NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF FLEXIDYNAMIC HOLDINGS BERHAD ("FLEXIDYNAMIC HOLDINGS" OR "COMPANY") DATED 9 MARCH 2021 ("ELECTRONIC PROSPECTUS")

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's ("**Bursa Securities**") website at www.bursamalaysia.com ("**Website**").

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, M&A Securities Sdn Bhd ("M&A Securities"), or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Form is not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, M&A Securities and Flexidynamic Holdings take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 9 March 2021 and will close at 5.00 p.m. on 16 March 2021. In the event there is any change to the timetable, Flexidynamic Holdings will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

PROSPECTUS

FLEXIDYNAMIC HOLDINGS BERHAD Registration No. 201901010656 (1319984-V)

www.flexidynamic.com

FLEXIDYNAMIC HOLDINGS BERHAD
Registration No. 201901010656 (1319984-V)
(Incorporated in Malaysia under the Companies Act 2016)

A-3A-28, IOI Boulevard,
Jalan Kenari 5,
Bandar Puchong Jaya,
47170 Puchong, Selangor,
Malaysia.

Tel : +603 8079 1878
Fax : +603 8079 1898

FLEXIDYNAMIC HOLDINGS BERHAD
Registration No. 201901010656 (1319984-V)
(Incorporated in Malaysia under the Companies Act 2016)

PROSPECTUS

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING PUBLIC ISSUE OF 75,231,000 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:

- **14,195,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **4,258,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND**
- **56,778,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS**

AT AN ISSUE PRICE OF RM0.20 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Adviser, Sponsor, Underwriter and Placement Agent

M&A SECURITIES SDN BHD
Registration No. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Prospectus has been registered by the Securities Commission Malaysia ("SC"). The registration of this Prospectus, should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. The SC is not liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 150.

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

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

This Prospectus is dated 9 March 2021.

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

M&A Securities Sdn Bhd, being the Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

A copy of this Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("CMSA") for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on 12 November 2020. Our admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Forms and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

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

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

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Adviser or Issuing House, a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the electronic and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of this Prospectus registered with the SC shall prevail.

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

(a) We and our Adviser do not endorse and is not affiliated in any way with the Third Party Internet Sites and is not responsible for the availability of, or the contents or any data, information, files or other material provided on the third party internet sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

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

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

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

(a) The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

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

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

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INDICATIVE TIMETABLE

All terms used are defined under "Definitions" commencing from page vii.

The indicative timing of events leading to our Listing is set out below:

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application	9 March 2021
Closing of Application	16 March 2021
Balloting of the Application	19 March 2021
Allotment of our IPO Shares to successful applicants	26 March 2021
Date of Listing	30 March 2021

In the event there is any change to the timetable, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All terms used are defined under "Definitions" commencing from page vii.

All references to "Flexidynamic Holdings" and the "Company" in this Prospectus are to Flexidynamic Holdings Berhad (Registration No. 201901010656 (1319984-V)). Unless otherwise stated, references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or 2 decimal places (for percentages) or dollar and sen for currency. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in "Definitions" and "Technical Glossary" appearing after this section. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from our Management. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly or indirectly linked to such websites does not form part of this Prospectus.

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FORWARD-LOOKING STATEMENTS

All terms used are defined under "Definitions" commencing from page vii.

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

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

(a) Demand for our products and services;

(b) Our business strategies and prospects;

(c) Our future earnings; and

(d) Our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(a) The economic, political and investment environment in Malaysia and globally; and

(b) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "Section 8 - Risk Factors" and "Section 11 - Financial Information". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

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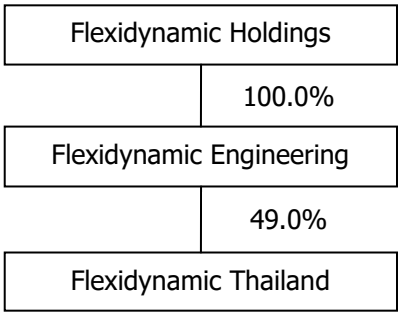
DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless otherwise defined or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

"Flexidynamic Engineering"	:	Flexidynamic Engineering Sdn Bhd (Registration No. 201201038428 (1022906-K)), a wholly-owned subsidiary of Flexidynamic Holdings
"Flexidynamic Holdings" or "Company"	:	Flexidynamic Holdings Berhad (Registration No. 201901010656 (1319984-V))
"Flexidynamic Holdings Group" or "Group"	:	Flexidynamic Holdings and its subsidiaries, collectively
"Flexidynamic Thailand"	:	Flexidynamic Engineering Company Limited (0135558013141), a 49%-owned subsidiary of Flexidynamic Engineering. This company is incorporated in Thailand and Flexidynamic Engineering has management control

A diagrammatic illustration of our Group structure is as follows:



GENERAL:

"ACE Market"	:	ACE Market of Bursa Securities
"Act"	:	Companies Act 2016
"Acquisition of Flexidynamic Engineering"	:	Acquisition by Flexidynamic Holdings of the entire share capital of Flexidynamic Engineering for a purchase consideration of RM20,866,000 which was wholly satisfied by the issuance of 208,660,000 new Shares at an issue price of RM0.10 per Share. The Acquisition of Flexidynamic Engineering was completed on 9 December 2020 and resulted in Flexidynamic Engineering becoming a wholly-owned subsidiary of Flexidynamic Holdings
"ADA"	:	Authorised Depository Agent
"Adviser" or "Sponsor"	:	M&A Securities
"Application"	:	The application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application

DEFINITIONS *(Cont'd)*

"Application Form"	:	The printed application form for the application of our IPO Shares accompanying this Prospectus
"ATM(s)"	:	Automated Teller Machine(s)
"Banting Factory"	:	Single-storey detached factory annexed with a 3-storey office block located at No. 7, Jalan 1/1, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor. Further details on the Banting Factory is set out in Section 6.17.1(a)
"Board"	:	Board of Directors of Flexidynamic Holdings
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"CAGR"	:	Compounded annual growth rate
"CDS"	:	Central Depository System
"CDS Account"	:	An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor
"CIDB"	:	Construction Industry Development Board
"Closing Date"	:	The date adopted in this Prospectus as the last date for acceptance and receipt of Application
"CMSA"	:	Capital Markets and Services Act 2007
"Constitution"	:	Constitution of our Company
"Depository Rules"	:	The Rules of Bursa Depository and any appendices thereto
"DDWG"	:	Due diligence working group for the purpose of our IPO
"Director"	:	Either an executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
"EBIT"	:	Earnings before interest and taxation
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
"Electronic Share Application"	:	Application for our IPO Shares through a Participating Financial Institution's ATM
"EPS"	:	Earnings per share
"Flexidynamic Engineering Shares"	:	Ordinary shares in Flexidynamic Engineering

DEFINITIONS *(Cont'd)*

"Flexidynamic Thailand Shares"	:	Ordinary shares in Flexidynamic Thailand
"FPE(s)"	:	9-month financial period ended 30 September
"FYE(s)"	:	Financial year(s) ended 31 December
"GP"	:	Gross profit
"IFRS"	:	International Financial Reporting Standards
"IMR" or "Smith Zander"	:	Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)), our Independent Market Researcher
"IMR Report"	:	Independent Market Research Report titled "IMR Report on the Glove Chlorination Manufacturing Industry in Malaysia, Thailand and Vietnam"
"Initial Public Offering" or "IPO"	:	Our initial public offering via our Public Issue
"Internet Participating Financial Institutions"	:	Participating financial institutions for Internet Share Application as listed in Section 15
"Internet Share Application"	:	Application for our IPO Shares through an online share application service provided by the Internet Participating Financial Institutions
"IPO Price"	:	Our issue price of RM0.20 per Share pursuant to our Public Issue
"ISO"	:	International Organisation for Standardisation
"Issue Share(s)" or "IPO Share(s)"	:	The new Share(s) to be issued pursuant to our Public Issue subject to the terms and conditions of this Prospectus
"Issuing House"	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
"Listing"	:	Listing of and quotation for our entire enlarged share capital of RM35,912,220 comprising 283,891,200 Shares on the ACE Market
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"Listing Scheme"	:	Comprising our Public Issue and Listing, collectively
"LPD"	:	10 February 2021, being the latest practicable date for ascertaining certain information contained in this Prospectus
"M&A Securities"	:	M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
"Malaysian Public"	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
"Market Day(s)"	:	Any day(s) between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities

DEFINITIONS *(Cont'd)*

"MCO"	:	Movement control order
"MFRS"	:	Malaysian Financial Reporting Standards
"MIDA"	:	Malaysian Investment Development Authority
"MITI"	:	Ministry of International Trade and Industry Malaysia
"NA"	:	Net assets
"NBV"	:	Net book value
"Official List"	:	The list specifying all securities which have been admitted for listing of Bursa Securities and not removed
"Participating Financial Institutions"	:	Participating financial institutions for Electronic Share Application, as listed in Section 15
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE Multiple"	:	Price-to-earnings multiple
"Pink Form Allocations"	:	The allocation of 4,258,000 Issue Shares to our eligible employees and persons who have contributed to the success of our Group
"Placement Agent"	:	M&A Securities
"Promoters"	:	Collectively, Tan Kong Leong, Liew Heng Wei and Phitchaya Arsangku
"Prospectus"	:	This prospectus dated 9 March 2021 in relation to our IPO
"Public Issue"	:	The public issue of 75,231,000 Issue Shares at our IPO Price
"ROC"	:	Registrar of Companies
"SC"	:	Securities Commission Malaysia
"Shares" or "Flexidynamic Holdings Shares"	:	Ordinary shares in Flexidynamic Holdings
"SICDA" or "Depository Act"	:	Securities Industry (Central Depositories) Act, 1991
"sq ft"	:	Square foot
"sqm"	:	Square metre
"SST"	:	Sales and Service Tax
"Underwriter"	:	M&A Securities
"Underwriting Agreement"	:	The underwriting agreement dated 25 January 2021 entered into between our Company and M&A Securities pursuant to our IPO

DEFINITIONS *(Cont'd)*

"Vendors"	:	Tan Kong Leong, Liew Heng Wei, Sin Kuo Wei, Loh Wei Keat, Phitchaya Arsangku, Tan Lui Ken, Chong Chee Keong, Lim Khin Choong and Wong Fook Loong, collectively

CURRENCIES:

"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"THB"	:	Thai Baht
"USD"	:	United States Dollar
"VND"	:	Vietnam Dong

TECHNICAL GLOSSARY:

Centrifugal fan	:	A device used to draw out chlorine or acidic fumes produced during the glove manufacturing process into the scrubber tower
Chimney	:	A vertical structure that allows treated air from the scrubber tower to be released into the atmosphere at an elevated height
Chlorination gas system	:	A system that stores and injects chlorine gas into the chlorine dipping tank through a vacuum regulator, flowmeter and injector
Chlorine circulation system	:	A system that stores and circulates chlorine solution from and into the chlorine dipping tank through a circulation pump. The chlorine circulation system mainly comprises chlorine storage tank, control valve, circulation pump and temperature controller
Chlorine dipping tank	:	A tank used to contain diluted chlorine solution where gloves will be dipped into the diluted chlorine solution to be coated with a layer of chlorine
Chlorine drum	:	A cylindrical-shaped steel container used to contain pressurised chlorine gas
Chlorine storage tank	:	A tank used to store chlorine solution
Chop strand mat	:	A form of reinforcement used in FRP, comprising glass fibers laid randomly across each other for general application
Circulation pump	:	An equipment that is used to circulate the solution (e.g. diluted chlorine solution and alkaline solution) between storage tanks and process tanks
Control panel	:	An electrical switchboard to control the operation of the system
Control valve	:	A device used to control the inflow of solution (e.g water, alkaline solution) into the storage tank
Ducting	:	A passageway to channel chlorine fumes produced during the chlorination process from the process tanks to the scrubber tower
Electric chain hoist	:	An electrical device used to lift or lower heavy products and components

DEFINITIONS *(Cont'd)*

Filament	:	A form of reinforcement used in FRP, comprising a threadlike object or fibre commonly used for reinforcing cylindrical products
FRP	:	Fibre-reinforced Plastic, a composite material of thermosetting resin and glass fiber
FRP grating	:	A structural element made of FRP materials which has high load capacity and can be used as platform and flooring
FRP lining	:	Coating made of FRP materials which are applied to increase the level of chemical resistance level to prevent corrosion and damages caused by chemicals on surfaces
Flowmeter	:	A device used to control the amount of chlorine gas to be injected into the chlorine dipping tank
Fumes	:	Gases or vapour that has a strong odour and is hazardous to health if inhaled
Glove chlorination system	:	A system used to conduct glove chlorination process, a finishing step in the glove manufacturing process and a widely-adopted method to produce powder-free rubber gloves
Glove-dipping line	:	A production line that manufactures rubber gloves
Glove former	:	A hand-shaped mould attached to the glove-dipping line to undergo manufacturing process to produce gloves
Injector	:	A device used to inject chlorine gas from the chlorine drum into the diluted chlorine solution in the dipping tank
Neutraliser	:	An alkaline solution (i.e. potassium hydroxide) used to neutralise the chlorine residue on the surface of the gloves
Neutraliser dipping tank	:	A tank used to contain alkaline solution to neutralise the remaining chlorine residue on the surface of the gloves that was not removed in the soak rinse dipping tank
Neutraliser supply system	:	A system that stores and injects alkaline solution into the neutraliser dipping tanks through circulation pump. The neutraliser supply system mainly comprises neutraliser circulation storage tank, control valve, circulation pump and pH controller
Off-line glove chlorination system	:	A standalone glove chlorination system that is not installed onto a glove-dipping line
On-line glove chlorination system	:	A glove chlorination system that forms part of the glove-dipping line and is installed directly towards the end of a glove-dipping line
pH	:	A scale used to specify how acidic or basic a water-based solution is
pH controller	:	A device used to measure and control the pH value of the solution

DEFINITIONS *(Cont'd)*

Plastic resins	:	Mixtures of compounds that are applied to FRP materials for the manufacturing of FRP products
PP	:	Polypropylene, also known as polypropene, is a thermoplastic polymer used in a wide variety of applications
PVC	:	Polyvinyl chloride, is a thermoplastics polymer used in wide variety of applications and has a relatively higher resistance to chemicals as compared to PP
Pressure transmitter and gauge	:	An equipment used to measure the pressure of liquid or gas in a tank
Process tanks	:	Tanks which are used in the glove manufacturing process
PVC packing media	:	PVC material with corrugated surfaces which restricts the flow rate of liquid or gas and is typically used to perform separation processes, such as absorption, stripping and distillation
Roving	:	A form of reinforcement used in FRP, comprising multiple filaments bonded into a single strand, arranged in a cross-stitch pattern, commonly used to increase the thickness of the FRP
Scrubber system	:	A component used to filter and neutralise chlorine or acidic fumes produced during the glove manufacturing process. The scrubber system mainly comprises scrubber tower, centrifugal fan, chimney, circulation pump and ducting
Scrubber tower	:	A cylindrical tower where chlorine or acidic fumes are channelled into and the scrubbing of fumes is carried out
Storage tank	:	A tank used for the storage of liquid substances or chemicals
Spray nozzle	:	A device that facilitates the dispersion of liquid over an area inside the scrubber
Soak rinse dipping tank	:	A tank used to contain water to rinse off chlorine residue from gloves that have been dipped into the diluted chlorine solution
Synthetic surface veil	:	Surface layers to be applied on FRP materials to smoothen the surface and improve finishing, with added protection against corrosion
Temperature controller	:	An equipment used to measure and control the temperature of the diluted chlorine solution
Tissue mat	:	Surface layers to be applied on FRP materials to smoothen the surface and improve finishing
Vacuum regulator	:	A device used to regulate the pressure of the chlorine gas to prevent pressurisation to ensure the safety of the system

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Gender)	Designation	Address	Nationality
Phang Sze Fui (F)	Independent Non-Executive Chairperson	17, Jalan PP 4/12 Taman Putra Prima 47130 Puchong Selangor	Malaysian
Tan Kong Leong (M)	Managing Director	No. 9, Jalan GR 2/2 Evergreen Garden Residensi Cyber 2 63100 Cyberjaya Selangor	Malaysian
Liew Heng Wei (M)	Executive Director	Blok D 3A-3A Koi Tropika Condominium Batu 13 ½ 47100 Puchong Selangor	Malaysian
Lion Suk Chin (F)	Executive Director	Blok D 3A-3A Koi Tropika Condominium Batu 13 ½ 47100 Puchong Selangor	Malaysian
Noor Zaliza Yati Binti Yahya (F)	Independent Non-Executive Director	194, Jalan Berjaya 2 Taman Berjaya, Sungai Chua 43000 Kajang Selangor	Malaysian
Chong Kai Feng (M)	Independent Non-Executive Director	63, Jalan Suadamai 6/3 Bandar Tun Hussein Onn 43200 Cheras Selangor	Malaysian

Notes:
M refers to male
F refers to female

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Noor Zaliza Yati Binti Yahya	Chairman	Independent Non-Executive Director
Phang Sze Fui	Member	Independent Non-Executive Chairperson
Chong Kai Feng	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Phang Sze Fui	Chairman	Independent Non-Executive Chairperson
Chong Kai Feng	Member	Independent Non-Executive Director
Noor Zaliza Yati Binti Yahya	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY *(Cont'd)*

NOMINATION COMMITTEE

Name	Designation	Directorship
Phang Sze Fui	Chairman	Independent Non-Executive Chairperson
Chong Kai Feng	Member	Independent Non-Executive Director
Noor Zaliza Yati Binti Yahya	Member	Independent Non-Executive Director

REGISTERED OFFICE : Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone number: 03-2692 4271

HEAD OFFICE : A-3A-28, IOI Boulevard
Jalan Kenari 5
Bandar Puchong Jaya
47170 Puchong
Selangor

Telephone number: 03-8079 1878

EMAIL ADDRESS AND WEBSITE : Email address: fde@flexidynamic.com
Website: https://www.flexidynamic.com

COMPANY SECRETARIES : Lim Seck Wah (MAICSA 0799845)
(Fellowship in Chartered Institute Secretaries)

Tang Chi Hoe (Kevin) (MAICSA 7045754)
(Associate Member in Chartered Institute Secretaries)

Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone number: 03-2692 4271

AUDITORS AND REPORTING ACCOUNTANTS FOR OUR IPO : **Grant Thornton Malaysia PLT (201906003682 & AF 0737)**

Level 11
Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone number: 03-2692 4022

Partner's name: Lian Tian Kwee
Approval number: 02943/05/2021 (J)
(Chartered Accountant, Malaysian Institute of Accountants, Member of Malaysian Institute of Certified Public Accountants)

1. CORPORATE DIRECTORY *(Cont'd)*

PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	**M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))** Level 11, No. 45 & 47, The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone number: 03-2284 2911
SOLICITORS FOR OUR IPO	:	**Wong Beh & Toh** Level 19 West Block Wisma Golden Eagle Realty No. 142-C, Jalan Ampang 50450 Kuala Lumpur Telephone number: 03-2713 6050
SHARE REGISTRAR AND ISSUING HOUSE	:	**Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))** Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Telephone number: 03-2783 9299
INDEPENDENT MARKET RESEARCHER	:	**Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V))** 15-01, Level 15, Menara MBMR 1, Jalan Syed Putra 58000 Kuala Lumpur Telephone number: 03-2732 7537 Managing Partner: Dennis Tan Tze Wen (Bachelor of Science from Memorial University of Newfoundland, Canada)
LISTING SOUGHT	:	ACE Market of Bursa Securities

2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Bursa Securities

Bursa Securities had vide its letter dated 12 November 2020 approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Submission of the following information in respect of the moratorium on the shareholdings of the Promoters to the Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied
2.	Approvals from other relevant authorities have been obtained for implementation of the Listing.	Complied
3.	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of Listing Requirements.	To be complied
4.	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Flexidynamic Holdings on the first day of Listing.	To be complied
5.	Any director of Flexidynamic Holdings that has not attended the Mandatory Accreditation Programme must do so prior to the Listing.	Complied
6.	In relation to the public offering to be undertaken by Flexidynamic Holdings, please announce at least 2 Market Days prior to the Listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche, in format prescribed; and (iv) Disclosure of placees who become substantial shareholders of Flexidynamic Holdings arising from the public offering, if any. M&A Securities is reminded to ensure that the overall distribution of Flexidynamic Holdings' securities is properly carried out to mitigate any disorderly trading in the secondary market.	To be complied
7.	Flexidynamic Holdings/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Flexidynamic Holdings to the Official List of the ACE Market.	To be complied
8.	Flexidynamic Holdings/M&A Securities to ensure full compliance of all requirements as provided under the Listing Requirements at all times.	Noted

2. APPROVALS AND CONDITIONS *(Cont'd)*

2.1.2 SC

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

The SC had, vide its letter dated 19 November 2020, approved our application in relation to the resultant equity structure of Flexidynamic Holdings under the equity requirement for public listed companies for our Listing. The approval from SC is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Flexidynamic Holdings to allocate the difference between the prescribed equity requirement of 12.5% of its enlarged issued share capital and the equity interests of Bumiputera public investors upon Listing (allocated via balloting pursuant to the Public Issue), to Bumiputera investors to be approved by Ministry of International Trade and Industry Malaysia within 1 year after achieving the profit requirement for companies seeking listing on the Main Market of Bursa Securities or 5 years after being listed on the ACE Market, whichever is earlier ("Compliance Date");	To be complied
2.	Flexidynamic Holdings to submit to the SC a proposal to comply with the Bumiputera equity condition at least 6 months prior to the Compliance Date; and	To be complied
3.	M&A Securities/Flexidynamic Holdings to submit Flexidynamic Holdings' equity structure to the SC upon completion of the Listing.	To be complied

2.2 MORATORIUM ON OUR SHARES

In accordance with Paragraph 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those Flexidynamic Holdings Shares held by our Promoters as follows:

(a) The moratorium applies to the entire shareholdings of our Promoters for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");

(b) Upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of our total number of issued ordinary shares remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and

(c) On the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of those Flexidynamic Holdings Shares held under moratorium.

2. APPROVALS AND CONDITIONS *(Cont'd)*

Details of our Promoters and their Shares which will be subject to the abovementioned moratorium, are set out below:

	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium	
Promoters	**No. of Shares**	**(1)%**	**No. of Shares**	**(1)%**
Tan Kong Leong	117,892,900	41.53	84,916,868	29.91
Liew Heng Wei	53,208,300	18.74	38,325,312	13.50
Phitchaya Arsangku	6,259,800	2.21	4,508,860	1.59
	177,361,000	**62.48**	**127,751,040**	**45.00**

Note:

(1) Based on the enlarged share capital of 283,891,200 Shares.

The moratorium has been fully accepted by our Promoters, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Promoters to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

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3. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 PRINCIPAL DETAILS RELATING TO OUR IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:

No. of Shares to be issued under the Public Issue	75,231,000
- For application by the Malaysian Public	14,195,000
- For Pink Form Allocations	4,258,000
- For private placement to selected investors	56,778,000
Enlarged no. of Shares upon Listing	283,891,200
IPO Price per Share (RM)	0.20
Market capitalisation (calculated based on our IPO Price and enlarged no. of Shares upon Listing)	56,778,240

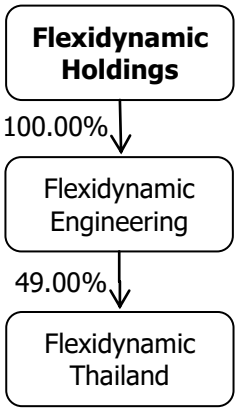
Our Promoters' entire shareholdings after IPO will be under moratorium for 6 months from the date of Listing. Thereafter, our Promoters' shareholdings amounting to 45% of our share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of their shares held under moratorium upon expiry of the second 6 months. Further details on the moratorium on our shares are set out in Section 2.2.

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

3.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia on 28 March 2019 under the Act as a public limited company under the name of Flexidynamic Holdings Berhad. We were incorporated as a special purpose vehicle to facilitate the listing of our subsidiaries, Flexidynamic Engineering and Flexidynamic Thailand, on the ACE Market.

Our group structure as at the LPD is as follows:



3. PROSPECTUS SUMMARY *(Cont'd)*

We are principally involved in the design, engineering, installation and commissioning of glove chlorination systems, as well as the design and installation of storage tanks and process tanks for the glove manufacturing industry. Our core business activities are as follows:

(a) Design, engineering, installation and commissioning of glove chlorination systems. This is complemented with our in-house manufacturing activities for centrifugal fans;

(b) Repair, refurbishment and maintenance of glove chlorination systems;

(c) Trading of replacement parts for glove chlorination systems;

(d) Design and installation of storage tanks and process tanks; and

(e) Other products and services including FRP lining services and scrubber systems.

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

For the past 3 FYEs 2017 to 2019 and FPE 2020, our revenue was mainly derived from Malaysia and is denominated in RM. The percentage contribution in revenue from Malaysia has been decreasing over the past 3 FYEs, due to the increase in our overseas revenue, including projects in Vietnam, Thailand, Indonesia and Sri Lanka, which is transacted in USD. In our effort to diversify our geographical revenue source, we increased our marketing efforts to secure overseas customers. Resulting from this effort, we secured and recorded an increase in sales to customers from Vietnam, namely Ever Global (Vietnam) Enterprise Corporation and Thailand, namely Sri Trang Group for the past 3 FYEs. In the FPE 2020, we recorded a higher percentage contribution in revenue from Malaysia at 86.28% of our revenue as compared to 62.56% in FPE 2019. This was due to the completion of the majority of overseas projects during FYE 2019. In addition, there was an increase in rubber glove manufacturing activities in Malaysia arising from the Covid-19 pandemic and as such, glove manufacturers expanded their glove production capacity. Hence, this led to an increase in demand for glove-dipping lines and consequently, the demand for our products and services from customers in Malaysia. The breakdown of our revenue by geographical segmentation is as follows:

	Audited					
	FYE 2017		FYE 2018		FYE 2019	
Countries	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Local						
Malaysia	24,464	81.81	37,721	78.06	33,982	68.18
Overseas						
Vietnam	2,602	8.70	8,798	18.21	10,344	20.75
Thailand	2,704	9.04	1,695	3.51	5,371	10.78
Indonesia	130	0.43	58	0.12	93	0.19
Sri Lanka	2	0.02	50	0.10	49	0.10
	5,438	18.19	10,601	21.94	15,857	31.82
	29,902	**100.00**	**48,322**	**100.00**	**49,839**	**100.00**

	Unaudited		Audited	
	FPE 2019		FPE 2020	
Countries	**RM'000**	**%**	**RM'000**	**%**
Local				
Malaysia	21,954	62.56	30,203	86.28
Overseas				
Vietnam	8,389	23.91	1,535	4.38
Thailand	4,643	13.23	3,060	8.74

3. PROSPECTUS SUMMARY *(Cont'd)*

	Unaudited		Audited	
	FPE 2019		FPE 2020	
Countries	**RM'000**	**%**	**RM'000**	**%**
Indonesia	67	0.19	23	0.07
Sri Lanka	40	0.11	186	0.53
	13,139	37.44	4,804	13.72
	35,093	**100.00**	**35,007**	**100.00**

3.3 IMPACT OF COVID-19 AND THE MCO

Our business and operations faced temporary interruption pursuant to the outbreak of the Covid-19 virus in the countries we operate in and transact. The imposition of the MCO throughout Malaysia from 18 March 2020 to 3 May 2020 by the Government of Malaysia to curb the spread of virus has resulted in mandatory closure of all government and private premises, except those involved in essential services, unless written permission is obtained from MITI. The imposition of the MCO had caused our operations to be closed since 18 March 2020. Further, the operations of our subcontractors were closed since 18 March 2020.

Our Group had, on 20 April 2020, obtained an approval letter from MITI to operate our business and as such, we resumed operations on 21 April 2020 but at a capacity of 50% of our Group's total workforce as per the standard operating procedures set out by MITI.

On 1 May 2020, the Government of Malaysia announced a conditional MCO starting from 4 May 2020 to 9 June 2020 and allowed more businesses to operate under a set of strict standard operating procedures. Upon the implementation of the conditional MCO, we began to operate at full capacity on 4 May 2020 onwards. Our subcontractors also resumed their operations at full capacity on 4 May 2020 onwards.

In Thailand, the government has also declared an Emergency Situation involving nationwide curfews and travel bans, as well as control measures for businesses to observe, effective from 26 March 2020 to 28 February 2021. Nevertheless, the operations of Flexidynamic Thailand were not affected as factories in Thailand were allowed to operate during the period of the Emergency Situation while complying with the control measures issued by the Ministry of Industry, Thailand.

The interruption to our business operations from 18 March 2020 to 3 May 2020 had delayed our project delivery schedules and billing schedules for some of our existing projects in the second and third quarter of 2020, due to delays in carrying out installation and commissioning works as the Group was unable to resume work immediately at some of the customers' premises on 4 May 2020 before these customers complete the setup of preventive measures and procedures to prevent the spread of Covid-19 virus at their premises. Nevertheless, we have completed these projects during the fourth quarter of 2020 and thus, it did not affect our billing schedule for these projects for the FYE 2020. Hence, we do not foresee any material impact to our revenue recognition for the FYE 2020 as a result of the MCO, conditional MCO and recovery MCO. Further, during the MCO period, there was no material impact on the collectability of our trade receivables arising from business interruptions as our customers are mainly glove manufacturers who are deemed as essential services and were allowed to operate during the MCO period.

We did not receive any cancellation or variation of orders from our customers but we managed to secure several new purchase orders for our storage tank, process tanks and scrubber system, from our customers during the MCO period.

3. PROSPECTUS SUMMARY *(Cont'd)*

Notwithstanding the re-imposition of the MCO in Selangor from 13 January 2021 to 4 March 2021, our Group has been allowed to operate as usual with standard operating procedures in place. Hence, there has been no disruption to our business and operations arising from the imposition of the second MCO.

In response to the Covid-19 pandemic, our Group has established an Emergency Response Protocol committee to oversee the adherence of infection control measures based on the guidelines and standard operating procedures issued by MITI. Similar infection control measures are also adopted for our operations in Thailand, in compliance with the control measures issued by the Ministry of Industry, Thailand. While our Group has incurred additional costs in adhering to the infection control measures as per the standard operating procedures issued by MITI and control measures issued by the Ministry of Industry, Thailand, the costs are not material.

Save for the temporary closure of operations in Malaysia during the MCO period and respective mandatory social distancing measures imposed in Malaysia and Thailand, our Group has not experienced any other interruptions in our operations which had a significant effect on our operations during the past 12 months preceding the LPD.

Further details of the impact of the Covid-19 and the MCO on our business operations are set out in Section 6.7.4.

3.4 COMPETITIVE STRENGTHS

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

(a) We have an established track record of notable customers in the glove manufacturing and glove-dipping line industry as our customers, including Hartalega Group (through Hartalega Sdn Bhd, Hartalega NGC Sdn Bhd and Hartalega Research Sdn Bhd), Riverstone Group (through Riverstone Resources Sdn Bhd and Eco Medi Glove Sdn Bhd), Kossan Group (through Ideal Quality Sdn Bhd, Kossan Latex Industries (M) Sdn Bhd, Perusahaan Getah Asas Sdn Bhd and Wear Safe (Malaysia) Sdn Bhd), HL Advance Technologies (M) Sdn Bhd (a subsidiary of HLT Global Berhad) and Central Medicare Sdn Bhd.

(b) Our design and engineering expertise gives us the flexibility to provide customisation for our customers and thus, allows us to design and offer glove chlorination systems that suit our customers' glove manufacturing processes and fulfil our customers' requirements on their glove chlorination process as well as enabling us to retain our customers and contribute to the sustainability of our Group.

(c) We have an experienced management team with operational expertise and in-depth knowledge in the glove chlorination industry in Malaysia.

(d) We have an established industry network within the glove manufacturing and glove-related industries developed by our founders, Tan Kong Leong and Liew Heng Wei, whom have been in the glove-related industry for over 21 and 24 years respectively.

(e) As a leading industry player in the glove chlorination manufacturing industry in Malaysia, we are well positioned to capitalise on the growth in the rubber glove manufacturing activities in Malaysia as the glove chlorination systems are essential components in the rubber glove manufacturing processes.

Further details of our competitive strengths are set out in Section 6.8.

3. PROSPECTUS SUMMARY *(Cont'd)*

3.5 BUSINESS STRATEGIES AND PROSPECTS

A summary of our business strategies and prospects are set out below:

(a) We are in the process of acquiring 2 new factories and we intend to purchase additional machinery to enhance our manufacturing capability by undertaking the manufacturing of long and cylindrical products in-house. A total of RM6.80 million from our IPO proceeds have been allocated to repay the bank borrowings (RM6.38 million) and to fund the renovation (RM0.42 million) of the 2 new factories; and RM1.63 million has been allocated to fund the purchase of machinery and equipment.

The new factories will be installed with new machinery and equipment used to carry out in-house manufacturing works for long and cylindrical parts and components of our glove chlorination systems such as storage tanks, scrubber towers, chimneys and ductings.

This is in preparation to cater to the increase in projects, as we anticipate to secure more projects in the future as we continue to grow and expand our business. With this, we expect to reduce our reliance on subcontractors for the manufacturing of parts and components of our on-line glove chlorination system and this will enable us to take on opportunities arising from increased demand, which will contribute to our financial performance.

(b) In line with our business expansion plan, we had in September 2020 hired 2 sales engineers to carry out sales and marketing activities to continue expanding our customer base within the glove manufacturing and glove-related industries.

Apart from our existing customer base, there are many other glove manufacturing and glove-related industries players in Malaysia who require glove chlorination systems, storage tanks, process tanks, and/or scrubber system and this presents us the opportunity to capture the demand from these industry players. In addition to securing new customers within Malaysia, we also plan to continue to grow our glove chlorination business in Thailand and Vietnam by securing local glove manufacturers as our new customers, and supporting our existing customers as they set up or expand their production plant in overseas.

Our sales and marketing activities in Malaysia, Thailand and Vietnam shall include the following:

(a) Actively approach new customers within the glove manufacturing and glove-related companies;

(b) Actively engage and build business relationships with our existing customers and business associates for referrals; and

(c) Continuously participate in networking and marketing events held among glove manufacturing and glove-related companies such as the International Rubber Glove Conference and Exhibition that will be held in Kuala Lumpur in August 2021.

These sales and marketing activities will allow us to expand our customer base which may in turn increase our market share in the glove chlorination manufacturing industry.

Further details on our business strategies and prospects are set out in Section 6.19.

3. PROSPECTUS SUMMARY *(Cont'd)*

3.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 8. Some of the more important risk factors are summarised below:

(a) Our business and operations were halted by the outbreak of the Covid-19 virus. During the imposition of MCO, our operations were fully halted between 18 March 2020 and 20 April 2020, and partially operated between 21 April 2020 and 3 May 2020. At the same time, the delivery of our subcontractor works were also affected as our subcontractors were not operating during this period. While our subcontractors and our operations resumed at full capacity on 4 May 2020, we were unable to resume works immediately at some of our customers' premises before our customers complete the setup of preventive measures and procedures to prevent the spread of Covid-19 virus at their premises, as required by the Government of Malaysia. This delay had delayed our project delivery schedules and billing schedules for some of our existing projects in the second and third quarter of 2020. Nevertheless, we have completed the scheduled deliveries of these projects by the fourth quarter of 2020 and thus, it did not affect our billing schedule for these projects for the FYE 2020.

(b) We are dependent on a few major customers who contribute substantially to our revenue. Any loss of these major customers and our inability to replace these customers with new customers or with additional orders from existing customers in a timely manner, could result in a loss of revenue and will have an adverse impact on our financial performance.

(c) We rely on our subcontractors for the manufacturing of our products as well as parts and components of our products. There is no assurance that we will always be able to procure such manufacturing services in a timely manner for our future projects, that our financial performance and business operations will not be adversely affected due to need to change subcontractors, and that there will not be any delays in our project delivery caused by prolonged unexpected delays by our subcontractor to deliver the manufactured products to us.

(d) We will continue to be exposed to existing business risks arising from manufacturing of products in-house, such as shortage of raw materials, disruption in supply and/or other unforeseen risks. Any the occurrence of such risks and/or other unforeseen circumstances may have a material adverse effect on our Group's operations and financial performance.

(e) We are subject to the volatility in prices of our raw materials such as plastic resins and mild steel, which are subject to fluctuations as a result of global demand and supply conditions. Any material increase in the prices of the abovementioned raw materials may result in substantial increase in our cost of sales, thus affecting our financial performance should we fail to pass the increase in cost to our customers.

(f) Our past PAT margins do not reflect our future PAT margins as we no longer benefit from tax savings after the expiry of our pioneer status on 10 May 2018. Flexidynamic Engineering was entitled to pioneer status incentives for small scale companies under the Promotion of Investments Act, 1986 (Amendment) to produce on-line chlorination system and the profit derived from these activities is 100% exempted from tax for a total relief period of 5 years from manufacturing date, i.e. from 10 May 2013 to 9 May 2018. As a result, our effective tax rate in FYE 2018 had increased to 17.88%. Our effective tax rate for FYE 2019 and FPE 2020 was 27.14% and 29.93% respectively which is higher than the statutory tax rate for the year of 24.00%. Additional information on our tax rate is set out in Section 11.2.9.

3. PROSPECTUS SUMMARY *(Cont'd)*

3.7 DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Phang Sze Fui	Independent Non-Executive Chairperson
Tan Kong Leong	Managing Director
Liew Heng Wei	Executive Director
Lion Suk Chin	Executive Director
Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director
Chong Kai Feng	Independent Non-Executive Director
Key Senior Management	
Wong Feng Lung	Chief Financial Officer
Sin Kuo Wei	General Manager

Further details of our Directors and key senior management are set out in Sections 5.2 and 5.3 respectively.

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

	Before IPO[(1)]				After IPO[(2)]			
	Direct		Indirect		Direct		Indirect	
Name / Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and substantial shareholders								
Tan Kong Leong / Malaysian	117,892,900	56.50	[(3)] 6,259,800	3.00	117,892,900	41.53	[(3)] 6,259,800	2.21
Liew Heng Wei / Malaysian	53,208,300	25.50	-	-	53,208,300	18.74	-	-
Phitchaya Arsangku / Thai	6,259,800	3.00	[(3)] 117,892,900	56.50	6,259,800	2.21	[(3)] 117,892,900	41.53
Substantial shareholder								
Lion Suk Chin / Malaysian	-	-	[(3)] 53,208,300	25.50	-	-	[(3)] 53,208,300	18.74

Notes:

(1) Based on the share capital of 208,660,200 Shares after the Acquisition of Flexidynamic Engineering.

(2) Based on our enlarged share capital of 283,891,200 Shares after the IPO.

(3) Deemed interested by virtue of his/her spouse's shareholdings in our Group.

3. PROSPECTUS SUMMARY *(Cont'd)*

Our Promoters' entire shareholdings after IPO will be under moratorium for 6 months from the date of Listing. Thereafter, our Promoters' shareholdings amounting to 45% of our share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of their shares held under moratorium upon expiry of the second 6 months. Further details on the moratorium on our shares are set out in Section 2.2.

Further details of the Promoters and substantial shareholders are set out in Section 5.1.2.

3.8 UTILISATION OF PROCEEDS

The gross proceeds arising from the Public Issue of approximately RM15.05 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation	RM'000	%
Repayment of bank borrowings drawn to fund the acquisition of new factories	12 months (1)	6,380	42.40
Renovation of new factories	12 months (1)	420	2.80
Acquisition of machinery and equipment	3 months (2)	1,630	10.83
Working capital	24 months (1)	3,616	24.03
Estimated listing expenses	1 month (1)	3,000	19.94
		15,046	**100.00**

Notes:

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

(2) From the estimated completion of construction and handover of new factories in May 2021.

There is no minimum subscription to be raised from our IPO.

Detailed information on our utilisation of proceeds is set out in Section 4.10.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

3. PROSPECTUS SUMMARY *(Cont'd)*

3.9.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out the financial highlights of our historical audited combined statements of profit or loss and other comprehensive income for the FYEs 2017 to 2019 and FPE 2020:

	Audited			Unaudited	Audited
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2019**	**FPE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	29,902	48,322	49,839	35,093	35,007
Cost of sales	(21,447)	(36,331)	(35,883)	(27,080)	(27,306)
GP	8,455	11,991	13,956	8,013	7,701
PBT	4,636	5,379	6,307	2,819	3,805
PAT attributable to:					
- Owners of the Company	4,396	4,289	4,605	2,019	2,705
- Non-controlling interest	27	128	(10)	26	(39)
EBIT	4,692	5,494	6,374	2,872	3,847
EBITDA	5,170	6,049	7,007	3,333	4,400
GP margin (%)	28.28	24.81	28.00	22.83	22.00
PBT margin (%)	15.50	11.13	12.65	8.03	10.87
PAT margin (%)	14.79	9.14	9.22	5.83	7.62
Effective tax rate (%)	4.60	17.88	27.14	27.46	29.93
EPS (sen) [(1)]	2.11	2.06	2.21	0.97	1.30
Diluted EPS (sen) [(2)]	1.55	1.51	1.62	0.71	0.95

Notes:

(1) Calculated based on our PAT attributable to owners of the Company divided by the share capital of 208,660,200 Shares before our IPO.

(2) Calculated based on our PAT attributable to owners of the Company divided by the enlarged share capital of 283,891,200 Shares after our IPO.

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

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

3.9.2 Pro forma consolidated statements of financial position

The following table sets out a summary of the pro forma consolidated statements of financial position of our Group, to show the effects of the Acquisition of Flexidynamic Engineering, Public Issue and utilisation of IPO proceeds.

It is presented for illustrative purposes only and should be read together with the Pro forma Consolidated Statements of Financial Position as set out in Section 13.

3. PROSPECTUS SUMMARY *(Cont'd)*

	Flexidynamic Holdings	I	II	III
	As at 30 September 2020	After Acquisition of Flexidynamic Engineering	After I and Public Issue	After II and utilisation of IPO proceeds
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Total non-current assets	-	18,352	18,352	21,998
Total current assets	*	41,360	56,406	44,976
TOTAL ASSETS	*	**59,712**	**74,758**	**66,974**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*	20,866	35,912	35,312
Merger deficit	-	(20,116)	(20,116)	(20,116)
Capital reserve	-	631	631	631
Foreign exchange reserve	-	8	8	8
(Accumulated losses)/Retained earnings	(5)	21,784	21,784	19,384
NA	(5)	23,173	38,219	35,219
Non-controlling interest	-	(77)	(77)	(77)
TOTAL EQUITY	**(5)**	**23,096**	**38,142**	**35,142**
LIABILITIES				
Total non-current liabilities	-	9,374	9,374	4,590
Total current liabilities	5	27,242	27,242	27,242
TOTAL LIABILITIES	**5**	**36,616**	**36,616**	**31,832**
TOTAL EQUITY AND LIABILITIES	*	**59,712**	**74,758**	**66,974**
Gearing ratio (times)	-	0.47	0.28	0.17
No. of Shares in issue	^	208,660	283,891	283,891
Net (liabilities)/asset per share (RM)	(25.51)	0.11	0.13	0.12

Notes:

* Representing RM20 only.
^ Representing 200 Shares only.

3.10 DIVIDENDS

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiary, present or future. The payment of dividends or other distributions by our subsidiary will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

3. PROSPECTUS SUMMARY *(Cont'd)*

In respect of FYEs 2017 to 2019 and FPE 2020, dividends declared by our subsidiary were as follows:

	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Dividends declared	1,000	900	960	700

Notes:

(i) **FYE 2017**
- RM0.20 million was declared on 12 January 2017 and paid on 17 January 2017;
- RM0.20 million was declared on 18 May 2017 and paid on 28 May 2017;
- RM0.20 million was declared on 21 August 2017 and paid on 28 August 2017; and
- RM0.40 million was declared on 22 December 2017 and paid on 17 January 2018.

(ii) **FYE 2018**
- RM0.30 million was declared on 18 May 2018 and paid on 28 May 2018;
- RM0.30 million was declared on 23 August 2018 and paid on 28 August 2018; and
- RM0.30 million was declared on 17 December 2018 and paid on 17 December 2018.

(iii) **FYE 2019**
- RM0.36 million was declared on 23 April 2019 and paid on 28 April 2019;
- RM0.30 million was declared on 4 July 2019 and paid on 9 July 2019; and
- RM0.30 million was declared on 4 October 2019 and paid on 7 October 2019.

(iv) **FPE 2020**
- RM0.70 million was declared on 4 March 2020 and paid on 17 March 2020.

Flexidynamic Engineering had on 4 January 2021 declared a dividend of RM0.30 million in respect of FYE 31 December 2020. The dividend was paid on 7 January 2021.

Further details of our dividends are set out in Section 11.13.

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4. PARTICULARS OF OUR IPO

4.1 INTRODUCTION

This Prospectus is dated 9 March 2021. Our IPO is subject to the terms and conditions of this Prospectus.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC. Neither the SC nor the ROC takes any responsibility for its contents.

We have obtained the approval from Bursa Securities vide its letter dated 12 November 2020, for, amongst others, our admission to the Official List of the ACE Market and for the listing of and quotation for our entire enlarged share capital on the ACE Market.

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, amongst others, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum number of 200 public shareholders, each holding not less than 100 Shares each upon admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. In the event we fail to meet the said requirement pursuant to our IPO, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

You should rely only on the information contained in this Prospectus or any applicable supplemental Prospectus. Neither we nor our advisers have authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

We are not making any invitation to subscribe for our IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation are not authorised or unlawful, or to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus and the making of our IPO in certain jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with M&A Securities as our Adviser, Sponsor, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions.

4. PARTICULARS OF OUR IPO *(Cont'd)*

Applications for the Issue Shares may be made using either of the following:

Type of application form	Category of investor
White Application Form or Electronic Share Application or Internet Share Application	Malaysian Public (for individuals)
White Application Form	Malaysian Public (for non-individuals, e.g. corporations, institutions etc)
Pink Form Applications	Our eligible employees and persons who have contributed to the success of our Group

You must have a CDS Account when applying for our IPO Shares. In the case of an application by way of Application Form, you must state your CDS Account number in the space provided in the Application Form. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our IPO Shares.

Please refer to Section 15 for further details on the procedures for application for our IPO Shares. Details of the ADAs that you may open a CDS Account can be obtained at the following link:

http://www.bursamalaysia.com/market/securities/equities/brokers

If you are an individual with a CDS Account, you may make an Application by way of Electronic Share Application. You are required to furnish your CDS Account number to the Participating Financial Institution by keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application.

If you have a CDS Account and an existing account to their internet financial services of an Internet Participating Financial Institutions, you can make an Internet Share Application. You shall furnish your CDS Account number to the Internet Participating Financial Institutions by keying your CDS Account number into the online application form. A corporation or institution cannot apply for our IPO Shares by way of Internet Share Application.

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below.

The SC and Bursa Securities assume no responsibility for the correctness of any statement made or of any opinion or report expressed in this Prospectus. Our admission to the Official List of the ACE Market shall not be taken as an indication of the merits of our Group, our Shares and/or our IPO exercise. This Prospectus can also be viewed or downloaded from the website of Bursa Securities at *www.bursamalaysia.com*.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

4. PARTICULARS OF OUR IPO *(Cont'd)*

4.2 OPENING AND CLOSING OF APPLICATION

The period for Application will open at 10.00 a.m. on 9 March 2021 and will remain open until at 5.00 p.m. on 16 March 2021. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.3 IMPORTANT TENTATIVE DATES

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application for our IPO	9 March 2021
Closing Date	16 March 2021
Balloting of the Application for our IPO Shares	19 March 2021
Allotment of our IPO Shares to successful applicants	26 March 2021
Date of Listing	30 March 2021

In the event there is any change to the timetable, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

4.4 DETAILS OF OUR IPO

4.4.1 Public Issue

A total of 75,231,000 Issue Shares, representing 26.5% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(a) Malaysian Public

14,195,000 Issue Shares, representing 5.0% of our enlarged share capital, will be made available for application by the Malaysian Public, to be allocated via balloting process as follows:

(i) 7,097,500 Issue Shares made available to public investors; and

(ii) 7,097,500 Issue Shares made available to Bumiputera public investors.

(b) Our eligible employees and persons who have contributed to the success of our Group

4,258,000 Issue Shares, representing 1.5% of our enlarged share capital, will be reserved for our eligible employees and persons who have contributed to the success of our Group under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.4.2.

(c) Private placement to selected investors

56,778,000 Issue Shares, representing 20.0% of our enlarged share capital, have been reserved for private placement for selected investors.

The basis of allocation for the Issue Shares shall take into account our Board's intention to distribute the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors. There is no over-allotment or "greenshoe" option that will result in an increase in the number of our IPO Shares.

4. PARTICULARS OF OUR IPO *(Cont'd)*

Our Public Issue is subject to the terms and conditions of this Prospectus.

We are not aware of any person who intends to subscribe for more than 5% of the Public Issue.

4.4.2 Pink Form Allocations

We have allocated 4,258,000 Issue Shares to our eligible employees and persons who have contributed to the success of our Group under the Pink Form Allocations as follows:

Category	No. of eligible persons	Aggregate no. of Issue Shares allocated
Our eligible employees	26	3,633,000
Persons who have contributed to the success of our Group	10	625,000
	36	**4,258,000**

The criteria for allocation to our eligible employees (as approved by our Board) are based on the following factors:

(a) The employee must be at least 18 years of age;

(b) The employee must have his/her employment confirmed in writing; and

(c) The employees' seniority, position, length of service and contribution to our Group.

The number of IPO Shares to be allotted to those persons who have contributed to the success of our Group shall be based on amongst others, the nature and terms of their business relationship with us, length of their relationship with us and the level of contribution and support to our Group. Persons who have contributed to the success of our Group are our customers and suppliers.

Detail of the allocation to our key senior management is as follows:

Name	Designation	No. of Issue Shares allocated
Wong Feng Lung	Chief Financial Officer	50,000

Our Chief Financial Officer intends to subscribe for the Issue Shares allocated to him under the Pink Form Allocations.

Pink Form Allocations which are not subscribed to, will be re-allocated to the other eligible employees and persons who have contributed to the success of our Group at the discretion of our Board.

4. PARTICULARS OF OUR IPO *(Cont'd)*

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and M&A Securities, as our Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

(a) The PE Multiple of approximately 12.35 times based on our EPS of 1.62 sen for the FYE 2019 calculated based on our PAT for the FYE 2019 of RM4.60 million and our enlarged share capital of 283,891,200 Shares upon Listing;

(b) Our pro forma consolidated NA per Share as at 30 September 2020 after our IPO of RM0.12 based on our consolidated NA as at 30 September 2020 of RM35.22 million (after the Public Issue and utilisation of IPO proceeds) and our enlarged share capital of 283,891,200 Shares upon Listing;

(c) Our historical financial track record for the past FYEs 2017 to 2019 and FPE 2020 summarised as follows:

	Audited			**Unaudited**	**Audited**
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2019**	**FPE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	29,902	48,322	49,839	35,093	35,007
GP	8,455	11,991	13,956	8,013	7,701
PAT attributable to:					
- Owners of the Company	4,396	4,289	4,605	2,019	2,705
- Non-controlling interest	27	128	(10)	26	(39)
	4,423	**4,417**	**4,595**	**2,045**	**2,666**
EPS (sen)[(1)]	2.11	2.06	2.21	0.97	1.30

Note:

(1) Calculated based on our PAT attributable to owners of the Company divided by the share capital of 208,660,200 Shares before our IPO.

(d) Our competitive strengths as set out in Section 6.8; and

(e) Our Group's business strategies and prospects as further described in Section 6.19.

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

4. PARTICULARS OF OUR IPO *(Cont'd)*

4.6 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

Upon completion of our IPO, our share capital would be as follows:

Details	No. of Shares	RM
Share capital		
As at the date of this Prospectus	208,660,200	20,866,020
To be issued pursuant to our Public Issue	75,231,000	15,046,200
Enlarged share capital upon our Listing	**283,891,200**	**35,912,220**
Market capitalisation(1)		**56,778,240**

Note:

(1) Based on our IPO Price and our enlarged number of shares upon Listing.

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally amongst one another.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.

The Offer Shares rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount of Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus in the event of the liquidation of our Group, in accordance with our Constitution.

Each of our shareholders shall be entitled to vote at any of our general meeting in person, or by proxy or by attorney or by other duly authorised representative. Every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each ordinary share held.

4.7 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

(a) To provide an opportunity for the Malaysian Public, our eligible employees and persons who have contributed to the success of our Group to participate in our equity;

(b) To enable our Group to raise funds for the purposes specified in Section 4.10;

4. PARTICULARS OF OUR IPO *(Cont'd)*

(c) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise; and

(d) To gain recognition through our listing status which will enhance our Group's reputation in the marketing of our products and services and to retain and attract new, skilled employees in the industry.

4.8 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged share capital of 283,891,200 Shares upon Listing, our total market capitalisation is estimated to be RM56,778,240 upon Listing.

4.9 DILUTION

Dilution is the amount by which our IPO Price exceeds the pro forma consolidated NA per Share immediately after our IPO.

Our pro forma consolidated NA per Share as at 30 September 2020 after the Acquisition of Flexidynamic Engineering is RM0.11. After giving effect to the Public Issue (and utilisation of proceeds), our pro forma consolidated NA per Share as at 30 September 2020 is RM0.12.

This represents an immediate increase in the pro forma consolidated NA per Share to our existing shareholders of RM0.01, and an immediate dilution in the pro forma consolidated NA per Share of RM0.08 to our new public investors. The following table illustrates such dilution on a per Share basis:

	RM
Pro forma consolidated NA per Share as at 30 September 2020 after taking into account the Acquisition of Flexidynamic Engineering	0.11
Pro forma consolidated NA per Share as at 30 September 2020 after taking into account the Acquisition of Flexidynamic Engineering and Public Issue	0.13
IPO Price	0.20
Pro forma consolidated NA per Share as at 30 September 2020 after taking into account the Acquisition of Flexidynamic Engineering, Public Issue and utilisation of IPO proceeds	0.12
Dilution in the pro forma consolidated NA per Share to our new public investors	(0.08)
Dilution in the pro forma consolidated NA per Share as a percentage of our IPO Price	40.0%

Further details of our pro forma consolidated NA per Share as at 30 September 2020 are set out in Section 13.

4. PARTICULARS OF OUR IPO *(Cont'd)*

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to the date of this Prospectus:

Shareholders	[1]No. of Shares	Total consideration	Average effective cost per Share
		RM	RM
Tan Kong Leong	117,892,900	11,789,290	0.10
Liew Heng Wei	53,208,300	5,320,830	0.10
Sin Kuo Wei	8,346,400	834,640	0.10
Loh Wei Keat	8,346,400	834,640	0.10
Phitchaya Arsangku	6,259,800	625,980	0.10
Tan Lui Ken	4,173,200	417,320	0.10
Chong Chee Keong	4,173,200	417,320	0.10
Lim Khin Choong	4,173,200	417,320	0.10
Wong Fook Loong	2,086,600	208,660	0.10
	208,660,000	**20,866,000**	**0.10**

Note:

(1) Issued pursuant to the Acquisition of Flexidynamic Engineering.

Save for the Shares received by our Promoters and key senior management pursuant to the Acquisition of Flexidynamic Engineering as well as Pink Form Allocations, there has been no acquisition or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to the LPD.

4.10 UTILISATION OF PROCEEDS

4.10.1 Public Issue

The estimated gross proceeds arising from the Public Issue of approximately RM15.05 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Reference	Estimated timeframe for utilisation	RM'000	%
Repayment of bank borrowings drawn to fund the acquisition of new factories	(a)	12 months [1]	6,380	42.40
Renovation of new factories	(b)	12 months [1]	420	2.80
Acquisition of machinery and equipment	(c)	3 months [2]	1,630	10.83
Working capital	(d)	24 months [1]	3,616	24.03
Estimated listing expenses	(e)	1 month [1]	3,000	19.94
			15,046	**100.00**

4. PARTICULARS OF OUR IPO *(Cont'd)*

Notes:

(1) From the date of listing of our Shares.
(2) From the estimated completion of construction and handover of new factories in May 2021.

Pending the utilisation of the proceeds to be raised from our Public Issue, the funds will be placed with licensed financial institutions as deposits.

(a) Repayment of bank borrowings drawn to fund the acquisition of new factories

We entered into 2 sale and purchase agreements on 30 August 2019 to purchase 2 adjoining semi-detached factory units. The new factories are located behind our Banting Factory. The new factories will be used to carry out in-house manufacturing works of parts and components of our on-line glove chlorination systems.

As at the LPD, the 2 new factories are still under construction. The 2 factory units will have a built-up area of approximately 14,660 sq ft each. The construction of the 2 factory units is expected to be completed by May 2021.

The total cost of the 2 factory units is RM7.54 million (after including discount of RM1.57 million given by the developer) which was financed via internally generated funds of RM1.16 million and bank borrowings of RM6.38 million. The loan carries an effective interest rate of 3.52% per annum and is for a term of 20 years up to 2040. As at LPD, RM5.47 million or 85.74% of our loan for the new factories has been drawn.

We plan to allocate a total of RM6.38 million from our IPO proceeds to repay the bank borrowings for the acquisition of new factories. The full amount of the loan is expected to be drawn by May 2021, and we intend to repay the full amount of the loan drawn for the new factories amounting to RM6.38 million from our IPO proceeds. Notwithstanding that we will incur a one-off loan redemption penalty cost of RM0.13 million in the event we repay the bank borrowings before December 2022, we will be able to reduce our annual interest cost by RM0.22 million based on the effective interest rate of 3.52% per annum. The penalty cost of RM0.13 million will be paid via internally generated funds.

(b) Renovation of new factories

Upon completion of construction and handover to our Group, minor renovations will be carried out on the new factories for approximately 3 months prior to installation of machines and commencement of operations is expected in the third quarter of 2021.

We plan to allocate a total of RM0.42 million to fund the renovation of our new factories. The breakdown for the renovation cost of our new factories is estimated as follows:

Details		**RM'000**
(i)	Interior design services	28
(ii)	Renovation work for office space	232
(iii)	Exterior works for factories	140
(iv)	Purchase of electrical equipment	20
		420

4. PARTICULARS OF OUR IPO *(Cont'd)*

Any unutilised proceeds will be used to fund our working capital, whereas any insufficient funds to repay the bank borrowings and to fund the renovation will be funded through internally generated funds.

(c) Acquisition of machinery and equipment

We intend to utilise RM1.63 million of the proceeds to acquire the following machinery and equipment:

Details		No. of units	RM'000
(i)	Discontinuous filament winding machine and mould	1	650
(ii)	Pultrusion machine and moulds	1	350
(iii)	Material handling equipment		
	- Crane, winches and related accessories	1	130
	- Lorry crane	1	400
	- Forklift	1	100
			1,630

Additional details on the acquisition of machinery and equipment are set out in Section 6.19.1(b).

The machines will be installed in the new factories upon the completion of the renovation of the factory units.

(d) Working capital

Approximately RM3.62 million of the proceeds raised from our Public Issue has been earmarked to supplement the working capital requirements of our Group. The proceeds shall be used for the purchase of raw materials to support our business.

The main raw materials used by us for the manufacturing of parts and components used in our glove chlorination systems include plastic resins, FRP materials, PVC pipes and fittings and mild steel. Kindly refer to Section 6.10 for the full list of raw materials utilised by our Group.

At this juncture, we have not determined the exact sum to be utilised for each raw materials to be purchased. The allocation to each raw material to be purchased will depend on the types and quantity of materials required as and when our projects are secured.

(e) Estimated listing expenses

The amount of RM3.00 million is allocated to meet the estimated cost for our Listing. If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital requirements. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Details	RM'000
Fees payable to authorities	20
Printing and advertising fees	130
Professional fees [(1)]	2,118

4. PARTICULARS OF OUR IPO *(Cont'd)*

Details	RM'000
Underwriting, placement and brokerage fees	600
Miscellaneous [2]	132
	3,000

Notes:

[1] Includes advisory fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.

[2] Other incidental or related expenses in connection with our IPO.

4.11 UNDERWRITING AND PLACEMENT ARRANGEMENT, COMMISSION AND BROKERAGE

4.11.1 Underwriting arrangement and commission

Our Underwriter will underwrite 18,453,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter an underwriting commission of 3.00% of the total value of the underwritten Shares at our IPO Price.

Any of our Issue Shares which are not subscribed for by the Malaysian Public or Pink Form Allocations will be made available to selected investors via private placement. If all of our Issue Shares offered to the Malaysian Public are oversubscribed, shares not subscribed for under the Pink Form Allocations, if any, will be made available for application by the Malaysian Public. Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of Issue Shares will be the number of Issue Shares required to be held by public shareholders to comply with the public spread requirements as set out in the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Board. Our Board will ensure that any excess Issue Shares will be allocated on a fair and equitable manner.

4.11.2 Placement arrangement and commission

The balance 56,778,000 Issue Shares from the Public Issue available for application by selected investors will not be underwritten and shall be placed out by our Placement Agent.

We are obliged to pay our Placement Agent a placement fee of 3.00% of the value of those Issue Shares to be placed out to selected investors by our Placement Agent at our IPO Price.

4.11.3 Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.00% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association in Malaysia or Issuing House.

4. PARTICULARS OF OUR IPO *(Cont'd)*

4.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 18,453,000 Issue Shares ("Underwritten Shares").

The following are the salient terms contained in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement:

1.1 Our Company irrevocably appoints the Underwriter as the underwriter of the Underwritten Shares and the Underwriter accepts its appointment on the terms and conditions in the Underwriting Agreement.

1.2 The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon ("Conditions"):

(a) The Underwriter receiving a certificate issued by our Company, one dated the date of registration of the Prospectus and the other dated the Closing Date, both of which are to be signed by a director of our Company on behalf of our Board stating amongst others that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence to the representations, warranties and undertakings as set out in the Underwriting Agreement and being provided with the reports or confirmation and being satisfied at the date of registration of this Prospectus and on the Closing Date that:

(i) no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Group from that subsequent to the date of the Underwriting Agreement; or

(ii) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings as set out in the Underwriting Agreement materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;

(b) The Underwriting Agreement being duly signed by all parties and stamped within the statutory time frame;

(c) The registration of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO with the SC and its lodgement with the ROC by the date of issuance of this Prospectus;

(d) All the approvals of the Listing Scheme by Bursa Securities; the SC; and the directors and shareholders of our Company via a circular board resolution and general meeting, remain in full force and effect and all the conditions to said approvals in this clause (except for any which can only be complied with after the IPO has been completed) have been complied with;

(e) The approval of Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for its entire issued share capital on the ACE Market being obtained on terms acceptable to the Underwriter and the approvals of Bursa Securities remaining in full force and effect and that all conditions (except for any which can only be complied with after the IPO has been completed) have been complied with;

4. PARTICULARS OF OUR IPO *(Cont'd)*

(f) The Underwriter being satisfied that our Company will, following completion of the IPO be admitted to the Official List and its entire enlarged issued share capital listed and quoted on the ACE Market without undue delay;

(g) The Underwriting Agreement having become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions thereof and upon the Underwriter's (in this regard, in its capacity as the Placement Agent for the Placement Shares) receipt of the full subscription monies for the Placement Shares on or before the last date for payment of the Placement Shares;

(h) The Underwriter receiving copies certified by a Director of our Company or secretary of our Company to be a true and accurate copy and in full force and effect of a resolution of the Directors:

(i) approving the Prospectus, the issuance of the Prospectus, the application forms, the Underwriting Agreement and the transactions contemplated by it; and

(ii) authorising a person to sign and deliver the Underwriting Agreement on behalf of our Company;

(i) The IPO not being prohibited or impeded by any statute, order, rule, directive, guideline (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the Issue Shares and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the IPO and/or listing of and quotation for the entire enlarged issued share capital of our Company on the ACE Market have been obtained and are in force up to the Closing Date;

(j) The Underwriter being satisfied that our Company has complied with and that the IPO is in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;

(k) All necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities, required for or in connection with the execution of the Underwriting Agreement and the issue of the Shares under the IPO and any other matters contemplated hereby:

(i) have been or will be unconditionally obtained by its due date;

(ii) or if granted subject to conditions, such conditions will be fulfilled to the reasonable satisfaction of the Underwriter by its due date; and

(iii) are or will remain in full force and effect;

(l) The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") being not lower than 90% of the level of the Index for at least 3 consecutive Market Days between the date of the Underwriting Agreement and the Closing Date, both dates inclusive;

4. PARTICULARS OF OUR IPO *(Cont'd)*

(m) There being no occurrence of any event which occurs after the date of the Underwriting Agreement and on or prior to the date for acceptance, application for and payment of the subscriptions moneys in respect of the application for our Company's IPO Shares, which if it had occurred before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings provided in the Underwriting Agreement untrue or inaccurate;

(n) There being no breach of and/or failure, on or prior to the Closing Date by our Company to perform any of the terms and/or the undertakings as contained in the Underwriting Agreement;

(o) Our Company not being in any investigation, directions or actions by any judicial, governmental or regulatory authority in relation to the Listing or in connection with the Group which is still subsisting or unresolved to the satisfaction of the Underwriter; and

(p) The launching of Prospectus taking place within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing.

1.3 The Underwriter may waive all or any of the Conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement.

1.4 If after the Conditions have been complied with and our Company decides not to proceed with the IPO, the Underwriter shall be entitled to terminate the Underwriting Agreement and in such event the provisions set out in item 1.6 below shall apply.

1.5 If any of the conditions set out in item 1.2(b), (c), (d), (f), and / or (g) above to the extent not waived are not satisfied by the date of issuance of the Prospectus, the Underwriter after consultation with our Company shall be entitled to terminate the Underwriting Agreement pursuant to item 1.6 below and thereafter the parties shall be released and discharged from their obligations hereunder and the Underwriting Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save for any antecedent breaches.

1.6 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the Closing Date, terminate its obligations under the Underwriting Agreement if:

(a) the Conditions set out in item 1.2 above (save and unless waived by the Underwriter) are not duly satisfied by the Closing Date;

(b) there is any material breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within 10 Market Days from the date our Company is notified by the Underwriter of such breach; or

(c) there is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement; or

4. PARTICULARS OF OUR IPO *(Cont'd)*

(d) there is withholding of material information by the Company which in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Shares issued or offered under the IPO; or

(e) the approval of Bursa Securities in respect of the IPO or the approval-in-principle of Bursa Securities for the listing and quotation of our entire issued share capital on the ACE Market is withdrawn; or

(f) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Company or Group from that set out in this Prospectus which is material in the context of the offering of the Issue Shares and/or the Listing or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the representations, warranties and undertakings contained in the Underwriting Agreement hereof as though given or made on such date; or

(g) the closing date of the application of the IPO Shares does not occur within 3 months from the date of the Underwriting Agreement, subject to the extension of Closing Date which is approved by the Underwriter; or

(h) our Company or any of our subsidiary becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or

(i) the occurrence of any *force majeure* event including, but not limited to the following:

(i) any material adverse change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rate (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or

(ii) any new law or any change in the existing laws, regulations, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority; or

(iii) any event or series of events beyond the reasonable control of the Underwriter (including but not limited to, acts of government, strikes, national disorder, declaration of a state of emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, hurricanes/typhoons, tsunami, widespread diseases, acts of war, sabotage, acts of God etc); or

(iv) any imposition of any moratorium, suspension or material restriction on trading on ACE Market due to exceptional financial circumstances or otherwise; or

4. PARTICULARS OF OUR IPO *(Cont'd)*

(v) any material adverse change in financial conditions as stated in item 1.6(i)(i) above to include stock market conditions and interest rates. A material adverse change in the stock market condition under this item shall mean the Index is, at the close of normal trading on Bursa Securities, on any Market Day on or after the date of the Underwriting Agreement and prior to the allotment of the Issue Shares, lower than 90% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 Market Days, which may materially prejudice the success of the IPO; or

(vi) there is any government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affect the business and/or financial position of our Company and/or our Group; or

(vii) in the event that the listing of and quotation for the entire enlarged issued share capital of our Company on the ACE Market is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriter;

which would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or Group, the success of the IPO, or the distribution or sale of the Issue Shares or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

1.7 Upon the notice as described in item 1.6 above being given, the Underwriter shall be released and discharged of its obligation without prejudice to its rights under the Underwriting Agreement, and where the Underwriter has terminated or withdrawn its Underwriting Commitment pursuant to item 1.5 or item 1.6, the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, except the following:

(a) our Company shall pay the Underwriting Commission and any SST, tax, duties or levies chargeable in respect of the Underwriting Commission in accordance with the Underwriting Agreement; and

(b) our Company shall continue to be liable to indemnify the Underwriter and the its affiliates and each of their (the Underwriter and its affiliates) directors, employees, agents, subsidiaries and each person who controls the Underwriter and affiliates, in such manner as set out in the Underwriting Agreement.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

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

	Before IPO[1]				After IPO[2]			
	Direct		Indirect		Direct		Indirect	
Name / Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and substantial shareholders								
Tan Kong Leong / Malaysian	117,892,900	56.50	[3] 6,259,800	3.00	117,892,900	41.53	[3] 6,259,800	2.21
Liew Heng Wei / Malaysian	53,208,300	25.50	-	-	53,208,300	18.74	-	-
Phitchaya Arsangku / Thai	6,259,800	3.00	[3] 117,892,900	56.50	6,259,800	2.21	[3] 117,892,900	41.53
Substantial shareholder								
Lion Suk Chin / Malaysian	-	-	[3] 53,208,300	25.50	-	-	[3] 53,208,300	18.74

Notes:

(1) Based on the share capital of 208,660,200 Shares after the Acquisition of Flexidynamic Engineering.

(2) Based on the enlarged share capital of 283,891,200 Shares after the IPO.

(3) Deemed interested by virtue of his/her spouse's shareholdings in our Group.

Our Promoters and substantial shareholders do not have different voting rights from the other shareholders of our Group.

5.1.2 Profiles of Promoters and substantial shareholders

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

(a) Tan Kong Leong

Tan Kong Leong is our Promoter and substantial shareholder. He is also our Managing Director. His profile is set out in Section 5.2.2.

(b) Liew Heng Wei

Liew Heng Wei is our Promoter and substantial shareholder. He is also our Executive Director. His profile is set out in Section 5.2.2.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

(c) Phitchaya Arsangku

Phitchaya Arsangku, a Thai national, age 32, is our Promoter and Director for our subsidiary, Flexidynamic Thailand. She is responsible for overseeing the overall administrative and finance processes as well as compliance with local regulations for the operations of Flexidynamic Thailand.

In 2008, she completed her higher secondary education at Kanghanapisek Chiang Rai Technical College, Muang Chiang Rai.

In 2009, she started working at her family-run coffee plantation in Chiang Rai where she was involved in the administration and finance function of the family business. In 2012, she helped diversify the family-run coffee business to include offering coffee farm tours to tourists.

In 2015, she left her family business and together with Tan Kong Leong, she incorporated Flexidynamic Thailand and was appointed as a Director of Flexidynamic Thailand.

(d) Lion Suk Chin

Lion Suk Chin is our substantial shareholder. She is also our Executive Director. Her profile is set out in Section 5.2.2.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.1.3 Changes in the Promoters' and substantial shareholders' shareholdings

The changes in our Promoters and substantial shareholders' respective shareholdings since our incorporation on 25 April 2018 are as follows:

	[1]As at incorporation				[2]After the Acquisition of Flexidynamic Engineering				[3]After IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Promoters/ Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Kong Leong	-	-	-	-	117,892,900	56.50	[4] 6,259,800	3.00	117,892,900	41.53	[4] 6,259,800	2.21
Liew Heng Wei	-	-	-	-	53,208,300	25.50	-	-	53,208,300	18.74	-	-
Phitchaya Arsangku	-	-	-	-	6,259,800	3.00	[4] 117,892,900	56.50	6,259,800	2.21	[4] 117,892,900	41.53
Kong Wui Chung	100	50.00	-	-	100	-*	-	-	100	-*	-	-
Au Chee Wah	100	50.00	-	-	100	-*	-	-	100	-*	-	-
Lion Suk Chin	-	-	-	-	-	-	[4] 53,208,300	25.50	-	-	[4] 53,208,300	18.74

Notes:

* Negligible.

(1) Comprising 200 subscriber shares.

(2) Based on the share capital of 208,660,200 Shares after the Acquisition of Flexidynamic Engineering.

(3) Based on the enlarged share capital of 283,891,200 Shares after the IPO.

(4) Deemed interested by virtue of his/her spouse's shareholdings in our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.1.4 Persons exercising control over the corporation

Save for our Promoters, namely Tan Kong Leong, Liew Heng Wei and Phitchaya Arsangku, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

5.1.5 Benefits paid or intended to be paid

Save for the dividends paid to our Promoters as disclosed in Section 11.13 and our Directors' remuneration and benefits as disclosed in Section 5.2.4, there is no amount and benefit that has been or is intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO are set out below:

		Before IPO[1]				After IPO[2]			
		Direct		Indirect		Direct		Indirect	
Name	Designation / Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Phang Sze Fui	Independent Non-Executive Chairperson / Malaysian	-	-	-	-	-	-	-	-
Tan Kong Leong	Managing Director / Malaysian	117,892,900	56.50	[3] 6,259,800	3.00	117,892,900	41.53	[3] 6,259,800	2.21
Liew Heng Wei	Executive Director / Malaysian	53,208,300	25.50	-	-	53,208,300	18.74	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

		Before IPO[1]				After IPO[2]			
		Direct		Indirect		Direct		Indirect	
Name	**Designation / Nationality**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Lion Suk Chin	Executive Director / Malaysian	-	-	[3] 53,208,300	25.50	-	-	[3] 53,208,300	18.74
Noor Zaliza Yati Binti Yahya	Independent Non-Executive Director / Malaysian	-	-	-	-	-	-	-	-
Chong Kai Feng	Independent Non-Executive Director / Malaysian	-	-	-	-	-	-	-	-

Notes:

(1) Based on the share capital of 208,660,200 Shares after the Acquisition of Flexidynamic Engineering.

(2) Based on the enlarged share capital of 283,891,200 Shares after the IPO.

(3) Deemed interested by virtue of his/her spouse's shareholdings in our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.2.2 Profiles of Directors

The profiles of our Directors are as follows:

(a) Phang Sze Fui

Phang Sze Fui, a Malaysian, age 49, is our Independent Non-Executive Chairperson. She was appointed to our Board on 25 January 2021, and is also the chairman of our Nomination Committee and Remuneration Committee and member of our Audit and Risk Management Committee.

She obtained her Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College in May 1997. She has been a member of The Association of Chartered Certified Accountants since November 2000, a fellow member of The Association of Chartered Certified Accountants since November 2005 and a member of the Malaysian Institute of Accountants since July 2009. Further, since September 2019, she has been an Audit Committee Member of the Institute of Internal Auditors Malaysia.

She began her career as Accounts Executive in Seawood Trading Company in November 1992. She subsequently started working with the company on a part-time basis from 1993 when she enrolled for her tertiary studies with Tunku Abdul Rahman College. She left in January 1995 to focus her studies. During her tenure with the company, she was involved in the handling of accounting records and related administrative matters.

Upon obtaining her diploma, she returned to work in July 1997 when she joined Monteiro & Heng (now known as Baker Tilly Monteiro Heng) as Graduate Assistant, where she was primarily involved in various statutory audit assignments. She was subsequently promoted to Senior Audit Manager, Associate Director of Transaction Reporting Division and Executive Director of Transaction Reporting Division in 2005, 2008 and 2011 respectively. During her tenure, she undertook various responsibilities including leading the audit team to conduct audit and special assignments, liaising with stakeholders, conducting training, ensuring compliance with auditing and accounting standards as well as regulatory requirements and expanding the growth of the Transaction Reporting Division. She left the firm in October 2015 and took a career break.

In May 2016, she joined Dolphin Applications Sdn Bhd (a subsidiary of Dolphin International Berhad, a company listed on Main Market of Bursa Securities) as Corporate Affairs Director responsible for supervising corporate exercises, handling special projects, overseeing investor relations and public relations matters, improving internal control systems and reporting structure, overseeing compliance matters and liaising with stakeholders.

She left Dolphin Applications Sdn Bhd in July 2017 to pursue her own business venture, Avia Alliance Sdn Bhd which specialises in the provision of business and accounting consultancy, a business that she is presently involved. In December 2019, she established Dynamic Aqua Evolution Sdn Bhd which specialises in aquaponic farming, a business that she is presently involved. In June 2020, she established 1Advisory Sdn Bhd which specialises in the provision of business consultancy, a business that she is presently involved.

She was appointed as Independent Non-Executive Director of Kim Teck Cheong Consolidated Berhad, Mestron Holdings Berhad and SDS Group Berhad (companies listed on the ACE Market) in September 2018, October 2018 and September 2018, respectively, the positions she presently assumes.

Kindly refer to Section 5.2.3 for her involvements in other business activities outside our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

(b) Tan Kong Leong

Tan Kong Leong, a Malaysian, age 47, is our Managing Director. He is responsible for determining the strategic direction and growth of our Group, as well as overseeing the overall business development of our Group. He was appointed to our Board on 9 June 2020.

In 1989, upon completing his Form 2 in Sekolah Menengah Jenis Kebangsaan Seg Hwa, Segamat, Johor, he worked as an apprentice in automotive workshops and metal workshops and was involved in various general contracting works in Penang. In 1992, he moved to Kuala Lumpur and became a freelance technician involved in providing installation, repair and maintenance services for air conditioners.

In December 1996, he set up T&L Air-Cond Engineering under a partnership with a business partner who subsequently left the business in 1999. Through T&L Air-Cond Engineering, he was involved in providing air conditioner installation, repair and maintenance services for residential and commercial buildings as a subcontractor.

In 2000, T&L Air-Cond Engineering ventured into the glove chlorination business as a subcontractor. In 2005, when ZYL Dynamic Sdn Bhd was established by his brother, Tan Kong Kee, T&L Air-Cond Engineering became a subcontractor to ZYL Dynamic Sdn Bhd, a company involved in the design and engineering of glove chlorination systems. As a subcontractor, T&L Air-Cond Engineering provided fabrication and installation services for glove chlorination systems, storage tanks and process tanks.

With over 12 years of experience in the manufacturing of glove chlorination systems as a subcontractor under T&L Air-Cond Engineering since 2000, he set out to establish Flexidynamic Engineering in November 2012 and has been the Managing Director of Flexidynamic Engineering since then. He also ceased to conduct business under T&L Air-Cond Engineering since then. In June 2020, he was appointed as the Managing Director of Flexidynamic Holdings.

Kindly refer to Section 5.2.3 for his directorship in business activity outside our Group.

(c) Liew Heng Wei

Liew Heng Wei, a Malaysian, age 42, is our Executive Director. He is responsible for overseeing the overall operational processes of our Group, including, amongst others, overseeing the manufacturing of our products and systems, supervising subcontractors' works, managing foreign workers as well as identifying and sourcing suitable suppliers. He was appointed to our Board on 9 June 2020.

In 1997, he completed his secondary education and obtained a Sijil Pelajaran Malaysia at Sekolah Menengah Jenis Kebangsaan Seg Hwa, Segamat, Johor.

Upon completion of his secondary education, he joined Polydamic Project Sdn Bhd in December 1997 as Technician, where he was involved in the fabrication and welding of steel pipes, as well as manufacturing of plastic components. In January 2000, he was promoted to Supervisor where he supervised the workflow of the technician team and provided guidance to junior technicians.

In December 2004, he left Polydamic Project Sdn Bhd and joined ZYL Dynamic Sdn Bhd in January 2005 as a Supervisor, where he was involved in the layout design and drawing of glove chlorination systems, supervising production workflow and coordinating the installation of glove chlorination systems at customers' sites. He was also responsible for the

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

implementation and enforcement of quality assurance procedures. He left ZYL Dynamic Sdn Bhd in October 2012.

In November 2012, he co-founded Flexidynamic Engineering with Tan Kong Leong and he was appointed as Director, where he oversaw the operational activities including the designing of glove chlorination systems and products, preparing quotations and tender documents, liaising with customers and consultants, planning production schedules, monitoring production progress, as well as testing and commissioning of systems to ensure smooth and timely delivery of projects. In June 2020, he was appointed as Executive Director of Flexidynamic Holdings.

(d) Lion Suk Chin

Lion Suk Chin, a Malaysian, aged 40, is our Executive Director. She is responsible for implementing, monitoring and managing our Group's operational processes including administrative functions, human resources management as well as compliance with rules and regulations and industry best practices. She was appointed to our Board on 9 June 2020.

She graduated with a Diploma in Business Studies (Accounting) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University College) in 2002.

Upon graduation, she joined Lai Yeow Kwang & Co in May 2002 as Audit Junior, where she assisted in audit works for clients in various industries such as manufacturing, construction, property development, trading and consultancy. In March 2005, she left Lai Yeow Kwang & Co and joined Guan & Associates in April 2005 as Audit Semi Senior where she was responsible for audit works, monitoring audit processes to ensure completion within timeframe, reviewing customers' internal control systems, as well as introducing and implementing audit planning memorandums to improve the quality and efficiency of audit processes.

In November 2007, she left Guan & Associates and joined Tomei Gold & Jewellery Manufacturing Sdn Bhd as Accounts Executive, where she was responsible for performing daily accounting and finance tasks covering accounts receivables, general ledger, and cash and bank balance management. In April 2009, she was promoted to Senior Accounts Executive, where her responsibilities covered the accounting and finance functions of Tomei Consolidated Berhad, a company listed on the Main Market of Bursa Securities and its subsidiaries. She was further promoted to Assistant Accountant in January 2010, where she undertook additional responsibilities including preparing annual reports, financial statements and quarterly announcements to Bursa Securities, as well as analysing the group's financial information and assisting the preparation of financial forecast and budgets. In 2011, she was transferred to another subsidiary under Tomei Consolidated Berhad, namely Tomei Gold & Jewellery Holdings (M) Sdn Bhd, where she assumed the same designation and responsibilities.

In August 2013, she left Tomei Gold & Jewellery Holdings (M) Sdn Bhd and joined our Group as Assistant Accountant, where she was responsible for the daily finance and accounting functions including, preparing and maintaining financial and management reports, managing cash flow and inventories, handling tax matters as well as legal matters in relation to the finance division of our Group. She was also in charge of administrative and human resource matters of our Group. In January 2014, she was promoted to Finance Manager, where she led and supervised the finance team in performing the daily financial operations and the preparation of statutory reporting of our Group. In addition, she also headed and managed the administrative and human resource functions of our Group. In April 2019, she was promoted and appointed as the Director of Flexidynamic Engineering.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

In June 2020, she was appointed as Executive Director of Flexidynamic Holdings.

(e) Noor Zaliza Yati Binti Yahya

Noor Zaliza Yati Binti Yahya, a Malaysian, aged 43, is our Independent Non-Executive Director. She was appointed to our Board on 9 June 2020, and is also the chairman of our Audit and Risk Management Committee and member of our Remuneration Committee and Nomination Committee.

In 2000, she graduated with a Bachelor of Accountancy (Honours) from Universiti Putra Malaysia. She is a chartered accountant and is a member of the Malaysian Institute of Certified Public Accountants since 2003 and the Malaysian Institute of Accountants since 2018.

Upon the completion of her Bachelor's Degree in 1999, she joined KPMG as Audit Assistant. She left KPMG in the same year and joined Arthur Andersen & Co in January 2000 as Staff Assistant, where she assisted in the documentation of audit projects. In September 2000, she was promoted to Experienced Staff Assistant where her responsibilities expanded to audit projects for clientele from wider range of industries. In September 2001, she was promoted to Semi-Senior and was subsequently re-designated to Senior Associate 2 in Ernst & Young in June 2002 upon the merger of Malaysia's Arthur Andersen & Co and Malaysia's Ernst & Young in 2002. In September 2002, she was promoted to Senior Associate 1, where she was responsible to lead audit projects.

In June 2003, she left Ernst & Young and joined Inai Kiara Sdn Bhd in July 2003 as Accountant, where she managed the daily finance and accounting functions of the company's related companies. In June 2004, she was promoted to Head of Financial Accounting, where she assumed similar responsibilities. In December 2004, she left Inai Kiara Sdn Bhd and joined Integrated Marine Works Sdn Bhd as Manager, and she assumed similar responsibilities to oversee the daily finance and accounting operations of the company.

In February 2007, she left Integrated Marine Works Sdn Bhd and joined Kaminsons Sdn Bhd in March 2007 as Senior Manager, Group Corporate Services. She oversaw the daily finance and accounting functions of the company and its related companies, and was given additional responsibilities in managing matters pertaining to corporate finance, treasury, insurance, secretarial and human resources as well as due diligence exercises on the company's new investments and project proposals. In June 2008, she was transferred to JRI Resources Sdn Bhd, a subsidiary of Kaminsons Sdn Bhd, as Senior Manager (Accounts and Finance) where she assumed similar responsibilities.

In June 2009, she left JRI Resources Sdn Bhd and joined Ascenteus Holdings Sdn Bhd as Financial Controller/Executive Assistant under a 3-month contract. She was responsible for the development of accounting and inventory systems, as well as designing and improving procurement procedures and vendor selection processes, as well as accounting and finance functions. After the end of the 3-month contract in September 2009, she left Ascenteus Holdings Sdn Bhd and joined Smartpools Sdn Bhd as Manager-Finance/ Executive Assistant, where she oversaw the finance, accounting, treasury and administrative functions of the company.

In January 2010, she left Smartpools Sdn Bhd and joined Petroliam Nasional Berhad, and was seconded to Petronas Carigali Sdn Bhd, a wholly-owned subsidiary of Petroliam Nasional Berhad, as Executive (Budget – International Consolidation) where she was responsible for facilitating the cost control and project accounting functions for upstream development projects. Over the years, she was promoted to several designations within Petronas Carigali Sdn Bhd where her scope of responsibilities includes financial reporting, project expenditure

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

and cost allocation as well as assets management. Her last secondment designation with Petronas Carigali Sdn Bhd was Head (Asset and Cost Allocation Management).

In March 2016, she left Petroliam Nasional Berhad and joined Sapurakencana Technology Sdn Bhd as Senior Manager, Finance. In April 2016, she was seconded to Sapurakencana GE Oil & Gas Services Sdn Bhd as Chief Financial Officer, where she oversaw and managed the overall finance functions of the company.

In March 2017, she left Sapurakencana GE Oil & Gas Services Sdn Bhd. Since then, she has been promoting life insurance and takaful services under Prudential Assurance (Malaysia) Berhad and unit trust fund investments under Public Mutual Berhad. In 2019, she incorporated Zanoor Synergy Services, a sole proprietorship to undertake life insurance, takaful and unit trust investment business activities. She also provides trainings, consultation and advisory services within the area of accounting, investment and taxation on a freelance basis, a practice that she is presently involved in.

In January 2020, she joined Firmus Consulting Sdn Bhd as Security Consultant where she provides advisory services, including reviewing and providing recommendations to clients on issues relating to information technology security policies and practices. In July 2020, she left Firmus Consulting Sdn Bhd to focus on Zanoor Synergy Services.

Kindly refer to Section 5.2.3 for her involvement in other business activity outside our Group.

(f) Chong Kai Feng

Chong Kai Feng, a Malaysian, aged 32, is our Independent Non-Executive Director. He was appointed to our Board on 9 June 2020, and is also a member of our Remuneration Committee, Audit and Risk Management Committee and Nomination Committee.

In 2013, he graduated with a Bachelor's Degree in Mechanical Engineering from Multimedia University. Subsequently, he obtained a Master of Business Administration from Monash University in 2018. He is a Professional Engineer registered under the Board of Engineers Malaysia and a member of the Institution of Engineers Malaysia, both since 2019. He is also a member of Malaysia Perak Chinese Chamber of Commerce and Industry since 2015.

Upon the completion of his Bachelor's Degree in 2012, he started his career with Terminal Urus Sdn Bhd (a subsidiary of Perak Transit Berhad) in October 2012 as Operations Manager, where he was involved in the day-to-day operations and management of bus terminal activities.

In February 2013, he left Terminal Urus Sdn Bhd and joined his family business, Success Engineering Solutions (M) Sdn Bhd as Project Engineer, where he was involved in project tenders, commercial negotiations and management of construction projects involving steel structures, steel storage tanks and bulk handling facilities. In January 2016, he was promoted to Project Director, a position he presently assumes, where he is involved in strategic management, governance, and project resources and risk management.

In July 2017, he set up Kai Advisory, a sole proprietorship engineering consultancy firm. In December 2018, he co-founded Winny Ker & Collaborations PLT, a limited liability partnership providing design and build solution for property development projects. He acts as Adviser who provides guidance in project management as well as advice on matters pertaining to finance, compliance, marketing and resource management.

Kindly refer to Section 5.2.3 for his involvements in other business activities outside our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.2.3 Principal business performed outside our Group

Save as disclosed below, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group in the past 5 years up to the LPD:

(a) Phang Sze Fui

	Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	Present involvement						
1.	Avia Alliance Sdn Bhd	Business management consultancy services	Director / Shareholder	18 July 2017	-	100.0	-
2.	SDS Group Berhad	Investment holding of companies involved in the manufacturing and distributing of bakery products as well as operating food and beverages outlets	Independent Non-Executive Director	4 September 2018	-	-	-
3.	Kim Teck Cheong Consolidated Berhad	Investment holding of companies involved in the distribution of consumer packaged goods in East Malaysia	Independent Non-Executive Director	28 September 2018	-	-	-
4.	Mestron Holdings Berhad	Investment holding of companies involved in the manufacturing of steel poles and trading of outdoor lighting products	Independent Non-Executive Director	15 October 2018	-	-	-
5.	Dynamic Aqua Evolution Sdn Bhd	Aquaponic farming	Director / Shareholder	26 December 2019	-	50.0	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

	Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
6.	1Advisory Sdn Bhd	Provision of business consultancy	Director / Shareholder	4 June 2020	-	30.0	-
7.	TUC Holdings Sdn Bhd	Dormant. Its intended to undertake investment holding in companies	Director	8 February 2021	-	-	-
	Past involvement						
1.	Biogas Sulpom Sdn Bhd	Manufacturer, processor and supplier of biogas	Director	14 December 2016	15 August 2017	-	-
2.	Heng Hup Chiho Recycling (Malaysia) Sdn Bhd	Investment holding, export and import of metal and non-metal waste, scrap and material for recycling	Director	1 February 2019	10 May 2019	-	-
3.	IWC Performance Innovations Sdn Bhd	Wholesale of a variety of information technology products and other information technology services	Director	17 December 2018	7 January 2020	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

(b) Tan Kong Leong

	Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	Present involvement						
1.	TECS Properties Sdn Bhd	Oil palm and durian plantations	Shareholder	-	-	20%	-

(c) Noor Zaliza Yati Binti Yahya

	Sole proprietor / Company	Principal activities	Involvement / Position held	Registration date / Date joined	Date of resignation
	Present involvement				
1.	Public Mutual Berhad	Management and sale of unit trust funds	Sales agent	1 April 2017	-
2.	Prudential Assurance (Malaysia) Berhad	Underwriting of insurance business and sale of investment funds	Sales agent	24 August 2017	-
3.	Zanoor Synergy Services	Sale of life insurance, takaful and unit trust	Sole Proprietor	7 March 2019	-
	Past involvement				
1.	Firmus Consulting Sdn Bhd	Provision of cyber security services and solutions	Security Consultant	3 January 2020	31 July 2020

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

(d) Chong Kai Feng

	Sole proprietor/ Partnership / Company	Principal activities	Involvement / Position held	Appointment date/ Registration date / Formation date
	Present involvement			
1.	Success Engineering Solutions (M) Sdn Bhd	Trading of auto parts and industrial hardware as well as provision of mechanical engineering works and construction works steel fabrication works	Project Director	31 January 2016
2.	Kai Advisory	Provision of process technology solution and consultation for manufacturing industries in mineral sector, import of manufacturing machines and partnership with foreign companies to provide complete plant solution to customer	Sole Proprietor	21 July 2017
3.	Winny Ker & Collaborations PLT	Provision of design and build solution for commercial and residential properties	Partner	5 December 2018

As at the LPD, the directorships of our Directors in other companies are in compliance with the Listing Requirements.

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. The involvement of our Managing Director in those business activities does not require significant amount of time, and hence does not affect his ability to perform his executive roles and responsibilities to our Group as well as his contribution to our Group. The involvement of our Independent Non-Executive Directors in those business activities will not affect their contribution to our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.2.4 Directors' and key senior management's remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2020 and financial year ending 2021 are as follows:

FYE 2020	Directors' fees	Salaries	Bonuses	Benefits-in-kind and allowance	Total
Director	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-Executive Directors					
Phang Sze Fui	-	-	-	-	-
Noor Zaliza Yati Binti Yahya	-	-	-	-	-
Chong Kai Feng	-	-	-	-	-
Executive Directors					
Tan Kong Leong	-	372	31	26	429
Liew Heng Wei	-	216	18	13	247
Lion Suk Chin	-	192	16	11	219

Proposed for financial year ending 2021	Directors' fees	Salaries	Bonuses [(1)]	Benefits-in-kind and allowance	Total	Amount paid from 1 January 2021 up to LPD [(2)]
Director	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-Executive Directors						
Phang Sze Fui	60	-	-	-	60	-
Noor Zaliza Yati Binti Yahya	30	-	-	-	30	-
Chong Kai Feng	24	-	-	-	24	-
Executive Directors						
Tan Kong Leong	24	396	31	31	482	95
Liew Heng Wei	24	240	18	18	300	56
Lion Suk Chin	24	216	16	16	272	50

Notes:

(1) The bonuses paid during 2021 based on our financial performance recorded for FYE 2020. The bonuses for the financial year ending 2021 are not included and such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

(2) Including bonus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key senior management for services rendered in all capacities to our Group for FYE 2020 and financial year ending 2021 are as follows:

FYE 2020	**Remuneration band (in bands of RM50,000)**		
	Remuneration	**Benefits-in-kind**	**Total**
Key senior management	**RM**	**RM**	**RM**
Wong Feng Lung	150,000-200,000	0-50,000	150,000-200,000
Sin Kuo Wei	150,000-200,000	0-50,000	150,000-200,000

Proposed for financial year ending 2021	**Remuneration band (in bands of RM50,000)**			**Amount paid from 1 January 2021 up to the LPD [(1)]**
Key senior management	**Remuneration**	**Benefits-in-kind**	**Total**	
	RM	**RM**	**RM**	**RM'000**
Wong Feng Lung	200,000-250,000	0-50,000	200,000-250,000	46
Sin Kuo Wei	200,000-250,000	0-50,000	200,000-250,000	44

Note:

(1) Including bonus.

The remuneration which includes our Directors' salaries, bonus, fees and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Constitution must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given. Please refer to Section 14.2 for further details.

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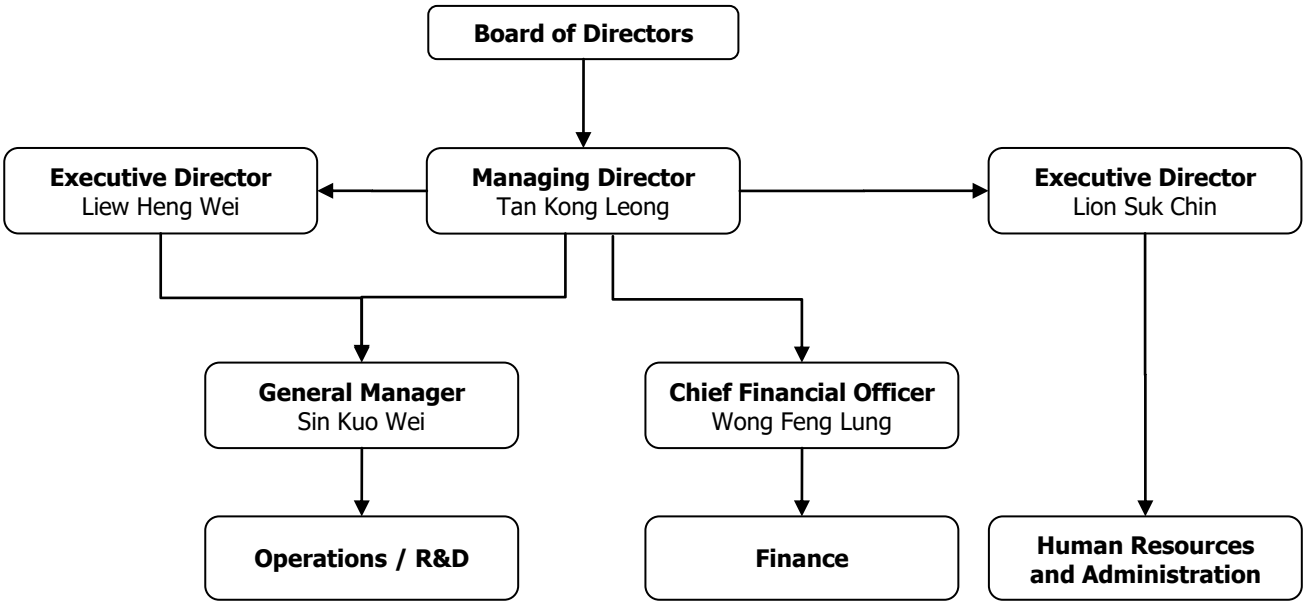
5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management Structure



5.3.2 Key senior management's shareholdings

The shareholdings of our key senior management (other than Tan Kong Leong, Liew Heng Wei and Lion Suk Chin) in our Company before and after our IPO assuming that our Chief Financial Officer, Wong Feng Lung will fully subscribe for his entitlement under the Pink Form Allocations are set out below:

		Before IPO[1]				After IPO[2]			
		Direct		Indirect		Direct		Indirect	
Name	Designation/ Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wong Feng Lung	Chief Financial Officer / Malaysian	-	-	-	-	50,000	0.02	-	-
Sin Kuo Wei	General Manager / Malaysian	8,346,400	4.0	-	-	8,346,400	2.9	-	-

Notes:

(1) Based on the share capital of 208,660,200 Shares after the Acquisition of Flexidynamic Engineering.

(2) Based on the enlarged share capital of 283,891,200 Shares after the IPO.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.3.3 Profiles of key senior management

The profiles of our other key senior management are as follows:

(a) Wong Feng Lung

Wong Feng Lung, a Malaysian, aged 51, is our Chief Financial Officer. He is responsible for overseeing our Group's overall financial matters including accounting, taxation, corporate finance and treasury functions.

He completed the examinations of London Chamber of Commerce and Industry ("LCCI") from Goon Institute (now known as Goon International College) in 1990. In 1991, he obtained his Diploma in Business Administration from Binary Business College, Kuala Lumpur. He has been a member of the Malaysian Institute of Accountants and Chartered Institute of Management Accountant ("CIMA"), both since 2006. He is also a member of Certified Practising Accountant Australia since 2010. During his career, he furthered his studies and subsequently obtained an Executive Diploma in Information Technology from University of Malaya in 2014.

Upon graduation in 1991, while exploring his interests, he worked as Sales Assistant for consumer products at a department store, and digital products at a mobile phone shop. In July 1993, he joined Gow & Tan Co as Audit Assistant, where he assisted in audit works for companies in various industries and was subsequently promoted to Audit Semi Senior in September 1994, where he was responsible for audit works for companies from wider range of industries. In April 1996, he left Gow & Tan Co and took a career break of 15 months for his full-time study for CIMA courses.

In August 1997, he returned to the workforce and joined Royale Baby Industries Sdn Bhd as an Finance and Admin Executive, where he was responsible for the daily finance and accounting functions as well as administrative and human resources functions of the company.

In August 2001, he left Royale Baby Industries Sdn Bhd and joined Metro Vibrant Sdn Bhd in September 2001 as Assistant Accounts Manager, where he was responsible for managing the finance, accounting, treasury and administrative functions of the company as well as dealing with matters pertaining to financial policy requirements. In August 2005, he left Metro Vibrant Sdn Bhd when the company ceased operations. He took a 2-month career break before joining Trocellen S.E.A. Sdn Bhd in November 2005 as Accountant (Level 3 – Manager) where he took on similar responsibilities.

In September 2008, he left Trocellen S.E.A. Sdn Bhd and joined KJ Engineering Sdn Bhd in October 2008 as Management Accountant, where he was responsible for the preparation and analysis of financial statements and cash flow projections to assist the management in decision making; implementation of corporate governance, risk management and internal controls procedures; and development of strategic plans to improve the accuracy and efficiency of the company's finance functions.

In January 2011, he left KJ Engineering Sdn Bhd and joined The Village Building Co Limited, an Australian property development company, in February 2011, where he was based at the Malaysia branch office as Finance Manager. He was responsible for managing and overseeing all finance-related matters including budgeting, forecasting, taxation and cost allocation. Upon the establishment of the Malaysian entity in 2013, namely Commodity Village Services Sdn Bhd, he was transferred to the newly formed entity in February 2014 and assumed similar responsibilities.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

In May 2019, he left Commodity Village Services Sdn Bhd and joined our Group as Financial Controller in June 2019. In October 2019, he was promoted to Chief Financial Officer, a position he presently assumes.

(b) Sin Kuo Wei

Sin Kuo Wei, a Malaysian, aged 30, is our General Manager. He is responsible for overseeing project tendering processes and the overall operations of our R&D department. He is also responsible for assisting Tan Kong Leong, our Managing Director and Liew Heng Wei, our Executive Director in the planning, development and implementation of strategies for the business development and expansion of our Group.

He graduated with a Bachelor of Engineering (Honours) from University of Melbourne, Australia in 2013. He also obtained a Master of Business Administration from Monash University, Malaysia in 2018. He is a Graduate Engineer registered under the Board of Engineers Malaysia since 2020.

He started his career in March 2014 when he joined our Group as Project Engineer. He assisted in the planning and execution of projects including design, development, manufacturing and assembly of our Group's products and systems; as well as liaising with our customers, suppliers, subcontractors and government agencies to ensure smooth and timely delivery of projects. He developed a project management methodology that enables systematic communications and streamlining of interactions between various departments and/or job functions including manufacturing, inventory management and systems installation to increase efficiency of workflows.

In January 2016, he was promoted to Senior R&D Engineer where he took on additional responsibilities to include R&D activities to enhance and improve the efficiencies and functionalities of our existing products and systems. While he was Senior R&D Engineer, he successfully developed an enhanced and upgraded version of process tanks and storage tanks, which led to his promotion to Manager of our R&D in January 2017. As Manager of our R&D department, he led a team of engineers and worked closely with our engineering and production departments to constantly enhance and improve our products and systems in order to meet our customers' requirements and expectations.

In January 2018, he was promoted to Senior Manager of R&D where he led our R&D efforts, involving in monitoring the progress of our R&D projects, and provided advice and guidance to engineers in the enhancement of our existing products and systems as well as the development of new products and systems. Subsequently in July 2018, he was promoted to General Manager, a position which he presently assumes.

5.3.4 Principal business performed outside our Group

Save for Tan Kong Leong, none of our key senior management has any other principal directorship and/or principal business activities performed outside our Group as at the LPD.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.4 RELATIONSHIPS AND/OR ASSOCIATIONS

Save as disclosed below, there are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key senior management:

(a) Tan Kong Leong and Liew Heng Wei, both of whom are our Promoters, substantial shareholders and Executive Directors are cousins;

(b) Tan Kong Leong, our Promoter, substantial shareholder and Managing Director and Phitchaya Arsangku, our Promoter and Director of Flexidynamic Thailand, are husband and wife; and

(c) Liew Heng Wei, our Promoter, substantial shareholder and Executive Director and Lion Suk Chin, our Executive Director, are husband and wife.

5.5 BOARD PRACTICE

5.5.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

(a) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;

(b) To review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;

(c) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;

(d) To ensure that our Group has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code on Corporate Governance;

(e) To review the effectiveness and implementation of anti-bribery and anti-corruption policy and framework;

(f) To review and approve our Group's annual business plans, financial statements and annual reports;

(g) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and

(h) To appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows:

Name	Date of appointment as Director	Date of expiration of the current term in office	Approximate no of years in office as at the LPD
Phang Sze Fui	25 January 2021	At the first Annual General Meeting of our Company	Less than 1 year
Tan Kong Leong	9 June 2020	At the first Annual General Meeting of our Company	Less than 1 year
Liew Heng Wei	9 June 2020	At the first Annual General Meeting of our Company	Less than 1 year
Lion Suk Chin	9 June 2020	At the first Annual General Meeting of our Company	Less than 1 year
Noor Zaliza Yati Binti Yahya	9 June 2020	At the first Annual General Meeting of our Company	Less than 1 year
Chong Kai Feng	9 June 2020	At the first Annual General Meeting of our Company	Less than 1 year

In accordance with our Constitution, at the first annual general meeting of our Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not 3 or a multiple of 3, then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once every 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires. An election of directors shall take place each year.

The members of our Board are set out in Sections 1 and 5.2.

5.5.2 Audit and Risk Management Committee

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its responsibility to oversee our Group's financial reporting matters and risk management. Our Audit and Risk Management Committee has full access to all information and documents/ resources as well as to the internal and external auditors and key senior management of our Company and Group. The Audit and Risk Management Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) To review the engagement, compensation, performance, qualification and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;

(b) To review and recommend our quarterly and annual financial statements for approval by our Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices,

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

significant and unusual events, significant adjustments arising from our audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;

(c) To conduct periodic review of the involvements of our Managing Director and Executive Directors in the companies outside of our Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within our Group;

(d) To review and monitor any related party transaction/business dealings entered into by our Group and any conflict of interest situation that may arise within our Group to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group;

(e) To oversee and recommend the risk management policies and procedures of our Group;

(f) To review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;

(g) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;

(h) To set reporting guidelines for our Management to report to the committee on the effectiveness of our Group's management of its business risks;

(i) To review the risk profile of our Group and to evaluate the measure taken to mitigate the business risks;

(j) To review the adequacy of our Management's response to issues identified to risk registers, ensuring that our risks are managed within our Group's risk appetite;

(k) To perform the oversight function over the administration of whistleblowing policy that is approved and adopted by our Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;

(l) To enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds our Group's credibility to all our stakeholders;

(m) To consider the major findings of internal investigations and our Management's response;

(n) To do the following, in relation to the internal audit function:

  (i) consider and approve the appointment of internal auditors, internal audit fee and any question of resignation or dismissal;

  (ii) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

(iii) review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that appropriate action is taken on the recommendations of the internal auditors;

(iv) consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by the management in response to audit findings;

(v) review and decide on the budget allocated to the internal audit function;

(vi) appraise or assess the performance of members of the internal audit function; and

(vii) monitor the overall performance of our Company's internal audit function.

(o) To perform such other functions as may be requested by our Board.

The recommendations of our Audit and Risk Management Committee are subject to the approval of our Board.

The members of our Audit and Risk Management Committee as at the LPD are as follows:

Name	Designation	Directorship
Noor Zaliza Yati Binti Yahya	Chairman	Independent Non-Executive Director
Phang Sze Fui	Member	Independent Non-Executive Chairperson
Chong Kai Feng	Member	Independent Non-Executive Director

Our Nomination Committee and Board will review the composition, performance and effectiveness of our Audit and Risk Management Committee annually.

5.5.3 Remuneration Committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives and benefits. The Remuneration Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) To establish and recommend to our Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by our Company and/or our Group;

(b) To review and recommend to our Board the remuneration packages of Non-Executive Directors for shareholders' approval at the Annual General Meeting; and

(c) To consider other remunerations or rewards to retain and attract Directors and key senior management.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

The members of our Remuneration Committee as at the LPD are as follows:

Name	Designation	Directorship
Phang Sze Fui	Chairman	Independent Non-Executive Chairperson
Chong Kai Feng	Member	Independent Non-Executive Director
Noor Zaliza Yati Binti Yahya	Member	Independent Non-Executive Director

5.5.4 Nomination Committee

The Nomination Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) To review the composition and size of our Board and determine the criteria for membership on our Board, which may include, among other criteria, issues of character, judgment, independence, diversity, age, expertise, corporate experience, length of service and other commitments;

(b) To identify, consider and select, or recommend for the selection of our Board, candidates to fill new positions or vacancies on our Board, and review any candidates recommended by stockholders, provided that such recommendations are submitted in writing to the Secretary of our Company, and include, among other things, the recommended candidate's name, biographical data and qualifications, and that such recommendations are otherwise made in compliance with our Company's Constitution and its shareholder nominations and recommendations policy;

(c) To identify and nominate for the approval of our Board, candidates to fill Board vacancies or strengthen our Board's composition as and when they arise. Before any appointment is made by our Board, evaluate the balance of skills, knowledge, experience and diversity on our Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;

(d) To assist our Board to assess and evaluate circumstances where a Director involvement outside our Group may give rise to a potential conflict of interest with our Group's businesses, upon receiving the declaration of the same from our Director and thereafter, to inform the Audit and Risk Management Committee of the same. After deliberation with the Audit and Risk Management Committee, to recommend to our Board on the necessary actions to be taken in the circumstances where there is a conflict of interest;

(e) In identifying suitable candidates, the Nomination Committee shall:

  (i) consider open advertising or the services of external advisers to facilitate the search;

  (ii) consider candidates from a wide range of backgrounds; and

  (iii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on our Board, including gender and availability of time to devote to the position.

(f) To evaluate the performance of individual members of our Board eligible for re-election, and select, or recommend for the selection of our Board, the director nominees for election to our Board by the stockholders at the annual meeting;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

(g) To assess the independence of the Independent Directors annually, and when any new interest or relationship develops and confirm the conduct of this assessment in the annual report of our Company and in any notice convening a general meeting seeking approval for the appointment or re-appointment of Independent Directors;

(h) To review the fulfilment of Directors' training and disclose details in the annual report as appropriate;

(i) To review with the Managing Director and the Executive Director, their goals and objectives and to assess their performance against these objective as well as their contribution to the corporate strategy;

(j) To give full consideration to succession planning for Directors and key senior management, taking into account the challenges and opportunities faced by our Company, and the required skills and expertise that are needed by our Board in future;

(k) To review periodically the composition of each committee of our Board and make recommendations to our Board for the creation of additional committees or the change in mandate or dissolution of committees; and

(l) To review the term of office and performance of all our Board Committees, particularly the Audit and Risk Management Committee and each of its members annually to determine whether such Audit and Risk Management Committee and members have carried out their duties in accordance with their terms of reference.

The recommendations of our Nomination Committee are subject to the approval of our Board.

The members of our Nomination Committee as at the LPD are as follows:

Name	Designation	Directorship
Phang Sze Fui	Chairman	Independent Non-Executive Chairperson
Chong Kai Feng	Member	Independent Non-Executive Director
Noor Zaliza Yati Binti Yahya	Member	Independent Non-Executive Director

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements (contracts for services) entered into between the companies within our Group, with our Directors or key senior management personnel.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL *(Cont'd)*

5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoters, Directors or key senior management is or has been involved in any of the following events (whether within or outside Malaysia):

(a) In the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or a member of key senior management;

(b) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) In the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(d) In the last 10 years, any judgment that was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;

(e) In the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;

(f) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;

(g) In the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or

(h) Has any unsatisfied judgment against such person.

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6. INFORMATION ON OUR GROUP

6.1 INCORPORATION AND HISTORY

Our Company, Flexidynamic Holdings Berhad (Registration No. 201901010656 (1319984-V)) was incorporated on 28 March 2019. Our history can be traced back to 2012 when Flexidynamic Engineering was incorporated on 1 November 2012 by our Managing Director, Tan Kong Leong and our Executive Director, Liew Heng Wei. Prior to setting up Flexidynamic Engineering, Tan Kong Leong, through T&L Air-Cond Engineering, was a subcontractor to engineering companies and was involved in the fabrication and installation of glove chlorination systems since 2000.

In 2005, T&L Air-Cond Engineering became a subcontractor to ZYL Dynamic Sdn Bhd, a company which was involved in the design and engineering of glove chlorination systems owned by Tan Kong Leong's brother, Tan Kong Kee. As a subcontractor, T&L Air-Cond Engineering provided fabrication and installation services for glove chlorination systems, storage tanks and process tanks. At that time, Liew Heng Wei was an employee of ZYL Dynamic Sdn Bhd.

With over a decade of experience in the fabrication and installation of glove chlorination systems, Tan Kong Leong and Liew Heng Wei set out to incorporate Flexidynamic Engineering in 2012 to undertake the design, engineering, installation and commissioning of on-line glove chlorination systems, storage tanks and process tanks, as well as the manufacturing of centrifugal fans which is a critical part of our on-line glove chlorination systems. We operated our business in a rented factory located in Banting with a total built-up area of 12,206 sq ft. We also began to rent an office in Puchong as our sales office. Tan Kong Leong then ceased to conduct business under T&L Air-Cond Engineering while Liew Heng Wei left ZYL Dynamic Sdn Bhd.

In the same year of our commencement, we secured business from Riverstone Resources Sdn Bhd (a subsidiary of Riverstone Holdings Limited, a company listed on the Singapore Exchange). We also made our first overseas venture to Thailand and Indonesia where we secured on-line glove chlorination system projects from Sri Trang Gloves (Thailand) Co Ltd (a subsidiary of Sri Trang Agro-Industry Public Company Limited, a company listed on the Stock Exchange of Thailand) and PT Medisafe Technologies, glove manufacturers in Thailand and Indonesia, respectively.

In 2013, Flexidynamic Engineering acquired the glove chlorination systems business from ZYL Dynamic Sdn Bhd at a consideration of RM0.30 million when Tan Kong Kee retired. The main assets we acquired from ZYL Dynamic Sdn Bhd include an overhead crane, a forklift, moulds and motor vehicles. Following which we expanded our services to include design, engineering, manufacturing, installation and commissioning of off-line glove chlorination system. After the disposal of the glove chlorination systems business, ZYL Dynamic Sdn Bhd ceased its business and its current principal business activity is in investment property holding.

After the acquisition of business and assets from ZYL Dynamic Sdn Bhd, Flexidynamic Engineering managed to secure businesses directly from the customer base of ZYL Dynamic Sdn Bhd, including Hartalega Sdn Bhd (a subsidiary of Hartalega Holdings Berhad), Perusahaan Getah Asas Sdn Bhd (a subsidiary of Kossan Rubber Industries Berhad), Green Prospect Sdn Bhd and YTY Industry Sdn Bhd (both subsidiaries of YTY Group), and HL Advance Technologies (M) Sdn Bhd (a subsidiary of HLT Global Berhad). Hartalega Holdings Berhad and Kossan Rubber Industries Berhad are listed on the Main Market of Bursa Securities; while HLT Global Berhad is listed on the ACE Market.

In 2013, we set up an operational office and storage facility in Ipoh to support our business in the Northern region.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Due to the growth of our business and customer base in Thailand, Flexidynamic Thailand was set up in 2015 as our sales and support office in Pathumthani Province, Thailand by Tan Kong Leong together with his wife, Phitchaya Arsangku and Phitchaya Arsangku's sister, Malinee Arsangku, for jobs secured in Thailand.

In 2016, we secured Central Medicare Sdn Bhd, a glove manufacturer based in Teluk Intan, Perak as our customer, who has been amongst our major customers in FYE 2017 and FYE 2018, where we have supplied on-line glove chlorination systems, storage tanks, process tanks and scrubber systems as well as provided FRP lining services to them. In the same year, we also entered into a sale and purchase agreement to purchase a new factory unit with a total factory built-up area of 18,720 sq ft in Olak Lempit Industrial Area, Banting, namely Banting Factory. In 2018, we moved our operations and manufacturing activities to our Banting Factory.

In 2017, we continued to expand our business when we secured projects from Ever Global (Vietnam) Enterprise Corporation from Vietnam for the supply of on-line glove chlorination systems.

In 2018, we obtained ISO 9001:2015 Quality Management System for the provision of manufacturing for engineering products (Fibre-reinforced Plastic).

In 2018, Tan Kong Leong and Liew Heng Wei entered into an agreement to dispose a total of 90,000 Flexidynamic Engineering Shares representing 18.0% equity interest in Flexidynamic Engineering to Sin Kuo Wei (General Manager), Loh Wei Keat (Senior Project Manager), Tan Lui Ken (Project Manager), Chong Chee Keong (shareholder of CCK Engineering Sdn Bhd, our subcontractor), Lim Khin Choong (shareholder of L&S Advance Sdn Bhd and Tri Win Trading & Services and, our subcontractor and supplier respectively), Wong Fook Loong (shareholder of Fook Loong Engineering Founder Sdn Bhd and Tri Win Trading & Services, our subcontractor and supplier respectively) and Phitchaya Arsangku. Additional information is set out in Section 6.2.1(a).

In 2018, Flexidynamic Engineering acquired 49% equity interest in Flexidynamic Thailand, while the remaining 50% equity interest was acquired by Boonjing Boongrajang (our project manager in Thailand) and 1% equity interest was acquired by Naphatson Santibun. Additional information is set out in Section 6.2.1(b).

We entered into 2 sale and purchase agreements on 30 August 2019 for the purchase of 2 adjoining new semi-detached factory units with a total factory built-up area of 14,659.60 sq ft each in Olak Lempit Industrial Area, Banting. The factory units are under construction as at the LPD and we expect to take vacant possession of both factories by May 2021. Upon completion, the factories will be used to carry out in-house manufacturing works for long and cylindrical products such as storage tanks, scrubber towers, chimneys and ductings, which we currently outsource to our subcontractors. These products are parts and components of our on-line glove chlorination systems.

6.1.1 Share capital

As at LPD, our share capital is RM20,866,020 comprising 208,660,200 Shares. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration RM	Cumulative share capital RM
28 March 2019	200	20	20
9 December 2020	208,660,000	20,866,000	20,866,020

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.2 OUR GROUP STRUCTURE

To formalise our listing group in preparation of our Listing, we undertook the following transactions:

6.2.1 Pre-IPO changes in our subsidiaries' shareholdings

(a) Flexidynamic Engineering

Prior to 2018, the shareholders of Flexidynamic Engineering were Tan Kong Leong (holding 350,000 Flexidynamic Engineering Shares or 70.0% equity interest) and Liew Heng Wei (holding 150,000 Flexidynamic Engineering Shares or 30.0% equity interest).

On 19 March 2018, Tan Kong Leong and Liew Heng Wei entered into an agreement to dispose a total of 90,000 Flexidynamic Engineering Shares representing 18.0% equity interest in Flexidynamic Engineering to the 7 individuals in the following manner:

Selling shareholders	No. of Flexidynamic Engineering Shares sold/ (equity interest*)	Sale consideration (RM)
Tan Kong Leong	67,500 (13.5%)	819,525
Liew Heng Wei	22,500 (4.5%)	351,225
	90,000 (18.0%)	**1,170,750**

Purchaser/ Details	No. of Flexidynamic Engineering Shares purchased/ (equity interest*)	Consideration (RM)	Note
Sin Kuo Wei/ General Manager	20,000 (4.0%)	273,200	(aa)
Loh Wei Keat/ Senior Project Manager	20,000 (4.0%)	273,200	(aa)
Tan Lui Ken/ Project Manager	10,000 (2.0%)	136,600	(aa)
Chong Chee Keong/ Shareholder of our subcontractor	10,000 (2.0%)	195,100	(bb)
Lim Khin Choong/ Shareholder of our subcontractor and supplier	10,000 (2.0%)	195,100	(bb)
Wong Fook Loong/ Shareholder of our subcontractor and supplier	5,000 (1.0%)	97,550	(bb)
Phitchaya Arsangku/ Wife of Tan Kong Leong	15,000 (3.0%)	-	(cc)
	90,000 (18.0%)	**1,170,750**	

Note:

* Calculated based on the share capital of Flexidynamic Engineering comprising 500,000 Flexidynamic Engineering Shares.

6. INFORMATION ON OUR GROUP *(Cont'd)*

The total purchase consideration of RM1.17 million was determined based on the following:

(aa) Shares sold to our employees namely Sin Kuo Wei, Loh Wei Keat and Tan Lui Ken at RM13.66 per Flexidynamic Engineering Share represents a discount of 30% based on the NA per share of Flexidynamic Engineering as at 31 December 2016 of RM19.51 per Flexidynamic Engineering Share.

As such, the provisions of the MFRS 2 – Share Based Payment has been applied and the Group recognised an expense of RM0.63 million for the FYE 2018. Additional details are set out in Section 11.2.6.

In addition, Flexidynamic Engineering had extended an interest-free loan to the abovementioned employees for the full sum of the purchase consideration to be repaid over a period of 60 months commencing April 2018.

In the event our employees sell the Shares post listing but remains employed by our Group, the existing repayment terms shall still remain. In the event the employees leave our Group prior to the full repayment of the loan, the said employees shall repay the outstanding loan in full before they leave our Group;

(bb) Shares sold to Chong Chee Keong, Lim Khin Choong and Wong Fook Loong at RM19.51 per Flexidynamic Engineering Share were priced based on the NA per share of Flexidynamic Engineering as at 31 December 2016 of RM19.51 per Flexidynamic Engineering Share; and

(cc) Shares were transferred by Tan Kong Leong to Phitchaya Arsangku at no consideration.

The sale of Flexidynamic Engineering Shares to our employees is to motivate, retain and reward them, while the sale of Flexidynamic Engineering Shares to our subcontractors is to provide an incentive for them to continue to support us and contribute to our growth.

Additional information on Flexidynamic Engineering and changes in shareholdings in Flexidynamic Engineering is set out in Section 14.4.1.

(b) Flexidynamic Thailand

Prior to 2018, the shareholders of Flexidynamic Thailand were Tan Kong Leong (holding 9,000 Flexidynamic Thailand Shares or 45.0% equity interest) together with his wife, Phitchaya Arsangku (holding 10,000 Flexidynamic Thailand Shares or 50.0% equity interest) and Phitchaya Arsangku's sister, Malinee Arsangku (holding 1,000 Flexidynamic Thailand Shares or 5.0% equity interest).

On 17 November 2018, Flexidynamic Engineering acquired 49% equity interest in Flexidynamic Thailand from its then existing shareholders, while the remaining 50% equity interest was acquired by Boonjing Boongrajang (our Thailand project manager) and 1% equity interest was acquired by Naphatson Santibun.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Further details are set out below:

Selling shareholders	No. of Flexidynamic Thailand Shares sold/ (equity interest*)	Consideration (USD)
Tan Kong Leong	9,000 (45.0%)	41,602
Phitchaya Arsangku	10,000 (50.0%)	46,225
Malinee Arsangku	1,000 (5.0%)	4,622
	20,000 (100%)	**92,449**

Purchaser/ Details	No. of Flexidynamic Thailand Shares purchased/ (equity interest*)	Consideration (USD)
Flexidynamic Engineering/ holding company	9,800 (49.0%)	45,300
Boonjing Boongrajang/ Thailand project manager	10,000 (50.0%)	46,225
Naphatson Santibun^/ Thailand shareholder	200 (1.0%)	924
	20,000 (100.0%)	**92,449**

Notes:

* Calculated based on the share capital of Flexidynamic Thailand comprising 20,000 Flexidynamic Thailand Shares as at 17 November 2018.

^ Naphatson Santibun is not related to the Promoters, substantial shareholders, directors or key senior management of our Group and she does not hold any management position in Flexidynamic Thailand.

The total purchase consideration of USD92,449 or USD4.62 per Flexidynamic Thailand Share (equivalent to THB2,914,165 or THB145.71 per Flexidynamic Thailand Share) was arrived at after taking into consideration the unaudited NA position of Flexidynamic Thailand as at 30 April 2018 of THB2,900,000 or THB145.00 per Flexidynamic Thailand Share.

As compared to the audited financial statements of Flexidynamic Thailand as at 31 December 2017, the total purchase consideration of USD92,449 or USD4.62 per Flexidynamic Thailand Share represents a premium of 58.0% based on the NA per share of Flexidynamic Thailand as at 31 December 2017 of USD2.934.

On 22 February 2019, the share capital of Flexidynamic Thailand increased by 20,000 Flexidynamic Thailand Shares or THB2,000,000 via the issuance of new Flexidynamic Thailand Shares to the existing shareholders of Flexidynamic in equal proportions.

6. INFORMATION ON OUR GROUP *(Cont'd)*

The issuance of new Flexidynamic Thailand Shares was satisfied in cash. The current shareholdings of the shareholders are as follows:

Shareholders	No. of Flexidynamic Thailand Shares	%
Flexidynamic Engineering	19,600	49.0
Boonjing Boongrajang	20,000	50.0
Naphatson Santibun	400	1.0
	40,000	**100.0**

Additional information on Flexidynamic Thailand and changes in shareholdings in Flexidynamic Thailand is set out in Section 14.4.2.

6.2.2 Acquisition of Flexidynamic Engineering

In preparation for our Listing, we undertook the Acquisition of Flexidynamic Engineering. On 5 June 2020, we entered into a conditional share sale agreement with the Vendors to acquire the entire equity interest in Flexidynamic Engineering comprising 500,000 ordinary shares for a total purchase consideration of RM20,866,000. The total purchase consideration of RM20,866,000 for the Acquisition of Flexidynamic Engineering was arrived at after taking into consideration the audited NA of Flexidynamic Engineering as at 31 December 2019 of RM20,866,138.

The purchase consideration for the Acquisition of Flexidynamic Engineering was satisfied by the issuance of 208,660,000 new Shares to the Vendors at an issue price of RM0.10 each.

The details of the Vendors and the number of Shares issued to them pursuant to the Acquisition of Flexidynamic Engineering are as follows:

Vendors	No. of Flexidynamic Engineering shares acquired	% of share capital in Flexidynamic Engineering	Purchase consideration RM	No. of Shares issued
Tan Kong Leong	282,500	56.5	11,789,290	117,892,900
Liew Heng Wei	127,500	25.5	5,320,830	53,208,300
Sin Kuo Wei	20,000	4.0	834,640	8,346,400
Loh Wei Keat	20,000	4.0	834,640	8,346,400
Phitchaya Arsangku	15,000	3.0	625,980	6,259,800
Tan Lui Ken	10,000	2.0	417,320	4,173,200
Chong Chee Keong	10,000	2.0	417,320	4,173,200
Lim Khin Choong	10,000	2.0	417,320	4,173,200
Wong Fook Loong	5,000	1.0	208,660	2,086,600
	500,000	**100.0**	**20,866,000**	**208,660,000**

The Acquisition of Flexidynamic Engineering was completed on 9 December 2020. Thereafter, Flexidynamic Engineering became our wholly-owned subsidiary.

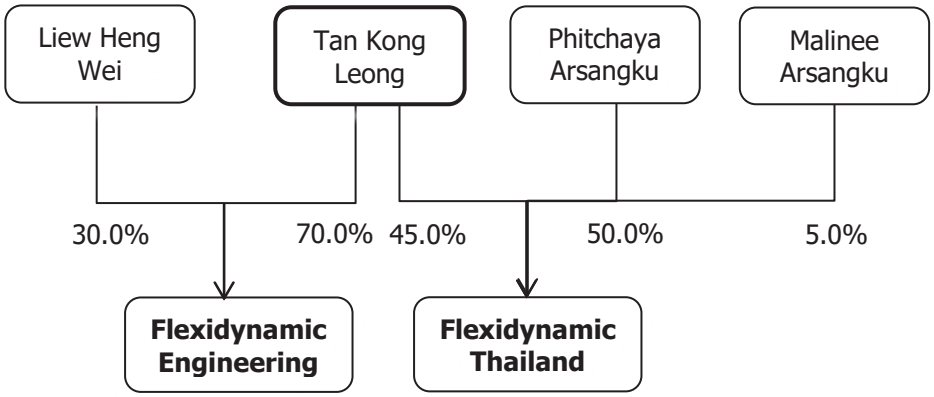
The new Shares issued pursuant to the Acquisition of Flexidynamic Engineering rank equally in all respects with our existing Shares.

6. INFORMATION ON OUR GROUP *(Cont'd)*

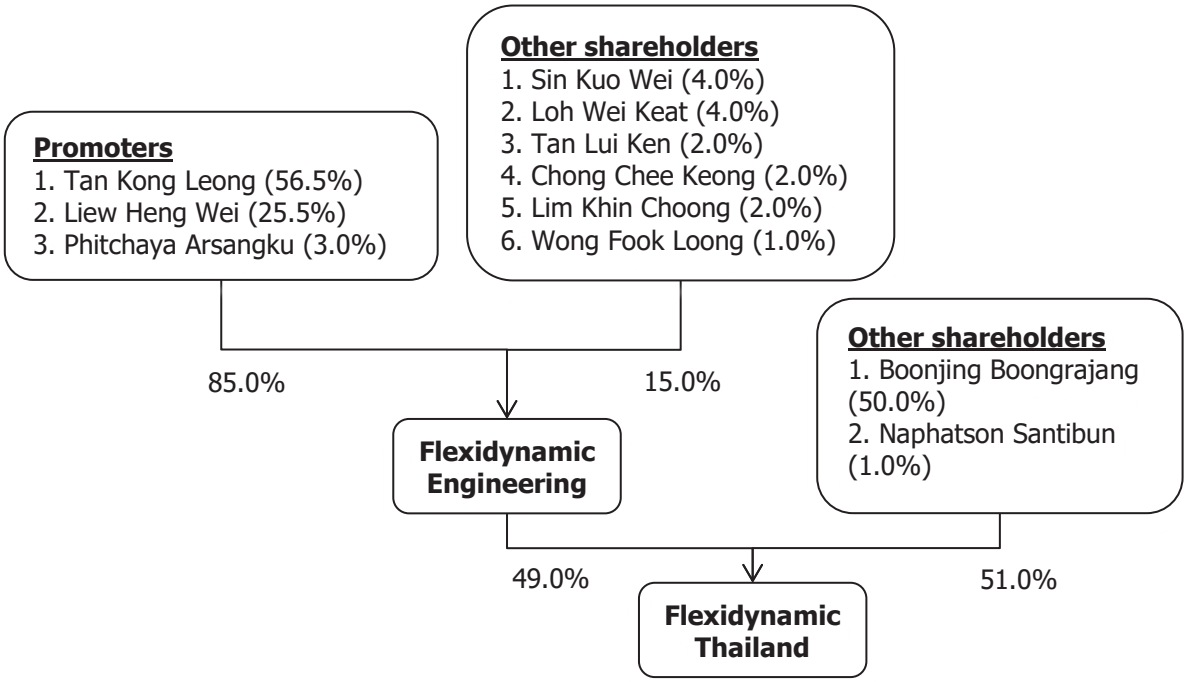
6.2.3 Our Group structure

Our Group structure resulting from the pre-IPO restructuring and the Listing is set out below:

(a) Before the pre-IPO restructuring

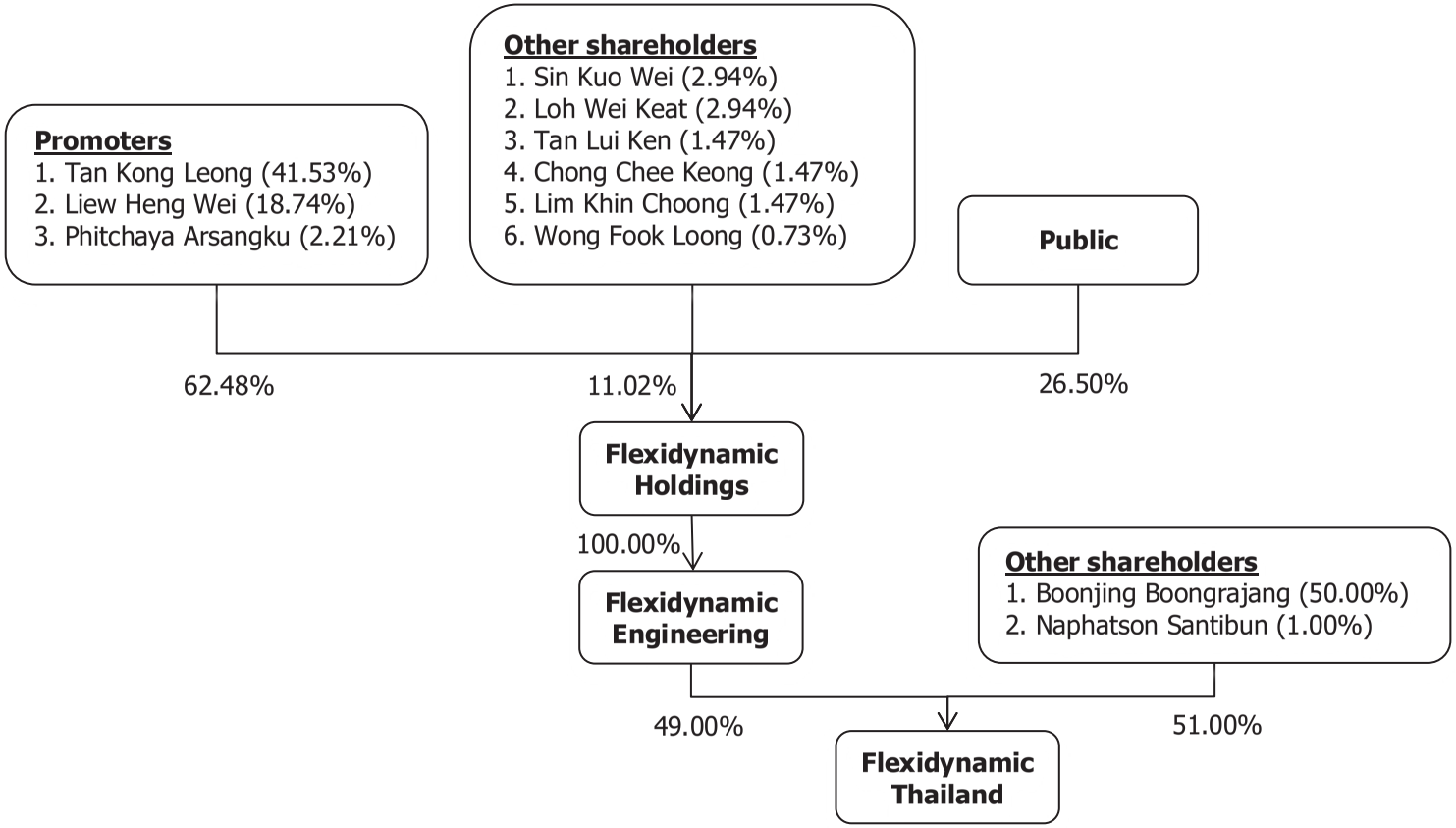


(b) After the pre-IPO restructuring



6. INFORMATION ON OUR GROUP *(Cont'd)*

(c) After the pre-IPO restructuring and Public Issue



6. INFORMATION ON OUR GROUP *(Cont'd)*

6.3 SUBSIDIARIES

As at the LPD, we have 2 subsidiaries, Flexidynamic Engineering and Flexidynamic Thailand and we do not have any associated companies. Details of our subsidiaries are set out below:

Company	Registration No. / Company No.	Date / Place of incorporation	Principal place of business	Effective equity interest	Principal activities
				%	
Flexidynamic Engineering Sdn Bhd	201201038428 (1022906-K)	1 November 2012 / Malaysia	Malaysia	100.0	Design, engineering, installation and commissioning of glove chlorination systems, as well as design and installation of storage tanks and process tanks for the glove manufacturing industry
Flexidynamic Engineering Company Limited	0135558013141	10 July 2015 / Thailand	Thailand	49.0	Installation and maintenance of glove chlorination systems, storage tanks and process tanks for the glove manufacturing industry

6.4 MATERIAL INVESTMENTS AND DIVESTITURES

Save as disclosed below, there were no other material investment made by us for the past 3 FYEs 2017 to 2019, FPE 2020 and up to the LPD:

Description	FYE 2017	FYE 2018	FYE 2019	FPE 2020	From 1 October 2020 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment comprising:					
Building in progress [1]	-	-	3,443	2,607	741
Machinery and moulds	17	[2] 577	107	72	34
Furniture, fittings and office equipment	34	[3] 578	82	182	41
Motor vehicles	260	230	[4] 600	[5] 572	[6] 544
Renovation works	35	[3] 658	93	6	13
	346	**2,043**	**4,325**	**3,439**	**1,373**

6. INFORMATION ON OUR GROUP *(Cont'd)*

Notes:

(1) Purchase of 2 adjoining semi-detached factory units in Banting during FYE 2019 which was financed via a combination of internally generated funds and bank borrowings.

(2) Purchase of, among others, 2 units of cranes with 5-tonne capacity for RM0.38 million for our Banting Factory during FYE 2018 and purchase of moulds for RM0.06 million.

(3) During FYE 2018, we renovated our Banting Factory. Apart from the renovation cost of RM0.64 million, we incurred RM0.27 million for office equipment, RM0.18 million for computers and electrical fittings and RM0.13 million for furniture and fittings.

(4) During FYE 2019, we acquired 2 units of passenger cars and a pick-up truck for our Malaysia operations as well as 1 unit of passenger car for our Thailand operations.

(5) During FPE 2020, we acquired 2 units of passenger cars for our Malaysia operations and 1 unit of pick-up truck for our Thailand operations.

(6) From 1 October 2020 up to the LPD, we acquired 2 units of passenger cars for our Malaysia operations.

The above material investments were primarily financed by a combination of term loans, lease liabilities and internally generated funds.

Save as disclosed below, there were no other material capital divestitures and write-offs (including interest in other corporations) made by our Group for the past 3 FYEs 2017 to 2019, FPE 2020 and up to the LPD:

Description	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FYE 2019 RM'000**	**FPE 2020 RM'000**	**From 1 October 2020 to to the LPD RM'000**
Property, plant and equipment comprising:					
Furniture, fittings and office equipment	1	4	4	*	-
Machinery and moulds	-	51	34	-	4
Motor vehicles	53	72	294	-	-
Renovation works	-	(1) 570	-	-	-
	54	**697**	**332**	*****	**4**

Notes:

* Negligible.

(1) During FYE 2018, we relocated to our Banting Factory. As such, the renovation cost for our previously rented factory was written-off.

Kindly refer to Section 11.6.1 for details of our material capital commitments as at the LPD.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.5 PUBLIC TAKE-OVERS

Since our incorporation up to the LPD, there were:

(a) No public take-over offers by third parties in respect of our Shares; and

(b) No public take-over offers by our Company in respect of other companies' shares.

As at LPD, we have not identified any other companies' shares for acquisition.

6.6 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

We are principally involved in the design, engineering, installation and commissioning of glove chlorination systems, as well as the design and installation of storage tanks and process tanks for the glove manufacturing industry. Our core business activities are as follows:

(a) Design, engineering, installation and commissioning of glove chlorination systems. This is complemented with our in-house manufacturing activities for centrifugal fans;

(b) Repair, refurbishment and maintenance of glove chlorination systems;

(c) Trading of replacement parts for glove chlorination systems;

(d) Design and installation of storage tanks and process tanks; and

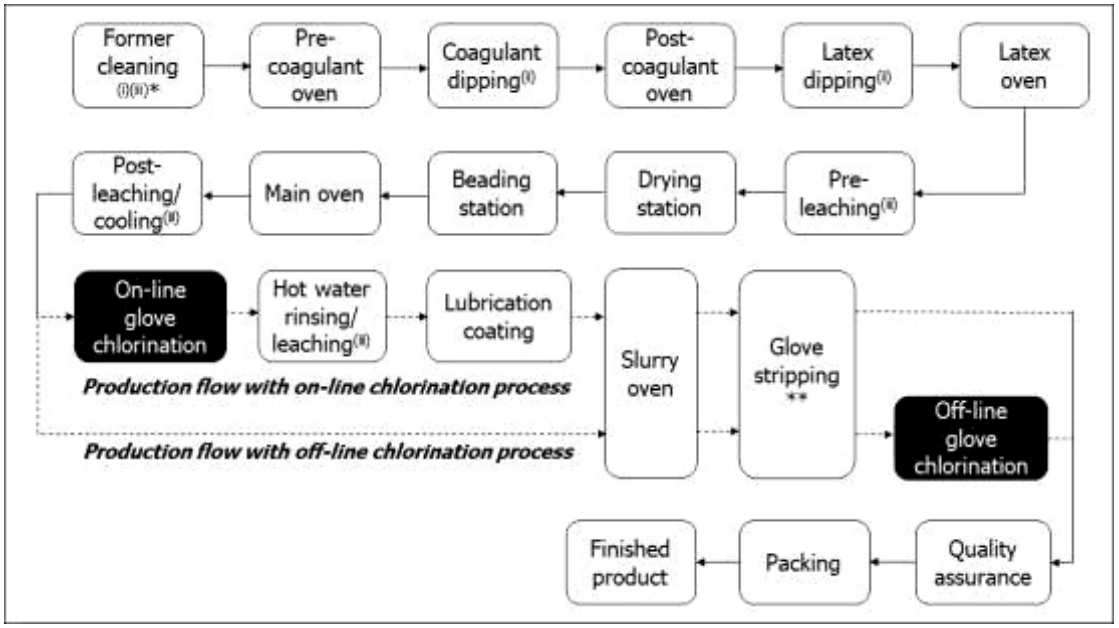
(e) Other products and services including FRP lining services and scrubber systems.

(a) Design, engineering, installation and commissioning of glove chlorination systems

Glove chlorination is a finishing step in the glove manufacturing process and it is a widely-adopted method to produce powder-free natural rubber gloves and synthetic rubber gloves. Chlorination involves the washing of rubber gloves in a diluted chlorine solution. Chlorination is done to harden the surface of the rubber gloves which then reduces the friction of the inner surface of the rubber gloves, thus eases the donning of rubber gloves without the need of using powder. Rubber gloves may undergo double chlorination in order to receive treatment on both the inner and outer surfaces. For the manufacturing of natural rubber gloves, chlorination breaks down and reduces the level of extractable latex proteins which may cause latex allergic reactions to the wearer.

The diagram below depicts the application of glove chlorination systems in a glove-dipping line, also known as glove manufacturing line:

6. INFORMATION ON OUR GROUP *(Cont'd)*



Notes:

- * Denotes the start of the glove-dipping line.
- ** Denotes the end of the glove-dipping line.
- ■ Denotes our involvement in the design, engineering, installation and commissioning of on-line and off-line glove chlorination systems.
- (i) Our scrubber system is also incorporated at this stage to draw out acidic fumes from the cleaning area of glove formers.
- (ii) Our storage tanks are also used at this stage to store latex, and to mix materials/chemical needed for the glove manufacturing process.
- (iii) Our process tanks are used at this stage in the glove-dipping process.

An on-line glove chlorination system forms part of a glove-dipping line and is installed towards the end of a glove-dipping line. As such, gloves undergo chlorination process while still being attached on the glove formers of a glove-dipping line before being stripped off upon completing the glove-dipping process. On the other hand, an off-line glove chlorination system is a standalone glove chlorination system that is not installed onto a glove-dipping line. As such, gloves have to be removed from the formers on the glove-dipping line, and transferred manually to the off-line glove chlorination system to undergo chlorination process.

We are primarily involved in the design and engineering of customised on-line glove chlorination systems for our customers, as well as the installation and commissioning of the systems at our customers' project sites. We outsource the manufacturing works for our on-line glove chlorination systems to our subcontractors, except for the manufacturing of centrifugal fans which we retain in-house. Our on-line glove chlorination system comprises chlorine circulation system, neutraliser supply system, scrubber system, and process tanks as well as chlorination gas system that are installed as part of glove-dipping lines to perform the glove chlorination process.

Our on-line glove chlorination systems are developed in-house with the capability and expertise of our engineering team. While each glove chlorination system performs similar functions, every system is customised according to customers' requirements such as individual system layout, operational capacity and operational speed, to meet their production needs.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Our design and engineering expertise include studying and understanding our customers' requirements, followed by designing and proposing suitable glove chlorination solutions to customers with detailed engineering drawings and technical descriptions. As part of our design and engineering expertise, we also design and/or manufacture moulds for parts and components of the on-line glove chlorination systems according to our customers' requirements. The moulds that we design and manufacture in-house comprise moulds for process tanks. These moulds will then be forwarded to our subcontractors together with the raw materials needed, for the manufacturing of these parts and components. Once our subcontractors have completed the manufacturing of the respective parts and components, we will proceed with the installation of the respective parts and components at our customer's site to form the on-line glove chlorination system, and commission the system prior to handover to our customers.

In addition, we retain the in-house manufacturing of centrifugal fans, which is a critical part of our on-line glove chlorination system as it ensures that harmful chlorine fumes are drawn into the scrubber tower to undergo the treatment process before being released into the environment.

We are also involved in the design, engineering, manufacturing, installation and commissioning of off-line glove chlorination systems.

Our customers for on-line and off-line glove chlorination systems comprise glove manufacturers and glove-dipping line manufacturers.

(b) Repair, refurbishment and maintenance of glove chlorination systems

We provide repair, refurbishment and maintenance services for our customers' glove chlorination systems. We do not enter into any agreement with customers for scheduled repair, refurbishment and maintenance services after the delivery of the online chlorination systems. Our services are provided as and when required by our customers. These services comprise the provision of fault rectification, efficiency improvement and upkeeping of our customers' existing glove chlorination systems. We bill our customers directly for such services provided, save for the fault rectification services undertaken during the warranty period.

Upon request from customers, we will send our engineers and/or production workers to our customer's site to carry out repair, refurbishment and/or maintenance services on their systems. We may also replace parts and components, as well as monitoring and control instruments of the systems if they are damaged, faulty and/or worn out.

(c) Trading of replacement parts for glove chlorination systems

We are involved in the trading of replacement parts, including raw materials and monitoring and control instruments for the glove chlorination systems. We sell replacement parts for glove chlorination systems on a standalone basis to our customers, whereby these sales are not part of our repair, refurbishment and maintenance services without the involvement of our engineers and/or production workers to customer's site.

Examples of the replacement parts that we trade which are purchased from third party suppliers, are PVC packing media, plastic resins, FRP materials, FRP grating, pressure transmitter and gauge, and control valves.

6. INFORMATION ON OUR GROUP *(Cont'd)*

(d) Design and installation of storage tanks and process tanks

We are involved in the design and installation of customised storage tanks and process tanks used in the glove manufacturing process. Our storage tanks are made from FRP materials or steel (lined with FRP materials), while process tanks are solely made from FRP materials to enhance its durability. As the storage tanks and process tanks are mainly used to store chemicals, FRP materials are ideal to be used as the manufacturing material due to its resistance to chemical corrosion.

Storage tanks are used to store liquid substances or chemicals such as latex, chlorine solution, neutraliser (i.e. potassium hydroxide) and other acid and alkaline solutions, used in the manufacturing of gloves. Process tanks, also known as dipping tanks, are used to contain liquid substances or chemicals such as latex, acid and alkaline solutions, diluted chlorine solution, water and neutraliser, for the glove manufacturing process to take place. During the glove manufacturing process, glove formers on the glove-dipping line will be dipped into these process tanks containing liquid substances or chemicals to form gloves.

While the manufacturing of storage tanks and process tanks are outsourced to our subcontractors, we are involved in the design of the moulds used to produce the storage tanks and process tanks. This is to ensure that the customised storage and process tanks are manufactured according to our customers' requirements. For the manufacturing of storage tanks and process tanks using FRP materials, we supply the required raw materials to our subcontractors. For FRP-lined mild steel storage tanks, our subcontractors will source for the steel materials such as steel sheets for the manufacturing works while we will supply the FRP materials. We also source for steel materials (mild steel) including hollow sections, angle bars and steel profiles as structural support for our storage tanks and process tanks during manufacturing and installation stage. Our customers for storage tanks and process tanks mainly comprise glove manufacturers and glove-dipping line manufacturers.

(e) Other products and services including FRP lining services and scrubber systems

Our Group provides FRP lining services for trenches, pits and floors to increase the chemical resistance level of these surfaces by preventing corrosion caused by chemicals. This also provides a waterproof layer to prevent chemicals from seeping into the ground.

Further, we also design and install scrubber system on a standalone basis to draw out acidic fumes from the cleaning area of glove formers to prevent acidic fumes from leaking into the environment. This scrubber system is similar to the scrubber system for our on-line glove chlorination system and we manufacture the centrifugal fan used in the scrubber system, while the manufacturing of other parts such as scrubber tower, chimney and ducting are outsourced to our subcontractors.

The FRP lining services are provided to our customers directly by us or through our subcontractors while the installation of scrubber systems is provided to our customers directly by us. Our customers for FRP lining services and scrubber systems mainly comprise glove manufacturers, glove-dipping line manufacturers and water treatment plant operators.

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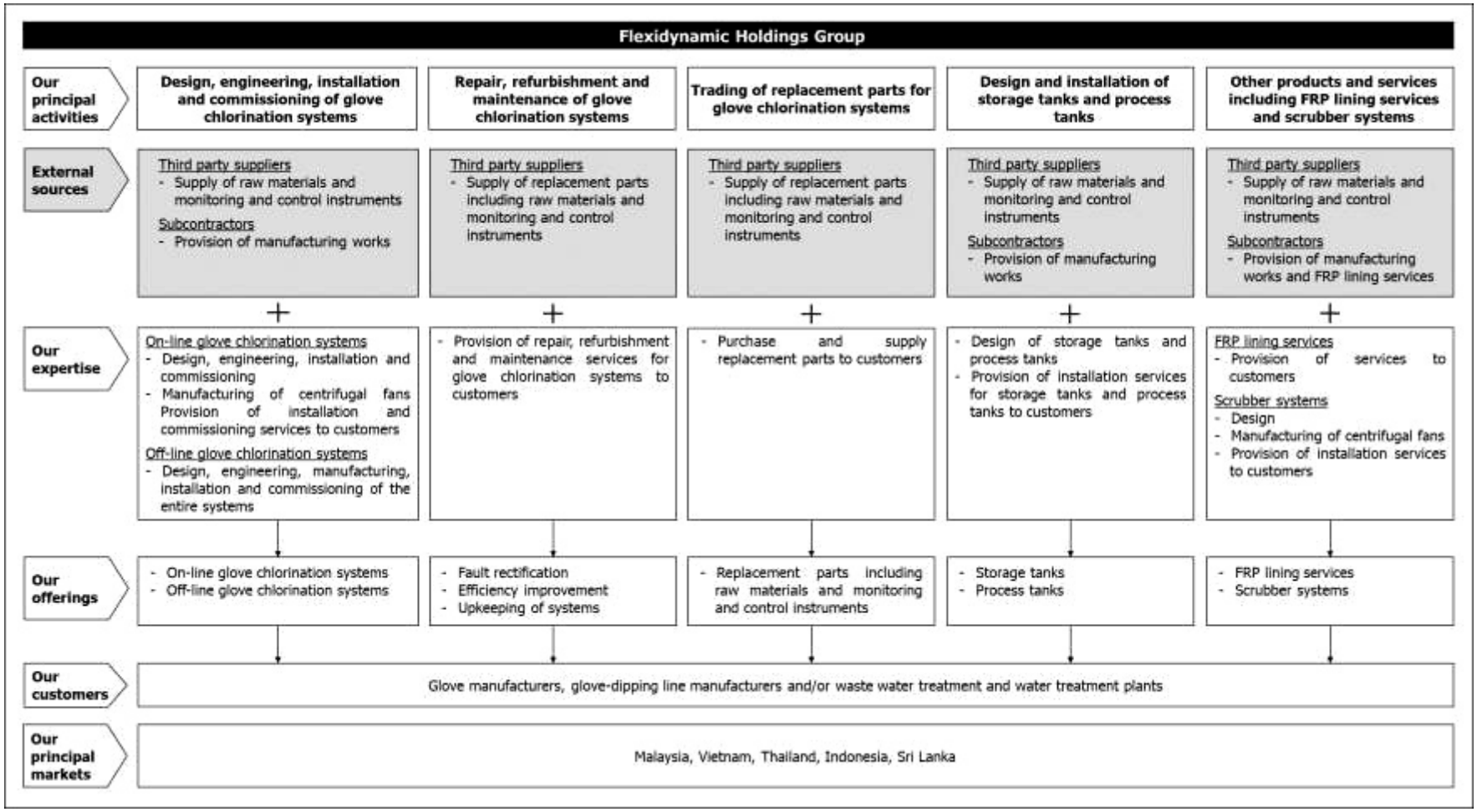
6. INFORMATION ON OUR GROUP *(Cont'd)*

6.6.1 Business model

Our Group's business model is illustrated as below:

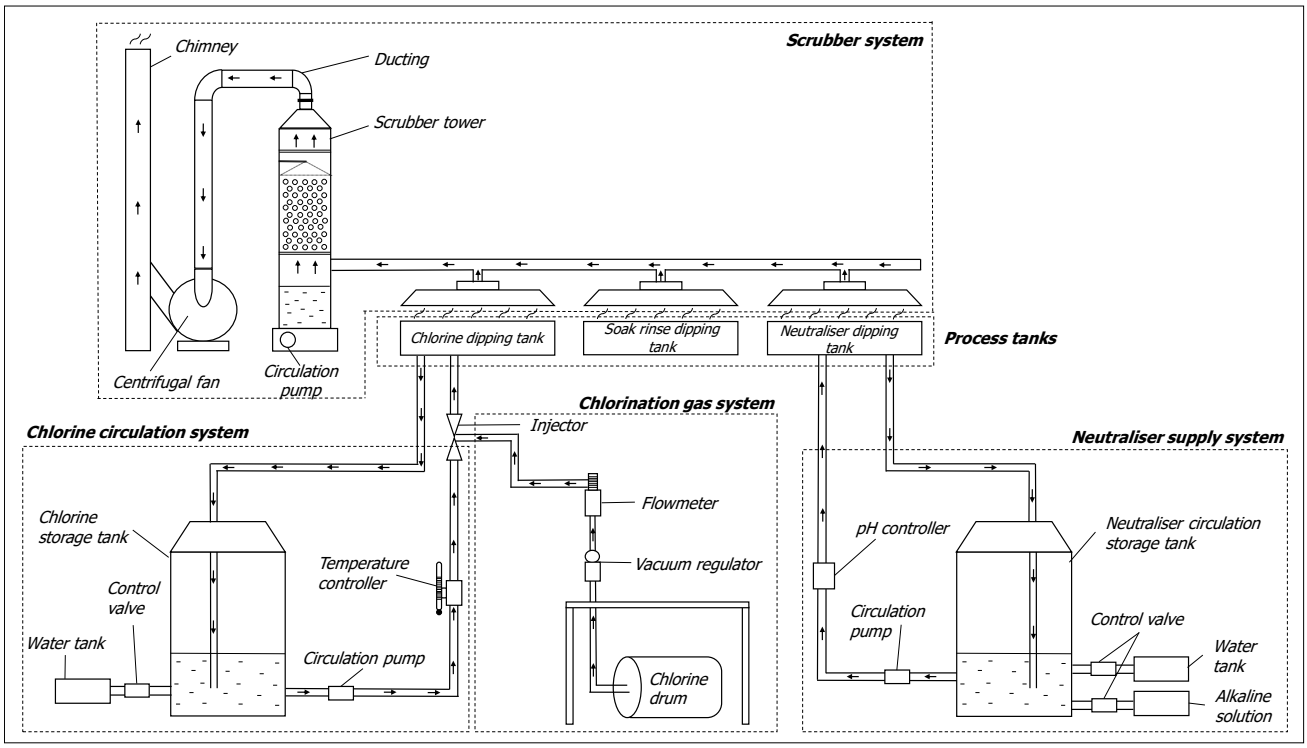


6. INFORMATION ON OUR GROUP *(Cont'd)*

Flexidynamic Engineering is involved in the design, engineering (including the manufacturing of off-line chlorination system and centrifugal fans), and sourcing of parts and components for our local and overseas glove chlorination projects. Flexidynamic Engineering is also involved in the installation and commissioning of glove chlorination systems for all local projects, while Flexidynamic Thailand is involved in the installation and commissioning of glove chlorination systems for all overseas projects including projects in Vietnam, Thailand, Indonesia and Sri Lanka. Similar arrangements are applied to the installation of our other products comprising storage tanks, process tanks and scrubber systems as well as the provision of repair, refurbishment and maintenance services and FRP lining services.

6.6.2 Our products and services

A typical on-line glove chlorination system comprises the following components:



An on-line glove chlorination system comprises a combination of various components to form the entire system. While our service typically consists of the sale of an entire on-line glove chlorination system, we also sell certain components on a standalone basis to our customers. The details of the various components of our on-line glove chlorination system are as follows:

Components	Descriptions
Process tanks	All our process tanks are manufactured using FRP materials and in general, there are 3 types of process tanks that are used in our on-line glove chlorination systems: (i) Chlorine dipping tank A chlorine dipping tank is used to contain diluted chlorine solution where gloves will be dipped into the diluted chlorine solution to be coated with a layer of chlorine.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Components	Descriptions
	(ii) Soak rinse dipping tank A soak rinse dipping tank is used to contain water to rinse off chlorine residue from gloves that have been dipped into the diluted chlorine solution. (iii) Neutraliser dipping tank A neutraliser dipping tank is used to contain alkaline solution such as potassium hydroxide to neutralise the remaining chlorine residue on the surface of the gloves that was not removed in the soak rinse dipping tank. We also sell process tanks on a standalone basis, mainly to glove manufacturers and glove-dipping line manufacturers, for use in other processes within the glove manufacturing process such as to contain acid or alkaline solutions to clean the glove formers prior to the commencement of a new production cycle, or to contain hot water for leaching process. These process tanks are manufactured by our subcontractors while we provide them with the moulds and raw materials needed for the manufacturing works.
Chlorine circulation system	A chlorine circulation system stores and circulates chlorine solution from and into the chlorine dipping tank through a circulation pump, and it mainly comprises: (i) Chlorine storage tank A chlorine storage tank is used to store chlorine solution and it is manufactured using FRP materials. Our chlorine storage tanks are manufactured by subcontractors while we provide them with the moulds and raw materials needed for the manufacturing works. (ii) Control valve A control valve is used to control the inflow of water into the chlorine storage tank. This is to replace the lost of water resulted from evaporation or water droplets being carried along with glove formers during dipping process. The control valves are sourced from third party suppliers. (iii) Circulation pump A circulation pump is used to supply diluted chlorine solution into the chlorine dipping tank from the chlorine storage tank. The circulation pumps are sourced from third party suppliers.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Components	Descriptions
	(iv) Temperature controller A temperature controller is used in chlorine storage tank to control the temperature of the diluted chlorine solution in order to ensure that optimum temperature is achieved and maintained during the chlorination process. The temperature controllers are sourced from third party suppliers.
Chlorination gas system	A chlorination gas system stores and injects chlorine gas into the chlorine dipping tank through vacuum regulator, flowmeter and injector, and it mainly comprises: (i) Chlorine drum A chlorine drum is used to contain pressurised chlorine gas to produce diluted chlorine solution for gloves dipping in the chlorine dipping tank. (ii) Vacuum regulator A vacuum regulator is used to regulate the pressure of the chlorine gas to prevent pressurisation to ensure the safety of the system. (iii) Flowmeter A flowmeter is used to control the amount of chlorine gas to be injected into the chlorine dipping tank. (iv) Injector A injector is used to inject chlorine gas from the chlorine drum into the diluted chlorine solution in the dipping tank. The chlorination gas system is sourced from third party suppliers, who are chlorine gas specialists, while the design and integration of the chlorination gas system into our on-line chlorination system are performed in-house by our Group.
Neutraliser supply system	A neutraliser supply system stores and injects alkaline solution such as potassium hydroxide into the neutraliser dipping tank through circulation pump, and it mainly comprises: (i) Neutraliser circulation storage tank A neutraliser circulation storage tank is used to store alkaline solution and it is manufactured using FRP materials. Our neutraliser circulation storage tanks are manufactured by subcontractors while we provide them with the moulds and raw materials needed for the manufacturing works.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Components	Descriptions
	(ii) Control valve Control valves are used to control the inflow of alkaline solution and water into the neutraliser circulation storage tanks. This is to replace the lost of water resulted from evaporation or water droplets being carried along with glove formers during dipping process. The control valves are sourced from third party suppliers. (iii) Circulation pump A circulation pump is used to supply alkaline solution into the neutraliser dipping tank from the neutraliser circulation storage tank. The circulation pumps are sourced from third party suppliers. (iv) pH controller A pH controller is used to measure the pH value of the alkaline solution. It provides instructions to the control valves to release alkaline solution and water into the neutraliser circulation storage tank to ensure optimum pH value is achieved and maintained during the chlorination process. The pH controllers are sourced from third party suppliers.
Scrubber system	A scrubber system is used to filter and neutralise chlorine content from the fumes produced from the chlorination process prior to discharging it to the environment, and it mainly comprises: (i) Scrubber tower A cylindrical tower where chlorine fumes are channelled in and the scrubbing of chlorine fumes are carried out. The treated air which is free of chlorine is then discharged to the environment. Our scrubber towers are manufactured using FRP materials by subcontractors while we provide them with the moulds and raw materials needed for the manufacturing works. (ii) Centrifugal fan A centrifugal fan is used to draw chlorine fumes produced from the chlorination process into the scrubber tower. Our centrifugal fans are designed and manufactured in-house using FRP materials. (iii) Chimney A chimney is used to channel and release treated air from the scrubber tower to the environment at elevated height. Our chimneys are manufactured using FRP materials by subcontractors while we provide them with the moulds and raw materials needed for the manufacturing works.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Components	Descriptions
	(iv) Circulation pump A circulation pump is used to circulate neutralising solution through the scrubber tower via spray nozzles. The neutralising solution will react with chlorine fumes in the scrubber tower and neutralises the fumes prior to being discharged into the environment. The circulation pumps are sourced from third party suppliers. (v) Ducting Ducting is used to channel chlorine fumes produced from the chlorination process from the process tanks to the scrubber tower. These ductings are manufactured using FRP materials by subcontractors while we provide them with the moulds and raw materials needed for the manufacturing works. We also sell scrubber system on a standalone basis, mainly to glove manufacturers and glove-dipping line manufacturers. It is used to facilitate the removal of acidic fumes from the cleaning area of glove formers to prevent acidic fumes from leaking into the environment.
Control panel system	Control panel system is used to monitor and control the operation of the entire on-line glove chlorination process. The control panel systems are sourced from third party suppliers.

Further, we also sell off-line glove chlorination systems; storage tanks and process tanks that are used for other purposes on a standalone basis; and provide FRP lining services to customers, with details as follows:

Others	Descriptions
Off-line glove chlorination systems 	Our off-line glove chlorination systems are standalone glove chlorination systems that are not installed onto glove-dipping lines. As such, gloves have to be removed from the formers on the glove-dipping lines and transferred manually to the off-line glove chlorination systems to undergo chlorination process. Our off-line glove chlorination systems are used to perform glove chlorination process on batches of manufactured gloves that have been set aside for quality control testing; or for the manufacturing of surgical gloves as the inner and outer layers of surgical gloves have to undergo the chlorination process. On-line glove chlorination systems are used to provide chlorination on the inner layers of gloves. Our off-line glove chlorination systems are sold to glove manufacturers and glove-dipping line manufacturers. They are designed and manufactured in-house.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Others	Descriptions
Storage tanks 	Besides being an essential component of the glove chlorination systems (e.g. chlorine storage tanks and neutraliser circulation storage tanks), the storage tanks that we design and sell on a standalone basis can also be used to store raw materials or chemicals used in the glove manufacturing processes, such as latex and other acid and alkaline solutions. Further, the storage tanks can also be used as mixing tanks to mix the materials or chemicals needed for the glove manufacturing process. Our storage tanks are manufactured using FRP materials or FRP-lined mild steel materials to prevent chemical corrosion. Our storage tanks are mainly sold to glove manufacturers, but can be used in the general industry as well. They are manufactured by our subcontractors, while we provide them with the moulds and raw materials needed, except for mild steel, for the manufacturing works.
Process tanks 	These process tanks are similar to those that are used in our on-line glove chlorination systems. We design and sell these process tanks to our customers on a standalone basis for the usage in other processes in a glove manufacturing process such as to contain acid or alkaline solutions to clean the glove formers prior to the commencement of a new production cycle, or to contain hot water for leaching process. Our process tanks are manufactured using FRP materials and are mainly sold to glove manufacturers and glove-dipping line manufacturers. They are manufactured by our subcontractors, while we provide them with the moulds and raw materials needed for the manufacturing works.
FRP lining services	FRP materials are coated on trenches, pits and floors of glove manufacturing plants and machinery, as well as in water treatment plants, to increase chemical resistance levels and prevent corrosion and damage caused by chemicals. FRP lining services are mainly provided to glove manufacturers and water treatment plant operators through our subcontractors, while we provide them with the raw materials needed.

6.6.3 Warranty

We provide our customers with a warranty period of 1 to 3 years for manufacturing and installation defects of our glove chlorination systems, storage tanks, process tanks and scrubber systems as well as defects from our FRP lining services. During the warranty period, we will rectify and/or replace any faulty or damaged parts at our cost.

We also provide our customers with a warranty period of 1 year for monitoring and control instruments sourced from third party suppliers on a back-to-back agreement with our suppliers, whereby any defective monitoring and control instruments will be sent back to our third party suppliers for rectification and/or replacement. Further, consumables and wear and tear parts are covered with a warranty period of 3 months on a back-to-back agreement with third party suppliers.

For the past 3 FYEs, FPE 2020 and up to the LPD, we have not incurred any warranty claim from our customers.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.6.4 Geographic and activity segmentation

The breakdown of our Group's revenue segmentation by principal activities is as follow:

	Audited					
	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Glove chlorination systems	19,150	64.04	34,708	71.83	31,310	62.82
Repair, refurbishment and maintenance	3,691	12.34	3,728	7.71	1,978	3.97
Trading of replacement parts	3,245	10.85	3,300	6.83	2,658	5.33
Storage and process tanks	1,962	6.56	3,981	8.24	9,967	20.00
Other products and services*	1,854	6.21	2,605	5.39	3,926	7.88
	29,902	**100.00**	**48,322**	**100.00**	**49,839**	**100.00**

	Unaudited		Audited	
	FPE 2019		FPE 2020	
	RM'000	%	RM'000	%
Glove chlorination systems	23,135	65.93	20,378	58.21
Repair, refurbishment and maintenance	1,605	4.57	1,547	4.42
Trading of replacement parts	2,150	6.13	2,431	6.94
Storage and process tanks	5,556	15.83	7,438	21.25
Other products and services*	2,647	7.54	3,213	9.18
	35,093	**100.00**	**35,007**	**100.00**

Note:

* Other products and services including FRP lining services and scrubber systems.

For the past 3 FYEs 2017 to 2019 and FPE 2020, the sale of glove chlorination systems was the largest revenue contributor to our Group as it contributed 64.04%, 71.83%, 62.82% and 58.21% to our total Group revenue respectively.

The breakdown of our Group's revenue segmentation by principal markets is as follows:

	Audited					
	FYE 2017		FYE 2018		FYE 2019	
Countries	RM'000	%	RM'000	%	RM'000	%
Local						
Malaysia	24,464	81.81	37,721	78.06	33,982	68.18
Overseas						
Vietnam	2,602	8.70	8,798	18.21	10,344	20.75
Thailand	2,704	9.04	1,695	3.51	5,371	10.78
Indonesia	130	0.43	58	0.12	93	0.19
Sri Lanka	2	0.02	50	0.10	49	0.10
	5,438	18.19	10,601	21.94	15,857	31.82
	29,902	**100.00**	**48,322**	**100.00**	**49,839**	**100.00**

6. INFORMATION ON OUR GROUP *(Cont'd)*

	Unaudited		Audited	
	FPE 2019		FPE 2020	
Countries	**RM'000**	**%**	**RM'000**	**%**
Local				
Malaysia	21,954	62.56	30,203	86.28
Overseas				
Vietnam	8,389	23.91	1,535	4.38
Thailand	4,643	13.23	3,060	8.74
Indonesia	67	0.19	23	0.07
Sri Lanka	40	0.11	186	0.53
	13,139	37.44	4,804	13.72
	35,093	**100.00**	**35,007**	**100.00**

For the past 3 FYEs 2017 to 2019 and FPE 2020, our revenue was mainly derived from Malaysia. However, the percentage contribution in revenue from Malaysia has been decreasing over the past 3 FYEs, due to the increase in our overseas revenue which accounts for 18.19%, 21.94% and 31.82% to our revenue for the past 3 FYEs 2017 to 2019, respectively. In our effort to diversify our geographical revenue source, we increased our marketing efforts, primarily through direct approach, to secure overseas customers. Resulting from this effort, we secured and recorded an increase in sales to customers from Vietnam, namely Ever Global (Vietnam) Enterprise Corporation and Thailand, namely Sri Trang Group for the past 3 FYEs.

In the FPE 2020, we recorded a higher percentage contribution in revenue from Malaysia at 86.28% of our revenue as compared to 62.56% in FPE 2019. This was due to the completion of the majority of overseas projects during FYE 2019. In addition, there was an increase in rubber glove manufacturing activities in Malaysia arising from the Covid-19 pandemic and as such, glove manufacturers expanded their glove production capacity. Hence, this led to an increase in demand for glove-dipping lines and consequently, the demand for our products and services from customers in Malaysia. Nevertheless, we secured new projects from customers in Thailand and Vietnam amounting to RM41.09 million during FPE 2020, also arising from the expansion of glove production capacity in these countries. Most of the revenue from these new projects shall be recognised after FPE 2020 and therefore, the percentage contribution from overseas revenue in the FPE 2020 was lower at 13.72%. Of the RM41.09 million worth of projects secured from customers in Thailand and Vietnam during the FPE 2020, RM2.30 million was recognised in the FPE 2020; RM8.67 million was recognised between October 2020 and December 2020; and RM27.87 million and RM2.25 million are expected to be recognised in the financial years ending 2021 and 2022 respectively.

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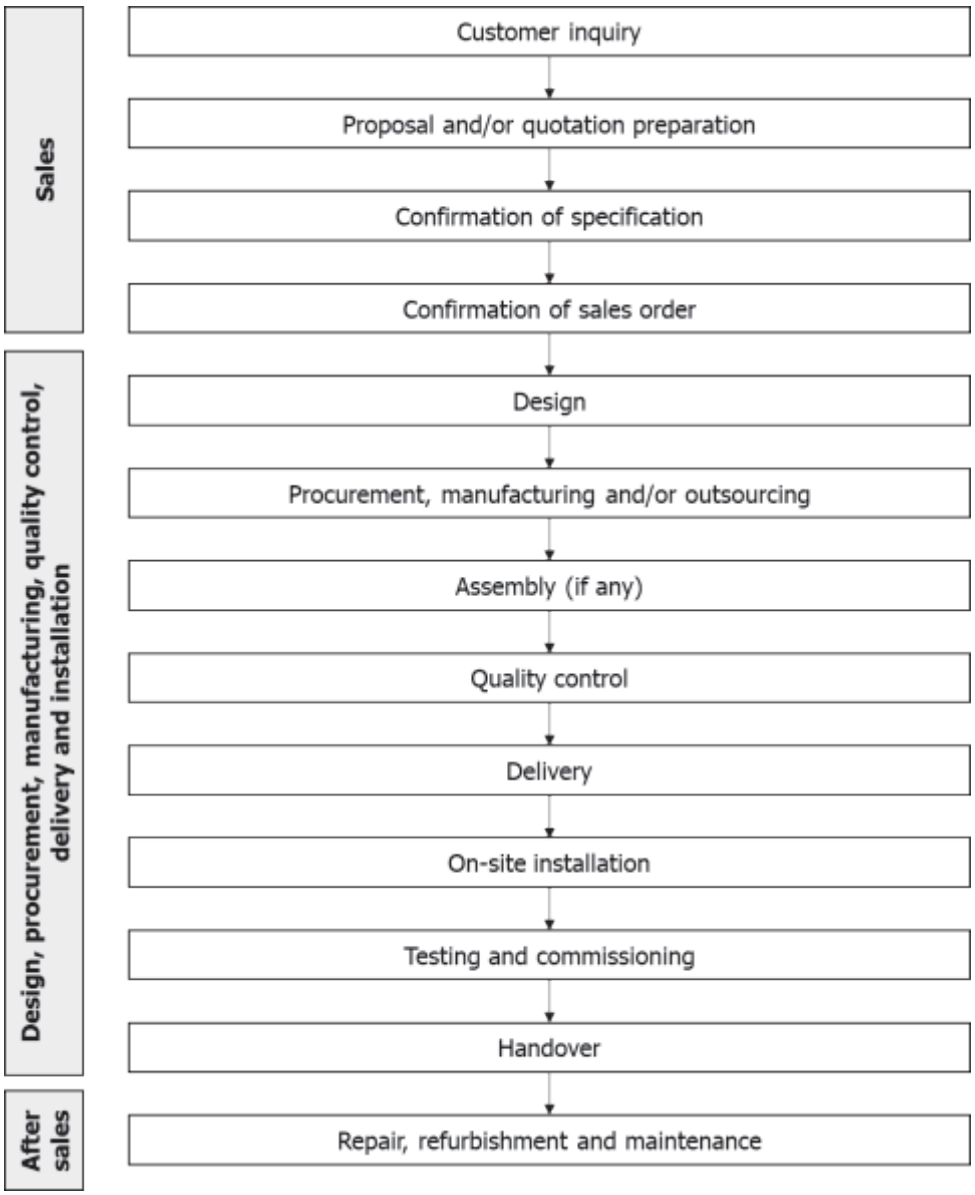
6. INFORMATION ON OUR GROUP *(Cont'd)*

6.7 DESCRIPTION OF OUR BUSINESS

6.7.1 Our business processes

The process flow for our Group's business is depicted below:



(a) Sales

Upon receipt of inquiry on our products and services from existing or potential customers, we will prepare a proposal and/or quotation comprising the product and service specifications and price for our customers' considerations. For the sale of glove chlorination systems, storage tanks, process tanks, and scrubber systems, we will confirm the product specifications with our potential customers prior to the confirmation of sales order with them.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Upon the confirmation of sales order, our customers will issue purchase orders to us and we generally collect project deposits of between 15% – 30% of our order value from our customers. The lead time for our sales orders (from confirmation of sales orders to handover to our customers) typically ranges from 3 months to 12 months. Nevertheless, there are circumstances where our customers place orders with us while their manufacturing plants are yet to be completed or are under construction. In such cases, the installation, commissioning and handover of our systems can only be carried out after their manufacturing plants are completed, and our lead time will exceed 12 months.

(b) Design, procurement, manufacturing, quality control, delivery and installation

Upon the confirmation of sales order, we will proceed with the design, procurement, manufacturing, quality control, delivery and installation of our products, where applicable.

(i) Glove chlorination systems

For an on-line glove chlorination system, our engineers will design the on-line glove chlorination system according to our customer's requirements, in terms of, amongst others, system layouts, operational capacities and operational speed. On-site assessment will be carried out at our customer's project site to enhance the customisation of the on-line glove chlorination system onto the customer's glove-dipping line.

Upon completing the design and receiving approval from our customers, we will procure the raw materials and monitoring and control instruments from third party suppliers. As part of our design and engineering expertise, we will design and/or manufacture the required moulds for the parts and components of the on-line glove chlorination system, which will then be provided to our subcontractors together with the raw materials needed for the manufacturing works. Further, we will manufacture the centrifugal fans in-house, according to the specifications of the on-line glove chlorination system.

Once all the parts and components, and monitoring and control instruments, are ready, we will assemble them to form various sections of the on-line glove chlorination system. The assembly of the various sections of the on-line glove chlorination system will be fully performed in-house, for both local and overseas projects. Subsequently, we will carry out factory acceptance tests on these sections to ensure that they conform to the specifications required by our customers. Upon completing the test, we will deliver the pre-formed sections, and monitoring and control instruments, to our customers' project site for installation and integration to form the on-line glove chlorination system.

Upon completing the installation process, we will begin testing and commissioning the on-line glove chlorination system. Our engineers will carry out installation qualification tests on each section, including the chlorine circulation system, neutraliser supply system, scrubber system and chlorination gas system, to ensure that all systems are fully functional and are in accordance with the specifications and requirements of our customers. This process will be performed in the presence of our customers for acceptance and confirmation purposes.

Upon successful installation and commissioning, the on-line glove chlorination system will then be handed over to our customer, along with the list of replacement parts and instructions manual. We will also issue a handover letter to our customer, upon request. We will perform the installation and commissioning works in-house for all our local and overseas on-line glove chlorination system projects.

For an off-line glove chlorination system, we will manufacture and assemble the machinery at our premises and deliver it to our customer's project site, followed by on-site installation and commissioning of the system.

(ii) Storage tanks, process tanks and scrubber systems

Our engineers will design the storage tanks, process tanks and scrubber systems according to our customers' requirements, in terms of, amongst others, sizes, thickness and materials used. Thereafter, we will procure the raw materials from third party suppliers. As part of our design and engineering expertise, we will design and/or manufacture the required moulds for our storage tanks, process tanks and scrubber systems, which will then be forwarded to our subcontractors together with the raw materials needed for the manufacturing works. For FRP-lined mild steel storage tanks, our subcontractors will source for the steel materials themselves for the manufacturing works while we will provide them with the FRP materials.

Once the manufacturing works have been completed by our subcontractors, we will perform quality checks to ensure that our storage tanks, process tanks and scrubber systems conform to our customers' requirements. The storage tanks, process tanks and/or scrubber systems will then be delivered to customers' project site and we will install them upon request by our customers.

(c) After-sales (repair, refurbishment and maintenance)

Upon the confirmation of sales order for our repair, refurbishment and maintenance services, we will request for the required parts from our inventory team; or procure from third party suppliers if they are not available in our inventory. Thereafter, we will deliver the replacement parts to our customer's factory and our engineers and/or production workers will carry out the repair, refurbishment, and/or maintenance work on our customer's glove chlorination system.

(d) Trading of replacement parts

For the sale of replacement parts, we will check for the availability of the required replacement parts in our inventory. If the replacement parts are available, the replacement parts will be packed and sent for delivery to our customers. If the required replacement parts are not available, our procurement team will source from third party suppliers and subsequently deliver the replacement parts to our customers.

6.7.2 Operating capacities and output

Our Group outsources the manufacturing of on-line glove chlorination systems, storage tanks, process tanks and scrubber systems to our subcontractors. Nevertheless, we retain the in-house manufacturing of centrifugal fans, which is a critical part of our on-line glove chlorination systems and scrubber systems; as well as the in-house manufacturing of off-line glove chlorination systems.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Centrifugal fans are selected for the calculation of our operating capacities and utilisation rate as centrifugal fans are the primary product that we manufacture in-house. Our Group manufactures off-line glove chlorination systems as and when requested and hence, the calculation of operating capacities and utilisation rate is not applicable for our off-line glove chlorination systems.

Our annual capacity, actual production and utilisation rates for the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, based on centrifugal fans are as follows:

	Annual capacity [(1)] (unit)	**Actual production (unit)**	**Utilisation rate [(2)]**
FYE 2017	18 [(3)]	15	83.33%
FYE 2018	12 [(4)] 17.5 [(5)]	11 [(4)] 13 [(5)]	81.36% [(6)]
FYE 2019	30 [(7)]	27.5 [(8)]	91.67%
FPE 2020	22.5 [(9)]	21	93.33%

Notes:

(1) The annual capacity of our in-house manufacturing activities is calculated based on the number of centrifugal fans that can be manufactured in a year based on the size of the production space that has been allocated in our factory. The allocated production space for the manufacturing of centrifugal fans excludes designated space for office, machines, mould fabrication and storage, research and development ("R&D") and walkways. The estimated production area required to manufacture 1 centrifugal fan is 1,000 sq ft and the average time required to manufacture 1 centrifugal fan is 1 month.

(2) Computed by dividing the actual production against the annual capacity.

(3) In the FYE 2017, we operated from our rented factory in Banting and a production space of 1,500 sq ft was allocated for the manufacturing of centrifugal fans. With 1,500 sq ft of production space available, our monthly capacity was 1.5 centrifugal fans and our annual capacity was 18 centrifugal fans for the FYE 2017.

(4) In the FYE 2018, we operated from our rented factory in Banting for a period of 8 months from January 2018 to August 2018, and a production space of 1,500 sq ft was allocated for the manufacturing of centrifugal fans. With 1,500 sq ft of production space available, our monthly capacity was 1.5 centrifugal fans and our capacity for the period of 8 months from January 2018 to August 2018 was 12 centrifugal fans.

(5) In the FYE 2018, we moved our operations to our Banting Factory and we began our operations at our Banting Factory in June 2018. A production space of 2,500 sq ft was allocated for the manufacturing of centrifugal fans. With 2,500 sq ft of production space available, our monthly capacity was 2.5 centrifugal fans and our capacity for the period of 7 months from June 2018 to December 2018 was 17.5 centrifugal fans. For the period between June 2018 and August 2018, we operated simultaneously in both factories before we ceased our operations in our rented factory by end of August 2018.

(6) Computed by taking an average of the utilisation rates in our rented factory in Banting (91.67%) and our Banting Factory (74.29%).

(7) In the FYE 2019, we operated from our Banting Factory and a production space of 2,500 sq ft was allocated for the manufacturing of centrifugal fans. With 2,500 sq ft of production space available, our monthly capacity was 2.5 centrifugal fans and our annual capacity was 30 centrifugal fans for the FYE 2019.

(8) The decimal of 0.5 is due to the partial completion of a centrifugal fan for the FYE 2019. The partially completed centrifugal fan was taken into consideration for the calculation of the utilisation rate as its manufacturing process occupied our production area for 2 weeks prior to 31 December 2019.

(9) With 2,500 sq ft of production space available, our monthly capacity was 2.5 centrifugal fans and our capacity was 22.5 centrifugal fans for the FPE 2020.

Our Group's ability to fulfil orders for our on-line glove chlorination systems is not limited by our manufacturing capacity for centrifugal fans. In the event of operating at maximum capacity, we are able to temporary rearrange the space in our factory to increase our production area for the manufacturing of additional centrifugal fans.

In the circumstances where our factory space cannot be rearranged to cater for increased orders, we will outsource the manufacturing works for centrifugal fans to our subcontractors. However, as centrifugal fan is a critical part of our on-line glove chlorination systems, we will undertake extra quality control checks on the centrifugal fans manufactured by our subcontractors to ensure the quality of the centrifugal fans manufactured. Further, we are in the process of acquiring 2 new factories which will provide us with additional space for production.

In the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, our Group manufactured 4 units, 3 units, 8 units and 4 units of off-line glove chlorination systems respectively. Our off-line glove chlorination systems are manufactured as and when requested, and there is no fixed production line as we source for the relevant components and assemble them to form off-line glove chlorination systems.

6.7.3 Key machinery and equipment

A summary of the key machinery and equipment owned and used by our Group to facilitate our daily business operations are set out below:

Machinery and equipment	Function	No. of units	Average lifespan[(1)] (years)	Average age[(2)] (years)	NBV as at 30 September 2020 (RM'000)
Cranes, winches and related accessories	To hook, lash, lift and carry heavy products and components	12	10	3.5	312
Forklifts and pallet trucks	To carry heavy products and components on a pallet over a distance	8	10	3.1	166

6. INFORMATION ON OUR GROUP *(Cont'd)*

Machinery and equipment	Function	No. of units	Average lifespan[1] (years)	Average age[2] (years)	NBV as at 30 September 2020 (RM'000)
Moulds	To be used for the manufacturing of our products and components	58	10	3.6	102
Air compressors	To produce compressed and high pressurised air	3	10	2.7	41
Generators	To generate and supply electricity at customers' project sites when the electricity at the project sites has not been ready	2	10	2.0	20
Resins spraying machine	To shred fibre glass into thin loose fibres and mix with plastic resins before spraying the mixtures for FRP lining	1	10	7.0	17
Slurry pump	To collect fibre dust that are produced from the cutting of fibreglass	1	10	1.0	17
Power injection gun	To propel abrasive materials on rough surfaces under high pressure to smoothen the surfaces	1	10	2.0	18
Welding machines and related accessories	To join various parts of our products and components by heating the joining parts to create a fusion between the joining parts	6	10	3.7	11
Dust collectors	To collect dust produced during manufacturing process	4	10	2.8	6
Container	To serve as a storage area for parts and components	1	10	2.0	6
Inspection and measurement equipment	To perform inspection on machinery and measurement of our products	3	10	4.3	3
Cutting and drilling machines	To cut, saw and drill products and components into desired shapes	14	10	8.3	2
					721

Notes:

(1) Average lifespan of the machinery and equipment is computed based on the average lifespan of 10 years, which is consistent with the computation of depreciation for equipment adopted by our Group's accounting policy.

(2) Average age of the machinery and equipment is computed since the year of purchase and up to the LPD.

6.7.4 Interruptions to business and operations

(a) Impact on our business operations

(i) Malaysia operations

Our business and operations faced temporary interruption pursuant to the outbreak of the Covid-19 virus in the countries we operate in and transact. The imposition of the MCO throughout Malaysia from 18 March 2020 to 3 May 2020 by the Government of Malaysia to curb the spread of virus has resulted in mandatory closure of all government and private premises, except those involved in essential services, unless written permission is obtained from MITI. The imposition of the MCO had caused our operations to be closed since 18 March 2020. Further, the operations of our subcontractors were closed since 18 March 2020.

Our Group had, on 20 April 2020, obtained an approval letter from MITI to operate our business and as such, we resumed operations on 21 April 2020 but at a capacity of 50% of our Group's total workforce as per the standard operating procedures set out by MITI.

Save for Pembinaan Kim Choi Sdn Bhd where our Group does not have any subcontracted manufacturing works with during the period of the MCO, all our subcontractors obtained the approval to operate from MITI and as such, our subcontractors also resumed their operations between 20 April 2020 and 24 April 2020 with 50% of their total workforce. Hence, we did not experience substantial delays in receiving our subcontracted products as our subcontractors resumed their operations within the same week as our Group.

On 1 May 2020, the Government of Malaysia announced a conditional MCO starting from 4 May 2020 to 9 June 2020 and allowed more businesses to operate under a set of strict standard operating procedures. Upon the implementation of the conditional MCO, we began to operate at full capacity on 4 May 2020 onwards. Our subcontractors also resumed their operations at full capacity on 4 May 2020 onwards. As such, there was no material adverse impact to our procurement activities for raw materials, monitoring and control instruments, and subcontracted manufacturing services.

On 7 June 2020, the Government of Malaysia announced a recovery MCO starting from 10 June 2020 to 31 August 2020 with further easing of regulations with interstate travel and various recreational activities allowed. Subsequently from 1 September 2020 and up to January 2021, the Government of Malaysia had re-imposed various stages of the MCO nationwide, such as the conditional MCO, recovery MCO or enhanced MCO that are targeted at specific areas, depending on the severity of the Covid-19 infections. Nevertheless, since 4 May 2020 up to the LPD, our Group has been allowed to operate at full workforce capacity and as such, we did not experience any disruptions to our business operations since then.

6. INFORMATION ON OUR GROUP *(Cont'd)*

As a majority of our in-house manufacturing works and our subcontracted manufacturing works for our on-going projects have been completed ahead of project schedule before the imposition of the MCO, we were not materially impacted by the temporary closure of operations. In addition, we did not face any major disruptions for the supply of raw materials as well as monitoring and control instruments from our suppliers.

However, there were some delays in carrying out installation and commissioning works as we were unable to resume work immediately at some of our customers' premises before our customers complete the setup of preventive measures and procedures to prevent the spread of Covid-19 virus at their premises, as required by the Government of Malaysia. This had subsequently delayed our project delivery schedules and billing schedules in the second and third quarter of 2020. Nevertheless, such delays will not result in our customers initiating penalty claims against our Group as we do not have clauses relating to penalty claims in the purchase orders. For the past 3 FYEs and FPE 2020, we have not received any claims from our customers due to delays in our project delivery schedules. While it is our Group's standard practice to inform our customers on any potential delay in project delivery schedule beforehand, there can be no assurance that these customers will not penalise our Group by imposing late delivery charges.

Further, we did not receive any cancellation or variation of orders from our customers as a result of the MCO and conditional MCO. In addition, we managed to secure several new purchase orders for our storage tank, process tanks and scrubber system, as well as orders for our glove chlorination systems during the Covid-19 pandemic period.

Following the resurgence of Covid-19 cases in Malaysia, the MCO was re-imposed in all federal territories and most of the states in Malaysia for different durations since January 2021. In Selangor in which our Banting Factory is located at, MCO was re-imposed effective from 13 January 2021 to 4 March 2021. Nevertheless, there has been no disruption to our operations as our business is categorised under essential services by MITI, and we have obtained approval from MITI to operate our business as usual with SOP in place. Further, all our subcontractors have also obtained approval from MITI to operate as usual, and we have not faced any major disruptions for the supply of raw materials as well as monitoring and control instruments from our suppliers. In addition, we have not encountered any major issues in the collection of our trade receivables, and we have not received any project cancellations since the re-imposition of the MCO. Premised on the above considerations and coupled with several additional orders received from our existing customers during the re-imposed MCO period, our Group does not expect any impact to our business and operations arising from the imposition of the second MCO should the restrictions under the second MCO remain.

However, should the restrictions under the second MCO tighten which result in mandatory closure of our operations, there can be no assurance that our business operations will not be materially impacted and that we will be able to complete our projects in a timely manner. These disruptions to our business operations will in turn delay our project delivery schedule and our billing schedule, which may consequently result in adverse impact on our financial performance.

6. INFORMATION ON OUR GROUP *(Cont'd)*

(ii) Thailand operations

In Thailand, the government has also declared an Emergency Situation involving nationwide curfews and travel bans, as well as control measures for businesses to observe, effective from 26 March 2020 to 28 February 2021. Nevertheless, the operations of Flexidynamic Thailand were not affected as factories in Thailand were allowed to operate during the period of the Emergency Situation while complying with the control measures issued by the Ministry of Industry, Thailand.

Over the period of the declared Emergency Situation, in compliance with the control measures issued, Flexidynamic Thailand continued to provide repair, refurbishment and maintenance services for our customer's glove chlorination systems in Thailand. In July 2020, we secured 3 contracts for glove chlorination system from Sri Trang Group from Thailand, of which the revenue from 1 contract shall be partially recognised during FYE 2020 and financial year ending 2021 and the other 2 contracts shall be recognised during financial year ending 2022.

(b) Impact on our business cash flows, liquidity, financial position and financial performance

The interruption to our business operations from 18 March 2020 to 3 May 2020 had affected our project delivery schedules and billing schedules for some of our existing projects in the second and third quarter of 2020. Nevertheless, we have completed the scheduled deliveries of these projects by the fourth quarter of 2020 and thus, it did not affect our billing schedule for these projects for the FYE 2020. Hence, we do not foresee any material impact to our revenue recognition for the FYE 2020 as a result of the MCO, conditional MCO and recovery MCO. Further, during the MCO periods (including the re-imposed MCO in Selangor since 13 January 2021), there was no material impact on the collectability of our trade receivables arising from business interruptions as our customers are mainly glove manufacturers who are deemed as essential services and were allowed to operate during the MCO periods.

During the MCO when our operations were fully halted between 18 March 2020 and 20 April 2020, we incurred an estimated total expense of RM0.50 million.

As at the LPD, we have:

(a) cash and bank balances of approximately RM10.21 million; and
(b) banking facilities (excluding lease liabilities) up to a limit of RM13.63 million, of which RM11.38 million has been utilised. Details of banking facilities are as follows:

Type of facilities	Amount authorised RM'000	Amount utilised RM'000	Balance available RM'000
Bankers' acceptance	2,250	915	1,335
Term loan	11,378	10,467	911
	13,628	**11,382**	**2,246**

6. INFORMATION ON OUR GROUP *(Cont'd)*

Our Board is confident that, after taking into account our cash and bank balances as well as the banking facilities currently available to our Group, our working capital will be sufficient for our capital/operating expenditure and to sustain our business.

We did not receive any claw back or reduction in the banking facilities limit granted to us by our lenders. In addition, we do not anticipate any financial difficulties in meeting our debt obligations in the foreseeable future. We do not expect any material impairment to our assets, inventories or receivables.

Based on the above, we do not expect any material impact to our cash flows, liquidity, financial position and financial performance.

(c) Impact to our business and earning prospects

According to the IMR Report, as a result of the on-going Covid-19 pandemic, Malaysian glove manufacturers have faced a surge in global demand for rubber gloves as rubber gloves are a means of protective and preventive gear against diseases. The increase in demand due to Covid-19 has led to rising utilisation rates to nearly 100% of production capacity among glove manufacturers.

Due to the increase of rubber glove manufacturing activities in Malaysia, glove manufacturers will need to expand their glove production capacity. This will lead to an increasing demand for glove-dipping lines and consequently, demand for glove chlorination systems.

Since the outbreak of Covid-19 virus in many countries in early 2020 which led to a surge in demand for gloves, several glove manufacturers in Malaysia have announced plans to expand production capacity to capture the opportunities arising from the surge in rubber glove demand. Some of our customers have announced expansion of production capacity and/or are venturing into the glove manufacturing business including Hartalega Group, Kossan Group, Riverstone Group, HLT Global Berhad, Sri Trang Group and Ever Global (Vietnam) Enterprise Corporation. Among these customers, our Group secured orders of glove chlorination systems from HLT Global Berhad, Sri Trang Group, Kossan Group, Riverstone Group and Ever Growth (Vietnam) Co Ltd between July 2020 and October 2020. In addition, our Group has also secured orders of glove chlorination systems from a new customer, namely GETS Global Berhad, a company listed on the Main Market of Bursa Securities (through its subsidiary, Onetexx Sdn Bhd) which has announced a business diversification into glove manufacturing.

However, as the establishment of new glove-dipping lines and new manufacturing plant generally take some time, the new projects secured will take place gradually over the next 2 years. As at the LPD, we have secured total order book amounting to RM84.63 million, of which RM4.85 million of the secured total order book has been billed as at LPD. RM62.30 million is expected to be recognised as revenue for the financial year ending 31 December 2021. The remaining RM17.48 million is expected to be recognised during 2022.

Premised on the above, we do not expect any material impact to our business and earning prospects.

6. INFORMATION ON OUR GROUP *(Cont'd)*

(d) Strategy and steps taken to address the impact of Covid-19

In response to the Covid-19 pandemic, our Group has established an Emergency Response Protocol committee to oversee the adherence of infection control measures based on the guidelines and standard operating procedures issued by MITI. The infection control measures include amongst others:

(i) Wearing of face masks in work places;
(ii) Daily taking and recording of body temperature before entering the work places;
(iii) Sanitising hands before entering work places and all employees are encouraged to sanitise and wash their hands with soap and water frequently throughout the day;
(iv) Sanitising all common areas of work places 3 times a day (i.e. before commencement of work, after lunch and after close of business);
(v) Practising 1 metre social distancing at work places;
(vi) Avoidance of unnecessary travels and face-to-face meetings, where possible; and
(vii) Implementation of social distancing and daily sanitising measures in foreign workers' dormitories made available by our Group.

Similar infection control measures are also adopted for our operations in Thailand, in compliance with the control measures issued by the Ministry of Industry, Thailand. While our Group has incurred additional costs in adhering to the infection control measures as per the standard operating procedures issued by MITI and control measures issued by the Ministry of Industry, Thailand, the costs are not material.

In view of the spike in Covid-19 cases among foreign workers in Malaysia, our Group has also undertaken strict measures to prevent our foreign workers from coming into contact with foreign workers that are not under the supervision of our Group, whereby they are not allowed to socialise with other foreign workers; and our foreign workers are only allowed to commute between work and their dormitories where transportation will be provided by our Group, except when the foreign workers have to leave their dormitories for daily necessities such as for the purchase of groceries.

Notwithstanding the above, our Group has put in place a business contingency plan in the event of any infection cases at our business premise, which is summarised as follows:

(i) Employee relief plan

Each employee has been assigned with a relief person for their tasks. Both personnel in-charge are not allowed to make any external appointments or business trips together to mitigate the risk of infection.

(ii) Production back-up plan

To mitigate the risk of infection, our foreign workers have been divided into project-based teams and each project-based team stays in separate dormitories. We have also undertaken measures to minimise interactions between each team of foreign workers by dividing our factory into several designated areas for each team of workers. In the event that any of our foreign workers are infected, the particular project-based teams of the infected foreign worker(s) will be quarantined and we may utilise foreign workers from other teams to overcome any manpower shortages.

6. INFORMATION ON OUR GROUP *(Cont'd)*

In addition, the Government has announced mandatory screening for all foreign workers in Malaysia to be completed by February 2021, starting with several states and federal territories, namely Kuala Lumpur, Selangor, Negeri Sembilan, Penang, Sabah and Labuan which was enforced on 1 January 2021. Further, our customers have also mandated all personnel who are to carry out on-site installation and commissioning works at the customer's site to undergo Covid-19 tests. Following which, in December 2020 and January 2021, our employees who were assigned to carry out on-site installation and commissioning works at the customer's site, and all our 26 foreign workers in Malaysia, underwent Covid-19 test under the expense of our Group and all were tested negative. Further, the remaining 6 of our foreign workers are on a work break and they have returned to their respective countries prior to the implementation of the MCO in March 2020. Since then, the Government of Malaysia has imposed restrictions on the entry of foreign workers into Malaysia. As such, these 6 foreign workers are not allowed to enter Malaysia until further notice. Our Group will make the necessary arrangement to facilitate the return of these 6 foreign workers to Malaysia when the travel restriction is uplifted.

Following the Covid-19 incidents set out in Section 6.7.4(e) of this Prospectus and the spike in Covid-19 cases in Malaysia, our Group will conduct Covid-19 tests for all our employees based at our Banting Factory bi-weekly (i.e. once every 2 weeks) to ensure the safety of our employees; as well as to ensure early detection of Covid-19 cases and to better control the spread of the virus, if any. As at the LPD, the bi-weekly Covid-19 testing plan is scheduled to be in place until our employees are vaccinated or until the Covid-19 situation in Malaysia improves. To facilitate this, our Group has appointed a third party private service provider to conduct the bi-weekly tests at our Banting Factory. The testing costs to be incurred by our Group are estimated to be approximately RM0.02 million per month, which is not material to our Group. For employees who are not based at our Banting Factory (i.e. employees who are outstation or based at our customers' sites), our Group is in the midst of identifying suitable third party private service provider(s) to conduct Covid-19 tests for these employees, also on a bi-weekly basis.

Further, our Group will continue to communicate closely with our subcontractors to constantly urge them to comply strictly to the infection control measures in placed in their operations. This is aimed to prevent the occurrence of Covid-19 infection cases among our subcontractors' workers which may disrupt their business operations, affect the completion and delivery of our orders and ultimately may lead to delays in our project delivery schedules to our customers.

(e) Covid-19 incidents related to our employees

(i) Local employees

Despite having the abovementioned infection control measures in place, on 16 December 2020 and 18 December 2020 respectively, 2 of our key senior management were tested positive for Covid-19 and were absent from work for approximately 2 weeks, which was the period in which they were sent to the designated hospital and quarantine centre. On 28 December 2020, they returned to work.

Upon confirmation of the positive test results, all close contacts to them, including our employees and business associates such as subcontractors and suppliers, were immediately notified to undergo Covid-19 tests, and all of these close contacts were tested negative. Further, disinfection has been carried out by third party service providers at our Banting Factory and our

office in Puchong. Notwithstanding the incidents above, they were tested positive with mild symptoms whereby they were still able to carry out management duties during the quarantine periods through tele- and video-conferencing. Further, with the above business contingency plans in place and with the collective support from our key senior management, our operations were not affected by the absence of them during their quarantine periods. Save for the testing costs and disinfection costs which amounted to RM0.02 million, there was no impact to our business and operations.

(ii) Foreign workers

On 29 January 2021, 7 of our foreign workers involved in installation and commissioning works at our customer's site were notified that they were close contacts of an outbreak at the customer's site. These 7 foreign workers underwent Covid-19 tests immediately on the same day, and 3 out of the 7 foreign workers were confirmed to be positive on 30 January 2021. Upon confirmation of the positive test results, our employees who are deemed close contacts of these 3 foreign workers underwent Covid-19 tests on 1 February 2021 and all were tested negative.

The 3 foreign workers who were tested positive had been quarantined and isolated from other foreign workers at their dormitories before they were sent to the designated quarantine centre on 3 February 2021 and were subsequently discharged on 8 February 2021; whereas the remaining 4 foreign workers who were tested negative had been quarantined at their dormitories and with their health conditions observed regularly until 4 February 2021 when 1 of them developed mild symptoms. Following which, the 4 remaining foreign workers underwent Covid-19 tests immediately, and 3 of them were confirmed to be positive on 5 February 2021. These 3 foreign workers had been quarantined and isolated from other foreign workers at their dormitories before they were sent to the designated quarantine centre on 10 February 2021 and were subsequently discharged on 13 February 2021; whereas the remaining 1 foreign worker who was tested negative has been quarantined at his dormitory and with his health condition observed regularly until 19 February 2021. The 6 foreign workers who were tested positive returned to work upon discharge from the designated quarantine centre.

Disinfection at the dormitories of the 6 foreign workers who were tested positive has been carried out internally, and disinfection at the specific work area in which our foreign workers based at our customer's site has been carried out by our appointed third party service provider as requested by the customer.

Pursuant to the outbreak at our customer's site, our customer had temporarily closed its site for around 1 week from 24 January 2021 and re-opened gradually since 1 February 2021. Following which, the customer's site was re-opened and our foreign workers have gradually resumed the installation and commissioning works at the site upon discharge from the designated quarantine centre or upon completion of the 14-day quarantine period at dormitory. While this incident has led to a slight delay in our project delivery and billing schedule for this project, the delay is not material and is not expected to lead to any impact to our financial performance for the FYE 2021. Further, it is not expected to result in our customer initiating penalty claims against our Group as the incident was due to the outbreak at their site.

Save for the testing costs and disinfection costs which amounted to RM0.02 million, there was no further impact to our business and operations.

Despite the temporary closure of our operations in Malaysia during the first MCO period as a result of the Covid-19 pandemic, there was no material impact to our Group's business and operations. Save for the above, our Group had not experienced any other interruptions in our operations which had a significant effect on our operations during the past 12 months preceding the LPD.

6.8 COMPETITIVE STRENGTHS

6.8.1 We have an established track record of notable customers in the glove manufacturing and glove-dipping line industries

Since the inception of our business in 2012, we have secured various notable glove manufacturers and glove-dipping line manufacturers as our customers, including Hartalega Group (through Hartalega Sdn Bhd, Hartalega NGC Sdn Bhd and Hartalega Research Sdn Bhd), Riverstone Group (through Riverstone Resources Sdn Bhd and Eco Medi Glove Sdn Bhd), Kossan Group (through Ideal Quality Sdn Bhd, Kossan Latex Industries (M) Sdn Bhd, Perusahaan Getah Asas Sdn Bhd and Wear Safe (Malaysia) Sdn Bhd), HL Advance Technologies (M) Sdn Bhd (a subsidiary of HLT Global Berhad) and Central Medicare Sdn Bhd.

Malaysia is a major producer of rubber gloves and is the world's largest glove exporter. The aforementioned companies are among the notable glove manufacturers and glove-dipping line manufacturer (HLT Global Berhad) in Malaysia. Our ability in securing these companies as our customers is attributed to our ability in enhancing and customising our on-line glove chlorination system to provide optimal glove chlorination solutions to meet our customers' requirements. In addition, it also demonstrates our capability in providing glove chlorination solutions that meets the standards of major glove manufacturers and glove-dipping line manufacturers.

With an established track record of notable customers in the glove manufacturing and glove-dipping line industries, we have a strong reputation in the glove chlorination industry, which will in turn attract more business opportunities and continue to enhance our financial performance.

6.8.2 Our design and engineering expertise gives us the flexibility to provide product customisation to our customers

As our customers' glove-dipping lines may differ in terms of design, layouts and processes, they may require different specifications for their on-line glove chlorination system and hence, all our on-line glove chlorination system is customised to fit our customers' manufacturing requirements. By understanding and assessing our customers' needs on the specifications of their on-line glove chlorination system, coupled with our design and engineering expertise, our Group is able to provide customised on-line glove chlorination system to our customers.

We design the entire on-line glove chlorination system according to our customers' requirements in terms of the system layouts, operational capacities and operational speed, amongst others. Our capabilities in designing and engineering customised on-line glove chlorination system are backed by our experienced engineering team, which is currently led by our Executive Director, Liew Heng Wei, who has over 24 years of working experience in the glove chlorination industry. He is supported by a team of 6 engineers. Further, as part of our design and engineering expertise, we retain the manufacturing of moulds for the parts and components of our on-line glove chlorination system, in-house, in order to ensure that the on-line glove chlorination system is manufactured according to the required specifications.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Our ability to provide customisation allows us to design and offer glove chlorination systems that suit our customers' glove manufacturing processes and fulfil our customers' requirements on their glove chlorination process. Further, our adaptability and flexibility in customising glove chlorination systems also enable us to retain our customers and contribute to the sustainability of our Group.

6.8.3 We have an experienced management team

We have an experienced management team with operational expertise and in-depth knowledge in the glove chlorination industry in Malaysia. Our founder and Managing Director, Tan Kong Leong, is responsible for the overall strategic direction and business development of our Group, and has over 20 years of related working experience.

Tan Kong Leong is supported by the following key senior management personnel:

		Years of relevant working experience	
Name	**Designation**	**In their respective work scope**	**In the glove chlorination industry**
Liew Heng Wei	Executive Director	24	24
Lion Suk Chin	Executive Director	19	8
Wong Feng Lung	Chief Financial Officer	28	2
Sin Kuo Wei	General Manager	7	7

The knowledge and experience of our key senior management will continue to contribute to the growth of our Group.

6.8.4 We have an established industry network within the glove manufacturing and glove-related industries

Our founders, Tan Kong Leong and Liew Heng Wei, have been in the glove-related industry for over 21 and 24 years respectively. Through Tan Kong Leong and Liew Heng Wei, our Group has established an industry network with industry players in the glove manufacturing and glove-related industries, whereby such network has continued to develop along with the growth of our business.

Further, our participation in the networking events held among the glove manufacturing and glove-related industries players allows us to build business relationships with industry players from different segments of the industry value chain, such as glove manufacturers, glove-dipping line manufacturers, suppliers and subcontractors. It is also a platform for us to strengthen industry connections and develop rapport to grow our circle of influence within the glove manufacturing and glove-related industries. In addition, we are also able to explore new sales opportunities and secure new suppliers.

We are registered as an Associate Member under Malaysian Rubber Glove Manufacturers Association ("MARGMA"). As a member of MARGMA, our Group has access to potential customers which could lead to potential sales opportunities to our Group, as MARGMA members are primarily glove manufacturing companies, and this is in line with our business strategies to expand our customer base and market share in Malaysia. Please refer to Section 6.19.2 for further details of our business strategies. Having an established industry network is a key factor that drives the success of our business, and will provide our Group with a foundation to continue with our business expansion in the future.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.8.5 We are well-positioned to capitalise on the growth in the rubber glove manufacturing activities in Malaysia

Glove chlorination systems are essential component in the rubber glove manufacturing processes and hence, we see the opportunity to leverage and grow along with the growth in the rubber glove manufacturing industry in Malaysia. With the increase in rubber glove manufacturing activities in Malaysia, glove manufacturers may continue to expand their glove production capacity, which will lead to an increasing demand for glove-dipping lines and consequently, demand for glove chlorination systems. As such, we expect to leverage on this to capitalise on the growth in the rubber glove manufacturing activities in Malaysia. We believe that our revenue stream from glove chlorination systems is sustainable.

According to the IMR Report, the sales value of rubber gloves manufactured in Malaysia increased from RM12.69 billion in 2017 to RM44.22 billion in 2020, at a CAGR of 51.61%. Malaysia also remained the world's largest exporter of rubber gloves, with increasing exports from 719.70 kilotonnes of rubber gloves valued at RM15.86 billion in 2017 to 994.91 kilotonnes valued at RM35.26 billion in 2020, registering a CAGR of 11.40% in terms of export volume. From 2016 to 2019, Malaysia's share of rubber gloves exports increased from 57.03% to 58.88% globally.

As a leading industry player supporting the rubber glove manufacturing activities in Malaysia, the growth in rubber glove manufacturing activities will provide our Group with opportunities for future growth and enable our Group to continue on our long term expansion.

6.9 SEASONAL OR CYCLICAL EFFECTS

Our operations are not significantly affected by seasonal/cyclical effects as our products and services are mainly provided to glove manufacturers and glove-dipping line manufacturers, and these manufacturers generally operate throughout the year, albeit marginal slowdowns during festive periods due to higher number of workforce going on leave for festive celebration. Nevertheless, the impact of the marginal slowdown is not significant to our Group.

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6. INFORMATION ON OUR GROUP *(Cont'd)*

6.10 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

Our purchases comprise subcontractor fees; raw materials consumed in-house by our Group and provided to our subcontractors to undertake manufacturing works; and monitoring and control instruments. The breakdown of our purchases during the past 3 FYEs 2017 to 2019 and FPE 2020 are as follows:

		Audited					
		FYE 2017		FYE 2018		FYE 2019	
Category	**Source**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Subcontractor fees	Local	3,160	16.69	6,793	20.91	9,676	29.26
Raw materials		7,432	39.26	13,017	40.07	10,419	31.51
- Plastic resins	Local and overseas	2,872	15.17	6,550	20.16	5,033	15.22
- FRP materials [(i)] and FRP grating	Local and overseas	1,214	6.41	2,464	7.59	2,065	6.24
- PVC pipes and fittings, PP and PVC sheets	Local	2,199	11.62	2,765	8.51	2,317	7.01
- Mild steel	Local	563	2.97	1,069	3.29	898	2.72
- Sawn timber	Local	584	3.09	169	0.52	106	0.32
Monitoring and control instruments		7,309	38.61	11,138	34.29	11,098	33.56
- Chlorination gas system and related parts	Local	2,588	13.67	2,585	7.96	2,752	8.32
- Circulation pumps, gears and motors and related parts	Local and overseas	1,741	9.20	3,181	9.79	3,010	9.10
- Control panel system, control valves and pressure transmitter and gauge	Local	1,775	9.38	3,209	9.88	3,756	11.36
- Titanium coil	Overseas	1,021	5.39	1,823	5.61	1,238	3.74
- Bolts and nuts and electric chain hoist	Local	184	0.97	340	1.05	342	1.04
Others [(ii)]	Local	1,029	5.44	1,538	4.73	1,873	5.67
Total purchases		**18,930**	**100.00**	**32,486**	**100.00**	**33,066**	**100.00**

6. INFORMATION ON OUR GROUP *(Cont'd)*

Category	Source	Unaudited FPE 2019 RM'000	Unaudited FPE 2019 %	Audited FPE 2020 RM'000	Audited FPE 2020 %
Subcontractor fees	Local	6,991	28.81	8,867	34.55
Raw materials		8,053	33.18	7,178	27.97
- Plastic resins	Local and overseas	3,740	15.41	3,263	12.71
- FRP materials [(i)] and FRP grating	Local and overseas	1,627	6.70	1,606	6.26
- PVC pipes and fittings, PP and PVC sheets	Local	1,883	7.76	1,658	6.46
- Mild steel	Local	719	2.96	556	2.17
- Sawn timber	Local	84	0.35	95	0.37
Monitoring and control instruments		8,100	33.37	7,947	30.96
- Chlorination gas system and related parts	Local	2,007	8.27	2,447	9.53
- Circulation pumps, gears and motors and related parts	Local and overseas	2,203	9.07	2,291	8.93
- Control panel system, control valves and pressure transmitter and gauge	Local	2,574	10.61	2,099	8.18
- Titanium coil	Overseas	1,042	4.29	855	3.33
- Bolts and nuts and electric chain hoist	Local	274	1.13	255	0.99
Others [(ii)]	Local	1,126	4.64	1,673	6.52
Total purchases		**24,270**	**100.00**	**25,665**	**100.00**

Notes:

(i) FRP materials comprise chop strand mat, roving, additives and synthetic surface veil and tissue mat.

(ii) Others comprise bearings, couplings, mould release wax and polycarbonate sheet.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Our main purchase of raw materials in the past 3 FYEs 2017 to 2019 and FPE 2020 was plastic resins where it accounted for 15.17%, 20.16%, 15.22% and 12.71% of our total purchases respectively. Our main purchase of monitoring and control instruments for FYE 2017 and FPE 2020 was chlorination gas system and related parts (13.67% and 9.53% of our total purchases respectively), for FYE 2018 and FYE 2019 was control panel system, control valves and pressure transmitter and gauge (9.88% and 11.36% of our total purchases respectively).

The raw materials and monitoring and control instruments that we use are readily available and can be sourced from local and overseas suppliers. The prices of our raw materials such as plastic resins and mild steel may fluctuate during the financial years under review as a result of demand and supply conditions. Please refer to Section 8.1.6 for additional details on the impact of the fluctuation in prices of raw materials.

Notwithstanding certain raw materials and monitoring and control instruments are readily available, we generally take into account supplier lead time (i.e. time required for the suppliers to process our orders and to deliver the orders to our premises which is subject to the logistics arrangement that varies from supplier to supplier) to prevent potential major disruptions to our production. All selected suppliers are evaluated in terms of pricing, production capacities, range and technical specifications of supplies, ability to meet our quality requirements and timeliness of delivery.

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6. INFORMATION ON OUR GROUP *(Cont'd)*

6.11 MARKETING AND DISTRIBUTION CHANNELS

As at the LPD, our sales and marketing team comprises our Managing Director and 3 dedicated sales and marketing personnel (i.e. 1 dedicated sales and marketing personnel and 2 sales engineers), who are responsible for the sales and marketing of our products and services to support our local and overseas businesses.

Our sales and marketing activities include:

(a) Direct approach

We secure new customers through direct contact with potential customers. Our sales and marketing team constantly keep themselves abreast with industry updates through fairs and exhibitions and collecting market information in order to identify any potential customers. Thereafter, our sales and marketing team will approach these potential customers to promote our expertise and capabilities in providing glove chlorination solutions as well as other products and services.

(b) Referrals from business associates

We also secure new customers through referrals from our business associates. We regularly obtain feedback from our customers to better understand latest market trends and customer preferences.

(c) Industry network

We participate in networking events held among glove manufacturing and glove-related industries players which allow us to meet industry players from different segments of the industry value chain. Through participation in these activities, we identify potential customers and new sales opportunities; as well as engage and maintain business relationships with our existing customers. In addition, being a member under MARGMA allows us to broaden our exposure to industry players within the glove manufacturing and glove-related industries, which includes potential customers.

(d) Corporate website

We have established our corporate website at *http://www.flexidynamic.com* which provides immediate searchable information on our Group and details of our products and services.

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6. INFORMATION ON OUR GROUP *(Cont'd)*

6.12 INTELLECTUAL PROPERTIES

Save for the trademarks disclosed below, we have not registered any brand names, patents, industrial design or other intellectual property rights with the Intellectual Property Corporation of Malaysia:

Trade mark no.	Design/Mark	Registered owner	Class	Status
2014011730	FD FLEXIDYNAMIC 	Flexidynamic Engineering	Class 7: Online chlorination machine, machine and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); all included in class 7	**Filing/ Application date:** 21 October 2014 **Expiry date:** 21 October 2024
2014011731	FLEXIDYNAMIC 	Flexidynamic Engineering	Class 7: Online chlorination machine, machine and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); all included in class 7	**Filing/ Application date:** 21 October 2014 **Expiry date:** 21 October 2024

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6. INFORMATION ON OUR GROUP *(Cont'd)*

6.13 LICENCES AND PERMITS

Save as disclosed below, there are no other licences and permits which our Group is materially dependent on for our business or profitability as at the LPD:

	Licencee / Issuing authority / Registration no.	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
(a)	Flexidynamic Engineering / MITI / Licence No. A021915	13 August 2019 / Not applicable	Flexidynamic Engineering is licenced to act as a licenced manufacturer effective 14 February 2019(1) at the place of manufacturing at No. 7, Jalan 1/1, Kawasan Perusahaan Olak Lempit, 42700 Banting, Selangor Darul Ehsan for the manufacture of: (i) "*Chlorination system for Rubber Glove industry"; and* (ii) *"Storage tank and related module including Fibre glass-reinforced plastic ("FRP") dipping tank and FRP compounding tank".*	(a) Notification shall be made to MITI and MIDA of any change in the shareholding of Flexidynamic Engineering;	Complied
				(b) Flexidynamic Engineering is required to train Malaysians in order for the transfer of skills and technology to be circulated throughout every level of the workforce;	Complied
				(c) Flexidynamic Engineering needs to adhere to the conditions of Capital Investment Per Employee ("CIPE") of at least RM140,000.00;	Complied
				(d) The total number of additional full-time workers of the Company MUST comprise at least 80% Malaysian citizens. The wages of the foreign workers including outsourced funded foreign workers is subjected to policies from time to time; and	Complied
				(e) The employees of Flexidynamic Engineering shall consist of at least 80% Malaysians by the year 2020. The salaries of foreign employees including that of outsourced workers are subject to the prevailing policies, laws and regulations.	Refer to note (2) below.

6. INFORMATION ON OUR GROUP *(Cont'd)*

	Licencee / Issuing authority / Registration no.	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
(b)	Flexidynamic Engineering / CIDB / Registration No. 0120191117-WP035554 (3)	18 November 2019 / 17 November 2021	This certificate is to certify that Flexidynamic Engineering has been registered with CIDB as a contractor pursuant to Section VI of the CIDB Act and is subject to the terms and conditions set out in the certificate for the following: *Grade* / *Category* / *Specification* *G3* / *B* / *B04* *G3* / *CE* / *CE21*	(a) The certificate cannot be transferred	Noted
				(b) Renewal of the certificate must be made 60 days prior to the expiry date.	Noted
				(c) The registration will be cancelled, suspended or revoked if: • the contractor does not comply with any requirements of the law; • winding-up petition has been served on the contractor; • the contractor does not comply with CIDB Act; and • the contractor abandons any construction work without any reasonable reasons.	Noted
				(d) Grades and tender limits table: **Grade** / **Ability to tender (RM)** G7 / No limit G6 / Not > 10 million G5 / Not > 5 million G4 / Not > 3 million G3 / Not > 1 million G2 / Not > 500,000.00 G1 / Not > 200,000.00	Complied

Notes:

(1) Previously, Flexidynamic Engineering was operating at a rented factory located at Banting where it held a manufacturing licence no. A020979 from MITI that was issued on 27 July 2017.

However, when Flexidynamic Engineering began its operations in Banting Factory in June 2018, it was not aware that it required a separate manufacturing licence for its new location. Subsequently, when Flexidynamic Engineering became aware of this requirement, it submitted its application to MIDA for a new manufacturing licence on

12 February 2019. Hence, between June 2018 to 14 February 2019, there was no licence issued by MITI for the Banting Factory.

We have obtained verbal confirmation from MIDA that it is unlikely for our Group to be subject to any repercussions/retrospective sanctions from MITI as a result of operating without MITI licence at the Banting Factory during the said period.

(2) MITI had vide its letter dated 7 January 2020 extended the compliance date for the condition to up to 31 December 2022. As such, this condition has yet to take effect and is to be complied by 31 December 2022. As at the LPD, 43.24% of the employees of Flexidynamic Engineering are foreign workers.

(3) We received a compound from the CIDB of RM0.03 million. The groundwork for the installation of our glove chlorination systems often begins during the construction of our customer's glove manufacturing factory. As such, we will begin the installation of glove chlorination systems while our customers' factory building is being constructed. On 24 April 2019, a routine inspection was carried out by officers from the CIDB on one of our customer's factory which was being built. At that point in time, our employees were in the midst of installing the glove chlorination systems. However, CIDB was of the view that as we were working within a construction site, we require a CIDB license. This is notwithstanding the fact that we are installing the glove chlorination systems and were not involved in the construction of the factory.

We were then issued a compound for RM0.03 million, which we paid. We then applied and obtained a license from CIDB on 18 November 2019 in order to avoid the occurrence of such incident for future projects.

6.14 RESEARCH AND DEVELOPMENT

Our R&D activities primarily focus on enhancing efficiency and improving functionalities, such as cost and energy efficiency of our products based on our customers' requirements. Owing to the nature of our business, our R&D activities are carried out based on customer's needs and requirements, either by request or through our market research and feedback. We design, customise and improve our glove chlorination systems, storage tanks and process tanks to meet the requirements and standards set by our customers, while at the same time complying with the relevant safety standards.

Through our R&D initiatives, we have improved the functionalities of our glove chlorination systems. Some of the improvements made are as follows:

New or enhanced product developed	Description/ improvement	Year commenced development	Completion year
Past R&D Achievements			
Centrifugal fan	• Developed a new impeller and housing design for FRP centrifugal fans with high operating efficiency to reduce operating costs and to save energy • Estimated energy savings of 21.50% to 53.70% in a year	2014	2015

6. INFORMATION ON OUR GROUP *(Cont'd)*

New or enhanced product developed	Description/ improvement	Year commenced development	Completion year
Dipping tank flow optimisation version 1 ("Dipping Tank v1")	• Designed with optimal shapes and profiles to optimise the flow of glove formers through the dipping tanks (i.e. process tanks) and to reduce turbulence	2015	2016
FRP-lined mild steel storage tank	• Developed a cheaper alternative to epoxy coated /stainless steel storage tanks which are primarily used for the storage of latex	2017	2018
Automated compounding system	• Developed a new control system to automate the mixing of chemicals for glove manufacturing processes. The automated compounding system is then linked to the storage tanks, which complements our storage tanks business	2016	2020
Dipping tank flow optimisation version 2 ("Dipping Tank v2")	• An advanced version of Dipping Tank v1 • Redesign of dipping tanks (i.e. process tanks) with optimal shapes and profiles to further optimise the flow of glove formers through the tanks. New materials and techniques are used to manufacture dipping tanks with smoother surface and higher durability	2018	2020

As at the LPD, our Group is not undertaking any development of new or enhanced products. For the past 3 FYEs 2017 to 2019 and FPE 2020, the expenses for our R&D activities amounted to 0.14%, 0.03%, 0.24% and 0.07% of our Group's revenue respectively.

6.15 TECHNOLOGY USED

Our Group uses the following technologies for our business operations:

Software/equipment	No. of units	Description
Autodesk AutoCAD LT	6	A computer-aided design software application with 2-dimensional modelling functions, which is used for the design and engineering, including electrical and mechanical design, of our glove chlorination systems, storage tanks, process tanks and scrubber systems. The subscription cost to the software application is not material to our Group
3-dimensional printer	1	A machine used to produce prototypes for parts and components designed by our Group for R&D purposes

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.16 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiaries during the past 3 FYEs 2017 to 2019, FPE 2020 and up to the date of this Prospectus:

(a) Shareholders' agreement dated 19 March 2018 entered into between (1) Tan Kong Leong; (2) Liew Heng Wei (both to be known as "Existing Shareholders"); (3) Sin Kuo Wei; (4) Loh Wei Keat; (5) Tan Lui Ken; (6) Chong Chee Keong; (7) Lim Khin Choong; (8) Wong Fook Loong; (9) Phitchaya Arsangku ("New Shareholders"); and (10) Flexidynamic Engineering to regulate the relationship between the Existing Shareholders and the New Shareholders ("Shareholders' Agreement").

(Existing Shareholders, New Shareholders and Flexidynamic Engineering are collectively referred as "Parties").

The salient terms of the Shareholders' Agreement are as follows:

(i) None of the New Shareholders shall, during the term of the Shareholders' Agreement either sell, transfer, charge, encumber, grant options over or otherwise dispose of any legal or beneficial interest in any of the said shares now owned or subsequently acquired by it in Flexidynamic Engineering under or pursuant to the Shareholders' Agreement or by virtue of its shareholding in Flexidynamic Engineering;

(ii) The Shareholders' Agreement shall cease to be effective in the event of the following:

(aa) successful IPO of Flexidynamic Engineering at any time after the expiry of 3 years from 19 March 2018;

(bb) Flexidynamic Engineering is dissolved or otherwise cease to exist as a legal entity;

(cc) the Shareholders' Agreement is terminated by mutual consent of all the Parties; and

(dd) Either party have acquired the entire shareholding of the other party in Flexidynamic Engineering in accordance with the Shareholders' Agreement;

(iii) The Parties expressly and irrevocably agree that unless otherwise decided by the Existing Shareholders from time to time, the board shall comprise solely Directors nominated by the Existing Shareholders;

(iv) In respect of the shareholder's loan (if any), the Existing Shareholders shall advance into Flexidynamic Engineering in the form of shareholder's loan and the shareholders hereby agree that their shareholder's advances into Flexidynamic Engineering, whether before or after the date of this agreement, shall be free of interest and shall not be recalled unless otherwise agreed unanimously by all the shareholders;

6. INFORMATION ON OUR GROUP *(Cont'd)*

(v) If any of the New Shareholders commit or suffers an event of default, then the New Shareholders (non-defaulting shareholders) shall be entitled in their discretion to require the defaulting shareholder to sell all (but not part only) of the shares held or beneficially owned by the defaulting shareholder to the non-defaulting shareholder in accordance to their respective proportion of the shareholding in Flexidynamic Engineering by providing written notice to the defaulting shareholder;

(vi) The termination of the Shareholders' Agreement for any reason shall not release any party from any liability which at the time of termination has already accrued to the other Parties or which thereafter may accrue in respect of any act or omission prior to such termination; and

(vii) That the issued share capital of Flexidynamic Engineering shall be held by the Parties in the following proportions:

Tan Kong Leong	:	56.5%
Liew Heng Wei	:	25.5%
Sin Kuo Wei	:	4.0%
Loh Wei Keat	:	4.0%
Tan Lui Ken	:	2.0%
Chong Chee Keong	:	2.0%
Lim Khin Choong	:	2.0%
Wong Fook Loong	:	1.0%
Phitchaya Arsangku	:	3.0%

On 9 December 2020, we completed the Acquisition of Flexidynamic Engineering which resulted in Flexidynamic Holdings being the sole shareholder of Flexidynamic Engineering. Upon completion of the Listing, the Shareholders' Agreement shall cease to be effective in accordance with sub-paragraph (ii)(aa) above.

(b) Sale and purchase agreement dated 30 August 2019 entered into between Flexidynamic Engineering (as purchaser) and Klangcapital Development Sdn Bhd (as vendor) for the purchase of unit No. 12 of an industrial building under the project of a light industrial development comprising semi-detached factories known as "Excellent Technology Park IV" to be constructed on a sub-divided building lot (semi-detached factory comprising 2-storey office) with a built-up area measuring about 14,659.60 sq ft for a total purchase price of RM4.55 million. The agreement is pending completion as at the LPD.

(c) Sale and purchase agreement dated 30 August 2019 entered into between Flexidynamic Engineering (as purchaser) and Klangcapital Development Sdn Bhd (as vendor) for the purchase of unit No. 12A of an industrial building under the project of a light industrial development comprising semi-detached factories known as "Excellent Technology Park IV" to be constructed on a sub-divided building lot (semi-detached factory comprising 2-storey office) with a built-up area measuring about 14,659.60 sq ft for a total purchase price of RM4.56 million. The agreement is pending completion as at the LPD.

(d) Shareholders' agreement dated 14 May 2020 entered into between (1) Boonjing Boongrajang ("Boonjing") and (2) Naphatson Santibun ("Naphatson") and (3) Flexidynamic Engineering (Collectively, "Flexidynamic Thailand Shareholders") and (4) Flexidynamic Thailand to regulate the relationship between the Flexidynamic Thailand Shareholders ("Thailand SA").

6. INFORMATION ON OUR GROUP *(Cont'd)*

The salient terms of the Thailand SA are as follows:

(i) That the issued share capital of Flexidynamic Thailand shall be held by the Flexidynamic Thailand Shareholders in the following proportions:

Boonjing Boongrajang	:	50.0%
Naphatson Santibun	:	1.0%
Flexidynamic Engineering	:	49.0%

(ii) For as long as any Flexidynamic Thailand Shareholders hold the Shares in Flexidynamic Thailand, and unless otherwise determined by the Flexidynamic Thailand Shareholders in writing, the Board will consist of a maximum of 3 Directors; and Boonjing shall be entitled to nominated 1 Director while Flexidynamic Engineering will be entitled to nominate all the 2 persons as Directors. Both Boonjing and Flexidynamic Engineering shall have the right to remove, replace, or substitute any person so appointed;

(iii) The Flexidynamic Thailand Shareholders shall adopt a dividend policy in accordance with the relevant provisions of the Thailand Civil and Commercial Code;

(iv) Subject to Thailand SA becoming effective in accordance with the date of the agreement, the Thailand SA shall continue in full force and effect until:

(aa) an effective resolution is passed to wind up Flexidynamic Thailand or if a liquidator is otherwise appointed (but without prejudice to any rights which may have accrued to a party against another); or

(bb) all of the Flexidynamic Thailand Shareholders have agreed to mutually terminate the Thailand SA in writing; or

(cc) there is an occurrence of an event of default as contained in the Thailand SA.

(v) An event of default situation in the Thailand SA, amongst others shall include:

(aa) a material breach by any of the Flexidynamic Thailand Shareholders under the Thailand SA;

(bb) any of the Flexidynamic Thailand Shareholders is prohibited from being a shareholder by a change of any law;

(cc) any individual Flexidynamic Thailand Shareholders died or suffer from a mental incapacity;

(dd) an administrator or receiver is appointed over the assets or undertaking of any of the Flexidynamic Thailand Shareholders;

(ee) any of the Flexidynamic Thailand Shareholders disposes any of Flexidynamic Thailand shares in breach of Flexidynamic Thailand articles of association or the Thailand SA;

6. INFORMATION ON OUR GROUP *(Cont'd)*

(ff) subject to any scheme of amalgamation or reconstruction or initial public offering, there is a change in control of any of Flexidynamic Thailand Shareholders, a "change in control" shall be deemed to have occurred if any person having previously controlled the relevant person, through the possession (directly or indirectly) of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting shares, by contract, as trustee or executor, or otherwise, ceases to do so or if any person acquires control of the relevant person; and

(gg) any of the Flexidynamic Thailand Shareholders ceases or threatens to cease carrying on a substantial portion of its business otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the others or based on such directive by any relevant authorities.

(vi) If an event of default occurs in respect of any Flexidynamic Thailand Shareholders (the "Defaulting Party/Parties"), the non-defaulting Flexidynamic Thailand Shareholders(s) (the "Terminating Party") may (but is not obliged to) apply at any time within 60 days, first coming to the attention of the occurrence of an event of default on the Defaulting Party, with copies of such notice given to all the other Flexidynamic Thailand Shareholders to either purchase all of the Defaulting Party shares in Flexidynamic Thailand or require that the Defaulting Party to purchase (or procure the purchase by a nominee all of the respective Terminating Party's shares in Flexidynamic Thailand). If the Terminating Party decides to dispose all of their shares in Flexidynamic Thailand, the Defaulting Party shall be obligated to purchase all of the Terminating Party's shares. If there is more than one Defaulting Party, all the Defaulting Parties shall be obligated to purchase all the respective Terminating Party's shares based on each of the Defaulting Parties' shareholdings proportion of shares in Flexidynamic Thailand;

(vii) In the event that any of the Shareholders wish to sell, transfer or dispose all or any of their shares in the Company (referred to as the "Selling Party"), the Selling Party shall first offer its shares to the other Shareholders on a pro rata basis (if there is more than 2 Shareholder in the Company); and

(viii) The Thailand SA will be subject to and construed in all respects in accordance with the laws of Thailand and shall submit exclusively to the courts of Thailand.

(e) The share sale agreement dated 5 June 2020 entered into between our Company and the Vendors for the Acquisition of Flexidynamic Engineering. The Acquisition of Flexidynamic Engineering, which was completed on 9 December 2020.

(f) The underwriting agreement dated 25 January 2021 entered into between our Company and M&A Securities for an underwriting of 18,453,000 Issue Shares as set out in Section 4.11.1 of this Prospectus. Please refer to Section 4.12 of this Prospectus for the salient terms of the Underwriting Agreement.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.17 MATERIAL PROPERTIES OF OUR GROUP

6.17.1 Property owned by our Group

Details of the property owned by us as at the LPD are as follows:

(a) Banting Factory

Particulars of title	:	Lot 226, Seksyen 2, Pekan Bukit Changgang, District of Kuala Langat, State of Selangor held under Geran 124476
Registered proprietor	:	Flexidynamic Engineering
Land area based on titles	:	45,746 sq ft
Tenure / land use	:	Freehold / Industrial
Description, existing use and age of building	:	The property comprises a single-storey detached factory annexed with 3-storey office block identified as Factory No. 7 with a guard house and a refuse chamber. The factory has a built-up area of 18,720 sq ft. As at the LPD, it is used as a factory and office.
NBV	:	RM6,075,843 as at 30 September 2020
Certificate of fitness for occupation / Certificate of Completion and Compliance	:	**Date of certificate** — 3 September 2014 **Certificate no.** — LAM/S/NO.11853
Encumbrances	:	Charged to Public Bank Berhad

As at the LPD, the above property is not in breach of any land use condition or permissible land use.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.17.2 Properties rented by our Group

Details of properties rented by us as at the LPD are set out below:

No.	Description	Owner / Tenant	Existing Use	Built-up area	Period of tenancy / Rental per annum
1.	Office located in a single floor office unit at No. A-3A-28, IOI Boulevard Jalan Kenari 5, Bandar Puchong Jaya, 47170 Puchong, Selangor	ZYL Dynamic Sdn Bhd [(1)] / Flexidynamic Engineering	Head Office of Flexidynamic Engineering	2,271 sq ft	1 March 2021 to 28 February 2022 / RM66,000
2.	Warehouse located in a semi-detached factory lot at 27 Jalan Menglembu Impiana 34, I Park Menglembu, 31450, Ipoh, Perak	Lim Khin Choong [(2)] / Flexidynamic Engineering	Warehouse	4,050 sq ft	1 September 2020 to 31 August 2021 / RM36,000
3.	Office located in a 4-storey shop lot at No. 86/220, Moo 10, Tambol Khlong Neung, Amphur Klong Luang, Pathumthani Province, Thailand	Phitchaya Arsangku [(3)] / Flexidynamic Thailand	Thailand office	861 sq ft	5 January 2021 to 4 January 2022 / THB180,000 or equivalent to approximately RM24,059*

Notes:

* Based on the exchange rate of RM13.3662/THB100 as at the LPD.

(1) Tan Kong Kee is the Director and shareholder of ZYL Dynamic Sdn Bhd. He is the brother of Tan Kong Leong, our Promoter, substantial shareholder and Managing Director.

(2) Lim Khin Choong, holds 4,173,200 Shares, representing 2.0% equity interest in our Company as at the LPD.

(3) Phitchaya Arsangku is our Promoter, Director of Flexidynamic Thailand and wife of Tan Kong Leong, our Promoter, substantial shareholder and Managing Director. She holds 6,259,800 Shares, representing 3.0% equity interest in our Company as at the LPD.

The rental of the above-mentioned properties are deemed related party transactions. Our Directors have reviewed the above related party transactions and are of the view that the transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders.

As at the LPD, the above rented properties are not in breach of any land use condition or permissible land use.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.18 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

The defects and/or malfunctions of our glove chlorination systems could lead to the discharge of chlorine gas to the environment which may jeopardise the health of factory personnel as well as the public at large. Such incidents may cause our customers to be fined or have lawsuits initiated against them for their negligence and the hazard created. This may subsequently affect our Group as any form of unfavourable publicity regarding our glove chlorination systems or other negative events occurring such as litigations initiated against us could harm our reputation. Such negative publicity could also adversely affect our future engagement with new customers and the loyalty of our existing customers, which could adversely affect our financial position and in turn affect our business. Kindly refer to Section 8.1.10 for details.

The following is an overview of the regulatory requirements governing our Group which are material to our business operations:

(a) Industrial Co-Ordination Act 1975 ("ICA")

Pursuant to the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. The ICA defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade". Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence.

However, when Flexidynamic Engineering began its operations in Banting Factory in June 2018, it was not aware that it required a separate manufacturing licence for its new location. Subsequently, when Flexidynamic Engineering became aware of this requirement, it submitted its application to MIDA for a new manufacturing licence on 12 February 2019. Hence, between June 2018 to 14 February 2019, there was no licence issued by MITI for the Banting Factory.

We have obtained verbal confirmation from MIDA that it is unlikely for our Group to be subject to any repercussions/retrospective sanctions from MITI as a result of operating without MITI licence at the Banting Factory during the said period.

As at the LPD, our subsidiary, Flexidynamic Engineering, which carries out the manufacturing activity holds a valid manufacturing licence issued by the MITI.

(b) Construction Industry Development Board Act Malaysia 1994 ("CIDB Act")

The CIDB Act which applies throughout Malaysia, regulates the establishment of the CIDB, and provides for its function relating to the construction industry and for matters connected therewith.

Pursuant to the CIDB Act, a contractor is a person who carries out or completes or undertakes to carry out or complete any construction works and for the purpose of the CIDB Act, any person who has been awarded or executed any contracts for construction works, or has undertaken to carry out, manage or complete any construction works, or has carried out, managed or completed any construction works, shall be deemed to be a contractor unless proven otherwise.

6. INFORMATION ON OUR GROUP *(Cont'd)*

In Malaysia, a contractor must register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. Failure to register with the CIDB constitutes an offence and on conviction, the party in breach of the CIDB Act may be liable to a fine of not less than RM10,000.00 but not more than RM100,000.00.

We received a compound from the CIDB of RM0.03 million. The groundwork for the installation of our glove chlorination systems often begins during the construction of our customer's glove manufacturing factory. As such, we began the installation of glove chlorination systems while our customers' factory building was being constructed.

On 24 April 2019, a routine inspection was carried out by officers from the CIDB on one of our customer's factory which was being built. At that point in time, our employees were in the midst of installing the glove chlorination systems. However, CIDB was of the view that as we were working within a construction site, we required a CIDB license. This is notwithstanding the fact that we were installing the glove chlorination systems and were not involved in the construction of the factory.

We were then issued a compound for RM0.03 million, which we paid. We then applied and obtained a license from CIDB on 18 November 2019 in order to avoid the occurrence of such incident for future projects.

As at the LPD, our subsidiary, Flexidynamic Engineering holds and maintains a valid CIDB license issued by the CIDB.

(c) Workers' Minimum Standards of Housing and Amenities Act 1990

Pursuant to the Worker's Minimum Standards of Housing and Amenities (Amendment) Act 2019, which amended the Worker's Minimum Standards of Housing And Amenities Act 1990 and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 that came into force on 1 September 2020 ("WMSHA 2019"), employers must comply with the WMSHA 2019, which includes providing minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards.

The WMSHA 2019 further provides that no employer or centralised accommodation provider shall use any buildings as accommodation if the building is unfit for human habitation in accordance with the relevant written laws. The employer or centralised accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards required under WMSHA or any regulations made thereunder. As at the LPD, our accommodation complies with the minimum standards required under WMSHA 2019.

Pursuant to the WMSHA 2019, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. WMSHA 2019 provides that an employer who contravenes the WMSHA 2019 commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

Our subsidiary, Flexidynamic Engineering provides accommodation to our employees at rented terrace houses located within the vicinities of Perak and Selangor. As such, the Certificate for Accommodation is required to be obtained by Flexidynamic Engineering.

Flexidynamic Engineering had between 20 January 2021 and 21 January 2021 submitted 7 applications for the Certificate for Accommodation for the foreign workers' accommodation located within the vicinities of Perak (2 locations) and Selangor (5 locations) to the Department of Labour Peninsular Malaysia. As at the LPD, the issuance of Certificate for Accommodation is still pending. We will provide updates on the status of issuance of the Certificate for Accommodation via announcements to be made to Bursa Securities.

If we fail to obtain the Certificate for Accommodation, on conviction, we shall be liable to a fine not exceeding RM50,000 for each location. In addition, our operations may be temporarily affected as we will be required to relocate our foreign workers to new accommodation locations. In addition, we are also required to obtain the Certificate for Accommodation for the new accommodation locations.

Please refer to Section 8.1.4 of this Prospectus for further details of the risks arising from our failure to obtain a Certificate for Accommodation.

6.19 BUSINESS STRATEGIES AND PROSPECTS

6.19.1 We intend to enhance our in-house manufacturing capability in anticipation of the increase in demand for our products and to reduce our reliance on subcontractors, which is in line with our business growth and expansion

Since the commencement of our business, we have focused on the design and engineering of on-line glove chlorination systems, storage tanks, process tanks and scrubber systems; and have been involved in the manufacturing of off-line glove chlorination systems, and centrifugal fans which is a critical part of our on-line glove chlorination systems.

Our Group intends to enhance our manufacturing capability by undertaking the manufacturing of long and cylindrical products in-house such as the manufacturing of storage tanks, scrubber towers, chimneys and ductings. This is in preparation to cater to the increase in projects, as we anticipate to secure more projects in the future as we continue to grow and expand our business. Further, as we undertake more manufacturing activities in-house, we expect to reduce our reliance on subcontractors for the manufacturing of parts and components of our on-line glove chlorination system. In anticipation of future business growth and expansion, this will enable us to take on opportunities arising from increased demand, which will contribute to our financial performance.

We had acquired 2 new factories which are under construction as at the LPD, we intend to purchase additional machinery to support our in-house manufacturing works, as follows:

(a) Acquisition of 2 new factories

We entered into 2 sale and purchase agreements on 30 August 2019 to purchase 2 adjoining semi-detached factory units located behind our Banting Factory, which are, as at the LPD, under construction. The 2 factory units will have a built-up area of approximately 14,660 sq ft each. The new factories will be installed with new machinery and equipment used to carry out in-house manufacturing works for long and cylindrical parts and components of our on-line glove chlorination systems such as storage tanks, scrubber towers, chimneys and ductings. This is in line with our plan to undertake more manufacturing activities in-house.

Our Group is involved in the design and engineering of the entire glove chlorination systems including the associated parts and components, as well as manufacturing of

centrifugal fans. The process and skill sets required for the manufacturing of centrifugal fans and long and cylindrical products are similar. Premised on our design, engineering and manufacturing expertise, we have the necessary expertise and skillsets in-house to undertake the additional manufacturing activities of aforementioned long and cylindrical products. However, at this juncture, we are unable to undertake the manufacturing activities as these long and cylindrical products are manufactured using discontinuous filament winding machine that occupies a large production area, which our Banting Factory is unable to accommodate. We also plan to hire additional workers to undertake these manufacturing activities. The new workers will be trained by our experienced workers upon hiring.

As at the LPD, the 2 new factories are still under construction. The construction of the 2 factory units are expected to be completed by May 2021. Upon completion of construction and handover to our Group, minor renovations will be carried out for approximately 3 months prior to installation of machines. We expect to commence operations in the third quarter of 2021.

The total cost of the 2 factory units is RM7.54 million (after including discount of RM1.57 million given by the developer) which was financed via internally generated funds of RM1.16 million and bank borrowings of RM6.38 million. We plan to allocate a total of RM6.80 million from our IPO proceeds to repay the bank borrowings (RM6.38 million) and to fund the renovation (RM0.42 million). Any unutilised proceeds will be used to fund our working capital, whereas any insufficient funds to repay the bank borrowings and to fund the renovation will be funded through internally generated funds.

(b) Acquisition of new machinery and equipment

We also plan to acquire the following new machinery and equipment to be installed at our new factories:

Details		**No. of units**	**RM'000**
(i)	Discontinuous filament winding machine and mould	1	650
(ii)	Pultrusion machine and moulds	1	350
(iii)	Material handling equipment		
	- Crane, winches and related accessories	1	130
	- Lorry crane	1	400
	- Forklift	1	100
			1,630

(i) Discontinuous filament winding machine and mould

Discontinuous filament winding machine is an automated machine used to manufacture long and cylindrical products such as storage tanks, scrubber towers, chimneys and ductings. A discontinuous filament winding machine has a horizontal axis that is fitted with cylindrical moulds, for the laying of FRP films. The rotation of the horizontal axis aids in the continuous laying of FRP films.

We plan to purchase 1 unit of discontinuous filament winding machine together with a mould, which is estimated to cost RM0.65 million in total and we plan to fully fund this purchase from our IPO proceeds. The discontinuous filament winding machine will be placed at our new factories for in-house manufacturing of long and cylindrical products. The purchase of this machine

will reduce our reliance on subcontractors for the manufacturing of long and cylindrical products. With this filament winding machine, we expect to achieve cost savings ranging between 1.5% to 5.9% for each storage tank/scrubber tower manufactured, and cost savings ranging between 6.1% and 34.7% for each chimney/ducting manufactured. The difference in the percentage of cost savings is due to different specifications of storage tanks, scrubber towers, chimneys and ductings.

It is estimated that we are able to produce a maximum of 2 units of storage tanks/scrubber towers/chimneys/ductings in a day using the discontinuous filament winding machine. Taking into consideration that our factory operates 6 days a week, we will be able to manufacture 624 units of the said products in a year (based on the assumption that we will manufacture products upon the receipt of purchase orders and hence, ready products can be shipped out immediately and space constraints will not be a limiting factor). Further, the new discontinuous filament winding machine has higher level of automation and is expected to reduce manual labour needed for the manufacturing works. The reduced manual labour required is expected to reduce our labour cost.

(ii) Pultrusion machine and moulds

Pultrusion machine is an automated machine used to produce FRP profiles using FRP materials such as chop strand mat, roving and tissue mat with plastic resins. The FRP profiles produced will be used as structural support for amongst others, storage tanks, process tanks, scrubber towers and chimneys.

As at the LPD, we do not own any pultrusion machine and as such, FRP profiles are produced manually. We plan to purchase 1 unit of pultrusion machine together with some moulds, which is estimated to cost RM0.35 million and we plan to fully fund this purchase from our IPO proceeds. The pultrusion machine will be placed at our new factories to support the manufacturing of FRP profiles. It is expected to reduce manual labour needed for our manufacturing works.

The manufacturing of FRP profiles is highly customised and as such, the estimation of capacity for pultrusion machine is not applicable.

(iii) Material handling equipment

Material handling equipment such as cranes, winches and related accessories as well as forklifts and pallet trucks are used to carry heavy products and components.

We plan to purchase 1 unit of overhead crane together with the related accessories, 1 unit of lorry crane and 1 unit of forklift, which are estimated to cost RM0.63 million and we plan to fully fund this purchase using our IPO proceeds. The new material handling equipment will be placed at our new factories to support our manufacturing works.

The cost to purchase the abovementioned machines are estimated to be RM1.63 million, which will be funded from our IPO proceeds. We aim to purchase these machines within 3 months upon the completion and handover of the new factory units. In addition, we will also hire additional production workers to operate these machines along with the anticipated increase in manufacturing activities.

6. INFORMATION ON OUR GROUP *(Cont'd)*

By undertaking more manufacturing activities in-house, our Group will need to carry out additional operational tasks including arranging periodic maintenance for the new machinery and equipment as well as planning production schedule. Further, we may incur a number of additional costs including increased depreciation charges, machinery maintenance costs and staff costs, as set out in Section 8.1.5. Despite the above, this is expected to reduce our reliance on subcontractors for the manufacturing of parts and components of our on-line glove chlorination systems as well as enable us to improve gross margin by reducing our subcontractor cost, which will contribute to our financial performance.

6.19.2 We plan to continue expanding our customer base within the glove manufacturing and glove-related industries

Since the inception of our business in 2012, we have secured various major and notable glove manufacturers and glove-dipping line manufacturers in Malaysia as our customers. Among the major and notable glove manufacturers and glove-dipping line manufacturers that we have served over the years are Hartalega Group (through Hartalega Sdn Bhd, Hartalega NGC Sdn Bhd and and Hartalega Research Sdn Bhd), Riverstone Group (through Riverstone Resources Sdn Bhd and Eco Medi Glove Sdn Bhd), Kossan Group (through Ideal Quality Sdn Bhd, Kossan Latex Industries (M) Sdn Bhd, Perusahaan Getah Asas Sdn Bhd and Wear Safe (Malaysia) Sdn Bhd), HL Advance Technologies (M) Sdn Bhd (a subsidiary of HLT Global Berhad) and Central Medicare Sdn Bhd.

According to the IMR Report, Malaysia is a major producer of rubber gloves with approximately 69 rubber glove manufacturing companies and is the world's largest rubber glove exporter with a global share of rubber gloves exports of 58.88% in 2019. Apart from our existing customer base, there are many other glove manufacturing and glove-related industries players in Malaysia who require glove chlorination systems, storage tanks, process tanks, and/or scrubber system and this presents us the opportunity to capture the demand from these industry players. In addition to securing new customers within Malaysia, we also plan to continue to grow our glove chlorination business in Thailand and Vietnam by securing local glove manufacturers as our new customers, and supporting our existing customers as they set up or expand their production plant in overseas.

In line with our business expansion plan, we had in September 2020 hired 2 sales engineers to carry out sales and marketing activities. Hence, our current sales and marketing team comprises our Managing Director and 3 sales and marketing personnel (i.e. 1 dedicated sales and marketing personnel and 2 sales engineers). We hire sales engineers to carry out sales and marketing activities, as the sale of our products requires a certain level of technical knowledge and expertise. Our sales and marketing team will carry out sales and marketing activities in Malaysia, Thailand and Vietnam as follows:

(a) Actively approach new customers within the glove manufacturing and glove-related companies;

(b) Actively engage and build business relationships with our existing customers and business associates for referrals;

(c) Continuously participate in networking and marketing events held among glove manufacturing and glove-related companies; such as the International Rubber Glove Conference and Exhibition that will be held in Kuala Lumpur in August 2021, to enhance our market presence. This event is organised by MARGMA and co-hosted by the Malaysian Export Promotion Council, in association with the Thai Rubber Glove Manufacturers Association and the Indonesian Rubber Glove Manufacturers Association, and will be attended by industry stakeholders from Malaysia and overseas. The participation fees and expenses in setting up booths in the exhibition will be funded via internally generated funds.

6. INFORMATION ON OUR GROUP *(Cont'd)*

These sales and marketing activities will allow us to expand our customer base in the glove manufacturing and glove-related industries which may in turn increase our market share in the glove chlorination manufacturing industry. With this, we will be able to strengthen our market position and reputation as well as enhance our financial performance.

6.19.3 Prospects of our Group

According to the IMR Report, the glove chlorination manufacturing industry grows in tandem with the glove manufacturing industry as the establishment of new and/or expansion and/or upgrading of glove manufacturing facilities by glove manufacturers are the main determinant of the demand for glove chlorination systems.

Due to the on-going Covid-19 pandemic, glove manufacturers have faced a surge in demand for rubber gloves as rubber gloves are a means of protective and preventive gear against diseases. Smith Zander estimates global demand for rubber gloves to have reached approximately 369 billion pieces in 2020, an increase of 24.66% from 2019. In tandem with the spike in the global demand for rubber gloves, Malaysia's export of rubber gloves to reach 994.91 kilotonnes in 2020, an increase of 26.29% from 2019. Further, MARGMA forecasts the global demand for rubber gloves to reach 420 billion pieces in 2021, an increase of 13.82% from 2020. Following this, Smith Zander forecasts Malaysia's export of rubber gloves to reach 1,159.45 kilotonnes in 2021, an increase of 16.54% from 2020. Similarly, exports of rubber gloves in Thailand and Vietnam are expected to spike in 2020 and further increase in 2021 due to the demand for rubber gloves arising from the Covid-19 pandemic.

With the availability of vaccines for the Covid-19 virus, the usage of rubber gloves among healthcare professionals may gradually decrease from levels recorded in 2020 and 2021 at the peak of the pandemic. Nevertheless, the demand for rubber gloves are expected to remain high which is premised on the continuous usage of medical gloves among healthcare professionals worldwide during mass vaccination, especially in the near term as countries have made arrangements to procure Covid-19 vaccines; and in the longer term, it will be continuously driven by heightened awareness of the usage of rubber gloves as a protection against virus and diseases due to the Covid-19 pandemic, as well as the increase in demand for healthcare services due to various factors including growing accessibility to healthcare services, rising population and growing ageing population, and rising prevalence of chronic and other contagious diseases. As such, Smith Zander forecasts global demand for rubber gloves to increase to approximately 615 billion pieces in 2025, at a CAGR of 10.00% from 2021 to 2025. With this anticipated growth in global demand, there will be continuous establishment of new and/or expansion and/or upgrading of glove manufacturing facilities, which creates demand for glove chlorination systems.

Accordingly, Smith Zander forecasts that Malaysia's export of rubber gloves to increase to 1,526.76 kilotonnes in 2025, at a CAGR of 7.12% from 2021 to 2025. The exports of rubber gloves in Thailand and Vietnam are also expected to grow in the longer term. Smith Zander forecasts Thailand's exports of rubber gloves to increase to 398.99 kilotonnes in 2025, at a CAGR of 11.57% from 2019 to 2025. Smith Zander forecasts Vietnam's exports of rubber gloves to increase to 26.87 kilotonnes in 2025, at a CAGR of 6.52% from 2019 to 2025.

Notwithstanding the above, the growth in global demand for rubber gloves, as well as exports of rubber gloves from Malaysia, Thailand and Vietnam, may be higher should Covid-19 infection rates remain high globally after 2020. Premised on the above, global demand for rubber gloves is expected to continue demonstrating growth post Covid-19, albeit at slower rates than in 2020 and 2021, driven mostly by heightened awareness of the usage of rubber gloves as a result of the Covid-19 pandemic.

As such, the prospects of our Group, remain positive in tandem with the growth in the glove manufacturing industry as a result of continuous growth in global demand for rubber gloves.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.20 EMPLOYEES

As at the LPD, we have a total workforce of 94 employees, of which 62 are permanent employees and 32 are contractual workers. The following depicts the number of employees in our Group according to department and geographical location as at the LPD:

	Permanent		Contract/temporary		Total
Department	**Local**	**Foreign**	**Local**	**Foreign**	**employee**
Directors	3	2	-	-	5
Key senior management	2	-	-	-	2
Administration, Finance and Human Resources	3	1	-	-	4
Sales and Marketing	1	-	-	-	1
Engineering / R&D	7	1	-	-	8
Purchasing	2	-	-	-	2
Quality Control	4	-	-	2	6
Store	5	-	-	2	7
Production	15	16	-	28	59
TOTAL	**42**	**20***	**-**	**32**	**94**

	Permanent		Contract/temporary		Total
Countries	**Local**	**Foreign**	**Local**	**Foreign**	**employee**
Malaysia	42	-	-	32	74
Thailand	-	20	-	-	20
TOTAL	**42**	**20***	**-**	**32**	**94**

Note:

* These employees are Thai nationals.

As at the LPD, Malaysian employees accounted for approximately 44.68% of our total workforce while the remaining 55.32% were foreign workers. As at the LPD, we have 52 foreign workers. All our foreign workers working in Malaysia have valid working permits. None of our employees belong to any labour union. During the past FYEs 2017 to 2019, FPE 2020 and up to the LPD, there is no major industrial dispute pertaining to our employees.

We have in place a management succession plan to identify key competencies and requirements of managers and higher ranking personnel, to take positive approach towards addressing talent management to ensure our Group has talent readily available from a capability perspective to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.21 MAJOR CUSTOMERS

Our customers are mainly glove manufacturers and glove-dipping line manufacturers. Our order book depends on our customers' respective manufacturing and expansion plans, which are driven by the anticipated demand for gloves worldwide.

Our top 5 major customers for each of the past 3 FYEs 2017 to 2019 and FPE 2020 are as follows:

FYE 2017

No.	Customers [1]	Country	Business activities	Category of products / services sold [2]	Revenue contribution in FYE 2017		Length of relationship as at the LPD
					RM'000	%	Years
1.	Hartalega Group	Malaysia	Manufacturing of gloves	(a), (c), (d) and (e)	10,157	33.97	8
2.	Central Medicare Sdn Bhd	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	4,280	14.31	5
3.	Kossan Group	Malaysia	Manufacturing of gloves	(a), (c), (d) and (e)	3,809	12.74	8
4.	Sri Trang Group	Thailand	Manufacturing of gloves	(a), (d) and (e)	2,677	8.95	9
5.	Riverstone Group	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	2,667	8.92	9
				Sub-total	**23,590**	**78.89**	
				Total	**29,902**	**100.00**	

FYE 2018

No.	Customers [1]	Country	Business activities	Category of products / services sold [2]	Revenue contribution in FYE 2018		Length of relationship as at the LPD
					RM'000	%	Years
1.	Hartalega Group	Malaysia	Manufacturing of gloves	(a), (c), (d) and (e)	15,354	31.78	8
2.	Ever Global (Vietnam) Enterprise Corporation	Vietnam	Manufacturing of gloves	(a)	7,928	16.40	4
3.	Central Medicare Sdn Bhd	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	5,819	12.04	5
4.	Kossan Group	Malaysia	Manufacturing of gloves	(a), (c), (d) and (e)	4,471	9.25	8
5.	YTY Group	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	3,927	8.13	8
				Sub-total	**37,499**	**77.60**	
				Total	**48,322**	**100.00**	

6. INFORMATION ON OUR GROUP *(Cont'd)*

FYE 2019

No.	Customers [1]	Country	Business activities	Category of products / services sold [2]	Revenue contribution in FYE 2019		Length of relationship as at the LPD
					RM'000	%	Years
1.	Hartalega Group	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	20,388	40.91	8
2.	Ever Global (Vietnam) Enterprise Corporation	Vietnam	Manufacturing of gloves	(a) and (e)	10,182	20.43	4
3.	Sri Trang Group	Thailand	Manufacturing of gloves	(a), (c), (d) and (e)	5,258	10.55	9
4.	Kossan Group	Malaysia	Manufacturing of gloves	(a), (c), (d) and (e)	4,680	9.39	8
5.	Riverstone Group	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	2,729	5.47	9
				Sub-total	**43,237**	**86.75**	
				Total	**49,839**	**100.00**	

FPE 2020

No.	Customers [1]	Country	Business activities	Category of products / services sold [2]	Revenue contribution in FPE 2020		Length of relationship as at the LPD
					RM'000	%	Years
1.	Hartalega Group	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	11,196	31.98	8
2.	Central Medicare Sdn Bhd	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	7,439	21.25	5
3.	YTY Group	Malaysia	Manufacturing of gloves	(a), (b), (c), (d) and (e)	6,100	17.43	8
4.	Sri Trang Group	Thailand	Manufacturing of gloves	(a), (c), (d) and (e)	2,611	7.46	9
5.	Kossan Group	Malaysia	Manufacturing of gloves	(a), (c), (d) and (e)	1,586	4.53	8
				Sub-total	**28,932**	**82.65**	
				Total	**35,007**	**100.00**	

6. INFORMATION ON OUR GROUP *(Cont'd)*

Notes:

(1) The companies within our customer grouping are as follows:

Customer grouping	Companies
Hartalega Group	Hartalega Sdn Bhd, Hartalega NGC Sdn Bhd and Hartalega Research Sdn Bhd
Kossan Group	Kossan Latex Industries (M) Sdn Bhd, Ideal Quality Sdn Bhd, Perusahaan Getah Asas Sdn Bhd and Wear Safe (Malaysia) Sdn Bhd
Riverstone Group	Riverstone Resources Sdn Bhd and Eco Medi Glove Sdn Bhd
Sri Trang Group	Premier System Engineering Co Ltd, Sri Trang Gloves (Thailand) Co Ltd (previously known as Siam Sempermed Corp Ltd) and Sri Trang Gloves (Thailand) Public Co Ltd
YTY Group	Green Prospect Sdn Bhd and YTY Industry Sdn Bhd

(2) Categories of products / services sold:

(a) Glove chlorination systems
(b) Storage tanks
(c) Process tanks
(d) FRP lining services and/or scrubber systems
(e) Trading of replacement parts

In the past 3 FYEs 2017 to 2019 and FPE 2020, our largest customer was Hartalega Group which contributed to 33.97%, 31.78%, 40.91% and 31.98% to our revenue respectively. Hartalega Group has been our major customer since 2013. Despite the absence of long term contract, we believe that our long term relationship with Hartalega Group has allowed us to continue to secure new orders from Hartalega Group. This is also demonstrated by the increase in orders from Hartalega Group for the past 3 FYEs and FPE 2020 which is in line with the Hartalega Group's plan to expand their production capacity.

Since our commencement in 2012, we have secured business from foreign customers from Vietnam, Thailand, Indonesia and Sri Lanka. For the past 3 FYEs, we recorded an increase in our foreign sales from RM5.44 million in FYE 2017 to RM15.86 million in FYE 2019. Foreign sales represent between 18.19% and 31.82% of our total sales. Our foreign revenue for the past 3 FYEs were mainly contributed by Sri Trang Group (Thailand) and Ever Global (Vietnam) Enterprise Corporation. In FPE 2020, our foreign sales decreased from RM13.14 million or 37.44% in FPE 2019 to RM4.80 million or 13.72% in FPE 2020 due to the completion of the majority of overseas projects during FYE 2019. Nevertheless, we have secured new projects from customers in Thailand and Vietnam amounting to RM41.09 million during FPE 2020 and most of the revenue from these new projects shall be recognised after FPE 2020. Of the RM41.09 million worth of projects secured from customers in Thailand and Vietnam during the FPE 2020, RM2.30 million was recognised in the FPE 2020; RM8.67 million was recognised between October 2020 and December 2020; and RM27.87 million and RM2.25 million are expected to be recognised in the financial years ending 2021 and 2022 respectively.

6. INFORMATION ON OUR GROUP *(Cont'd)*

We are dependent on our major customers as their collective revenue contributions were 78.89%, 77.60%, 86.75% and 82.65% in the past 3 FYEs 2017 to 2019 and FPE 2020 respectively. If any one or more of our major customers cease to purchase our products and services, we may experience reduction in purchase orders which could result in a loss of revenue, given that we may not be able to replace these customers with new customers or with additional orders from existing customers in a timely manner. Further, we do not have any long-term agreements or arrangements with our customers as our Group's sales are based on purchase orders whereby our customers purchase our products/services on a project-to-project basis or on an as-needed basis, which may result in uncertainties over our overall financial performance.

The demand for our Group's glove chlorination systems by our major customers in the past 3 FYEs and FPE 2020 is primarily driven by our established track record in the glove chlorination industry; design and engineering expertise that gives us the flexibility to provide product customisation; and experienced management team, as set out in Section 6.8.

Based on our management's understanding, the need by our major customers to purchase glove chlorination systems is based on their decision to expand their glove manufacturing lines, which are primarily driven by growth in the demand for gloves as a result of:

- Growth in the global and domestic healthcare industry;
- Growth in the other global and domestic end-user industries that use gloves in daily operations such as manufacturing and food industry; and
- Growth in the hygiene awareness and changes in healthcare requirements in emerging markets.

Further, the need by our major customers to purchase glove chlorination systems are also driven by the need to replace their existing glove chlorination systems to improve efficiency.

Moving forward, we expect these major customers to continue contributing to our Group's revenue as we have maintained good business relationships with our customers over the years, and we believe that this will provide our Group with assurance for business sustainability as well as a strong platform for business growth and expansion. In the past 3 FYEs 2017 to 2019, FPE 2020 and up to the LPD, we have not encountered any major issues in dealing with our customers.

In the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, our Group had 39 companies, 40 companies, 39 companies and 37 companies as our customers respectively. According to the IMR Report in Section 7 of this Prospectus, there are 69 rubber glove manufacturing companies in Malaysia and in the FPE 2020, out of the 37 companies who were our customers, our Group secured 18 glove manufacturing companies in Malaysia. Given that there are still 51 glove manufacturing companies in Malaysia yet to be our customers which presents us the opportunity to capture the demand from these companies, we have a positive prospect of acquiring new customers. In addition to securing new customers within Malaysia, as part of our business strategies set out in Section 6.19.2, we also plan to continue to grow our glove chlorination business in Thailand and Vietnam, as Thailand is the world's second largest rubber glove exporter after Malaysia while Vietnam is also a producer of rubber gloves. To facilitate this, as part of our business strategies, we hired 2 sales engineers to focus on sales and marketing activities of our products and services to expand our customer base within the glove manufacturing and glove-related industries primarily in Malaysia. Our sales and marketing team will also continue to grow our glove chlorination business in Thailand and Vietnam through a series of sales and marketing activities set out in Section 6.19.2. This is expected to reduce our sales concentration risk on our major customers.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.22 MAJOR SUPPLIERS

Our major suppliers comprise the following:

(a) Subcontractors

The manufacturing of on-line glove chlorination systems, storage tanks, process tanks and scrubber systems are outsourced to our subcontractors. Nevertheless, we are involved in the design and/or manufacturing of moulds for the parts and components of our on-line glove chlorination systems, storage tanks, process tanks and scrubber systems. For the manufacturing of parts and components of our on-line glove chlorination systems, storage tanks, process tanks and scrubber systems using FRP materials, we supply the required raw materials to our subcontractors for the manufacturing works. For FRP-lined mild steel storage tanks, our subcontractors will source for the steel materials for the manufacturing works while we will supply the FRP materials. For the past 3 FYEs 2017 to 2019 and FPE 2020, we have only outsourced our manufacturing works to 4 subcontractors.

Our subcontractors for each of the past 3 FYEs 2017 to 2019 and FPE 2020 are as follows:

FYE 2017

No.	Subcontractors	Country of origin	Services sourced	Value of purchases in FYE 2017		Length of relationship as at the LPD
				RM'000	%	Years
1.	Chong Chee Keong [(1)]	Malaysia	Subcontracted manufacturing works for metal moulds as well as long and cylindrical products	1,978	10.45	8
2.	L & S Advance Sdn Bhd [(2)]	Malaysia	Subcontracted manufacturing works for process tanks	820	4.33	6
3.	Fook Loong Engineering [(3)]	Malaysia	Subcontracted manufacturing works for long and cylindrical products	257	1.36	8
4.	Pembinaan Kim Choi Sdn Bhd	Malaysia	Subcontracted manufacturing works for metal moulds and mild steel storage tanks	105	0.55	5
			Sub-total	**3,160**	**16.69**	
			Total	**18,930**	**100.00**	

6. INFORMATION ON OUR GROUP *(Cont'd)*

FYE 2018

No.	Subcontractors	Country of origin	Services sourced	Value of purchases in FYE 2018		Length of relationship as at the LPD
				RM'000	%	Years
1.	L & S Advance Sdn Bhd [2]	Malaysia	Subcontracted manufacturing works for process tanks	2,578	7.94	6
2.	Chong Chee Keong [1]	Malaysia	Subcontracted manufacturing works for metal moulds as well as long and cylindrical products	2,204	6.78	8
3.	Pembinaan Kim Choi Sdn Bhd	Malaysia	Subcontracted manufacturing works for metal moulds and mild steel storage tanks	1,421	4.37	5
4.	Fook Loong Engineering [3]	Malaysia	Subcontracted manufacturing works for long and cylindrical products	590	1.82	8
			Sub-total	**6,793**	**20.91**	
			Total	**32,486**	**100.00**	

FYE 2019

No.	Subcontractors	Country of origin	Services sourced	Value of purchases in FYE 2019		Length of relationship as at the LPD
				RM'000	%	Years
1.	Pembinaan Kim Choi Sdn Bhd	Malaysia	Subcontracted manufacturing works for metal moulds and mild steel storage tanks	3,762	11.38	5
2.	L & S Advance Sdn Bhd [2]	Malaysia	Subcontracted manufacturing works for process tanks	2,488	7.52	6
3.	CCK Engineering Sdn Bhd [1]	Malaysia	Subcontracted manufacturing works for metal moulds as well as long and cylindrical products	2,221	6.72	8
4.	Fook Loong Engineering Founder Sdn Bhd [3]	Malaysia	Subcontracted manufacturing works for long and cylindrical products	1,205	3.64	8
			Sub-total	**9,676**	**29.26**	
			Total	**33,066**	**100.00**	

6. INFORMATION ON OUR GROUP *(Cont'd)*

FPE 2020

No.	Subcontractors	Country of origin	Services sourced	Value of purchases in FPE 2020 RM'000	Value of purchases in FPE 2020 %	Length of relationship as at the LPD Years
1.	Pembinaan Kim Choi Sdn Bhd	Malaysia	Subcontracted manufacturing works for metal moulds and mild steel storage tanks	3,496	13.62	5
2.	Fook Loong Engineering Founder Sdn Bhd (3)	Malaysia	Subcontracted manufacturing works for long and cylindrical products	2,132	8.31	8
3.	L & S Advance Sdn Bhd (2)	Malaysia	Subcontracted manufacturing works for process tanks	1,772	6.90	6
4.	CCK Engineering Sdn Bhd (1)	Malaysia	Subcontracted manufacturing works for metal moulds as well as long and cylindrical products	1,466	5.71	8
			Sub-total	**8,866**	**34.54**	
			Total	**25,665**	**100.00**	

Notes:

(1) Chong Chee Keong, the shareholder of CCK Engineering Sdn Bhd, holds 4,173,200 Shares, representing 2.0% equity interest in our Company as at the LPD. In 2019, CCK Engineering Sdn Bhd was incorporated and since then, we have been transacting with CCK Engineering Sdn Bhd.

(2) Lim Khin Choong, the shareholder of L&S Advance Sdn Bhd, holds 4,173,200 Shares, representing 2.0% equity interest in our Company as at the LPD.

(3) Wong Fook Loong, the shareholder of Fook Loong Engineering Founder Sdn Bhd, holds 2,086,600 Shares, representing 1.0% equity interest in our Company as at the LPD. In 2019, Fook Loong Engineering Founder Sdn Bhd was incorporated and since then, we have been transacting with Fook Loong Engineering Founder Sdn Bhd.

We are dependent on our subcontractors to manufacture our products as well as parts and components. We rely on our subcontractors, Pembinaan Kim Choi Sdn Bhd for the manufacturing of metal moulds and mild steel storage tanks; L&S Advance Sdn Bhd for the manufacturing of process tanks; CCK Engineering Sdn Bhd (which we previously transacted with Chong Chee Keong, a sole proprietorship, prior to the incorporation of CCK Engineering Sdn Bhd), for the manufacturing of metal moulds as well as long and cylindrical products; and Fook Loong Engineering Founder Sdn Bhd (which we previously transacted with Fook Loong Engineering, a sole proprietorship, prior to the incorporation of Fook Loong Engineering Founder Sdn Bhd) for the manufacturing of long and cylindrical products. Even though we do not have any long-term agreements or arrangements with our subcontractors, we have not faced any material disruptions or delays from our subcontractors in the past 3 FYEs and FPE 2020.

6. INFORMATION ON OUR GROUP *(Cont'd)*

Nevertheless, we are involved in the design and/or manufacturing of moulds for parts and components of our on-line glove chlorination systems, storage tanks, process tanks and scrubber systems. Hence, as we are in control of the design and/or manufacturing of moulds for our products, we believe that we will be able to identify and secure other suitable subcontractors for the manufacturing works if any of our existing subcontractors cease to provide their services to our Group.

While the manufacturing works of our products can be undertaken by other subcontractors, our Group maintains the current arrangement with the existing 4 subcontractors due to their technical expertise and experience in the manufacturing of our Group's products as well as our long term relationship with these subcontractors.

(b) Other suppliers

Raw materials purchased are consumed in-house by our Group and provided to our subcontractors to undertake manufacturing works. We purchase raw materials such as plastic resins, FRP materials, PVC pipes and fittings, and mild steel. In addition, we also purchase monitoring and control instruments such as chlorination gas systems and related parts, circulation pumps, gears and motors and related parts and control panel systems, amongst others.

Our top 5 major suppliers (excluding subcontractors) for each of the past 3 FYEs 2017 to 2019 and FPE 2020 are as follows:

FYE 2017

No.	Suppliers	Country of origin	Products sourced	Value of purchases in FYE 2017		Length of relationship as at the LPD
				RM'000	%	Years
1.	Usaha Pammek Sdn Bhd	Malaysia	Chlorination gas systems and related parts	2,588	13.67	8
2.	Formalchem Sdn Bhd	Malaysia	Plastic resins	1,617	8.54	8
3.	Sintech Engineering Sdn Bhd	Malaysia	Control panel systems, and electrical and wiring works	1,560	8.24	8
4.	Tri Win Trading & Services [(1)]	Malaysia	PVC pipe and fittings	1,171	6.19	7
5.	East-Trader (Shanghai) Co Ltd	China	Titanium coils	1,021	5.39	8
			Sub-total	**7,957**	**42.03**	
			Total	**18,930**	**100.00**	

6. INFORMATION ON OUR GROUP *(Cont'd)*

FYE 2018

No.	Suppliers	Country of origin	Products sourced	Value of purchases in FYE 2018		Length of relationship as at the LPD
				RM'000	%	Years
1.	Luxchem Trading Sdn Bhd	Malaysia	Plastic resins and FRP materials	3,598	11.08	8
2.	Sintech Engineering Sdn Bhd	Malaysia	Control panel systems, and electrical and wiring works	2,909	8.95	8
3.	Usaha Pammek Sdn Bhd	Malaysia	Chlorination gas systems and related parts	2,585	7.96	8
4.	East-Trader (Shanghai) Co Ltd	China	Titanium coils	1,823	5.61	8
5.	Swancor Highpolymer Co Ltd	Taiwan	Plastic resins	1,679	5.17	3
			Sub-total	**12,594**	**38.77**	
			Total	**32,486**	**100.00**	

FYE 2019

No.	Suppliers	Country of origin	Products sourced	Value of purchases in FYE 2019		Length of relationship as at the LPD
				RM'000	%	Years
1.	Luxchem Trading Sdn Bhd	Malaysia	Plastic resins and FRP materials	3,467	10.49	8
2.	Sintech Engineering Sdn Bhd	Malaysia	Control panel systems, and electrical and wiring works	3,414	10.32	8
3.	Usaha Pammek Sdn Bhd	Malaysia	Chlorination gas systems and related parts	2,752	8.32	8
4.	Rotating Engineering & Services	Malaysia	Circulation pumps and related parts	1,589	4.81	8
5.	East-Trader (Shanghai) Co Ltd	China	Titanium coils	1,238	3.74	8
			Sub-total	**12,460**	**37.67**	
			Total	**33,066**	**100.00**	

6. INFORMATION ON OUR GROUP *(Cont'd)*

FPE 2020

No.	Suppliers	Country of origin	Products sourced	Value of purchases in FPE 2020		Length of relationship as at the LPD
				RM'000	%	Years
1.	Usaha Pammek Sdn Bhd	Malaysia	Chlorination gas systems and related parts	2,280	8.88	8
2.	Sintech Engineering Sdn Bhd	Malaysia	Control panel systems, and electrical and wiring works	1,811	7.06	8
3.	Luxchem Trading Sdn Bhd	Malaysia	Plastic resins and FRP materials	1,715	6.68	8
4.	Swancor Ind (M) Sdn Bhd	Malaysia	Plastic resins	1,618	6.30	3
5.	Rotating Engineering & Services	Malaysia	Circulation pumps and related parts	1,252	4.88	8
			Sub-total	**8,676**	**33.80**	
			Total	**25,665**	**100.00**	

Note:

(1) Lim Khin Choong and Wong Fook Loong, the shareholders of Tri Win Trading & Services, our major supplier, holds 4,173,200 Shares and 2,086,600 Shares, representing 2.0% and 1.0% equity interest respectively in our Company as at the LPD.

Even though we do not have any long-term agreements or arrangements with our major suppliers, we have not faced any material supply disruptions or delays from our major suppliers in the past 3 FYEs and FPE 2020.

Our supplies are sourced from local and overseas manufacturers and suppliers, selected based on pricing, production capacities, range and technical specifications of supplies, ability to meet our quality requirements and ability to deliver in a timely manner. We are not dependent on any suppliers in sourcing raw materials and monitoring and control instruments, as there are other suppliers in the market who sell similar raw materials and monitoring and control instruments at similar prices.

In 2018, Chong Chee Keong (shareholder of CCK Engineering Sdn Bhd), Lim Khin Choong (shareholder of Tri Win Trading & Services and L&S Advance Sdn Bhd) and Wong Fook Loong (shareholder of Tri Win Trading & Services and Fook Loong Engineering Founder Sdn Bhd) became our shareholders, holding a total of 5.0% equity interest in our Group as at the LPD. While several of our subcontractors and/or suppliers are our shareholders, they do not have any influence over the pricing of our Group's products and services. The pricing for their products and/or services sold to our Group are quoted based on prevailing market rates offered by other subcontractors and suppliers for similar products and services.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.23 EXCHANGE CONTROLS

(1) MALAYSIA

The Financial Services Act 2013 and Islamic Financial Services Act 2013 are the principal legislations which govern, amongst others, exchange control in Malaysia. The governing authority for Foreign Exchange Administration in Malaysia is Bank Negara Malaysia ("BNM").

Pursuant to Notice 4 of the current foreign exchange notice ("FE") issued by BNM, a resident is allowed to make or receive payment in RM in Malaysia to or from a non-resident for, amongst others, settlement of trade in goods and services.

In relation to payment in foreign currency, Notice 4 of the FE allows a resident to make or receive payment to or from a non-resident for any purposes excluding the transactions listed as follows:

(i) a foreign currency denominated derivative offered by a resident unless approved by BNM under Notice 5 of the FE or approved by BNM;

(ii) a foreign currency-denominated derivative offered by a non-resident except for transactions listed in paragraph 5(2) of Notice 4 of the FE; and

(iii) a derivative which is derived from, reference to or based on RM unless approved by BM under Part B of Notice 5 of the FE or otherwise approved writing by BNM.

As at the LPD, we comply with the exchange control requirement in relation to our settlement of payments with foreign customers and suppliers. In view of the above, foreign exchange control does not have an impact on the ability of cash and cash equivalents for us by our Group and the remittance of dividends, interest or other payments to our shareholders.

(2) THAILAND

(a) Repatriation of Funds

Under the laws of Thailand, repatriation of funds to foreign investors may be done in the following manner:

(i) Capital reduction whereby a Flexidynamic Thailand may reduce its capital by reducing the par value of each share or by reducing the number of its shares down to not less than 25% of its capital. The capital reduction must be approved by a special resolution passed at an extraordinary general meeting of its shareholders (Sections 1224 and 1225 of the Thailand Civil and Commercial Code (the "CCC")).

(ii) Distribution of dividend whereby dividends distributed by Flexidynamic Thailand must be made from the profits of the company in proportion to the paid-up share capital of each share.

(iii) Payment of principal and interest of loan whereby any existing loan (if any) owing by Flexidynamic Thailand to Flexidynamic Engineering can be repaid in kind by goods or other property if the lender accepts the amount of the debt will be extinguished at the amount equal to

the market value of the goods or other property at the time and place of delivery (Section 656 of the CCC).

(iv) Distribution of capital or benefits on a winding-up procedure whereby the capital of a company can be divided amongst the shareholders upon its liquidation but only if the company has sufficient assets or funds to pay all its debts or perform all its obligations (Section 1269 of the CCC).

(b) Distribution of Dividends

The laws of Thailand also provide that the matters mentioned in Section 6.23(2)(a)(ii) above shall be subject to the following:

(i) The declaration of dividends must be approved by a resolution passed at an annual general meeting or an extraordinary general meeting of the shareholders of Flexidynamic Thailand. An interim dividend payment can be declared from time to time if it appears to the BOD that the Company has profits justified to be paid to its shareholders (Sections 1200 and 1201 of the CCC).

(ii) Flexidynamic Thailand must reserve funds at each distribution of dividend of at least 5% of its profits until its reserve funds reaches 10% of its capital or more (Section 1202 of the CCC and Article 18 of the articles of association of Flexidynamic Thailand).

(c) Withholding Tax

In relation to taxation, the repatriations of funds abroad from Flexidynamic Thailand to Flexidynamic Engineering mentioned in Section 6.23(2)(a) are subject to the following withholding taxes:

(i) The capital reduction amount of Flexidynamic Thailand payable to Flexidynamic Engineering is a taxable/assessable income of Flexidynamic Engineering but only for the amount which does not exceed the total amount of the profits and the reserve funds of the Company and it is subject to the withholding tax at the rate of 15% (Sections 40(4)(d) and 70 of the Thailand Revenue Code). The capital reduction amount that exceeds the total amount of the profits and the reserve funds of the Flexidynamic Thailand is not a taxable/assessable income.

(ii) The dividend of the Flexidynamic Thailand payable to Flexidynamic Engineering is a taxable/assessable income and it is subject to withholding tax at the rate of 10% (Sections 40(4)(b) and 70 of the Thailand Revenue Code).

(iii) The principal of the loan repaid to Flexidynamic Engineering is not a taxable/assessable income of Flexidynamic Engineering and it is not subject to the withholding tax. Only the interest on the loan paid to Flexidynamic Engineering is a taxable/assessable income and it is subject to withholding tax at the rate of 15% (Sections 40(4)(a) and 70 of the Thailand Revenue Code).

6. INFORMATION ON OUR GROUP *(Cont'd)*

(iv) The capital of Flexidynamic Thailand payable to Flexidynamic Engineering due to the winding-up of Flexidynamic Thailand is not a taxable/assessable income and it is not subject to the withholding tax. Only the benefits payable to Flexidynamic Engineering due to the winding-up of Flexidynamic Thailand that exceed the capital of the Flexidynamic Thailand is a taxable/assessable income and it is subject to the withholding tax at the rate of 15% pursuant to Sections 40(4)(a) and 70 of the Thailand Revenue Code).

When Flexidynamic Thailand repatriates funds to Flexidynamic Engineering, Flexidynamic Thailand is required to withhold applicable withholding taxes mentioned above from the funds payable and remit the taxes withheld to the Thai Revenue Department (Sections 50(2)(a) and (e), 52 and 70 of the Thailand Revenue Code).

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7. INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 17 February 2021

The Board of Directors
FLEXIDYNAMIC HOLDINGS BERHAD
Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs/ Madams,

Independent Market Research ("IMR") Report on the Glove Chlorination Manufacturing Industry in Malaysia, Thailand and Vietnam ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of Flexidynamic Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Flexidynamic Holdings Berhad and its subsidiaries ("Flexidynamic Group") operate and to offer a clear understanding of the industry and market dynamics. As Flexidynamic Group is principally involved in the design, engineering, installation and commissioning of glove chlorination systems, as well as the design and installation of storage tanks and process tanks for the glove manufacturing industry, the scope of work for this IMR Report will thus address the following areas:

(i) The glove chlorination manufacturing industry in Malaysia, which is the industry in which Flexidynamic Group operates in;
(ii) The drivers and risk factors of the glove chlorination manufacturing industry in Malaysia;
(iii) The competitive overview of the glove chlorination manufacturing industry in Malaysia; and
(iv) The glove chlorination manufacturing industry in Thailand and Vietnam, which are the key export markets of Flexidynamic Group.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

SMITH ZANDER

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The research for this IMR Report was completed on 16 February 2021.

For further information, please contact:

SMITH ZANDER INTERNATIONAL SDN BHD
15-01, Level 15, Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur
Malaysia
Tel: + 603 2732 7537

www.smith-zander.com

About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 23 years of experience in market research and strategy consulting, including over 18 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

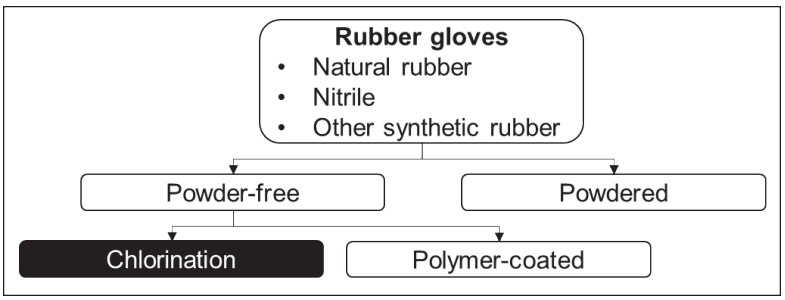
1 GLOVE CHLORINATION MANUFACTURING INDUSTRY IN MALAYSIA

Introduction

A glove chlorination system is a system used in the manufacturing of rubber gloves. Investments in glove chlorination systems is a form of capital expenditure for glove manufacturing companies.

A glove chlorination system carries out the chlorination process during the manufacturing of rubber gloves, which include both natural rubber gloves (i.e. produced using natural liquid latex) and synthetic rubber gloves (i.e. produced using synthetic liquid latex such as nitrile rubber and polyurethane). The chlorination process is carried out to lubricate rubber gloves for easy donning and to prevent the gloves from sticking to other gloves. The chlorination process is a substitute process of the powdering process (i.e. application of corn starch powder), and thus it is used in the manufacturing of a type of powder-free rubber gloves, namely chlorinated rubber gloves. It is also a substitute process of the polymer-coating process which produces another type of powder-free rubber gloves, namely polymer-coated rubber gloves.

Types of rubber gloves



Source: SMITH ZANDER

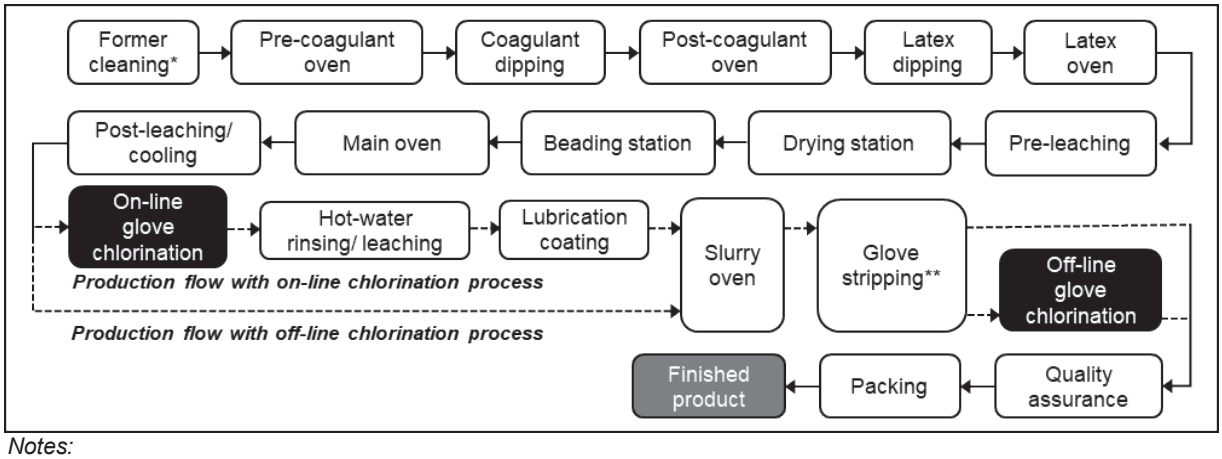
Flexidynamic Group is involved in the design, engineering, installation and commissioning of complete glove chlorination systems in glove-dipping lines, which is used to produce chlorinated rubber gloves. As such, this IMR Report focuses on the glove chlorination manufacturing industry, the industry in which Flexidynamic Group operates in, as shown above.

Through the chlorination process, rubber gloves are washed in a diluted chlorine solution which will harden the surface of the gloves, thus reducing friction of the inner surface of the glove. Thereafter, the gloves will be rinsed in an alkaline solution, typically potassium hydroxide or ammonium hydroxide to neutralise excessive chlorine solution. This is followed by the washing of rubber gloves with water to remove any chlorine residue. As a result of the chlorination process, rubber gloves can be easily donned without the use of powder. Rubber gloves may also undergo double chlorination in order to receive treatment on both the inner and outer surfaces. For the manufacturing of natural rubber gloves, chlorination breaks down and reduces the level of extractable latex proteins which may cause latex allergic reactions to the wearer.

Glove chlorination system manufacturers design and manufacture glove chlorination systems according to customer requirements such as system layout, production capacity and rubber glove specifications. These systems are supplied to glove manufacturers to be integrated in their glove manufacturing lines, known as glove-dipping lines. Glove chlorination systems are also supplied to glove-dipping line manufacturers. The glove chlorination systems sourced by glove-dipping line manufacturers are included as part of their glove-dipping lines sold to glove manufacturers.

There are two types of glove chlorination systems, namely on-line glove chlorination system and off-line glove chlorination system. An on-line glove chlorination system is installed directly onto a glove-dipping line, providing continuous and uninterrupted chlorination process. Off-line glove chlorination is a chlorination process performed after rubber gloves are removed from the glove-dipping line, using a separate off-line glove chlorination system.

Glove chlorination system in a glove-dipping line and the overall manufacturing of chlorinated rubber gloves



Notes:

- ** denotes the start of the glove-dipping line and ** denotes the end of the glove-dipping line.*
- *Flexidynamic Group is involved in the design, engineering, installation and commissioning of on-line and off-line glove chlorination systems.*

Source: SMITH ZANDER

On-line glove chlorination system

On-line glove chlorination systems chlorinate rubber gloves as they are still moving along the glove-dipping line. The inner surface of the rubber gloves will be dipped into the chlorine solution while they are fitted on hand-shaped moulds, known as formers, under stretching conditions. This is to ensure an even chlorination of the glove surface.

An on-line glove chlorination system typically comprises process tanks, which are integrated directly on the glove-dipping line, and supporting systems namely, chlorination gas system, chlorine circulation system, neutraliser supply system, air pollution control system and control panel. These components are described as follows:

Components	Description
Process tanks	Rubber gloves will be dipped into process tanks which include a chlorine dipping tank, neutraliser dipping tank and soak rinse dipping tank such as follows: (i) Chlorine dipping tank A chlorine dipping tank contains a diluted chlorine solution which rubber gloves are dipped in to be coated with a layer of chlorine. (ii) Neutraliser dipping tank A neutraliser dipping tank contains an alkaline solution to wash rubber gloves and neutralise the excess chlorine on the surface of the gloves. (iii) Soak rinse dipping tank A soak rinse dipping tank contains water to rinse off chlorine residue from rubber gloves.
Chlorination gas system	A chlorination gas system is used to inject the chlorine gas into the water in the chlorine dipping tank to produce a chlorine solution.
Chlorine circulation system	A chlorine circulation system is used to store and circulate a chlorine solution from and into the chlorine dipping tank through a circulation pump.

Components	Description
Neutraliser supply system	A neutraliser supply system is used to store and inject an alkaline solution into the neutraliser dipping tank through a circulation pump.
Air pollution control system (scrubber system)	An air pollution control system, typically a scrubber system, is used to filter the gas stream produced during the chlorination process and remove chlorine fumes prior to discharging it into the environment.
Control panel	A control panel is used to monitor and control the overall on-line glove chlorination process.

Off-line glove chlorination system

Off-line glove chlorination systems chlorinate rubber gloves which have been removed from the glove-dipping line. Through off-line glove chlorination, rubber gloves are washed with a diluted chlorine solution in a standalone machine. The gloves will then be washed with an alkaline solution and subsequently, with water in the same machine. An off-line chlorination system typically chlorinates rubber gloves by batches.

Rubber gloves go through the off-line glove chlorination process to treat their inner surface in the absence of an on-line glove chlorination system. Besides that, rubber gloves which are subject to double chlorination will typically receive treatment for their outer surface through an off-line glove chlorination system, after receiving treatment for its inner surface either through the same off-line glove chlorination process or on-line glove chlorination system.

FRP as a Material for Chlorination Systems in Glove-Dipping Lines

As chlorine is a corrosive and harmful substance, the process tanks, scrubber systems and other components in a glove-dipping line must be structurally durable and anti-corrosive. Therefore, fibreglass reinforced plastics ("FRP") is a material commonly used to manufacture glove chlorination systems in glove-dipping lines. Besides the glove chlorination process, a large amount of chlorine is also used in various other industrial processes such as, bleaching, water treatment, material or product treatment, production of chemicals, separation of metals and pharmaceutical formulations.

FRP is a composite material of thermosetting resin and glass fibre. The combination of resin such as polyester, vinyl ester or epoxy, which acts as a binder, and glass fibre which is typically flattened into a sheet (known as a chopped strand mat), randomly arranged or woven into a fabric, forms the FRP structural laminate of a piece of equipment or infrastructure.

FRP is a material that is resistant to chemical, temperature and environmental corrosion, has a high strength-to-weight ratio, a long life cycle, is low maintenance and can be used to form complex structures. Due to these characteristics, FRP is commonly used as a material for industrial process equipment such as chemical storage tanks, ducts and scrubbers.

Industry Performance, Size and Growth

The glove chlorination manufacturing industry comprises companies whose business activities include the design, engineering, installation and commissioning of complete glove chlorination systems. The key industry players in the glove chlorination manufacturing industry in Malaysia are as shown in Section 3 of this IMR Report.

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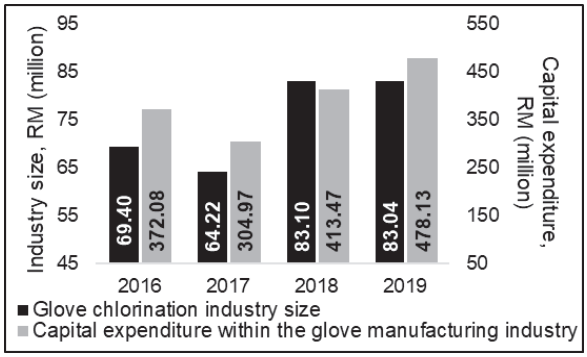
In the absence of information on the segmental revenue for all key industry players (save for Flexidynamic Group), the size of the glove chlorination manufacturing industry is measured based on the total revenues of key industry players in Malaysia (inclusive of other businesses) and the segmental revenue for glove chlorination systems of Flexidynamic Group. Based on the latest available data, the glove chlorination manufacturing industry in Malaysia grew from RM69.40 million in 2016 to RM83.04 million in 2019, at a compound annual growth rate ("CAGR") of 6.16%, albeit with a slight decline in 2017 and 2019. In 2017, the industry declined by 7.46% but nevertheless recovered strongly with a 29.40% growth in 2018. In 2019, the industry remained relatively constant with a slight decline of 0.07%.

Industry performance (Malaysia), 2016-2019



Sources: Flexidynamic Group, Companies Commission of Malaysia ("CCM"), annual reports of public listed glove manufacturing companies in Malaysia, SMITH ZANDER analysis

From 2016 to 2018, the performance of the glove chlorination manufacturing industry demonstrated a similar trend with capital expenditure for plant and machinery within the glove manufacturing industry in Malaysia. The capital expenditure for plant and machinery within the glove manufacturing industry in Malaysia, represented by the aggregate plant and machinery capital expenditure of glove manufacturers listed on Bursa Malaysia Securities Berhad[1], declined from RM372.08 million in 2016 to RM304.97 million in 2017, at a negative growth rate of 18.04%. This was then followed by an increase in 2018 to RM413.47 million, at a 35.58% growth. In 2019, such capital expenditure increased to RM478.13 million, at a 15.64% growth. From 2016 to 2019, the capital expenditure for plant and machinery within the glove manufacturing industry in Malaysia grew at a CAGR of 8.72%.

Notwithstanding the above, there are glove manufacturers that source components of glove chlorination systems from companies which fabricate and supply such components, and install and commission the glove chlorination systems in-house. The companies which fabricate and supply such components do not manufacture complete glove chlorination systems. The revenues related to the glove manufacturers' in-house installation and commissioning of glove chlorination systems and revenues of companies which fabricate and supply components are not publicly available, and are therefore, excluded from the computation of the industry size.

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[1] *Glove manufacturers listed on Bursa Malaysia Securities Berhad comprise Top Glove Corporation Bhd, Hartalega Holdings Berhad, Kossan Rubber Industries Berhad, Supermax Corporation Berhad, Rubberex Corporation (M) Berhad, Comfort Gloves Berhad, Careplus Group Berhad and CE Technology Berhad.*

2 DRIVERS AND RISK FACTORS OF THE GLOVE CHLORINATION MANUFACTURING INDUSTRY IN MALAYSIA

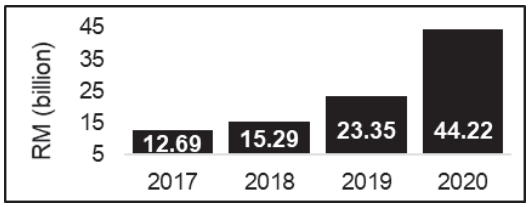
Industry drivers

► The growth in rubber glove manufacturing activities

Malaysia is a major producer of rubber gloves with approximately 69[2] rubber glove manufacturing companies. The manufacturing activities of rubber gloves have been increasing to cater to increasing global demand for rubber gloves. The sales value of rubber gloves manufactured in Malaysia increased from RM12.69 billion in 2017 to RM44.22 billion in 2020, at a CAGR of 51.61%.

The Malaysian export volume of rubber gloves increased by 12.49% from 719.70 kilotonnes valued at RM15.86 billion in 2017 to 809.59 kilotonnes valued at RM17.82 billion in 2018. In 2019, the Malaysian export volume of rubber gloves decreased by 2.69% to 787.79 kilotonnes valued at RM17.56 billion. In 2020, the Malaysian export volume of rubber gloves increased by 26.29% to 994.91 kilotonnes valued at RM35.26 billion. From 2017 to 2020, the Malaysian export volume of rubber gloves registered a CAGR of 11.40%. Malaysia is the world's largest exporter of rubber gloves. Based on the latest available data, from 2016 to 2019, Malaysia's share of exports of rubber gloves globally increased from 57.03% to 58.88%.

Sales value of rubber glove production (Malaysia), 2017-2020



Source: Department of Statistics Malaysia

Rubber glove exports (Malaysia), 2017-2020

Year	Quantity (kilotonnes)	Value (RM billion)
2017	719.70	15.86
2018	809.59	17.82
2019	787.79	17.56
2020	994.91	35.26
CAGR	**11.40%**	**30.51%**

Sources: Department of Statistics Malaysia, SMITH ZANDER analysis

Top exporters of rubber gloves (Global), 2016 and 2019

2016			2019		
Country	**Quantity (kilotonnes)**	**Percentage share of export quantity (%)**	**Country**	**Quantity (kilotonnes)**	**Percentage share of export quantity (%)**
Malaysia	672.95	57.03	Malaysia	787.79	58.88%
Thailand	170.03	14.41	Thailand	206.84	15.46%
China	93.04	7.88	China	124.86	9.33%
Indonesia	53.64	4.55	Indonesia	56.37	4.21%
Belgium	45.28	3.84	Germany	34.24	2.56%
World	**1,180.03**	**100.00**	**World**	**1,338.05**	**100.00**

Sources: UN Comtrade, SMITH ZANDER analysis

The growth of rubber glove manufacturing activities in Malaysia is attributed to low production costs, easy access to raw materials and stringent testing to meet international standards, making Malaysian-produced rubber gloves reliable and cost-effective. Further, rubber glove manufacturing activities in Malaysia grows significantly during epidemic and pandemic disease outbreaks such as Severe Acute Respiratory Syndrome (SARS) in 2003, Ebola virus disease (Ebola) in 2014-2016, Middle East Respiratory Syndrome (MERS) in 2015 and the recent coronavirus disease ("Covid-19") in 2020, as demand for rubber gloves primarily in the healthcare industry, rises substantially during these times. As a result of the on-going Covid-19 pandemic, Malaysian glove manufacturers have faced a surge in global demand for rubber gloves as rubber gloves are

[2] *Sources: Malaysian Rubber Glove Manufacturers Association ("MARGMA"), SMITH ZANDER analysis*

a means of protective and preventive gear against diseases. The increase in demand due to the Covid-19 pandemic has led to rising utilisation rates to nearly 100% of production capacity among glove manufacturers[3].

Due to the increase in rubber glove manufacturing activities in Malaysia, glove manufacturers may need to expand their glove production capacity. This will lead to an increasing demand for glove-dipping lines and consequently, demand for glove chlorination systems.

► **Continuous technological upgrades in glove manufacturing and development of glove chlorination systems**

Glove manufacturers and glove-dipping line manufacturers seek continuous technological upgrades of glove manufacturing processes and glove-dipping lines to meet improved efficiencies such as time, speed, quality, energy usage and cost of glove manufacturing. The need for continuous upgrades of glove-dipping lines grows with increasing demand for rubber gloves. As a result, this creates demand for glove chlorination systems as it is a part of the overall glove manufacturing process.

One of the aspects of technological upgrades in glove manufacturing activities is the increase in automation of glove-dipping lines. Increased automation during the manufacturing of gloves will speed up production, therefore increasing the production volume of gloves manufactured in a given time. In line with the increase in automation, on-line glove chlorination systems will automate the chlorination process of rubber gloves, thus reducing manual labour which is required to transfer gloves from the glove-dipping line into an off-line glove chlorination machine. Further, the continuous development of glove chlorination systems will enhance the rubber glove manufacturing process, thus rendering more demand from glove manufacturers. Such developments include efficient usage of chlorine and decreasing emissions of residual chlorine gas.

In order to enhance the efficiency of the glove manufacturing processes, glove manufacturers invest in plant and machinery. Capital expenditure for plant and machinery includes upgrading and increasing the capacity of glove-dipping lines and glove chlorination systems. From 2017 to 2019, the capital expenditure for plant and machinery within the glove manufacturing industry in Malaysia, represented by the aggregate plant and machinery capital expenditure of glove manufacturers listed on Bursa Malaysia Securities Berhad[1], grew from RM304.97 million to RM478.13 million[4], at a CAGR of 25.21%. As such, the growth in investments for machinery in the glove manufacturing industry is expected to contribute to growing demand for glove chlorination systems as it increases automation and efficiency of rubber glove manufacturing processes.

► **Preference for powder-free rubber gloves in healthcare services**

Over the years, there has been growing awareness of the usage of powder-free rubber gloves as opposed to powdered rubber gloves in healthcare services. This has, and will continue to, contribute to the demand for glove chlorination systems in glove-dipping lines for the manufacturing of powder-free rubber gloves. Powder-free rubber gloves reduce potential allergic reactions as they do not undergo the application of corn starch powder, which may bind with airborne latex proteins from the rubber gloves. In fact, the chlorination process breaks down latex proteins. Therefore, rubber gloves which undergo the chlorination process are easy to don and the occurrence of potential allergic reactions is eliminated. Due to the concern for allergic reactions and increasingly stringent healthcare requirements, powder-free rubber gloves are typically used as surgical and examination gloves in healthcare services.

Global and national healthcare services have been growing over the years and are expected to continuously increase, particularly to combat the current Covid-19 pandemic. Based on the latest data available, the global healthcare services industry grew, in terms of health expenditure per capita, from USD1,020.71 (RM4,231.56)[5] in 2016 to USD1,110.82 (RM4,482.49)[6] in 2018[7]. Total healthcare expenditure in Malaysia increased from RM56.68 billion in 2017 to RM64.31 billion in 2019[8], registering a CAGR of 6.52%. The growth of the global

[3] *Sources: The Star, New Straits Times, The Edge Markets, Nikkei Asian Review*

[4] *Sources: Annual reports of public listed glove manufacturing companies in Malaysia*

[5] *Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2016 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1457*

[6] *Exchange rate from USD to RM in 2018 was converted based on average annual exchange rates in 2018 extracted from published information from Bank Negara Malaysia at USD1 = RM4.0353*

[7] *Source: World Bank*

[8] *Source: Ministry of Health, Malaysia*

and domestic healthcare services industry will lead to an increasing need for powder-free rubber gloves to protect medical workers and patients from viral infections and bacterial contamination. As such, the growth of the global and domestic healthcare industry will lead to continuous demand for powder-free rubber gloves, thus resulting in a positive impact on the demand for glove chlorination systems.

Industry Risk Factors

► **Exposure to sudden crises, such as the current Covid-19 pandemic, cause disruptions in business operations**

Unexpected crises such as political crisis, natural disasters and disease outbreaks, amongst others, restrict movement of people and supplies, which may temporarily disrupt the supply chain of glove chlorination systems. Any prolonged extension of disruptions may adversely affect the financial performance of glove chlorination industry players.

To curb the spread of Covid-19, the Government of Malaysia imposed a Movement Control Order ("MCO") throughout Malaysia from 18 March 2020 to 3 May 2020 which prohibited mass movements and gatherings across Malaysia and imposed the closure of all business premises (save for businesses that are involved in the provision of essential services or as approved by MITI). Subsequently, a conditional MCO was implemented from 4 May 2020 to 9 June 2020 where most business activities were allowed to operate, subject to compliance with the standard operating procedures imposed by the Government. A recovery MCO was then implemented effective 10 June 2020 to 31 March 2021 with further easing of movement control restrictions. Nonetheless, due to a surge in Covid-19 cases in Malaysia, a conditional MCO and MCO were reimposed in most states and federal territories for different durations from 13 October 2020 up to 4 March 2021 to curb the spread of the virus. Despite the reimposition of conditional MCO and MCO, glove chlorination manufacturing services are allowed to operate subject to standard operating procedures.

As a result, the operations of glove chlorination system manufacturers were completely halted until the receipt of approval from MITI to operate. This has impacted the business and operations of glove chlorination system manufacturers, resulting in the inability to fulfil the delivery of projects and services, which may eventually adversely affect the financial performance of glove chlorination system manufacturers.

Due to the Covid-19 pandemic, the production of raw materials or intermediary products locally and overseas were disrupted due to the imposition of movement and business operation restrictions in respective countries, and logistics networks faced disruptions due to closure of airports and other transportation hubs, causing delays in delivery of supplies. Consequently, the operations of glove chlorination system manufacturers in Malaysia may have been affected due to the delay in receiving supplies.

► **Alternative method to the chlorination process**

The purpose of the glove chlorination system is to replace the powdering process and break down latex proteins during the manufacturing of rubber gloves. As such, chlorination is a method to produce powder-free rubber gloves which still maintains the characteristics of powdered rubber gloves (i.e. easy to don by the wearer and does not stick to other gloves).

The glove chlorination manufacturing industry faces risk arising from an alternative method used to produce powder-free rubber gloves, namely polymer-coating process. In the polymer-coating process, polymer is coated on the inner and/or outer surfaces of rubber gloves. However, wearers may prefer chlorinated rubber gloves as compared to polymer-coated rubber gloves due to the characteristics of chlorinated rubber gloves. As such, any developments in improving the quality of the polymer-coating process may result in improved polymer-coated rubber glove quality and characteristics. This may lead to increasing demand for polymer-coated rubber gloves which may result in increasing adoption of polymer-coating process when glove manufacturers expand their manufacturing lines.

► **Dependency on the glove manufacturing industry and glove-dipping line manufacturing industry**

The glove chlorination manufacturing industry grows in tandem with the glove manufacturing industry and the glove-dipping line manufacturing industry. Hence, glove chlorination system manufacturers are dependent on the growth of both industries as glove chlorination system manufacturers supply to both glove manufacturers and glove-dipping line manufacturers. However, the growth of the glove manufacturing industry is the main determinant of the demand for glove chlorination systems as it affects the demand for glove-dipping lines and

glove chlorination systems. The glove manufacturing industry is in turn dependent on the growth of the healthcare industry and demand from other end-user industries. Any downturns in the glove manufacturing industry and/or material decreases in the demand for rubber gloves, both globally as well as in Malaysia, may have an adverse impact on the performance of glove chlorination manufacturers.

3 COMPETITIVE OVERVIEW OF THE GLOVE CHLORINATION MANUFACTURING INDUSTRY IN MALAYSIA

Industry players in the glove chlorination manufacturing industry design and manufacture glove chlorination systems based on the requirements of their customer's glove-dipping lines. Due to the specialised nature of the industry, the competitive landscape in Malaysia comprises less than 10 key manufacturers, making the industry moderately competitive. Industry players generally compete on technical expertise, product quality, customer service levels and pricing.

Industry players are also typically involved in the manufacturing of other products which use similar technologies and/or materials as glove chlorination systems, namely gas scrubber systems and/or FRP respectively. Other products which may be manufactured by industry players are air pollution control systems which utilises similar gas scrubber technologies and other FRP products such as ducts, piping and tanks, due to the technical expertise and engineering capabilities of these industry players. In addition, industry players may also be involved in the manufacturing of the entire glove-dipping line, whereby glove chlorination systems are manufactured in-house as part of the glove-dipping lines or offered to customers as standalone products.

Key Industry Players

A total of 7 companies have been identified as key industry players in the glove chlorination manufacturing industry. The basis for selection is that the business activities of these companies include the design engineering, installation and commissioning of complete glove chlorination systems. Nevertheless, some of these companies may also be involved in other business segments such as glove-dipping lines, air pollution control systems, ducts, piping and tanks, amongst others.

This list of key industry players in the glove chlorination manufacturing industry in Malaysia are shown as follows:

Company name	Type of glove chlorination system (On-line/ Off-line)	Other products and services	Latest available financial year	Revenue [a] (RM million)
Flexidynamic Group (glove chlorination systems segment)	- On-line - Off-line	- FRP storage tanks and process tanks - FRP lining and coating	31 December 2019	31.31
Polydamic Group Berhad	- On-line - Off-line	- Air pollution control systems	30 June 2020	11.78
RIPCOL Industries Sdn Bhd	- On-line - Off-line	- Glove-dipping lines - Air pollution control systems - FRP engineering and fabrication	31 December 2019	17.20
Process Dynamics Engineering Sdn Bhd	- On-line	- Air pollution control systems - Metal fabrication - FRP products - Process piping water systems	31 December 2019	7.33
Cubictech Systems Sdn Bhd	- On-line	- Water and wastewater treatment systems - Industrial process pumps and equipment	30 September 2019	9.58
Dynamic Venture Solutions Sdn Bhd	- Off-line	- Air pollution control systems - Other engineering systems [b]	31 December 2019	0.92
MPMT Industries Sdn Bhd	- Off-line	- Glove-dipping lines - Condom-dipping lines - Balloon-dipping lines	31 December 2019	0.75

Notes:

- *Latest available as at 16 February 2021.*
- *The key glove chlorination manufacturing industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.*

[a] *Revenue of all key industry players (save for Flexidynamic Group) may be derived from other businesses, and countries outside Malaysia, as segmental revenue is not publicly available from the CCM. Revenue of Flexidynamic Group is derived from the glove chlorination systems segment, including from countries outside Malaysia.*

[b] *Other engineering systems may comprise ventilation and exhaust system, water and wastewater treatment engineering, and electroplating line engineering system.*

Sources: Various company websites, Flexidynamic Group, CCM, SMITH ZANDER analysis

Industry players may also face competition from companies which fabricate and supply components of glove chlorination systems (e.g. FRP storage tanks for the chlorine circulation system and neutraliser supply system, and scrubber systems) but who do not manufacture complete glove chlorination systems. These companies may also fabricate and supply general products which can be used by various industries, therefore they are not deemed as key industry players in the glove chlorination manufacturing industry. Examples of companies which provide storage tanks and/or scrubber systems for glove chlorination systems include Win-fung Fiberglass Sdn Bhd, G-FRP Industries Sdn Bhd, Yunku FRP Sdn Bhd and Cradotex (M) Sdn Bhd.

The barriers to entry for new entrants in this industry are high as industry players compete in terms of technical expertise which includes the design and engineering of complete glove chlorination systems, amongst other factors such as industry track record and reputation, product quality, customer service levels and pricing. As such, it is essential for industry players to be able to demonstrate strong credentials in the aforementioned factors to enter and/or maintain their competitive footing in the glove chlorination manufacturing industry in Malaysia.

Estimated Market Share

In 2019, the glove chlorination manufacturing industry size in Malaysia, computed based on revenues of key industry players in Malaysia, was approximately RM83.04 million. The segmental revenue of Flexidynamic Group, derived from the design, engineering, installation and commissioning of glove chlorination systems was RM31.31 million for the FYE 31 December 2019, and thereby, Flexidynamic Group captured a market share of 37.70% in 2019.

In the absence of information on the segmental revenue for all key industry players (save for Flexidynamic Group), the industry size has taken into account the total revenues of key industry players in Malaysia (inclusive of other businesses) and the segmental revenue for glove chlorination systems of Flexidynamic Group which is derived from the design, engineering, installation and commissioning of glove chlorination systems. Flexidynamic Group's market share is computed based on its segmental revenue derived from the design, engineering, installation and commissioning of glove chlorination systems against the aggregated revenues of key industry players.

As stated in Section 1 of this IMR Report, this IMR Report focuses on the glove chlorination manufacturing industry, and excludes other segments of the glove manufacturing industry such as polymer-coated rubber gloves and powdered rubber gloves. Further, as also stated in Section 1 of this IMR Report, there are glove manufacturers that source components of glove chlorination systems from companies which fabricate and supply such components, and install and commission the glove chlorination systems in-house. The companies which fabricate and supply such components do not manufacture complete glove chlorination systems. The revenues related to the glove manufacturers' in-house installation and commissioning of glove chlorination systems and revenues of companies which fabricate and supply components are not publicly available, and are therefore, excluded from the computation of the industry size and market share.

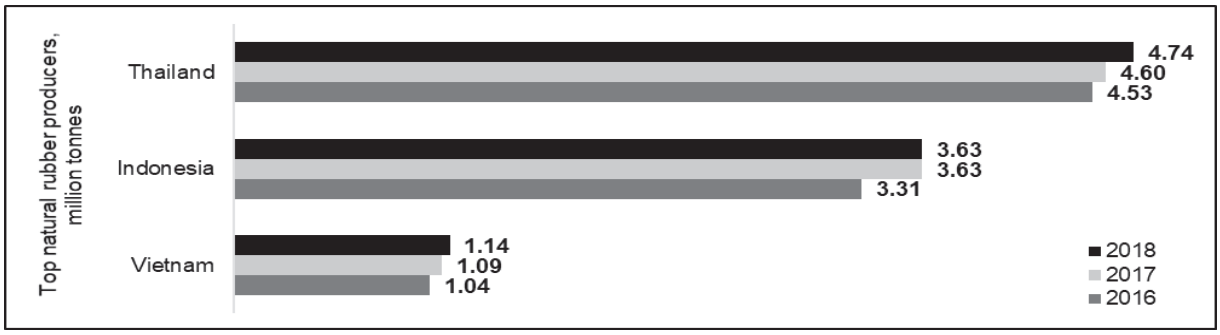
As such, the market share of Flexidynamic Group refers to its market share amongst key industry players involved in design engineering, installation and commissioning of complete glove chlorination systems.

4 THE GLOVE CHLORINATION MANUFACTURING INDUSTRY IN THAILAND AND VIETNAM

Thailand

Thailand is the world's largest producer of natural rubber. From 2016 to 2018, Thailand has consistently emerged as the country with the highest production of natural rubber, which increased from 4.53 million tonnes to 4.74 million tonnes, at a CAGR of 2.29%.

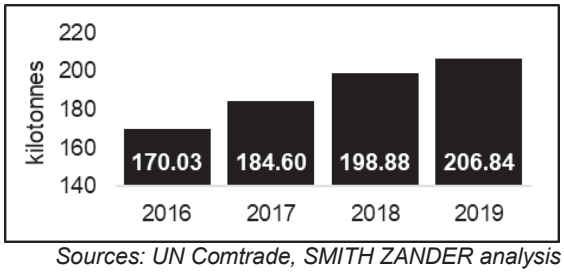
Top natural rubber producers (Global), 2016-2018



Source: UNdata

Due to the availability of raw materials, Thailand is a major rubber glove producer. In 2019, Thailand was the second largest exporter of rubber gloves after Malaysia, representing 15.47% of global rubber glove exports. Thailand's export of rubber gloves grew from 170.03 kilotonnes in 2016 to 206.84 kilotonnes in 2019, at a CAGR of 6.75%. The availability of raw materials in Thailand has encouraged local and foreign glove manufacturers to set up rubber glove production facilities in Thailand.

Rubber glove exports (Thailand), 2016-2019



Sources: UN Comtrade, SMITH ZANDER analysis

International glove manufacturers which are present in Thailand through their local entities include Top Glove Medical (Thailand) Co Ltd, Ansell (Thailand) Co Ltd and Cardinal Health 222 (Thailand) Ltd. Further, local glove manufacturers in Thailand include Sri Trang Gloves (Thailand) Public Co Ltd and Shun Thai Rubber Gloves Industry Public Co Ltd.

In Thailand, glove chlorination systems are supplied to glove manufacturers as separate components by local component manufacturers (e.g. manufacturers of FRP storage tanks for chlorine circulation systems and neutraliser supply systems and scrubber systems). The local component manufacturers of glove chlorination systems in Thailand include Gencon Engineering Co Ltd, Thai Kyowa Kako Co Ltd, Thai Polymer & Engineering Co Ltd and GRE Composites Co Ltd. Glove chlorination systems are also supplied as whole systems by foreign glove chlorination system manufacturers, including from Malaysia. Glove chlorination system manufacturers in Malaysia that supply to Thailand include Flexidynamic Group and Polydamic Group Berhad. Glove manufacturers in Thailand also source glove chlorination systems from local and foreign glove-dipping line manufacturers as part of complete glove manufacturing lines.

The demand for glove chlorination systems in Thailand is expected to be driven by glove manufacturing activities in the country, where the establishment of new and/or expansion and/or upgrading of glove manufacturing facilities is expected to drive capital expenditure in plant and machinery, which includes glove chlorination systems.

Due to the Covid-19 pandemic, the Government of Thailand declared an Emergency Situation involving nationwide curfews, travel bans and control measures effective 26 March 2020 to 28 February 2021. Although factories in Thailand are allowed to operate during the Emergency Situation by complying with the control

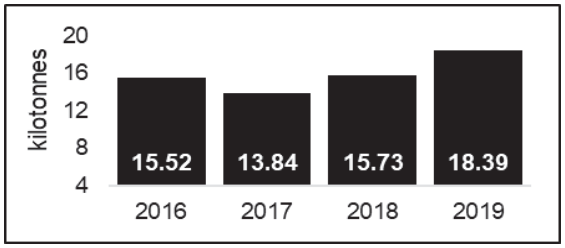
measures set out by the Government, any sudden changes to the policies relevant to the control and prevention of the spread of Covid-19 may impact the business and operations of glove chlorination system manufacturers, such as the inability to fulfil delivery of projects and services, which may eventually adversely affect the financial performance of glove chlorination system manufacturers.

Vietnam

Vietnam is the world's third largest producer of natural rubber. From 2016 to 2018, Vietnam has maintained its position as the third largest producing country of natural rubber whereby its production grew from 1.04 million tonnes to 1.14 million tonnes, at a CAGR of 4.70%.

Due to its supply of raw materials, Vietnam is also a producer of rubber gloves. Vietnam's export of rubber gloves grew from 15.52 kilotonnes in 2016 to 18.39 kilotonnes in 2019, at a CAGR of 5.82%, albeit with a decline in 2017.

Rubber glove exports (Vietnam), 2016-2019



Source: UN Comtrade

In 2017, Vietnam's export of rubber gloves declined by 10.82% but nevertheless recovered with a 13.66% growth in 2018. In 2019, Vietnam's export of rubber gloves further grew by 16.91%.

The availability of raw materials in Vietnam has encouraged local and foreign glove manufacturers to set up rubber glove production facilities in Vietnam. Rubber glove production in Vietnam includes local and foreign glove manufacturers. International glove manufacturers which have set up rubber glove production facilities in Vietnam through their local entities include Ansell Vina Corp, Ever Global (Vietnam) Enterprise Corp and Sunmax Vietnam Co Ltd. Further, local glove manufacturers in Vietnam include Nacol Industrial Co Ltd, VRG Khai Hoan JSC and Nam Long Co Ltd.

In Vietnam, glove chlorination systems are supplied to glove manufacturers as separate components by local component manufacturers (e.g. manufacturers of FRP storage tanks for chlorine circulation systems and neutraliser supply systems, and scrubber systems). The local component manufacturers of glove chlorination systems in Vietnam include Ace Vietnam Co Ltd, Minh Toan Trading & Engineering Co Ltd, Luong Hai Hung Co Ltd and Dai Viet Co Ltd. Glove chlorination systems are also supplied as whole systems by foreign glove chlorination system manufacturers, including from Malaysia. Glove chlorination system manufacturers in Malaysia that supply to Vietnam include Flexidynamic Group. Glove manufacturers in Vietnam also source glove chlorination systems from foreign glove-dipping line manufacturers as part of complete glove manufacturing lines.

The demand for glove chlorination systems in Vietnam is expected to be driven by glove manufacturing activities in the country, where the establishment of new and/or expansion and/or upgrading of existing glove manufacturing facilities is expected to drive capital expenditure in plant and machinery, which includes glove chlorination systems.

Due to the Covid-19 pandemic, the Government of Vietnam imposed a nationwide social isolation or lockdown effective 1 April 2020 to 15 April 2020, which was extended to 22 April 2020 in 12 provinces. A resurgence of Covid-19 cases in July 2020 had led to localised lockdowns in affected areas for different durations. Further, localised lockdowns are being continuously implemented in certain areas and provinces in Vietnam following the recent surge in Covid-19 cases since January 2021. Despite the lifting of the nationwide lockdown, the Government has continued to impose nationwide control measures. Although factories in Vietnam have been allowed to operate since the social isolation by complying with the control measures set out by the Government, any sudden changes to the policies relevant to the control and prevention of the spread of Covid-19 may impact the business and operations of glove chlorination system manufacturers, such as the inability to fulfil delivery of projects and services, which may eventually adversely affect the financial performance of glove chlorination system manufacturers.

5 PROSPECTS AND OUTLOOK

The glove chlorination manufacturing industry grows in tandem with the glove manufacturing industry as the establishment of new and/or expansion and/or upgrading of glove manufacturing facilities by glove manufacturers are the main determinant of the demand for glove chlorination systems.

Prior to the outbreak of Covid-19, the global demand for rubber gloves increased from 233 billion pieces in 2017 to 296 billion pieces in 2019, at a CAGR of 12.71%[9]. Export of rubber gloves for Malaysia, Thailand and Vietnam were recorded as follows:

- Malaysia's export of rubber gloves increased by 12.49% from 719.70 kilotonnes in 2017 to 809.59 kilotonnes in 2018. In 2019, Malaysia's export of rubber gloves decreased by 2.69% to 787.79 kilotonnes. From 2017 to 2019, Malaysia's export of rubber gloves registered a CAGR of 4.62%;
- Thailand's export of rubber gloves grew from 170.03 kilotonnes in 2016 to 206.84 kilotonnes in 2019, at a CAGR of 6.75%; and
- Vietnam's export of rubber gloves grew from 15.52 kilotonnes in 2016 to 18.39 kilotonnes in 2019, at a CAGR of 5.82%, albeit with a decline in 2017. In 2017, Vietnam's export of rubber gloves declined by 10.82% but nevertheless recovered with a 13.66% growth in 2018. In 2019, Vietnam's export of rubber gloves further grew by 16.91%.

Due to the on-going Covid-19 pandemic, glove manufacturers have faced a surge in demand for rubber gloves as rubber gloves are a means of protective and preventive gear against diseases. SMITH ZANDER estimates global demand for rubber gloves to have reached approximately 369 billion pieces in 2020, an increase of 24.66% from 2019. In tandem with the spike in the global demand for rubber gloves, Malaysia's export of rubber gloves reached 994.91 kilotonnes in 2020, an increase of 26.29% from 2019. Further, MARGMA forecasts the global demand for rubber gloves to reach 420 billion pieces in 2021, an increase of 13.82% from 2020. Following this, SMITH ZANDER forecasts Malaysia's export of rubber gloves to reach 1,159.45 kilotonnes in 2021, an increase of 16.54% from 2020. Similarly, exports of rubber gloves in Thailand and Vietnam are expected to spike in 2020 and further increase in 2021 due to the demand for rubber gloves arising from the Covid-19 pandemic.

With the availability of vaccines for the Covid-19 virus, the usage of rubber gloves among healthcare professionals may gradually decrease from levels recorded in 2020 and 2021 at the peak of the pandemic. Nevertheless, the demand for rubber gloves are expected to remain high which is premised on the continuous usage of medical gloves among healthcare professionals worldwide during mass vaccination, especially in the near term as countries have made arrangements to procure Covid-19 vaccines; and in the longer term, it will be continuously driven by heightened awareness of the usage of rubber gloves as a protection against virus and diseases due to the Covid-19 pandemic, as well as the increase in demand for healthcare services due to various factors including growing accessibility to healthcare services, rising population and growing ageing population, and rising prevalence of chronic and other contagious diseases. As such, SMITH ZANDER forecasts global demand for rubber gloves to increase to approximately 615 billion pieces in 2025, at a CAGR of 10.00% from 2021 to 2025. With this anticipated growth in global demand, there will be continuous establishment of new and/or expansion and/or upgrading of glove manufacturing facilities, which creates demand for glove chlorination systems.

Accordingly, SMITH ZANDER forecasts that Malaysia's export of rubber gloves to increase to 1,526.76 kilotonnes in 2025, at a CAGR of 7.12% from 2021 to 2025. The exports of rubber gloves in Thailand and Vietnam are also expected to grow in the longer term. SMITH ZANDER forecasts Thailand's exports of rubber gloves to increase to 398.99 kilotonnes in 2025, at a CAGR of 11.57% from 2019 to 2025. SMITH ZANDER forecasts Vietnam's exports of rubber gloves to increase to 26.87 kilotonnes in 2025, at a CAGR of 6.52% from 2019 to 2025.

The parameters for the forecast on the global demand for rubber gloves in 2025 is based on the following:

- Historical growth in the global demand for rubber gloves; and

[9] *Source: MARGMA*

7. INDEPENDENT MARKET RESEARCH REPORT *(Cont'd)*

- Future drivers and restraints of global demand for rubber gloves.

Further, the parameters for the forecast on the respective exports of rubber gloves in Malaysia, Thailand and Vietnam in 2025 are based on the following:

- Historical growth in the exports of rubber gloves in Malaysia, Thailand and Vietnam respectively; and
- Future drivers and restraints of rubber glove exports in Malaysia, Thailand and Vietnam.

Notwithstanding the above, the growth in global demand for rubber gloves, as well as exports of rubber gloves in Malaysia, Thailand and Vietnam, may be higher should Covid-19 infection rates remain high globally after 2021.

Premised on the above, global demand for rubber gloves is expected to continue demonstrating growth post Covid-19, albeit at slower rates than in 2020 and 2021, driven mostly by heightened awareness of the usage of rubber gloves as a result of the Covid-19 pandemic. As such, the prospects for glove chlorination manufacturers, including Flexidynamic Group, remain positive in tandem with the growth in the glove manufacturing industry as a result of continuous growth in global demand for rubber gloves.

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