE 31 December 2016

Major Suppliers	RM'000	% of Total Purchases⁽¹⁾	Types of products purchased	Length of business relationship (years)
Xtrada Pacific Pte Ltd	54,518	12.70	Copper cathode	2
Dongguan Walsin Wire and Cable Co.,Ltd	44,787	10.43	Copper wire and rod	*
Glencore Singapore Pte Ltd	40,626	9.46	Copper cathode	7
Metrod Copper Products Sdn Bhd	40,549	9.45	Copper wire	18
Mekong International Pte Ltd	37,785	8.80	Aluminium ingot	5
Total	218,265	50.84		

5. INFORMATION ON OUR GROUP (CONT'D)

FYE 31 December 2017

Major Suppliers	RM'000	% of Total Purchases⁽¹⁾	Types of products purchased	Length of business relationship (years)
Dongguan Walsin Wire And Cable Co.,Ltd	94,209	18.57	Copper wire and rod	1
Alpha Industries Sdn Bhd	93,836	18.50	Copper wire	19
Glencore Singapore Pte Ltd	62,064	12.24	Copper cathode	8
Mitsui & Co. (Malaysia) Sdn Bhd	56,877	11.21	Copper cathode	4
Bonisa Resources Sdn Bhd	14,651	2.89	Galvanized steel wire	5
Total	321,637	63.41		

5. INFORMATION ON OUR GROUP (CONT'D)

FYE 31 December 2018

Major Suppliers	RM'000	% of Total Purchases⁽¹⁾	Types of products purchased	Length of business relationship (years)
Mitsui & Co. (Malaysia) Sdn Bhd	118,183	20.77	Copper cathode and aluminium ingot	5
Glencore Singapore Pte Ltd	112,458	19.76	Copper cathode	9
Alpha Industries Sdn Bhd	72,797	12.79	Copper wire	20
Rio Tinto Marketing Private Limited	44,917	7.89	Aluminium ingot	7
Dongguan Walsin Wire And Cable Co.,Ltd	34,398	6.04	Copper wire and rod	2
Total	382,753	67.25		

5. INFORMATION ON OUR GROUP (CONT'D)

FYE 31 December 2019

Major Suppliers	RM'000	% of Total Purchases⁽¹⁾	Types of products purchased	Length of business relationship (years)
Mitsui & Co. (Malaysia) Sdn Bhd	127,765	23.89	Copper cathode and aluminium ingot	6
Glencore Singapore Pte Ltd	106,300	19.88	Copper cathode	10
Alpha Industries Sdn Bhd	96,119	17.98	Copper wire	21
Rio Tinto Marketing Private Limited	53,374	9.98	Aluminium ingot	8
Press Metal Bintulu Sdn Bhd	25,307	4.73	Aluminium ingot	2
Total	408,865	76.46		

5. INFORMATION ON OUR GROUP (CONT'D)

FPE 30 June 2020

Major Suppliers	RM'000	% of Total Purchases ⁽¹⁾	Types of products purchased	Length of business relationship (years)
Mitsui & Co. (Malaysia) Sdn Bhd	63,414	28.19	Copper cathode and aluminium ingot	7
Glencore Singapore Pte Ltd	49,516	22.02	Copper cathode	11
Rio Tinto Marketing Private Limited	24,188	10.75	Aluminium ingot	9
Alpha Industries Sdn Bhd	23,590	10.49	Copper wire	22
Press Metal Bintulu Sdn Bhd	13,312	5.92	Aluminium ingot	3
Total	174,020	77.37		

Notes:-

* Length of relationship is less than 1 year.

(1) Total purchases of materials and services for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 were RM429.254 million, RM507.261 million, RM569.094 million, RM534.707 million and RM224.914 million respectively.

5. INFORMATION ON OUR GROUP (CONT'D)

We were dependent on the following suppliers for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 by virtue of their contributions of more than 10% to our Group's total purchases:-

- (i) Mitsui & Co. (Malaysia) Sdn Bhd;
- (ii) Glencore Singapore Pte Ltd;
- (iii) Alpha Industries Sdn Bhd;
- (iv) Dongguan Walsin Wire and Cable Co., Ltd;
- (v) Xtrada Pacific Pte Ltd; and
- (vi) Rio Tinto Marketing Private Limited.

In general, the purchases of copper cathodes, rods and wires, and aluminium ingots are used in the following processes:-

- Copper cathodes are used to produce copper rods, which are subsequently drawn into wires to serve as conductors in our cables and wires;
- Copper rods are used as input materials for wire drawing process in our cable and wire manufacturing;
- Copper wires are used as input materials which are bunched together to serve as conductors in our cables and wires; and
- Aluminium ingots are used to produce aluminium rods which are subsequently drawn into wires to serve as conductors for our cables and wires.

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, we were not dependent on any single supplier of raw materials as we have alternative suppliers of main input materials for our manufacturing process.

5. INFORMATION ON OUR GROUP (CONT'D)**5.6 KEY MACHINERY AND EQUIPMENT**

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, the following are some of our major machineries and equipment used for the manufacture of cables and wires:-

Major Plant and Equipment	Number of Units	Net Book Value as at 30 June 2020 (RM'000)
Production line for copper rod manufacturing ⁽¹⁾	2	311
Production line for aluminium rod manufacturing ⁽²⁾	1	230
Armouring machine	8	1,394
Braiding machine	4	137
Bunching machine	8	3,191
Cabling/assembly machine	4	-
Coiling machine	1	85
Drawing machine	14	1,036
Extrusion machine	24	4,964
Lay-up machine	1	391
Rewinding machine	14	917
Stranding machine	12	3,653
Tandem insulation line	4	-
Taping machine	3	146
Testing equipment	7	952
Twisting machine	10	818
Wrapping machine	2	155
Others ⁽³⁾	11	832
Total	130	19,212

Notes:-

- (1) Includes continuous casting machine.
- (2) Includes furnace and continuous casting machine.
- (3) Includes air compressor, filler machine, pay off and take-up stand, rotating bobbin, and changed control cabinet.

5. INFORMATION ON OUR GROUP (CONT'D)

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, the following are some of our major machineries and equipment used for the manufacture of plastic compounds and wooden cable drums:-

Major Plant and Equipment	Number of Units	Net Book Value as at 30 June 2020 (RM'000)
Manufacture of plastic compounds		
Compounding machine	1	-
Extrusion line	1	-
Manufacture of wooden cable drums		
Drilling machine	3	2
Cutting machine	2	2
Bandsaw machine	1	-
Nailing machine	2	43
Router machine	1	-
Total	11	47

5. INFORMATION ON OUR GROUP (CONT'D)**5.7 OPERATING CAPACITIES AND OUTPUT**

The annual capacity, production output and utilisation rate of our Group's production facilities for the FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 are as follows:-

(a) Manufacture of Copper and Aluminium Rods**FYE 31 December 2018**

	Annual capacity⁽¹⁾ (tonnes)	Production output in FYE 2018 (tonnes)	Utilisation rate (%)
Aluminium rod	18,000	6,776	38
Copper rod	12,000	8,100	68

FYE 31 December 2019

	Annual capacity⁽¹⁾ (tonnes)	Production output in FYE 2019 (tonnes)	Utilisation rate (%)
Aluminium rod	16,050 ⁽²⁾	11,417	71
Copper rod	12,000	7,952	66

FPE 30 June 2020

	Capacity⁽³⁾ (tonnes)	Production output in FPE 2020 (tonnes)	Utilisation rate (%)
Aluminium rod	8,025	5,016	63
Copper rod	6,000	4,302	72

Notes:-

- (1) Annual capacity refers to the design capacity including normal scheduled maintenance and set-up times, based on 24 hours per day and seven (7) days per week. We are currently running 24 hours per day and seven (7) days per week.

5. INFORMATION ON OUR GROUP (CONT'D)

- (2) The annual capacity for the manufacture of aluminium rods was reduced to 16,050 tonnes in FYE 31 December 2019 compared to 18,000 tonnes in FYE 31 December 2018. This was because the loading of aluminium ingots was replaced with a manual feed-in process since 19 June 2019. In this respect, the calculation of annual capacity for FYE 31 December 2019 is as follows:-

	Aluminium ingot feed-in method	Monthly capacity (tonnes/month) (C)	Number of months (M)	FYE 2019 capacity (tonnes) (C x M)
January to Mid-June 2019	Lifting bucket	1,500	5.5 months	8,250
Mid-June to end-December 2019	Manual feed-in ^(a)	1,200	6.5 months	7,800
			Total:	16,050

Note:-

- (a) Please refer to Section 5.9 of this Prospectus for further details on the manual feed-in process.
- (3) Based on 6-month pro-rated capacity.

In FYE 31 December 2018, the utilisation rate for the manufacture of aluminium rods was 38% compared to 68% utilisation for the manufacture of copper rods. The low utilisation of the production facility for aluminium rods was due to lower requirements for aluminium based cables and wires during FYE 31 December 2018. In addition, we upgraded our aluminium furnace from diesel to gas-fired furnace in the second half of FYE 31 December 2018.

In FYE 31 December 2019, the utilisation rate for the manufacture of aluminium rods was 71% compared to 38% in FYE 31 December 2018. The higher utilisation of the production facility for aluminium rods as compared to the previous year was mainly due to higher demand for aluminium rods from our customers as well as higher requirements for aluminium based cables and wires.

5. INFORMATION ON OUR GROUP (CONT'D)**(b) Manufacture of Cables and Wires**

	Annual capacity⁽¹⁾ (km)	Production output in FYE 2018 (km)	Utilisation rate (%)	Production output in FYE 2019 (km)	Utilisation rate (%)
Power cables and wires	15,960	13,680	86	14,035	88
Control and instrumentation cables and wires	10,800	8,640	80	8,084	75
Communication cables and wires	4,320	3,600	83	1,778	41
Total	31,080	25,920	83	23,897	77

	Capacity⁽²⁾ (km)	Production output in FPE 2020 (km)	Utilisation rate (%)
Power cables and wires	7,980	3,856	48
Control and instrumentation cables and wires	5,400	3,975	74
Communication cables and wires	2,160	1,183	55
Total	15,540	9,014	58

Notes:-

- (1) Annual capacity refers to the design capacity of our main machines including drawing and stranding machines based on 24 hours per day and seven (7) days per week, including normal scheduled maintenance and set-up times. We are currently running 24 hours per day and seven (7) days per week.
- (2) Based on 6-month pro-rated capacity.

In FYE 31 December 2019, the utilisation rate for the manufacture of communication cables and wires was 41% compared to 83% utilisation in FYE 31 December 2018. The lower utilisation of the production facility for manufacture of communication cables and wires was due to lower demand for these types of cables and wires during FYE 31 December 2019. This is in line with the revenue from the manufacture of cables and wires, which decreased by 62.11% in FYE 31 December 2019.

The utilisation rate for the manufacture of power cables and wires was 48% in FPE 30 June 2020 compared to 88% in FYE 31 December 2019. This was because our manufacturing operations were temporarily suspended for 11 days and were in partial operations for 31 days during the MCO period.

5. INFORMATION ON OUR GROUP (CONT'D)

As at the LPD, the construction of Lot 39 has been completed and Southern has obtained CCC for Lot 39. Southern has obtained an approval from MIDA on 25 June 2020 for manufacturing licence and submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence. In this respect, Lot 39 will provide us with an additional planned annual production capacity of approximately 2,700 km. This Lot 39 is expected to focus on the manufacture of low voltage power cables and wires for electrical wiring applications within buildings. We expect to serve both the local market in Malaysia as well as export markets such as Myanmar and Cambodia.

Part of our business strategy is to address growing export market opportunities in countries where we have already made inroads. In this respect, we have been exporting to Myanmar and Cambodia since 2009 and 2016 respectively. Furthermore, we have focused marketing efforts in promoting our products by participating in exhibitions in these two (2) respective countries in 2018. In addition, we have appointed distributors in Cambodia and Myanmar as part of our intention to further penetrate into these markets.

For further information on our exhibitions and distributors, please refer to Section 5.5.9.1 of this Prospectus for sales and marketing strategies and Section 5.5.9.2 of this Prospectus for distribution channels. Please refer to Section 7 of this Prospectus for industry trends in imports of cables and wires into Myanmar and Cambodia.

5. INFORMATION ON OUR GROUP (CONT'D)**(c) Manufacture of PVC compounds and wooden cable drums**

	Annual capacity	Production output in FYE 2018	Utilisation rate (%)	Production output in FYE 2019	Utilisation rate (%)
PVC compounds	7,800 tonnes ⁽¹⁾	4,800 tonnes	62	5,530 tonnes	71
Wooden cable drums ⁽²⁾	60,000 pieces ⁽³⁾	26,400 pieces	44	25,530 pieces	43

	Capacity	Production output in FPE 2020	Utilisation rate (%)
PVC compounds	3,900 tonnes ⁽⁴⁾	2,733 tonnes	70

Notes:-

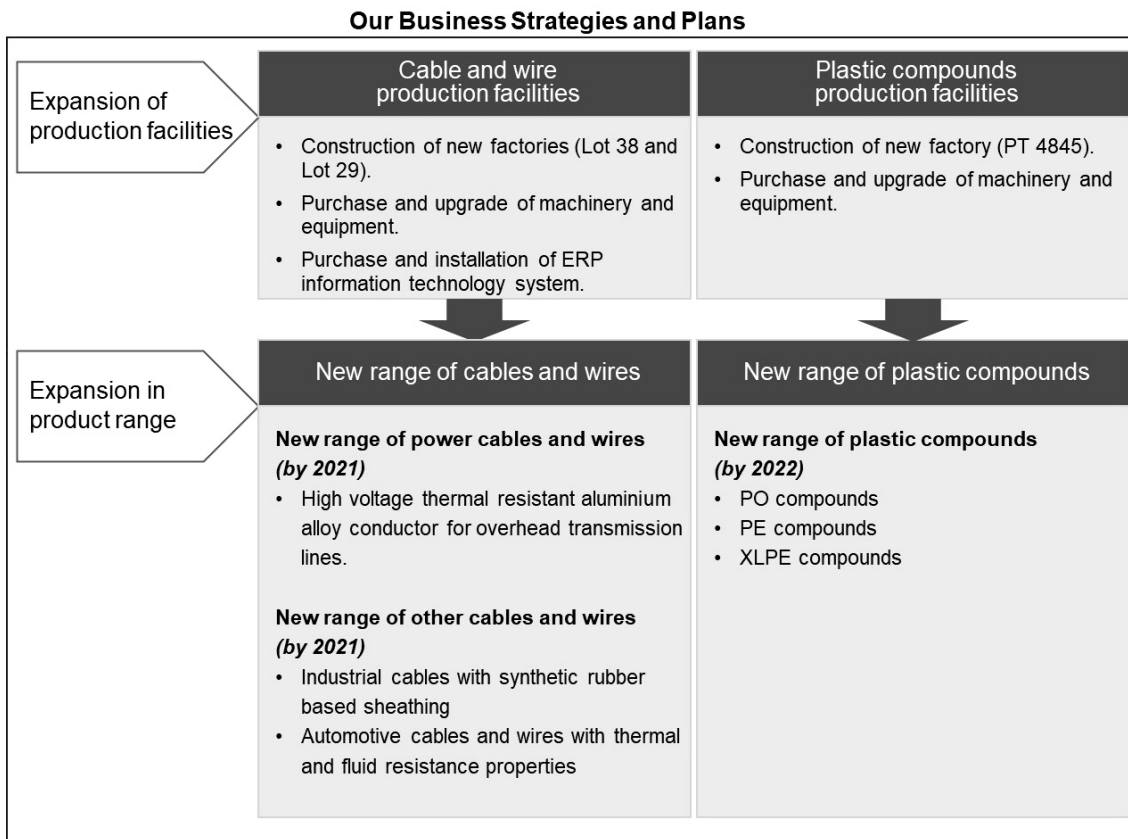
- (1) Annual capacity refers to the design capacity of our main machines namely extrusion machines, based on 24 hours per day and six (6) days per week. We are currently running 24 hours per day and six (6) days per week.
- (2) We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020. Therefore, the utilisation of wooden cable drums in FPE 30 June 2020 is not applicable.
- (3) Annual capacity refers to our assembly activity based on 24 hours per day and six (6) days per week. We were previously running 12 hours per day and six (6) days per week.
- (4) Based on 6-month pro-rated capacity.

5. INFORMATION ON OUR GROUP (CONT'D)

5.8 BUSINESS STRATEGIES

5.8.1 Our Business Strategies and Plans

Moving forward, we will continue to strengthen our core competency in the manufacture of cables and wires, and plastic compounds by expanding our business in the following areas:-



5. INFORMATION ON OUR GROUP (CONT'D)

5.8.2 Expansion of Production Facilities

5.8.2.1 Our Cable and Wire Production Facilities

Our business strategies are focused on our core competencies and this includes the expansion of our cable and wire production facilities including:-

- Construction of new factories (Lot 38 and Lot 29) with purchases of machinery and equipment;
- Upgrading of machinery and equipment for Southern Factory and Lot 39; and
- Purchase and installation of ERP information technology system.

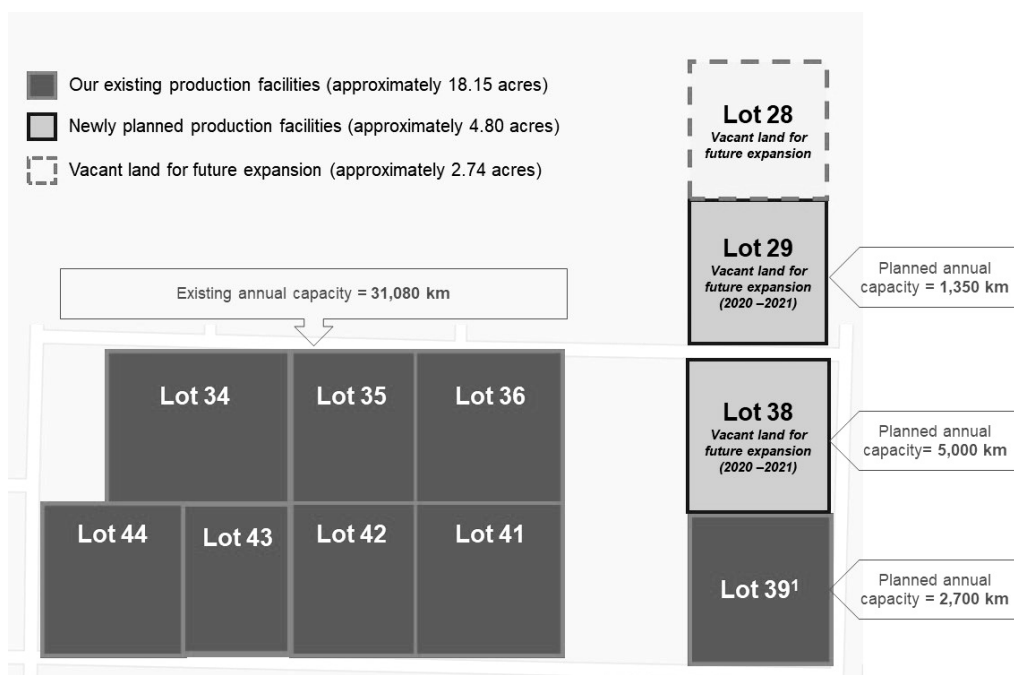
(i) Construction of New Factories

Our existing cable and wire production facilities are located in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman with total land area of approximately 18.15 acres as illustrated below. For FYE 31 December 2019, the total production output of cables and wires was 23,897 km which gave us a utilisation rate of 77%. For FYE 31 December 2019, our total annual production capacity for cables and wires was 31,080 km.

The purchase of machinery and equipment at our new factory in Lot 39 will increase our annual production capacity of cables and wires by approximately 9% (2,700 km). Upon the commencement of business operations at Lot 39, we would have a cumulative total annual production capacity of 33,780 km in cables and wires. As at the LPD, the construction of Lot 39 has been completed and Southern has obtained CCC for Lot 39. Southern has obtained an approval from MIDA on 25 June 2020 for manufacturing licence and submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence.

On 18 June 2019, we leased two (2) pieces of leasehold lands for 60 years from Perbadanan Kemajuan Negeri Kedah, namely Lot 28 and Lot 29, which are located in close proximity to our production facilities in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman illustrated below. Please refer to Section 6.1.2 of this Prospectus for further details on our properties leased.

Our Existing and New Planned Production Facilities for Our Cable and Wire Manufacturing Operations



5. INFORMATION ON OUR GROUP (CONT'D)**Note:-**

- (1) As at the LPD, the construction of Lot 39 has been completed and Southern has been obtained CCC for Lot 39. Southern had obtained an approval from MIDA on 25 June 2020 for manufacturing licence and submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence.

Part of our future plans is to construct new factories to cater for continuing business expansion for our cable and wire manufacturing operations. In this respect, we intend to construct new factories, one (1) in Lot 38 and the other in Lot 29 in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman.

(a) New Factory in Lot 38

The new production facility in Lot 38 will provide an additional built-up area of approximately 32,000 sq. ft. This new facility will focus on the manufacture of a range of power and control cables and wires used in automotive and elevator applications.

With the purchase of new machinery and equipment, this facility will increase our annual production capacity of cables and wires by approximately 15% (5,000 km) upon the commencement of the operations by the 1st half of 2022.

The expected timeline in relation to the construction of the new factory in Lot 38 are set out as follows:-

Timing	Descriptions
1 st half of 2021	<ul style="list-style-type: none"> • Submission of building plan to local council (Majlis Daerah Baling) for approval • Expected approval of building plan from relevant authorities • Expected commencement of construction
2 nd half of 2021	<ul style="list-style-type: none"> • Expected completion of physical construction of building • Target submission of application for CCC • Expected commencement of installation of machinery and equipment • Expected approval and issuance of CCC • Target submission of manufacturing licence application to MIDA
1 st half of 2022	<ul style="list-style-type: none"> • Expected approval and issuance of MIDA manufacturing licence • Expected commencement of operations

The total cost of construction is estimated to be RM2.500 million for Lot 38. These will be funded by the use of proceeds from the IPO.

Purchase of new machinery and equipment

To increase our production capacity for cables and wires, we intend to purchase the following new machinery and equipment for this new factory in Lot 38 including cabling machine, extrusion line and testing equipment at a total cost of RM3.000 million. The cost of machinery and equipment will be funded by proceeds from the IPO.

Please refer to Section 3.5 of this Prospectus for further details on the use of proceeds from the IPO.

5. INFORMATION ON OUR GROUP (CONT'D)**(b) New Factory in Lot 29**

The new production facility in Lot 29 will provide an additional built-up area of approximately 32,000 sq. ft., which will focus on the manufacture of low voltage power cables and wires.

This new facility will increase our annual production capacity of cables and wires by approximately 4% (1,350 km) for the manufacture of cables and wires upon commencement of operations by the 1st half of 2022. We will be relocating some of the machinery and equipment from Southern Factory upon the acquisition of new machinery and equipment for Southern Factory which is discussed in the Section 5.8.2.1(ii) of this Prospectus.

The expected timeline in relation to the construction of the new factory in Lot 29 are set out as follows:-

Timing	Descriptions
1 st half of 2021	<ul style="list-style-type: none"> • Submission of building plan to local council (Majlis Daerah Baling) for approval • Expected approval of building plan from relevant authorities • Expected commencement of construction
2 nd half of 2021	<ul style="list-style-type: none"> • Expected completion of physical construction of building • Target submission of application for CCC • Expected commencement of installation of machinery and equipment • Expected approval and issuance of CCC • Target submission of manufacturing licence application to MIDA
1 st half of 2022	<ul style="list-style-type: none"> • Expected approval and issuance of MIDA manufacturing licence • Expected commencement of operations

The total cost of construction is estimated to be RM2.500 million for Lot 29. These will be funded by the use of proceeds from the IPO.

(ii) Purchase and Upgrade of Machinery and Equipment for our Southern Factory and Lot 39

Part of our future plans is to purchase of machinery and equipment for existing Southern Factory partly to cater for existing products as well as new range of cables and wires including high voltage power cables and thermal resistant aluminium conductor cables, and industrial cables with synthetic rubber based sheathing.

In this respect, we plan to purchase the following new machinery and equipment for our existing Southern Factory between 2021 and 2022:-

- Extrusion lines with various sizes screw diameters for the manufacture of high voltage cables;
- Automated control system and related equipment to upgrade and automate existing extrusion machines;
- Drawing machine for copper wire;
- Continuous casting line for copper rods; and
- X-ray measuring system.

5. INFORMATION ON OUR GROUP (CONT'D)

In addition, we plan to purchase of additional machinery and equipment including extrusion lines and cabling machines for the newly completed Lot 39 factory between 2021 and 2022. This Lot 39 is expected to focus on the manufacture of low voltage power cables and wires for electrical wiring applications within buildings to serve both the local market in Malaysia as well as export markets such as Myanmar and Cambodia.

We expect to fund the purchase of the above machinery and equipment amounting to RM13.800 million from IPO proceeds and this will be utilised between 2021 and 2022. For further information, please refer to Section 3.5 of this Prospectus.

(iii) Purchase and installation of ERP Information Technology System

Part of our future plans includes investing in a new ERP information technology system to replace the existing system. The migration to a new ERP information technology system will streamline and integrate various production, inventory, financial and administration functions and processes into one complete system. This is aimed at increasing timely flow of data and information among different departments and business units to facilitate decision making and reporting.

The total cost of investing in an ERP information technology system is approximately RM4.000 million and will be funded through IPO proceeds. In this respect, we expect to purchase and commence installation of the new ERP information technology system by 2022.

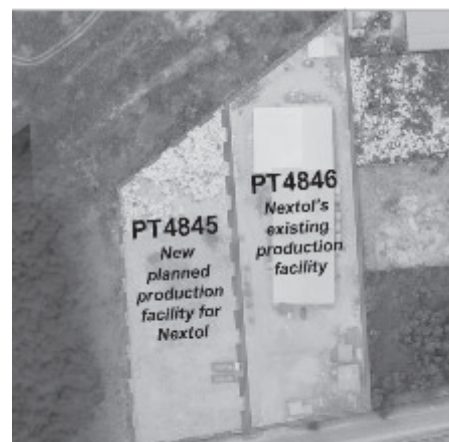
5. INFORMATION ON OUR GROUP (CONT'D)

5.8.2.2 Plastic Compounding Production Facilities

(i) Construction of New Factory for Our Plastic Compounding Operations

Nextol's Existing and New Planned Production Facilities

For FYE 31 December 2019, the total production output of PVC compounds was 5,530 tonnes, which gave us a utilisation rate of 71%. Part of our future plans is to expand our plastic compounding factory in PT 4845 to support the expansion of our cable and wire manufacturing operations. In this respect, we intend to construct a new factory next to our existing Nextol Factory 4846. This new factory will mainly be focusing on our new range of plastic compounds including PO, PE and XLPE compounds.



The new factory PT 4845 will provide us with an additional built-up area of approximately 32,000 sq. ft to house new machinery and equipment with a planned annual capacity of 4,200 tonnes. This will increase our annual production capacity by approximately 54% from 7,800 tonnes to 12,000 tonnes per year by 1st half of 2022 upon commencement of this new factory.

The key milestones in relation to the construction of new factory in PT 4845 are set-out as follows:-

Timing	Descriptions
1 st half of 2021	<ul style="list-style-type: none"> • Submission of building plan to authorities and local council for approval • Expected approval of building plan from the relevant authorities • Expected commencement of construction
2 nd half of 2021	<ul style="list-style-type: none"> • Expected completion of physical construction of building • Target submission of application for CCC • Expected commencement of installation of machinery and equipment • Expected approval and issuance of CCC • Target submission of manufacturing licence application to MIDA
1 st half of 2022	<ul style="list-style-type: none"> • Expected approval and issuance of MIDA manufacturing licence • Expected commencement of operations

The total cost of construction of the new production facility for PT 4845 is estimated to be RM2.500 million which will be funded using proceeds from the IPO.

Purchase of new machinery and equipment

We intend to purchase extrusion compounding lines and testing equipment at a total cost of RM1.500 million. The purchase of equipment and compounding lines will be funded using proceeds from the IPO.

Please refer to Section 3.5 of this Prospectus for further details on the use of proceeds from the IPO.