

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

- **Chain making**

The annealed wire is then passed through an automatic chain making machine that creates the link and subsequently weaves the links into different patterns such as, among others, belcher, box, cable, curb and figaro to become a continuous chain.

The gaps between each link will need to be soldered together. This is done by covering the chain with solder powder and placing them in a furnace heated to 930°C to melt the powder, hence closing the gaps. Generally, after soldering, we will perform assaying on a chain sample to ensure that the solder powder does not alter the purity of the gold chain and it is still at least 91.67% gold purity.

For the hollow gold chain, the core metal will need to be removed from each of the links. This is done by using nitric acid that will dissolve the copper core without affecting the gold. The dissolved core will flow out of the seam of each of the links.

There will be a spooling process for the storage of the finished chain products in a spool ready to be used for the finishing process.

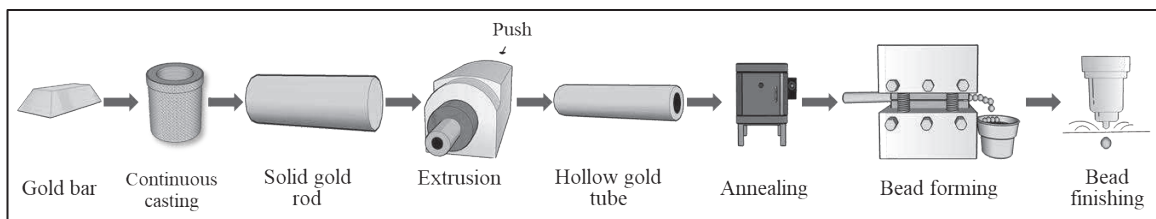
- **Finishing**

The solid or hollow gold chain is then twisted, hammered or compressed into the required design, and cut into pieces depending on the required lengths. The addition of clasps and/or other design elements are then soldered using laser soldering before going through the final process of cleaning and polishing. We will conduct quality control checks such as internal assaying and visual inspection on the finishing of the final product to check for any defects including blemishes, dents, bubbles and stains.

**(b) Bead manufacturing**

Bead can be string into ball or bead chains and form into chain products such as necklaces, bracelets and anklets. It can also be used to create or add value onto a jewellery piece to create a pendant, charm or earring.

The general process flow for hollow bead manufacturing is as follows:



- **Tube forming**

We start with a casting process to convert gold bar into solid gold rod using a continuous casting machine. The gold rod is then extruded with a mandrel, creating a hollow cavity to become the hollow gold tube for the next process.

6. INFORMATION ON OUR GROUP (Cont'd)

- **Annealing**

During the forming process, the gold tube will become hard and brittle. As such, the gold tube goes through the annealing process to make it more malleable and workable for subsequent processes. Our annealing process involves heating the gold tube in a furnace with temperature of 680°C.

- **Bead forming**

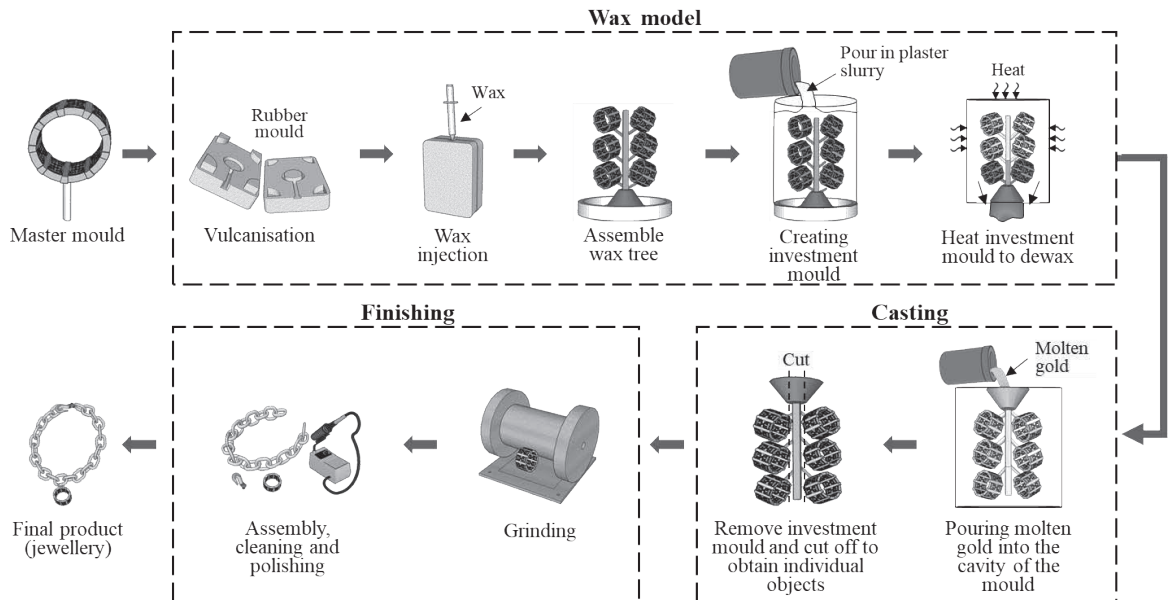
The annealed gold tube will then go through the ball forming machine, whereby gold tubes will be cut, pressed and formed into beads using the machine. Our Group usually manufacture beads with diameters ranging from 2.0mm to 8.0mm.

- **Finishing**

The bead is then finished through cutting at different angles using CNC machines. The finished beads will either be connected with a string to form a bead chain or assemble with other chains to make necklaces, bracelets, anklets and earrings. We also sell these beads as semi-finished products to other manufacturers for their own further processing. We will conduct quality control checks on the final product.

(c) **Lost wax casting**

Lost wax casting, also referred to as investment casting, is used to manufacture gold jewellery such as bangles, pendants, charms, and earrings. The general process flow for the lost wax casting is as follow:



- **Master mould**

We start by creating our jewellery design using automated CAD software. The design is then sent to a 3D printer to produce a solid version of the design made of plastic. This solid plastic item will be our master mould to make numerous copies.

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

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- **Wax model**

From the master mould, we will make several negative rubber moulds of the master mould. A negative rubber mould has a cavity where the cavity is in the exact shape of the solid master mould. This is done by surrounding the master mould with a solid rubber block within a mould frame. It is then placed in a heater press and vulcanised. Once the rubber block with the mould cools down, the rubber block is cut in half, thus releasing the master mould.

The rubber mould is then used to make copies of the master mould. This is done by injecting the molten wax into the rubber mould cavity to create wax models for casting. Once the wax cools down, the hardened wax is removed from the rubber mould. Then, the wax copies are attached in a tree formation, sometimes referred to as an investment casting tree. The investment casting tree comprises a hollow trunk with hollow side arms where the wax mould is attached to the trunk. The investment casting tree is suspended in a metal flask and investment powder which has been mixed with water to form a slurry is then poured around it. The investment powder is similar to Plaster of Paris.

The investment mould is vibrated to remove any air bubbles, and allowed to set for 4 minutes. Once it is set, it is placed into an oven and the temperature is slowly increased so that most of the wax melts, leaving a void that will eventually become a jewellery component. The flask is ready for casting once the wax is completely melted.

- **Casting**

Next, molten gold is poured into the cavity of the investment tree mould. The molten gold will travel down the hollow main branch of the tree and into the cavity of the sidearms which forms the shape of the required jewellery item. Once the gold hardens, the whole tree with all its sidearms will be submerged into a bucket of cold water to dissolve the investment materials. Once the investment materials are removed leaving behind the gold tree with sidearms, the sidearms or jewellery components are then clipped off from the tree.

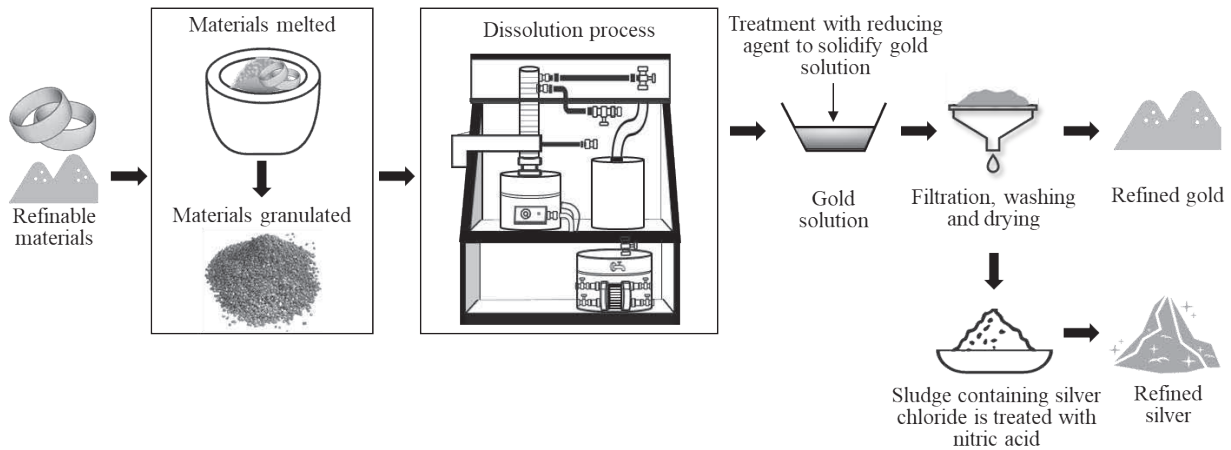
- **Finishing**

The finishing process involves going through a grinding process and the assembly of the jewellery with other components through soldering or manual jointing. Once all the jewellery components are in place, it goes through the cleaning and polishing processes to bring the jewellery to its final polished state.

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

### 6.3.6.3 Refining of precious metals

We carry out refining process to recycle scrap gold bars, used gold jewellery as well as gold waste created from our manufacturing process. Our refining process is for gold and silver only. The refining process is depicted in the diagram below:



- **Melting and granulation**

Firstly, the refinable materials such as scrap gold bars or used gold jewellery are melted and granulated to provide a large surface area of the materials to react with solutions as part of the refining process.

- **Dissolution**

The granulated materials will then go through a dissolution process which involves dissolving the granulated materials in a heated aqua regia solution (a mixture of nitric acid and hydrochloric acids). Gold and most other metals will dissolve in aqua regia.

- **Refined gold**

After the dissolution process, a solution is produced. The solution is then treated with a reducing agent to precipitate pure gold. The reducing agent that we use to precipitate the gold is iron sulfate. The precipitated gold is then filtered, washed and dried to produce high purity gold powder. The refined gold is then ready to be used.

- **Refined silver**

The resultant sludge from the precipitation of gold, and filtration, washing and drying process contains many materials as well as silver in the form of silver chloride. The sludge is then treated with nitric acid which reacts with the silver chloride to produce a solution containing silver. This solution is then filtered and the solution is collected in another container. Subsequently, by adding silver precipitant crystals to the solution, the silver-bearing solution will precipitate into silver. The refined silver is then washed with water, dried and ready to be used.

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

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**6.3.6.4 Gold assaying**

Assaying is the process of determining the composition of a material. Gold assaying focuses on determining the quantitative content of gold in terms of percentage in a gold product. Assaying of a gold product is key as the price or value of the gold product is highly dependent on the gold content of the said product.

As part of our internal manufacturing process, we carry out fire assaying of gold items, which is also known as the cupellation method, as follows:

**(i) Sampling**

We carry out gold assaying on all of our scrap gold bars and all of our in-process gold materials such as rods wires, chains, and beads. We also carry out gold assaying on some of the finished gold jewellery products that we sourced from external manufacturers. As fire assaying is a destructive method of ascertaining the gold content, this is only undertaken on a case-by-case basis.

Our gold assaying process begins with taking a sample of the items to be assayed. The said sample will then be further cut into 3 smaller samples. The smaller sample is weighed using a gold balance scale. It is then wrapped in lead foil together with silver and subsequently, copper is added to the samples.

**(ii) Heating and annealing**

We will prepare cupels which are shallow porous cups by preheating them inside a muffle furnace at 800°C. Once preheated, the samples are placed in individual cupel and inserted back into the muffle furnace to be heated at 1,100°C. Subsequently, the cupels are taken out and rested at room temperature.

The samples are then cleaned and annealed at 800°C to reduce the hardness of the material. The samples are then rolled and formed into a strip form.

**(iii) Acid wash**

The samples will then go through an acid wash using nitric acid to remove any impurities thereby leaving the pure gold content only.

**(iv) Final weighing**

Subsequently, the samples will go through an annealing process to create a compact form to be weighed to determine its gold purity. The purity result is then recorded and sample will be stored up to 2 weeks.

**6.3.7 R&D**

We do not carry out any R&D activities for our business operations. However, we develop new designs where some of these designs are manufactured into products for commercialisation.

We did not record any R&D expenditures. All our designs development expenditures are captured as expenses.

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

### 6.3.8 Technology

We use the following technologies in our product design, development and manufacturing process as follows:

- 3D modelling and printing;
- CNC machining;
- Laser engraving technology; and
- Electroplating.

Please refer to Section 6.12 of this Prospectus for details on our Group's key machinery and equipment.

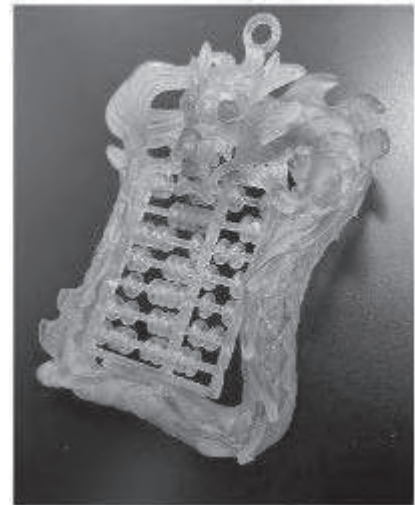
#### 6.3.8.1 3D modelling and printing

We use 3D modelling, a digital representation of an object using CAD software for our design work to create master patterns for the investment casting of jewellery items. We then use 3D printing machine to produce the designed jewellery made of plastic. 3D printing uses the desired material such as plastic resin in molten form as the equivalent of the printer ink and will print one layer on top of the previous layer to eventually create the physical product.

3D modelling and printing have made our designing process, creation of master patterns and commercialisation of new products faster compared to our conventional method of using manual drawing of design and building the model of the item. The 3D modelling and printing have also facilitated increased design innovation and intricacies, and higher precision in model building.

Our Group also uses 3D printed models as prototypes as well as design samples for acceptance by customers. Any modifications or improvements can be carried out easily and quickly.

**3D printed abacus dragon pendant using plastic resin**



#### 6.3.8.2 CNC machining

CNC machining is a manufacturing technology and process in which pre-programmed instructions are sent to the CNC machine to control the removal of materials from a physical object. CNC machine uses several methods to remove materials including grinding, cutting, lathe and router. For example, a CNC machine will be able to determine the area, angle, applied pressure and depth of the cut for the cutting process. CNC machines can carve or engrave detailed and unique designs into pieces of gold jewellery with high accuracy and speed compared to hand-carved pieces.

This CNC machining is used in the diamond cutting process to create a uniformed geometric design on the surface of the precious metal in order to achieve light reflecting properties or a shiny appearance to the precious metal. We use various types of CNC machines to cut at different angles, thus producing different designs for rings, bangles and pendants. We also use CNC machines to create master moulds for investment casting to manufacture jewellery items.

**Before diamond cutting**



**After diamond cutting**



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

**6.3.8.3 Laser engraving technology**

We use laser engraving technology for deep or contrasted engraving on our gold jewellery and metal pressing mould. The metal pressing mould is then used for the pressing process to imprint images and designs onto gold wafers and coins. The extremely fine laser beam can create a highly detailed mark within seconds without damaging the surrounding material.

Our laser engraving machines use an optical fibre to focus the laser, making the laser beam stronger and more effective for engraving on the jewellery item and steel mould. We use the laser engraving machines mainly to make our steel mould for wafer stamping.

**Laser engraving machine**



**6.3.8.4 Electroplating**

Electroplating is an electrodeposition process using an electroplating machine. It is the process of applying a metal coating on a finished product, commonly another metal or a non-metal coated with a conductive surface. The process of electroplating uses an electrolyte as a medium to transfer the required metal ions to the surface of the item to be plated.

Where required, we commonly electroplate our gold jewellery with gold and rhodium. Using the appropriate electrolyte, determining the strength of the current, and the duration of the electroplating process is important to achieve the desired results.

We carry out electroplating to provide a different shade of colour on the surface of our gold jewellery including rose coloured and white coloured gold surface.

Besides, electroplating can increase the appearance of colour uniformity in jewellery, as well as improving tarnish resistance that enhances the wearability of the jewellery. We use a titanium electrode and rhodium sulphate solution to produce the bright surface on our gold jewellery.

**Ring with three different color-plated gold**



**Electroplating process to make rose coloured gold item**



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

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**6.3.9 Sales and marketing activities**

Our sales and marketing strategies and activities are targeted at customers including jewellery retailers, wholesalers, and manufacturers. For the Financial Years Under Review, jewellery retailers represented more than 90.00% of our total revenue. As such, the focus of our sales and marketing strategies and activities are at gold jewellery retailers.

We adopt the following sales and marketing approaches to address business opportunities in the gold jewellery industry:

- **Market positioning**
  - We position ourselves as a wholesaler supported by our in-house design and manufacturing operations of gold jewellery where we are equipped with internal refining and gold assaying facilities. Our in-house manufacturing operations enable us to create and manufacture gold jewellery designs in keeping with market trends and meeting customer preferences.
  - We position ourselves as a specialist in gold jewellery with an established track record spanning 30 years in the gold jewellery industry. Over the years, we have established our market reputation as a trusted company which is important in the wholesale and manufacturing of gold jewellery.
  - We position ourselves as a one-stop supply centre of gold jewellery. This is supported by our ability to offer a wide range of gold jewellery including necklaces, bracelets, anklets, bangles, rings, pendants, and earrings of various designs, shapes and sizes. For the FYE 2021, revenue from our gold jewellery segment was derived from sales of approximately 12,600 SKU.
- **Market coverage**
  - We mainly serve customers in Peninsular and East Malaysia which represented more than 90% of our total revenue for the Financial Years Under Review. As at the LPD, we have a total of 15 sales personnel focusing on sales and securing new customers as well as servicing existing customers.
  - For the Financial Years Under Review, our export markets include Singapore, Myanmar, Germany, Hong Kong and Indonesia. Singapore was our main export market during the Financial Years Under Review and our strategy is to continue to expand our presence in foreign countries.
- **Digitalisation**
  - We implemented digitalisation as part of our sales and marketing efforts where we established an online sales order system. The online sales order system enables our customers to view our full range of products, stock availability and pricing. It also allows our customers to place and monitor their purchase orders. The online sales order system is also capable of carrying out analytics to offer sales suggestions to our customers. The analytics would combine data and information on profile and purchase patterns of each of our customers, market trends of localised cohort of customers, as well as domestic and foreign fashion trends. This online sales order system is particularly relevant in view of movement restrictions caused by the COVID-19 pandemic.





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

No.	Company	Description	Authority	License no./ Reference no.	Issuance date/Expiry date	Major conditions imposed	Status of compliance
3.	GPM	Manufacturing license for No. 23, 25 & 27 Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur <sup>(b)</sup>	MITI	A024155	24 December 2021 / None	<p>(a) MITI and MIDA shall be notified of any sale of shares in GPM.</p> <p>(b) GPM shall train its Malaysian employees to ensure that technology and expertise may be transferred to all positions in GPM.</p> <p>(c) GPM shall ensure that its capital investment per employee is at least RM140,000.00.</p> <p>(d) The total full-time workforce of GPM shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p>	Noted  Complied  Complied  Complied
4.	GPM	Business premise license for No. 23-1 Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur	DBKL	DBKL.JPPP/PR01/ 8669/03/2021	6 April 2022 / 5 April 2023	(a) The workers in the premise must consist of 50% Malaysians and 50% non-Malaysians with valid work permits.	Complied <sup>(a)</sup>
5.	GPM	Business license for Suite 7-7D, Level 7, Menara MAA, No. 6, Lorong Api-Api 1, 88000 Kota Kinabalu, Sabah <sup>(c)</sup>	Mayor Bandaraya Kota Kinabalu	698020	1 January 2022 / 31 December 2022 <sup>(d)</sup>	None.	N/A
6.	GPM	Certificate of Written Permission under Regulation 4 of the Environmental Quality (Sewage and Industrial Effluents) Regulations, 1979 <sup>(e)</sup>	Department of Environment of the Federal Territory of Kuala Lumpur	SPE/9/2008	12 May 2008 / None	None.	N/A

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

No.	Company	Description	Authority	License no./ Reference no.	Issuance date/Expiry date	Major conditions imposed	Status of compliance
7.	GPM	Certificate of Written Permission – Controls and Chimneys under the Environmental Quality (Clean Air) Regulations, 1978 <sup>(6)</sup>	Department of Environment of the Federal Territory of Kuala Lumpur	AK/43/2007	14 January 2008 / None	None.	N/A

Notes:

- (a) We have obtained written confirmation via electronic mail from DBKL that the interpretation of this condition is that at least 50% of the employees in the premise must be Malaysian and where all employees in the premise are Malaysians, no legal action will be taken against the company as the company is deemed to have complied with this condition.
- (b) GPM had first obtained its manufacturing license dated 29 July 1998 from MITI for the manufacturing of jewellery. On 19 June 2014, GPM obtained a new manufacturing license for the manufacturing of jewellery and refining of precious metals (“**2014 License**”). On 3 September 2019, GPM applied to MITI/MIDA (being the Government’s principal investment promotion agency under MITI responsible for, amongst others, issuing and administering manufacturing licenses) for a duplicate copy of its 2014 License as it was misplaced and could not be located. On 21 October 2019, MITI re-issued GPM’s existing manufacturing licence as disclosed above, effective from 19 June 2014.
- GPM had on 8 September 2021 applied to MIDA to amend the address of its place of manufacturing expressed on its manufacturing license to include No. 23 and 25, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur. On 14 September 2021, GPM obtained the approval from MITI for the abovementioned application and the new manufacturing license was issued on 24 December 2021.





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

- (c) GPM obtained a valid business license for its sales activities at Menara MAA, Kota Kinabalu, Sabah since 2015. However, due to a subsequent change in business strategies, YXG undertook the sales activities and inadvertently continued the sales activities without applying a separate business license. As such, from 2015 up to 31 May 2021, YXG have been undertaking sales activities at Suite 7-7D, Level 7, Menara MAA, No. 6, Lorong Api-Api 1, 88000 Kota Kinabalu, Sabah without a business license. However, YXG is no longer using this sales office as our sales personnel in Sabah have adopted a new working arrangement since the MCO, where they work remotely from home. Nonetheless, effective 1 June 2021, another subsidiary, namely GPM which holds a valid business license issued by Mayor Bandaraya Kota Kinabalu will occupy this premise as its sales office to directly market its gold jewellery in East Malaysia.
- We have not been fined or issued with any notice of non-compliance from the relevant authorities in relation to the above. However, the Trades Licensing Ordinance (Sabah Cap. 114) does not restrict the relevant authorities from issuing a fine or penalty for any past non-compliances. Having regard to this, we recognise that our past non-compliance could still result in an estimated potential fine of up to RM700.00 based on Section 3(4) of the Trades Licensing Ordinance (Sabah Cap. 114) for undertaking sales activities without a valid business licence from 2015 to 31 May 2021, which is deemed immaterial to our Group.
- (d) We plan to submit the application for renewal of the business license within 60 days before the expiry date. As at the LPD, we have not experienced any failure to renew this business license.
- (e) The Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 was revoked collectively by the Environmental Quality (Sewage) Regulations 2009, Environmental Quality (Industrial Effluent) Regulations 2009 and Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations 2009 (collectively, “**New Regulations**”). Under the New Regulations, all written permission granted under the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 shall continue to remain in full force and effect until the written permission is revoked.
- (f) The Environmental Quality (Clean Air) Regulations 1978 was revoked by the Environmental Quality (Clean Air) Regulations 2014. Under the Environmental Quality (Clean Air) Regulations 2014, all written permissions granted under the Environmental Quality (Clean Air) Regulations 1978 shall continue to remain in full force and effect until the written permission is revoked.

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

**6.3.11 Intellectual property rights, patents, trademarks and registrations**

Save as disclosed below, our Group does not have any registered intellectual property rights, patents, trademarks or registrations as at the LPD:

No.	Registered Owner	Type of Intellectual Property Right	Illustration	Registration No.	Issuing Authority	Registration Date / Expiry Date
1.	GPM	Industrial design of a linked bead chain jewellery product.		MY 18-00094-0101	Intellectual Property Corporation of Malaysia	26 January 2018 / 26 January 2023
2.	GPM	Industrial design of a linked bead chain jewellery product.		MY 14-00869-0101	Intellectual Property Corporation of Malaysia	23 July 2019 / 10 July 2024
3.	GPM	Industrial design of a linked box chain jewellery product.		MY 14-01264-0101	Intellectual Property Corporation of Malaysia	23 July 2019 / 7 October 2024
4.	GPM	Industrial design of a linked bead chain jewellery product.		MY 15-01330-0101	Intellectual Property Corporation of Malaysia	28 November 2020 / 6 November 2025

As the registered owner of the industrial designs above, GPM is protected under the Industrial Designs Act 1996, where GPM has the exclusive legal right to make, use or sell any article to which the registered industrial designs have been applied. GPM also has the rights to institute legal proceedings against any person who has infringed or is infringing any of the rights conferred by the registration of the industrial designs. The novelty and merit in the industrial designs above reside in the features of shape and configuration of the jewellery product as shown in the illustrations above.

In recognising the creative effort of our in-house design team for the above designs, we proceeded to register the designs, although we have yet to actively manufacture our gold jewellery based on the designs as the designs require manual handcraft. Generally, we do not register our designs as jewellery designs are constantly changing based on consumer behaviour and preferences.

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

For the Financial Years Under Review, revenue recorded from sales of our gold necklaces and bracelets based on our designs above amounted to RM0.17 million (0.12%), RM0.39 million (0.27%), RM0.30 million (0.17%) and RM0.11 million (0.04%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. This represents a small contribution of less than 1% of our total revenue as we have yet to actively market the said designs and it is custom-made to order using manual handcraft upon requests from customers. Moving forward, we will continue to market and sell these products to our existing and prospective customers if there are orders from customers.

### 6.3.12 Material dependency on contracts, intellectual property rights, licenses and permits or production of business processes

As at the LPD, save as disclosed in Section 6.3.10 of this Prospectus, there is no other contracts including commercial or financial contracts, intellectual property rights, licenses, permits or production of business processes which our Group's business or profitability is materially dependent on.

We are not dependent on the registered industrial designs disclosed in Section 6.3.11 of this Prospectus.

### 6.3.13 Interruptions to business and operations

Save for the temporary interruptions to our business operations due to the COVID-19 pandemic conditions in Malaysia, we did not experience other interruptions to our business and operations.

Kindly refer to Section 6.3.14 of this Prospectus for further details.

### 6.3.14 Impact of the COVID-19 pandemic

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. As part of the efforts to reduce and control the spread of COVID-19 in the country, the Government implemented the MCO as one of the preventive measures. The MCO involves restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities.

The Government implemented several periods of MCO commencing from 18 March 2020 to control and contain the transmissions of COVID-19 in Malaysia. The different periods of MCO are summarised as follows:

Events	Period
<b>MCO 1.0</b>	<ul style="list-style-type: none"> <li>Implemented from 18 March 2020 to 3 May 2020.</li> <li>The control measures implemented included, amongst others, the closure of all businesses except for those classified as "essential services". Restrictions on the movement of people in Malaysia (including restrictions on inter-state and inter-district travel), and restrictions on international travel into and out of Malaysia.</li> </ul>
<b>CMCO</b>	<ul style="list-style-type: none"> <li>Implemented from 4 May 2020 to 9 June 2020.</li> <li>Certain restrictions previously gazetted under the MCO 1.0 period were gradually eased and many economy sectors were allowed to resume operations in a controlled manner and following specified guidelines and SOP. Controls on the movement of people within Malaysia were relaxed, while restrictions on international travel were modified.</li> </ul>

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

<b>Events</b>	<b>Period</b>
<b>RMCO</b>	<ul style="list-style-type: none"> <li>Implemented from 10 June 2020 and following several extensions, ended on 31 March 2021.</li> <li>Almost all economic sectors were allowed to resume operations so long as they follow specified guidelines and SOP. The movement of people within Malaysia was relaxed further, although restrictions on international travel into and out of Malaysia remained the same as the CMCO period.</li> <li>Nonetheless, the Government re-imposed CMCO measures in specific areas in response to localised areas with a surge in COVID-19 transmissions during RMCO period.</li> </ul>
<b>MCO 2.0</b>	<ul style="list-style-type: none"> <li>Implemented from 13 January 2021 to 4 March 2021, of which MCO restrictions were re-introduced to Johor, Kelantan, Melaka, Sabah, Selangor, Sibuan in Sarawak, Kuala Lumpur, Labuan and Putrajaya, whilst other states and territories were placed under CMCO or RMCO restrictions.</li> </ul>
<b>MCO 3.0</b>	<ul style="list-style-type: none"> <li>Implemented from 16 April 2021 to 31 May 2021.</li> <li>MCO restrictions were first re-imposed in Kelantan on 16 April 2021 and subsequently to several districts and mukims in Johor, Kuala Lumpur, Penang, Sarawak and Selangor on 3 May 2021. The MCO restrictions were extended nationwide on 12 May 2021.</li> </ul>
<b>NRP</b>	<ul style="list-style-type: none"> <li>Subsequently, on 15 June 2021, the Government announced the NRP, a phased exit strategy from the COVID-19 crisis and the MCO which will be from June 2021 to December 2021. The NRP consists of 4 phases including Phase 1 FMCO which commenced from 1 June 2021.</li> <li>All sectors are not allowed to operate except for those in the essential economic and service sectors. Restrictions on the movement of people in Malaysia (including restrictions on inter-state and inter-district travel).</li> <li>Phase 2 of the NRP will be implemented if Phase 1 of the NRP succeeds in reducing the number of daily COVID-19 cases, which will allow the reopening of some economic sectors. This will be followed by Phase 3 of the NRP whereby nearly all economic sectors will be allowed to operate subject to strict SOP and restrictions on the number of people allowed to be physically present at workplaces. Lastly, Phase 4 of the NRP will see a full reopening of the economy, where interstate travel and domestic tourism will be allowed.</li> </ul>

Impact of the COVID-19 pandemic on our business and financial performance are as follows:

<b>Events</b>	<b>Impact on our Group</b>
<b><u>2020</u></b>	
<b>MCO 1.0</b>	<ul style="list-style-type: none"> <li>Our wholesale and manufacturing operations were suspended for 32 working days from 18 March 2020 to 3 May 2020 as our business operations were not deemed as “essential services” during this period.</li> <li>As a result of the closure of our business operations during MCO 1.0, our revenue declined from RM13.19 million in February 2020 to RM8.13 million in March 2020 and we did not record any revenue in April 2020.</li> </ul>
<b>CMCO</b>	<ul style="list-style-type: none"> <li>We resumed our wholesale and manufacturing operations on 4 May 2020 by operating at approximately 40% to 50% capacity, where we split our workforce into 2 groups and 2 shifts with each group operated 6.5 hours per shift.</li> <li>Following the above, we continued to record revenue from May 2020 to December 2020.</li> </ul>

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

Events	Impact on our Group
RMCO	<ul style="list-style-type: none"> <li>Our workforce resumed to operating in a single shift in October 2020 at 100% capacity.</li> </ul>
	<p><b><u>Other impact arising from MCO 1.0, CMCO and RMCO</u></b></p> <ul style="list-style-type: none"> <li>Our sales personnel were unable to conduct sales meetings and deliver our gold jewellery directly to our customers due to restrictions on interstate travel. This has resulted in a decrease in our petrol and travelling expenses from RM0.23 million in FYE 2019 to RM0.13 million in FYE 2020.</li> <li>Customer's dealings were conducted through phone calls and the delivery of goods were arranged with courier companies. From that perspective, our freight, insurance and handling charges increased from RM0.02 million in FYE 2019 to RM0.04 million in FYE 2020.</li> <li>The travel restrictions also affected our sales and delivery of goods to Singapore. Usually, our sales personnel would hand deliver the gold jewellery directly to customers in Singapore. Due to the closure of the Malaysia and Singapore borders, we encountered issues in coordinating the delivery to Singapore from March 2020 to August 2020, and only resumed delivery to Singapore from September 2020 onwards. As such, sales to Singapore customers were affected, where sales volume of gold jewellery decreased by 40,391g, from 63,195g in FYE 2019 to 22,804g in FYE 2020 and corresponding revenue decreased by RM6.25 million in FYE 2020.</li> <li>We did not experience any shortages in the supply of gold as raw materials during these periods.</li> </ul>
<b><u>2021</u></b>	
MCO 2.0	<ul style="list-style-type: none"> <li>Our business operations were not affected by MCO 2.0 as our wholesale and manufacturing operations were allowed to operate. In addition, there was no disruption in our customers' orders as jewellery retailers were also allowed to operate during MCO 2.0.</li> <li>We operated at approximately 40% to 50% capacity, where we split our workforce into 2 groups and 2 shifts with each group operated 6.5 hours per shift.</li> </ul>
MCO 3.0	Our business operations were allowed to operate. We operated at approximately 40% to 50% capacity, where we split our manufacturing workforce into 2 groups and 2 shifts from 7 May 2021 onwards until 1 June 2021.
NRP Phase 1	<ul style="list-style-type: none"> <li>With the FMCO that started on 1 June 2021 under the NRP Phase 1, our wholesale and manufacturing operations were suspended for 56 working days from 1 June 2021 to 22 August 2021 as our business operations are not within the essential economic and service sectors. During this period, all employees from our office and manufacturing facilities in Kuala Lumpur, as well as sales office in Sabah started to work from home since 1 June 2021. This includes some of our craftsmen, where they carried out minimal final assembly works of jewellery products at home to meet our export sales orders as well as to fulfil some of our local customers' orders, who has an online and e-commerce presence.</li> <li>The closure of our business operations during Phase 1 of the NRP has affected our revenue performance for June 2021 and July 2021.</li> <li>We resumed operations on 23 August 2021 with the approval from MITI by operating at approximately 40% to 50% capacity, where we split our workforce into 2 groups and 2 shifts with each group operated 6.5 hours per shift.</li> </ul>



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

Events	Impact on our Group
<b>NRP Phase 2</b>	<ul style="list-style-type: none"> <li>• Kuala Lumpur entered Phase 2 of the NRP on 10 September 2021. We continued operating at approximately 40% to 50% capacity from 10 September 2021 until 30 September 2021.</li> <li>• On 14 September 2021, our subsidiaries, YXG and GPM, received letters from MITI indicating that the vaccination rate for both companies has reached 80% allowing us to operate at 100%. Nevertheless, we continued operating at approximately 40% to 50% capacity.</li> <li>• Sabah entered Phase 2 of the NRP on 10 July 2021. We did not resume our operations in Sabah until 1 October 2021 when our employees were fully vaccinated. Nevertheless, most of the time, our employees were working remotely from home.</li> </ul>
<b>NRP Phase 3 and 4</b>	<ul style="list-style-type: none"> <li>• Kuala Lumpur entered Phase 3 and 4 of the NRP on 1 October 2021 and 18 October 2021, respectively. Since 1 October 2021, we resumed to operating in a single shift at 100% capacity.</li> <li>• Sabah entered Phase 3 and 4 of the NRP on 18 October 2021 and 8 November 2021, respectively. Our employees in Sabah continued to work from home most of the time.</li> </ul>
<b>2022</b>	
<b>'Transition to Endemic' Phase</b>	<ul style="list-style-type: none"> <li>• On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase and we continued to operate at full workforce capacity while adhering to the Government's SOP and guidelines.</li> </ul>

We received financial assistance for the payment of salaries from the Wage Subsidy Programme implemented by the Government to assist employers whose operations have been affected by the COVID-19 pandemic. In 2020, we received financial assistance for the payment of salaries for our 55 employees for March 2020 and April 2020. Similarly in 2021, we received financial assistance for the payment of salaries for our 54 employees for 4 months from June 2021 to September 2021.

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

We have not breached any laws and regulations in relation to COVID-19 restrictions and SOP, which may lead to penalties by relevant authorities. Since the resumption of business operations and up to the LPD, we have adhered to the SOP specified by the relevant authorities. This included the following:

- (i) daily body temperature measurement screening for all employees and visitors before they enter the factory and offices. Anyone with temperatures of 37.5°C and above will not be allowed to enter our premises;
- (ii) implementation of contact tracing system of customers, suppliers and visitors through the MySejahtera application or recording of contact details;
- (iii) sales staff are required to record sales travel details;
- (iv) practising social distancing in the factory and office;
- (v) employees are required to wear face masks at all times in the company's premises; and
- (vi) minimising physical meetings and avoiding unnecessary business-related travelling.

If any of our employees are infected with COVID-19, we may be required to temporarily shut down our operations as advised by the Ministry of Health, Malaysia. In the event any of our employees are infected, all of our employees would have to undergo COVID-19 swab test.

Since the resumption of works on 4 May 2020 and 23 August 2021 respectively, and up to the LPD our business operations continued to operate according to specified guidelines and the SOP in accordance to the relevant laws and regulations in relation to the COVID-19 pandemic and movement restrictions.

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

### Employees tested positive for COVID-19

On 9 May 2021, 1 of our employees from the manufacturing facilities was tested positive for COVID-19 and was under home quarantine from 9 May 2021 until 23 May 2021. Pursuant to this incident, the following have been carried out:

- affected floors of the manufacturing facilities were closed on 10 May 2021 for thorough cleaning and disinfection. The affected floors were subsequently reopened on 11 May 2021; and
- all employees that were working the same shift as the said employee and close contacts were placed under home quarantine. The COVID-19 swab test was conducted on these employees and close contacts on 12 May 2021 and all were confirmed to be negative for COVID-19. We did not incur any cost for the swab test as it was conducted at Government facilities. However, we incurred approximately RM1,000 in the FYE 2020 and RM980 from January 2021 up to 31 July 2021 for the COVID-19 tests for the close contacts.

On 29 May 2021, 2 employees from our manufacturing facilities were tested positive for COVID-19. Nonetheless, the said 2 employees did not enter our office or manufacturing facilities since 28 May 2021 as both of them were under home quarantine for being a close contact to a person tested positive for COVID-19. Subsequently on 3 June 2021, we were informed that another employee from our manufacturing facilities was tested positive for COVID-19. As at 31 July 2021, these 3 employees have completed their respective quarantine period.

Since March 2020 and up to 31 July 2021, save for the 4 employees mentioned above, we do not have any other employees that was tested positive for COVID-19.

Since 1 August 2021 and up to the LPD, we have additional 22 COVID-19 positive cases where these employees were under home quarantine in accordance with the specified days required. We incurred approximately RM1,450 from 1 August 2021 up to the LPD for the COVID-19 tests for the close contacts.

As at the LPD, we have a total of 96 employees and all have been fully vaccinated.

Notwithstanding the above, generally, we carry out regular sanitisation and cleaning at our office and manufacturing facilities and we practice strict measures of social distancing in our premises. For FYE 2020, we incurred a total cost of RM15,000 (including tests for close contacts of approximately RM1,000 as mentioned above) in complying with the necessary SOP including regular sanitisation and cleaning, providing face masks to employees and testing costs, which accounted for 0.55% of our total administrative expenses for FYE 2020.

For FYE 2021, we incurred RM27,300 (including tests for close contacts of approximately RM1,700) in complying with the necessary SOP, which accounted for 1.00% of our total administrative expenses for FYE 2021.

From January 2022 and up to the LPD, we have incurred approximately RM4,700 (including tests for close contacts of approximately RM710) for the said similar expenses.

### 6.3.14.2 Impact on our business and financial performance

#### FYE 2020

For the FYE 2020, our business operations were affected due to restrictions imposed by the Government during MCO periods including:

- closure of operations between mid-March and April 2020 which resulted in a decline in revenue by RM5.06 million in March 2020 and no revenue was recognised in April 2020. We also incurred an average fixed cost of approximately RM540,000 per month during the closure of our offices. This mainly comprised staff salaries and wages, direct remuneration, rental and depreciation costs in FYE 2020;

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

- our sales personnel were unable to conduct physical sales meeting and this affected the delivery of our gold jewellery to customers due to the restrictions on interstate travel; and
- we encountered issues on the physical delivery of gold jewellery to our customers in Singapore between March 2020 and August 2020 due to the closure of the borders and this had resulted in delays in the fulfilment of sales orders. There was no cancellation of sales orders arising from the closure of the Malaysia and Singapore borders.

In addition, we resumed business with partial operations since 4 May 2020 up to end September 2020 and we resumed our operations working in a single shift in October 2020, and the operational conditions are as illustrated below:

	<b>Normal operating conditions with 100% workforce during pre-MCO</b>	<b>Partial operating conditions during the MCO periods</b>
Number of shifts	1	2
Operating hours per shift	8 hours per shift	6.5 hours per shift
Number of employees per shift	(a)90	47

Note:

- (a) Total employees as at 29 February 2020.

In this respect, our business operations were affected pursuant to the above restrictions and this can be further demonstrated by the fact that in FYE 2020, the sales volume of our Gold Jewellery Segment decreased by 138,948g or 12.10% compared to FYE 2019. Revenue from Gold Jewellery Segment continued to grow by RM30.92 million or 21.37% in FYE 2020 mainly attributed to the higher average global gold prices in FYE 2020.

**FYE 2021**

Pursuant to the FMCO that started on 1 June 2021 during the NRP Phase 1, our business operations were suspended for 56 working days from 1 June 2021 to 22 August 2021. Subsequently, we resumed partial operations according to the latest SOP where our business operations in Kuala Lumpur was operating below 60% capacity of workforce since the resumption of operations on 23 August 2021. On 1 September 2021, our sales personnel in Sabah continued with the new working arrangement since the MCO, where they work remotely from home.

In this respect, our business operations were affected due to the restrictions imposed thus far between June 2021 up to September 2021 including the following:

- only minimal final assembly works were carried out at home, mainly to fulfil the existing orders including export orders as well as some of the local customers' orders who are jewellery retailers with online and e-commerce presence. In this respect, we were able to fulfil only a minimal sales orders during the NRP Phase 1 period which amounted to RM6.7 million;
- we also incurred an average fixed cost of approximately RM510,000 per month during the closure of offices, which comprised mainly staff salaries and wages, direct remuneration, rental and depreciation cost in FYE 2021; and
- our sales personnel were unable to conduct physical sales meeting and this affected the delivery of our gold jewellery directly to customers due to restrictions on interstate travel.

Since 23 August 2021, we resumed business with partial operations where we split our workforce to operate 2 shifts with 6.5 hours per shift.

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

Further, due to the temporary closure of our Group's business operations from 1 June 2021 to 22 August 2021, our financial performance and profitability for the FYE 2021 was affected. This has severely affected our revenue where we lost the opportunity to capitalise on our sales when the global average gold prices were higher during these 3 months from June 2021 to August 2021 at RM244/g\* (June 2021 and July 2021) and RM242/g\* (August 2021). Subsequently, when our business operations resumed at the end of August 2021, the global average gold prices declined to RM238/g\* in September 2021 and October 2021. Should there be no FMCO and closure of business operations, we may be able to capitalise on the high gold price trend during these 3 months and our profitability may not have been affected. (\*Source: *Industry Overview Report*)

In addition, we have notified our customers about the disruptions and constraints resulting from the FMCO under the NRP Phase 1 since 1 June 2021 and they have agreed to the deferment of our delivery schedules.

### 6.3.14.3 Impact on our earnings prospects

Our business operations were affected by the COVID-19 pandemic, which resulted in a temporary suspension of our business activities followed by subsequent partial operations during the MCO periods in 2020 and FMCO under the NRP Phase 1 between June and August 2021. In the event of any prolonged outbreak of the COVID-19 and/or any implementation of full lockdown measures and/or increase in restrictions to enhance MCO, this could adversely affect our future business operations and our future financial performance. Please refer to Section 6.3.14.2 for further details on the impact on our business and financial performance.

Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run. This view takes into consideration the gradual recovery of Malaysia's economy supported by the various economic stimulus packages provided by the Malaysian government.

Overall, the Malaysia's economy grew by 3.1% in 2021 and is forecasted to grow between 5.3% and 6.3% in 2022. Other consideration that will drive demand includes the growing affluence of the population, population growth and consumer sentiments. (Source: *Industry Overview Report*)

In 2020, the overall jewellery industry in Malaysia was affected by the impact of the COVID-19 pandemic. The sales value of manufacture of fine and costume jewellery and related items in Malaysia decreased by 12.1%, while export value of precious metals jewellery and parts decreased by 46.0%. In 2021, the government has imposed Phase 1 of the NRP which took effect from 1 June 2021 onwards. Among others, most social and commercial activities were curtailed except for essential services and goods. Travel restrictions were also imposed on inter-district, interstate and international travels. Since the gradual resumption of the economic sectors during the various phases of the NRP in 2021, the overall sales value of the manufacture of fine and costume jewellery, and related items grew by 1.9%, while the export value of precious metal jewellery and parts grew by 38.1% in 2021. (Source: *Industry Overview Report*)

The COVID-19 pandemic and the fiscal policy responses from global central banks has given rise to structural changes in asset allocation strategies. Gold as a source of investment is increasingly perceived as a strategic asset that is highly liquid and has been demonstrated to preserve its value over time. In light of the above, it is expected that the gold jewellery industry in Malaysia will rebound in line with the recovery of Malaysia's economy as well as the global economies from the COVID-19 pandemic. (Source: *Industry Overview Report*)

### 6.3.15 Seasonality

We generally experience higher demand for our gold jewellery before the main festive periods in Malaysia such as Hari Raya, Chinese New Year, and Deepavali. As such, we would increase our inventories on finished goods in anticipation of the increase in demand. The timing and demand arising from these festive seasons vary from year to year. We do not experience any significant risks relating to seasonality.

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

**6.4 PROPERTIES, PLANT AND EQUIPMENT**

**6.4.1 Properties owned by our Group**

As at the LPD, the Group does not own any property.

**6.4.2 Properties rented**

The properties rented by our Group as at the LPD are as follows:

No.	Tenant	Landlord	Usage	Demised premises	Description	Period of tenancy/ Date of expiry of tenure	Approximate built-up area (sq. ft.)	Date of issuance of CCC	Rental per month (RM)
1.	YXG	Oasis Properties Sdn Bhd	Head office, sales and administrative office	No. 23-LG and 23-G, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur	1 storey and basement level out of an intermediate 4 storey terrace light industrial building with basement	1 year commencing on 1 January 2022 and expiring on 31 December 2022	3,054	23 November 2021	4,031.90
2.	GPM	Oasis Properties Sdn Bhd	Manufacturing facilities, sales and administrative office	No. 23-1, 23-2 and 23-3, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur	3 storey out of an intermediate 4 storey terrace light industrial building with basement	1 year commencing on 1 January 2022 and expiring on 31 December 2022	4,581	23 November 2021	5,168.10
3.	GPM	Michael Ng and Alan Ng	Manufacturing facilities and administrative office	No. 25-LG, 25-G <sup>(a)</sup> , 25-1, 25-2 and 25-3, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur	Intermediate 4 storey terrace light industrial building with basement	3 years commencing on 1 May 2022 and expiring on 30 April 2025	7,635	23 November 2021	9,200.00
4.	GPM	Oasis Properties Sdn Bhd	Manufacturing facilities	No. 27-LG, 27-G, 27-1, 27-2 and 27-3, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur	Intermediate 4 storey terrace light industrial building with basement	1 year commencing on 1 January 2022 and expiring on 31 December 2022	7,635	23 November 2021	9,200.00

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

No.	Tenant	Landlord	Usage	Demised premises	Description	Period of tenancy/ Date of expiry of tenure	Approximate built-up area (sq. ft.)	Date of issuance of CCC	Rental per month (RM)
5.	GPM	Tanah Permai Holdings Sdn Bhd	Sales office	Suite 7-7D, Level 7, Menara MAA, No. 6, Lorong Api-Api 1, 88000 Kota Kinabalu, Sabah	An office suite out of a 11 storey commercial / office complex	2 years commencing on 1 August 2021 and expiring on 31 July 2023	1,346	17 September 1999	3,230.40
6.	GPM	K. Loganathan A/L Kailasy	Staff accommodation	1-1-3, Tower 1, Zamrud Apartment, Taman Pasir Permata, Batu 5 1/2, Jalan Klang Lama, 58200 Kuala Lumpur	An apartment unit out of a 19 storey apartment with 292 units	1 year commencing on 15 November 2021 and expiring on 14 November 2022	1,170	2 June 2008	1,300.00

Note:

- (a) No. 25-G, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur with an approximate built-up area of 1,527 sq. ft. has been sub-leased by GPM to YXG, which is currently used as YXG's office.

The rental of the abovementioned properties with Oasis Properties Sdn Bhd are deemed related party transactions. Our Board has reviewed the above related party transactions and are of 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 detrimental to the interest of our minority shareholders. Kindly refer to Section 9.1 of this Prospectus for further details.

The Board confirms that as at the LPD, save as disclosed above, the rented properties are not in breach of any of the relevant land law and building regulations.

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

### 6.5 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURE

#### Material capital expenditure

Our capital expenditure for the Financial Years Under Review, and as at the LPD, are summarised as follows:

	Audited				Unaudited
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	From 1 January 2022 up to the LPD (RM'000)
<b>Capital expenditure</b>					
Plant and machinery	167	264	169	199	486
Electrical installation, tools & equipment	5	1	11	51	36
Computer equipment	26	21	117	83	26
Office equipment, furniture and fittings	10	14	20	232	2
Renovation and signboard	23	26	12	109	-
Motor vehicle	352	-	-	-	-
Capital work-in-progress	-	-	-	466	-
<b>Total</b>	<b>583</b>	<b>326</b>	<b>329</b>	<b>1,140</b>	<b>550</b>

For FYE 2018, our capital expenditure of RM0.58 million was funded through hire purchase and internally generated funds contributed mainly by the following:

- RM0.35 million, funded through hire purchase and internally generated funds, for 1 unit of motor vehicle for the usage of our Managing Director for business purposes; and
- RM0.17 million, funded through internally generated funds, mainly for the purchase of 5 units of plant and machinery comprising 1 unit of bead cutting machine, 1 unit of 4-axis rolling machine, 1 unit of gyrate polishing machine, 1 unit of cobra chain making machine and 1 unit of tumbling machine.

For FYE 2019, our capital expenditure of RM0.33 million was contributed mainly by the purchase of 4 units of plant and machinery consisting of 1 unit of bead cutting machine, 1 unit of 5-axis cutting machine, 1 unit of bench top welding machine and 1 unit of spark welding machine. This was mainly funded through internally generated funds.

For FYE 2020, our capital expenditure of RM0.33 million was mainly funded through internally generated funds contributed mainly by the following:

- RM0.17 million for the purchase of 5 units of plant and machinery consisting of 2 units of laser engraving machine, 1 unit of laser generator for laser welding machine, 1 unit of bead threading machine and 1 unit of pressing machine; and
- RM0.12 million for purchase of computer equipment consisting mainly 3 software programmes namely a robotic process automation software to automate tedious administrative back end processes such as data entry, a business intelligence and data analytic software programme to analyse sales and customers data, as well as a resource planning software to plan and manage inventory levels. We also purchased 6 units of computers during the FYE 2020.

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

For FYE 2021, capital expenditure of RM1.14 million was mainly funded through internally generated funds which was attributed mainly by the following:

- RM0.47 million for the purchase of 1 unit of refining machine which is currently under capital work-in-progress as it has yet to be commissioned;
- RM0.23 million for the purchase of office equipment, furniture and fittings consisting mainly the purchase and installation of fire protection system for our operating premise located at Project Jaya Industrial Estate to comply with Jabatan Bomba's requirement for issuance of CCC;
- RM0.20 million for the purchase of 7 units of plant and machinery comprising 2 units of laser welding machines, 1 unit of ball chain cutting machine, 1 unit of earring post making machine, 1 unit of ultrasonic jewellery cleaning machine, 1 unit of box chain making machine and 1 unit of loss wax casting machine; and
- RM0.11 million for the purchase of renovation and signboard for our operating premises located at Project Jaya Industrial Estate.

From 1 January 2022 and up to the LPD, capital expenditure of RM0.55 million was mainly funded through internally generated funds which was attributed mainly by the following:

- RM0.49 million for the purchase of 2 units of plant and machinery comprising 1 unit of loss wax casting machine and 1 unit of bead cutting machine; and
- RM0.04 million for the purchase of electrical installation, tools and equipment consisting mainly machine panel, electronic scale, inverter and transformers.

Generally, we will utilise our internally generated funds and/or combination of bank borrowings to purchase plant and machinery for purposes such as introduction of new range of gold jewellery products, enhance operational efficiency and/or replacement of old and non-functional equipment, as and when required.

### Material capital divestitures

Our capital divestitures for the Financial Years Under Review, and as at the LPD, are summarised as follows:

	Audited				Unaudited
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	From 1 January 2022 up to the LPD (RM'000)
Capital divestiture (Cost)					
Plant and machinery	-	-	-	478	-
Motor vehicle	-	-	-	456	-
<b>Total</b>	-	-	-	<b>934</b>	-

We do not have any material capital divestitures for the FYE 2018, FYE 2019 and FYE 2020.

For FYE 2021, our capital divestiture of RM0.93 million was for 1 unit of chain cutting machine and 3 units of motor vehicles. The disposal of these assets was due mainly to the aged condition, as well as the high maintenance cost of the machinery and vehicles.

From 1 January 2022 and up to the LPD, we did not have any capital divestiture.



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

### 6.6 EMPLOYEES

A summary of our Group's employees as at the LPD is set out below:

Department	No. of employees as at the LPD		
	Local	Foreign	Total
Management	5	-	5
Finance and accounting	4	-	4
Human resources and administration	20	-	20
<u>Operations (Wholesaling):</u>			
- Sales and marketing	15	-	15
- General workers	2	-	2
<u>Operations (Manufacturing):</u>			
- Production	45	5	50
<b>Total</b>	91	5	96

As at the LPD, we have 5 foreign employees, all of which are contractual employees. All the foreign employees hold valid employment pass which are subject to annual renewals.

In June 2020, the Ministry of Human Resources Malaysia announced a freeze on the recruitment of foreign workers until the end of 2020. We were not materially impacted by the said freeze as we do not have a high number of foreign employees. Nevertheless, in the event that our recruitment of foreign workers is affected by the said recruitment freeze, we will recruit local employees.

None of our employees are members of any union nor have there been any major industrial disputes in the past.

Under the Employees' Minimum Standards of Housing, Accommodation and Amenities Act, 1990, no employer shall house or cause or permit to be housed any employee employed by him or by any other person (with whom he has contracted for the purpose of executing any work for or connected with his business, trade, operation or interest) in any building either owned by him or is within his possession or control which does not comply with the provisions of the Employees' Minimum Standards of Housing, Accommodation and Amenities Act, 1990 or any regulation made thereunder. Section 24D(1) of the Employees' Minimum Standards of Housing, Accommodation and Amenities Act, 1990 provides that no accommodation shall be provided to an employee unless certified with a certificate of accommodation ("**Certificate of Accommodation**").

Given that our subsidiary, GPM provides accommodation to our 5 foreign employees at G1, Tower 1, Zamrud Apartment, Batu 5 Jalan Klang Lama, 58200 Kuala Lumpur, a Certificate of Accommodation is required to be obtained by GPM.

GPM had on 22 February 2021 submitted an application for the Certificate of Accommodation for the foreign workers' accommodation located at the aforementioned address to the Department of Labour Peninsular Malaysia. There is no cost incurred for the application of Certificate of Accommodation. On 21 December 2021, GPM obtained the Certificate of Accommodation and the effective date of the said certificate is 12 November 2021 with a validity period until 12 November 2024.

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

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**6.7 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUE**

Our business operations are regulated and governed by guidelines, regulations and laws in Malaysia. Save as disclosed in Section 6.3.10 of this Prospectus, there are no other regulatory and/or major environmental issues which may materially affect our operations and utilisation of property, plant and equipment.

The relevant laws and regulations governing our Group and that are material to our operations are summarised below:

**(i) ICA**

Pursuant to the ICA, no person shall engage in any manufacturing activity unless he is issued a license in respect of such manufacturing activity. The ICA defines “manufacturing activity” as the “making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article 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 RM2.50 million and above or that employ 75 or more full-time paid employees are required to apply for a manufacturing license.

As a manufacturing concern, our subsidiary, GPM holds a manufacturing license issued by MITI. The said manufacturing license is valid until or unless it is revoked by MITI. Pursuant to Section 6 of the ICA, if there is a breach of condition imposed in the manufacturing license by GPM, the relevant licensing officer may, in his discretion, revoke the said manufacturing license.

Currently, GPM holds a valid manufacturing license and complies with the conditions of the said license as mentioned under Section 6.3.10 of this Prospectus.

**(ii) Local Government Act, 1976 and Trades Licensing Ordinance (Sabah Cap. 144)**

Pursuant to Section 102(s) of the Local Government Act, 1976, the relevant local authorities may control and supervise, by registration, licensing or otherwise, a trade, business or industry. Businesses in Kuala Lumpur are regulated by the Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws 2016. Under Section 107(6) of the Local Government Act, 1976, any person who fails to exhibit or to produce a license issued by a local authority shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

Under Section 3 of the Trade Licensing Ordinance (Sabah Cap. 144), no person shall carry on in Sabah, whether as principal or agent, any business in respect of which a valid trading license is not for the time being in force or carry on any such business in any place other than that specified in such license. If any person contravenes Section 3, such person shall be liable to a fine of 4 times the amount of the license fee and to a further fine of RM10 for each day or part of a day subsequent to a conviction during which the contravention continues.

GPM obtained a valid business license for its sales activities at Menara MAA, Kota Kinabalu, Sabah since 2015. However, due to a subsequent change in business strategies, YXG undertook the sales activities and inadvertently continued the sales activities without applying a separate business license. As such, from 2015 up to 31 May 2021, YXG have been undertaking sales activities at Suite 7-7D, Level 7, Menara MAA, No. 6, Lorong Api-Api 1, 88000 Kota Kinabalu, Sabah without a business license. However, YXG is no longer using this sales office as our sales personnel in Sabah have adopted a new working arrangement since the MCO, where they work remotely from home.

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

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Nonetheless, effective 1 June 2021, another subsidiary, namely GPM which holds a valid business license issued by Mayor Bandaraya Kota Kinabalu will occupy this premise as its sales office to directly market its gold jewellery in East Malaysia. We have not been fined or issued with any notice of non-compliance from the relevant authorities in relation to the above. However, the Trades Licensing Ordinance (Sabah Cap. 114) does not restrict the relevant authorities from issuing a fine or penalty for any past non-compliances. Having regard to this, we recognise that the above past non-compliance could still result in an estimated potential fine of up to RM700.00 based on Section 3(4) of the Trade Licensing Ordinance (Sabah Cap. 144) for undertaking sales activities without a valid business licence from 2015 to 31 May 2021, which is deemed immaterial to our Group.

As at the LPD, our Group holds and maintains valid business licenses issued by the relevant authorities.

**(iii) Environmental Quality Act, 1974**

The Environmental Quality Act, 1974 regulates the prevention, abatement, control of pollution and enhancement of the environment, and for the purposes connected therewith. Amongst others, the Environmental Quality Act, 1974 regulates the discharge of industrial effluent and emission of air pollutants.

Under the Environmental Quality (Industrial Effluent) Regulations 2009, made pursuant to the Environmental Quality Act, 1974, no person shall, without prior written notification to the Director General of Environmental Quality, amongst others, carry out any work that may result in a new source of discharge of industrial effluent or mixed effluent. Any person who contravenes the said regulations shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to a term of imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued after the notice of cessation has been served upon him.

As at the LPD, our subsidiary GPM, holds a valid certificate of written permission issued under the Environmental Quality (Sewage and Industrial Effluents) Regulations, 1979 for its manufacturing activities. Although the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 was collectively revoked by the Environmental Quality (Sewage) Regulations 2009, Environmental Quality (Industrial Effluent) Regulations 2009 and Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations 2009, under the abovementioned new regulations, all written permission granted under the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 shall continue to remain in full force and effect until the written permission is revoked.

For information purposes, the Environmental Quality (Sewage) Regulations 2009 do not apply to our Group as we do not occupy or use any premises which discharge sewage onto or into any soil or into any inland waters of Malaysian waters, other than any housing or commercial development or both having a population equivalent to less than 150. The Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations 2009 also do not apply to our Group as we are not involved in solid waste transfer stations and landfills which discharge or release leachate.

Under the Environmental Quality (Clean Air) Regulations 2014, made pursuant to the Environmental Quality Act, 1974, an owner of a premise shall not, without giving prior notification to the Director General of Environmental Quality, amongst others, carry out any work on any premises that may result in a source of emission. Any person who contravenes or fails to comply with the said regulations shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 2 years or to both.

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

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As at the LPD, our subsidiary GPM, holds a valid certificate of written permission issued under the Environmental Quality (Clean Air) Regulations, 1978 in relation to its manufacturing activities. The Environmental Quality (Clean Air) Regulations 1978 was also revoked by the Environmental Quality (Clean Air) Regulations 2014, however under the Environmental Quality (Clean Air) Regulations 2014, all written permissions granted under the Environmental Quality (Clean Air) Regulations 1978 shall continue to remain in full force and effect until the written permission is revoked.

**(iv) Street, Drainage and Building Act, 1974**

The Street, Drainage and Building Act, 1974 is enforced by the local authorities of Peninsular Malaysia and it provides for the requirement of having CCC for the occupation of any building or any part thereof.

A person who occupies a premise without a CCC is subject to a fine of up to RM250,000, imprisonment for a term of up to 10 years, or both, under the Street, Drainage and Building Act, 1974.

All the properties rented by our Group as mentioned under Section 6.4.2 of this Prospectus have valid CCC.

**(v) Fire Services Act, 1988**

The Fire Services Act, 1988 provides for the effective and efficient functioning of Jabatan Bomba, for the protection of persons and property from fire risks or emergencies. The Fire Services Act, 1988 provides, amongst other matters, that a fire certificate be issued only after the designated premises (for example, shops and factories) have been inspected and Jabatan Bomba is satisfied that there are adequate fire-fighting equipment or fire safety installation in relation to the use of the designated premises.

Where there is no fire certificate in force, the owners of such premises may become subject to a fine of up to RM50,000 and/or imprisonment of up to 5 years (or both). Jabatan Bomba also has a general authority to order or direct the owner or occupier of any premises to cease any activities if Jabatan Bomba is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

Based on the letter from Jabatan Bomba dated 24 January 2022, our rented operational facilities located at Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur are exempted from obtaining fire certificates as the premises are not included in the category of premises which require fire certificate under the prescribed schedule of premises.

As at the LPD, our Group is in compliance with the relevant laws, rules and regulations and requirements governing the conduct of the Group's business and environmental issues which may materially affect the Group's business or operations, and where applicable, has complied with the conditions imposed thereunder.

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

**6.8 MAJOR CUSTOMERS**

The table below lists our top 5 major customers for the Financial Years Under Review:

**(i) FYE 2018**

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services offered
	(RM'000)	(%)			
Tomei Group <sup>(b)</sup>	19,079	13.87	15	Malaysia	Gold jewellery <sup>(b)</sup>
Muhaimin Jewels & Gems Sdn Bhd	6,492	4.72	13	Malaysia	Gold jewellery
S.M.P. Meenal Jewellers	4,196	3.05	15	Malaysia	Gold jewellery
Sin Ter May Pte Ltd	4,020	2.93	1	Singapore	Gold jewellery <sup>(c)</sup>
CHJ Jewellery Pte Ltd	3,259	2.37	1	Singapore	Gold jewellery <sup>(c)</sup>
<b>Total of top 5 major customers</b>	<b>37,046</b>	<b>26.94</b>			
<b>Group revenue</b>	<b>137,534</b>				

**(ii) FYE 2019**

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services offered
	(RM'000)	(%)			
Tomei Group <sup>(b)</sup>	21,293	14.71	16	Malaysia	Gold jewellery <sup>(b)</sup>
Muhaimin Jewels & Gems Sdn Bhd	8,997	6.22	14	Malaysia	Gold jewellery
Sin Ter May Pte Ltd	4,783	3.30	2	Singapore	Gold jewellery <sup>(c)</sup>
Poh Heng Jewellery Pte Ltd	3,981	2.75	16	Singapore	Gold jewellery <sup>(c)</sup>
S.M.P. Meenal Jewellers	3,482	2.41	16	Malaysia	Gold jewellery
<b>Total of top 5 major customers</b>	<b>42,536</b>	<b>29.39</b>			
<b>Group revenue</b>	<b>144,711</b>				

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

**(iii) FYE 2020**

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services offered
	(RM'000)	(%)			
Tomei Group <sup>(b)</sup>	16,734	9.52	17	Malaysia	Gold jewellery <sup>(b)</sup>
Alpha Gold Jewels Sdn Bhd	10,829	6.17	Less than 1	Malaysia	Gold jewellery
KC Goldsmith	5,573	3.17	2	Malaysia	Gold jewellery
Muhaimin Jewels & Gems Sdn Bhd	4,968	2.83	15	Malaysia	Gold jewellery
Merchant Nine Sdn Bhd	4,614	2.63	2	Malaysia	Gold jewellery
<b>Total of top 5 major customers</b>	<b>42,718</b>	<b>24.32</b>			
<b>Group revenue</b>	<b>175,634</b>				

**(iv) FYE 2021**

Major customers	Revenue contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services offered
	(RM'000)	(%)			
Muhaimin Jewels & Gems Sdn Bhd	9,865	3.72	16	Malaysia	Gold jewellery
Kedai Emas Kaya Sdn Bhd	8,993	3.39	12	Malaysia	Gold jewellery
Alpha Gold Jewels Sdn Bhd	8,786	3.31	1	Malaysia	Gold jewellery
S.M.P. Meenal Jewellers	7,334	2.76	18	Malaysia	Gold jewellery
Tomei Group <sup>(b)</sup>	7,244	2.73	18	Malaysia	Gold jewellery <sup>(b)</sup>
<b>Total of top 5 major customers</b>	<b>42,222</b>	<b>15.91</b>			
<b>Group revenue</b>	<b>265,384</b>				

Notes:

- (a) Length of business relationship is determined at each of the respective FYE.
- (b) Tomei Group is primarily involved in the retailing of jewellery and related gold products. Tomei Group is one of our major customers, where we have business dealings with the subsidiary companies of Tomei. Please refer to Section 9.1 in this Prospectus for further details on the related party transactions.

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

Our total sales to Tomei Group comprised the following:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)
TGJH	18,967	13.79	20,668	14.28	16,390	9.33	7,220	2.72
Tomei Gold & Jewellery Manufacturing Sdn Bhd	1	Less than 0.01	5	Less than 0.01	178	0.10	21	0.01
Tomei Marketing Sdn Bhd	99	0.07	618	0.43	165	0.09	-	-
O M Design Sdn Bhd	12	0.01	2	Less than 0.01	1	Less than 0.01	3	Less than 0.01
<b>Total sales to Tomei Group</b>	<b>19,079</b>	<b>13.87</b>	<b>21,293</b>	<b>14.71</b>	<b>16,734</b>	<b>9.52</b>	<b>7,244</b>	<b>2.73</b>
<b>Group revenue</b>	<b>137,534</b>		<b>144,711</b>		<b>175,634</b>		<b>265,384</b>	

Details of our total sales to Tomei Group by business activities, products and services are set out below:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)
<b>Gold Jewellery Segment</b>	<b>18,971</b>	<b>13.79</b>	<b>21,172</b>	<b>14.63</b>	<b>16,475</b>	<b>9.37</b>	<b>7,132</b>	<b>2.69</b>
<b>Wholesale Segment</b>	<b>4,206</b>	<b>3.06</b>	<b>5,238</b>	<b>3.62</b>	<b>7,981</b>	<b>4.54</b>	<b>5,312</b>	<b>2.00</b>
- Externally sourced	4,206	3.06	5,238	3.62	7,981	4.54	5,312	2.00
• Gold jewellery	3,880	2.82	5,168	3.57	7,981	4.54	5,312	2.00
• Gold jewellery manufacturing services	326	0.24	70	0.05	-	-	-	-
- Internally sourced gold jewellery	-	-	-	-	-	-	-	-
<b>Design and Manufacture Segment</b>	<b>14,765</b>	<b>10.73</b>	<b>15,934</b>	<b>11.01</b>	<b>8,494</b>	<b>4.83</b>	<b>1,820</b>	<b>0.69</b>
• Gold jewellery	13,588	9.88	13,910	9.61	7,064	4.02	-	-
• Gold jewellery manufacturing services	1,177	0.85	2,024	1.40	1,430	0.81	1,820	0.69
<b>Other Related Products and Services</b>	<b>108</b>	<b>0.08</b>	<b>121</b>	<b>0.08</b>	<b>259</b>	<b>0.15</b>	<b>112</b>	<b>0.04</b>
<b>Revenue generated from Tomei Group</b>	<b>19,079</b>	<b>13.87</b>	<b>21,293</b>	<b>14.71</b>	<b>16,734</b>	<b>9.52</b>	<b>7,244</b>	<b>2.73</b>

(c) A small proportion of revenue is also derived from provision of gold jewellery manufacturing services.

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

We do not have any long-term contracts with any of our major customers as our products and services are manufactured, sold and provided based on sales orders or purchase orders, which is a common commercial practice in the gold jewellery industry. For further details on our mode of operation, please refer to Section 6.3.1.4 of this Prospectus. We are not dependent on any one of our customers during the Financial Years Under Review for the following reasons:

- there was no concentration risk associated with one or more of our major customers as the top 5 major customers collectively accounted for 26.94%, 29.39%, 24.32% and 15.91% of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021;
- we have a large customer base that we have acquired throughout the years with approximately 315 customers for FYE 2021. For the FYE 2021, 84.09% of our total revenue were broadly spread across the remaining customers (excluding our top 5 major customers). Furthermore, we have 79% (approximately 250 customers) of our customers with length of relationship of more than 6 years with our Group for the FYE 2021;
- Tomei Group which accounted for 13.87% and 14.71% of our total revenue for the FYE 2018 and FYE 2019, subsequently decreased to 9.52% and 2.73% in FYE 2020 and FYE 2021 respectively; and
- excluding Tomei Group, each of the remaining top 5 major customers accounted for less than 7.00% of our total revenue.

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

**6.9 MAJOR SUPPLIERS**

The table below lists our Group's top 5 major suppliers for the Financial Years Under Review:

**(i) FYE 2018**

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services purchased
	(RM'000)	(%)			
Tomei Group <sup>(b)</sup>	18,266	14.68	10	Malaysia and Vietnam	Pure and scrap gold bar <sup>(b)(c)</sup>
Mysmartgold Bullion Sdn Bhd	15,113	12.15	2	Malaysia	Pure gold bar
KLS Enterprise Sdn Bhd	12,068	9.70	3	Malaysia	Pure and scrap gold bar
Xanxin Enterprise Sdn Bhd	11,030	8.86	3	Malaysia	Pure and scrap gold bar
Kedai Emas Choong Yee Sdn Bhd	7,055	5.67	3	Malaysia	Scrap gold bar
<b>Total of top 5 major suppliers</b>	<b>63,532</b>	<b>51.06</b>			
<b>Group purchases</b>	<b>124,427</b>				

**(ii) FYE 2019**

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services purchased
	(RM'000)	(%)			
Tomei Group <sup>(b)</sup>	20,092	14.65	11	Malaysia and Vietnam	Pure and scrap gold bar <sup>(b)(c)</sup>
Mok Emas Jaya Enterprise	16,027	11.68	4	Malaysia	Pure and scrap gold bar
United Overseas Bank (Malaysia) Bhd	14,617	10.66	4	Malaysia	Pure gold bar
KLS Enterprise Sdn Bhd	12,973	9.46	4	Malaysia	Pure and scrap gold bar
Xanxin Enterprise Sdn Bhd	8,296	6.04	4	Malaysia	Pure and scrap gold bar
<b>Total of top 5 major suppliers</b>	<b>72,005</b>	<b>52.49</b>			
<b>Group purchases</b>	<b>137,168</b>				

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

**(iii) FYE 2020**

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services purchased
	(RM'000)	(%)			
United Overseas Bank (Malaysia) Bhd ("UOB")	62,995	39.64	5	Malaysia	Pure gold bar
Tomei Group <sup>(b)</sup>	17,577	11.06	12	Malaysia and Vietnam	Pure and scrap gold bar <sup>(b)(c)</sup>
Mok Emas Jaya Enterprise	9,345	5.88	5	Malaysia	Pure and scrap gold bar
Alpha Gold Jewels Sdn Bhd	7,760	4.88	Less than 1	Malaysia	Scrap gold bar <sup>(d)</sup>
Choong Yee Pawnshop Sdn Bhd	4,758	2.99	1	Malaysia	Scrap gold bar
<b>Total of top 5 major suppliers</b>	<b>102,435</b>	<b>64.45</b>			
<b>Group purchases</b>	<b>158,938</b>				

**(iv) FYE 2021**

Major suppliers	Purchase contribution		Length of relationship (Years) <sup>(a)</sup>	Country	Main types of products/ services purchased
	(RM'000)	(%)			
UOB	168,918	69.30	6	Malaysia	Pure gold bar
MKS PAMP (Malaysia) Sdn Bhd	12,626	5.18	6	Malaysia	Pure gold bar
Alpha Gold Jewels Sdn Bhd	7,849	3.22	1	Malaysia	Scrap gold bar <sup>(d)</sup>
Choong Yee Pawnshop Sdn Bhd	6,702	2.74	2	Malaysia	Scrap gold bar
Tomei Group <sup>(b)</sup>	5,817	2.39	13	Malaysia	Pure and scrap gold bar <sup>(b)(c)</sup>
<b>Total of top 5 major suppliers</b>	<b>201,912</b>	<b>82.83</b>			
<b>Group purchases</b>	<b>243,753</b>				

Notes:

- (a) Length of business relationship is determined at each of the respective FYE.
- (b) Tomei Group is primarily involved in the retailing of jewellery and related gold products. Tomei Group is also one of our major suppliers, where we have business dealings with the subsidiary companies of Tomei. We purchased pure and scrap gold bars (based on prevailing market prices of gold at the point of transactions) as well as services from the subsidiary companies of Tomei during the Financial Years Under Review. Please refer to Section 9.1 in this Prospectus for further details on the related party transactions.

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

Our total purchases from Tomei Group comprised the following:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Purchases contribution (RM'000)	(%)	Purchases contribution (RM'000)	(%)	Purchases contribution (RM'000)	(%)	Purchases contribution (RM'000)	(%)
TGJH	17,618	14.16	18,162	13.24	15,121	9.51	5,745	2.36
Tomei Gold & Jewellery Manufacturing Sdn Bhd	2	Less than 0.01	1,205	0.88	1,197	0.75	-	-
TXG	-	-	-	-	788	0.50	72	0.03
Tomei (Vietnam) Company Limited*	646	0.52	696	0.51	471	0.30	-	-
O M Design Sdn Bhd	-	-	29	0.02	-	-	-	-
<b>Total purchases from Tomei Group</b>	<b>18,266</b>	<b>14.68</b>	<b>20,092</b>	<b>14.65</b>	<b>17,577</b>	<b>11.06</b>	<b>5,817</b>	<b>2.39</b>
<b>Group purchases</b>	<b>124,427</b>		<b>137,168</b>		<b>158,938</b>		<b>243,753</b>	

\* Since January 2021, we have stopped sourcing gold jewellery manufacturing services from Tomei (Vietnam) Company Limited.

- (c) We purchased pure and scrap gold bars from subsidiary companies of Tomei, namely TGJH, Tomei Gold & Jewellery Manufacturing Sdn Bhd and TXG, to manufacture gold jewellery which is then mainly sold to TGJH.
- (d) We purchased scrap gold bars from Alpha Gold Jewels Sdn Bhd to manufacture gold jewellery which is then mainly sold to Alpha Gold Jewels Sdn Bhd.

We are not dependent on any of our suppliers for the Financial Years Under Review. Our key raw material, namely gold bar is a globally traded commodity and we have various sources of supply of pure and scrap gold bars. During the Financial Years Under Review, 2 of our major suppliers, namely Tomei Group and Alpha Gold Jewels Sdn Bhd were also our major customers. It is a common industry practice for gold jewellery manufacturers to sometimes source raw materials, in the form of pure and scrap gold bars from their customers, i.e., wholesalers and retailers for its manufacturing activities. These raw materials would be used to manufacture finished products for other customers and/or the same customers, who sold the raw materials. The benefits derived from such industry practice includes the following:

- (i) jewellery retailers who provide trade-in with their customers as part of their sales and marketing strategies will need to resell the traded-in gold jewellery as scrap gold. We would then purchase scrap gold from our customers (jewellery retailers) upon their requests to complement and enhance our business relationships with customers. Furthermore, the purchase cost of scrap gold is marginally lower as compared to its pure gold equivalent; and
- (ii) in view of the established business relationships with our customers, sometimes it is convenient for us to procure pure gold bars from the same customers who have just placed their orders. In the case of Tomei Group, the convenience is due to the close location proximity between Tomei Group and our Group.

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

In addition to the major suppliers, we can procure gold bars and manufacturing services from alternative suppliers. This is demonstrated by the fact that we purchased gold bars from approximately 10 pure gold bar suppliers and approximately 80 scrap gold bar suppliers in the FYE 2021 and we have a supplier base of approximately 50 external manufacturers for gold jewellery manufacturing services in the FYE 2021. In view of the above, we do not have any long-term contracts with any of our major suppliers. Our suppliers are selected based on our evaluation of among others, their track record, reputation, financial performance and ability to deliver based on our quality requirements.

Our purchases of pure gold bars from UOB increased from RM14.62 million in FYE 2019 to RM63.00 million in FYE 2020 and RM168.92 million in FYE 2021 due mainly to competitive pricing offered by UOB in FYE 2020 and FYE 2021.

We have not experienced any difficulty in procuring our key raw material from our suppliers in the past.

### 6.10 SOURCES AND AVAILABILITY OF RAW MATERIALS AND SERVICES

The following are the materials and services that we purchased for our business operations for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021:

	FYE 2018 (RM'000)	(%)	FYE 2019 (RM'000)	(%)	FYE 2020 (RM'000)	(%)	FYE 2021 (RM'000)	(%)
<b>Materials</b>	<b>120,659</b>	<b>96.97</b>	<b>133,562</b>	<b>97.37</b>	<b>155,610</b>	<b>97.91</b>	<b>238,862</b>	<b>97.99</b>
Gold materials	120,277	96.66	133,303	97.18	155,081	97.57	238,282	97.75
- Pure gold bars	75,040	60.31	88,608	64.60	108,498	68.27	196,574	80.64
- Scrap gold bars <sup>(a)</sup>	43,625	35.06	42,943	31.31	45,129	28.39	39,347	16.14
- Other gold materials <sup>(b)</sup>	1,612	1.29	1,752	1.27	1,454	0.91	2,361	0.97
Other materials and consumables <sup>(c)</sup>	382	0.31	259	0.19	529	0.34	580	0.24
<b>Services</b>	<b>3,768</b>	<b>3.03</b>	<b>3,606</b>	<b>2.63</b>	<b>3,328</b>	<b>2.09</b>	<b>4,891</b>	<b>2.01</b>
Gold jewellery manufacturing services	3,768	3.03	3,606	2.63	3,328	2.09	4,891	2.01
<b>Total purchases</b>	<b>124,427</b>	<b>100.00</b>	<b>137,168</b>	<b>100.00</b>	<b>158,938</b>	<b>100.00</b>	<b>243,753</b>	<b>100.00</b>

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

Notes:

- (a) Our policy for the management of scrap gold bars is that all purchases of scrap gold bars have to be accompanied by a certificate from accredited assaying laboratory to establish its purity and weight. If the scrap gold bars have not been assayed, we will conduct our own internal assaying test to determine if the purity of the gold content matches the supplier's specification. If there is a discrepancy between our supplier's specification and the results of our internal assessment, we will then send a sample to an accredited assaying laboratory to verify the purity content.
- (b) Includes gold sheets, wires, as well as jewellery parts and components (e.g. fasteners, clasps and end caps).
- (c) Include silver bars (pure and scrap bars), gas, chemicals, and machinery spare parts.

The following are the breakdown of our materials and services based on local and foreign purchases for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021:

	Main source of country	FYE 2018		FYE 2019		FYE 2020		FYE 2021		
		Purchases (RM'000)	Local Imported (%)	Purchases (RM'000)	Local Imported (%)	Purchases (RM'000)	Local Imported (%)	Purchases (RM'000)	Local Imported (%)	
Materials		120,659	91.75	133,562	89.89	155,610	96.74	238,862	98.25	1.75
Gold materials	Malaysia, Singapore, Italy and Myanmar	120,277	91.78	133,303	89.91	155,081	96.78	238,282	98.28	1.72
Other materials and consumables	Malaysia and Italy	382	82.86	259	82.64	529	87.79	580	84.48	15.52
Services	Malaysia and Vietnam	3,768	82.75	3,606	80.64	3,328	85.85	4,891	100.00	-
<b>Total purchases</b>		<b>124,427</b>	<b>91.48</b>	<b>137,168</b>	<b>89.65</b>	<b>158,938</b>	<b>96.52</b>	<b>243,753</b>	<b>98.29</b>	<b>1.71</b>

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

We source the following materials and services for our business operations:

- **Gold materials**

The key raw material for our manufacturing operations is gold materials, which predominantly include pure and scrap gold bars. We also purchase other gold materials such as gold sheets, wires, as well as jewellery parts and components (e.g. fasteners, clasps and end caps) for our gold jewellery manufacturing. The purchase of gold materials accounted for RM120.28 million (96.66%), RM133.30 million (97.18%), RM155.08 million (97.57%) and RM238.28 million (97.75%) of our total purchases of materials and services for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

We mainly sourced gold materials from local suppliers in Malaysia which accounted for 91.78%, 89.91%, 96.78% and 98.28% of our purchases of gold materials for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We also source imported gold materials which accounted for approximately 8.22%, 10.09%, 3.22% and 1.72% of our total purchases of gold materials for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively, were imported from foreign countries. Imports of gold bars were mainly sourced from Singapore and Myanmar, while imports of other gold materials such as of jewellery parts and components were mainly sourced from Italy.

In FYE 2021, we have a supplier base of approximately 10 pure gold bar suppliers. Our purchases of pure gold bars are mainly from banks and bullion traders. We also purchase pure gold bars from jewellery retailers, wholesalers and manufacturers including our related company, TGJH. Our purchases of pure gold bars represented 60.31%, 64.60%, 68.27% and 80.64% of our total purchases for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

In FYE 2021, we have a supplier base of approximately 80 scrap gold bar suppliers. Our purchases of scrap gold bar are mainly from jewellery retailers, wholesalers and manufacturers, as well as pawnshops including our related company, TGJH. These scrap gold bars are basically melted down used gold jewellery. Our purchases of scrap gold bars represented 35.06%, 31.31%, 28.39% and 16.14% of our total purchases for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

Gold is a globally traded commodity and is subject to price fluctuations or volatility. The purchase price of our gold materials and our selling prices of gold jewellery are largely based on the prevailing price of gold at the point of the transaction. In the event that our selling price of gold jewellery is lower than our purchase price of gold materials, it would adversely affect our margins and profitability. To manage exposure to fluctuation in gold prices, we monitor gold prices daily for our purchases, maintain a minimal inventory of gold raw materials to meet our Group's production schedule for upcoming sales order and will always purchase the equivalent amount of gold at the same time as when our Group sells the gold jewellery. Although we will continue to monitor the global gold prices closely on a daily basis, there is no assurance that we will be able to manage the unfavourable fluctuations in the prices of gold which are beyond our control. Please refer to Section 8.1.1 of this Prospectus for further details on risk of fluctuations in gold prices.

- **Other materials and consumables**

Other materials and consumables that we purchased includes pure and scrap silver bars for our silver chain manufacturing, as well as gas, chemicals and machinery spare parts. We also purchase finished gold jewellery products, albeit a small proportion. Other materials and consumables accounted for 0.31%, 0.19%, 0.34% and 0.24% of our total purchases of materials and services for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

We mainly source from local suppliers in Malaysia which accounted for 82.86%, 82.64%, 87.79% and 84.48% of our purchases of other materials and consumables for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Imports of other materials and consumables accounted for 17.14%, 17.36%, 12.21% and 15.52% of our purchases of other materials and consumables for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Our import purchases of other materials and consumables mainly includes machinery spare parts which were sourced from Italy.

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

- **Gold jewellery manufacturing services**

In FYE 2021, we have a supplier base of approximately 50 external jewellery manufacturers. If a customer selects our supplier's designs, we will then engage the manufacturing services from the respective supplier. Depending on the customers' request, the pure or scrap gold bar raw material will be provided to the said external jewellery manufacturers by either our Group or the customer. In this respect, the purchases are for the manufacturing services provided by this type of suppliers. Our purchases of gold jewellery manufacturing services accounted for RM3.77 million (3.03%), RM3.61 million (2.63%), RM3.33 million (2.09%) and RM4.89 million (2.01%) of our total purchases of materials and services for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

We mainly purchased jewellery manufacturing services from local suppliers in Malaysia which accounted for 82.75%, 80.64%, 85.85% and 100.00% of our total purchases of jewellery manufacturing services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We also sourced gold jewellery manufacturing services from foreign suppliers which accounted for 17.25%, 19.36% and 14.15% of our total purchases of gold jewellery manufacturing services for the FYE 2018, FYE 2019 and FYE 2020 respectively. These purchases from foreign suppliers were mainly from our related company, Tomei (Vietnam) Company Limited and sourced from Vietnam. Since January 2021, we have stopped sourcing gold jewellery manufacturing services from Tomei (Vietnam) Company Limited as we have started carrying out this manufacturing work internally.

### 6.11 EXCHANGE CONTROL

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payments. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

We do not have any foreign subsidiaries. As such, as at the LPD, there are no governmental law, decree, regulation or other requirement which may affect the repatriation of capital and remittance of profit by or to our Group.

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

### 6.12 KEY MACHINERY, EQUIPMENT, PRODUCTION CAPACITY AND OUTPUT

The following are our main machinery and equipment for our manufacturing operations at our 3 manufacturing facilities located in Project Jaya Industrial Estate, Jalan Kelang Lama, Kuala Lumpur. Kindly refer to Section 6.3.5 of this Prospectus for details on our manufacturing facilities.

#### Jewellery manufacturing

Main machinery and equipment	Number of unit(s) as at 31 December 2021	<sup>(a)</sup> Average lifespan (years)	<sup>(b)</sup> Average age (years)	Carrying amount as at 31 December 2021 (RM'000)
<b>Chain manufacturing</b>				
- Chain making machines	39	10	17	82
	<b><u>FYE 2018</u></b>	<b><u>FYE 2019</u></b>	<b><u>FYE 2020</u></b>	<b><u>FYE 2021</u></b>
Capacity <sup>(c)</sup> (kg)	4,083	4,066	4,133	4,218
Utilisation rate <sup>(d)</sup> (%)	23%	19%	17%	19%
<b>Bead manufacturing</b>				
- Bead making machine	1	10	23	*-
	<b><u>FYE 2018</u></b>	<b><u>FYE 2019</u></b>	<b><u>FYE 2020</u></b>	<b><u>FYE 2021</u></b>
Capacity <sup>(e)</sup> (kg)	250	249	253	252
Utilisation rate <sup>(f)</sup> (%)	82%	66%	55%	87%
<b>Machinery and equipment for other and finishing processes<sup>(g)</sup></b>				
<b>Casting</b>				
- 3D printing machine	1	10	23	*-
- Continuous casting machine	1	10	23	*-
- Loss wax casting machine	6	10	18	8
<b>Plating, stamping, and engraving</b>				
- Engraving machine	2	10	12	1
- Laser engraving machine	1	10	2	60
- Milling machine	2	10	19	*-
- Press for stamping goods	1	10	2	35
- Plating machine	1	10	10	6
- Rolling machine	3	10	9	34
<b>Diamond cutting</b>				
- Bead cutting machine	13	10	15	176
- Chain cutting machine	7	10	12	66
- CNC cutting machine	3	10	9	41



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

Main machinery and equipment	Number of unit(s) as at 31 December 2021	<sup>(a)</sup> Average lifespan (years)	<sup>(b)</sup> Average age (years)	Carrying amount as at 31 December 2021 (RM'000)
<b>Finishing</b>				
- Sand jet machine	1	10	23	*-
- Grinding machine	2	10	19	*-
- Electroplating machine	1	10	10	6
<b>Value added jewellery making</b>				
- Spark welding machine	13	10	12	7
- Laser welding machine	2	10	1	116
- End cap making machine	1	10	9	5
- Ultrasonic device	2	10	6	3

**Refining process**

Main machinery and equipment	Number of unit(s) as at 31 December 2021	<sup>(a)</sup> Average lifespan (years)	<sup>(b)</sup> Average age (years)	Carrying amount as at 31 December 2021 (RM'000)
Refining set	1	10	10	8
Granulation machine	1	10	23	*-
Induction casting machine	1	10	23	*-
Melting machine	3	10	12	1
Acid basin	1	10	23	*-
Water treatment system	1	10	14	*-
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
Capacity <sup>(h)</sup> (kg)	972	968	984	980
Utilisation rate <sup>(i)</sup> (%)	59%	60%	48%	44%

**Gold assaying**

Main machinery and equipment	Number of unit(s) as at 31 December 2021	<sup>(a)</sup> Average lifespan (years)	<sup>(b)</sup> Average age (years)	Carrying amount as at 31 December 2021 (RM'000)
Furnace for melting	1	10	23	*-
Muffle furnace	1	10	13	*-
Gold balance scale	1	10	24	*-

During the Financial Years Under Review, the low utilisation rates of our chain making machines are due mainly to each machine is specialised in making a unique chain design with specific chain link size. As such, we need diverse chain making machines to cater for the various design and size requirements of our customers. Further, in view that our refining operations are mainly used to support in-house refining of scrap gold bars as and when it is required, the utilisation rates of our refining machines and equipment are also relatively low. Based on the above, our low utilisation rate for these machines and equipment is common throughout the Financial Years Under Review.

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

We have a range of machinery and equipment to carry out various manufacturing processes where the machine or equipment used is dependent on the following:

- products to be manufactured such as chains, beads, rings, earrings, bangles, or pendants;
- finishing such as diamond cutting, electroplating, sandblasting, grinding, buffering and polishing; and
- accessories such as clasps requiring stamping, welding or soldering.

As an example, the machinery and equipment used to manufacture a necklace is different compared to that of a pendant. For the manufacturing of a necklace, we will use a specific chain making machine based on the chain design such as box or barley corn chain machine, grinding machine for the finishing process, cutting machine for cutting the chain to length, stamping machine to stamp the clasp as well as welding machine to weld the clasp onto the chain. As for the manufacture of pendants, we will use a series of lost-wax casting equipment and specific finishing machines such as a sandblasting machine to obtain a matte finish.

Notes:

- \* Fully depreciated. Generally, our Group will review our fully depreciated plant and machinery every 3 years and if the plant and machinery are no longer functional, we will write-off the plant and machinery and sell as scrap metal.
- (a) 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 plant and machineries adopted by our Group's accounting policy.
- (b) Average age of the machinery and equipment are computed based on the respective year of commissioning to the year of LPD.
- (c) Based on the maximum capacity of 38 units of chain making machines for FYE 2018, FYE 2019 and FYE 2020, and 39 units of chain making machines in FYE 2021, running on a single 8-hour shift per day multiplied by the total number of working days in each respective year. There were 243, 242, 246 and 245 working days in FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. However, during the Financial Years Under Review, we have also extended our production hours up to approximately 3 hours on certain days to keep up with customers' demand, when need arises. This includes periods before the festive seasons such as Hari Raya, Chinese New Year and Deepavali.

We are required to extend our production hours despite our Group's low utilisation rate of our chain machine which is calculated over the full year while the surge in demand is for short durations for certain times of the year. In addition, each of the 39 units of chain making machines specialises in the manufacturing of different chain patterns, such as among others, bismark, box, curb, figaro and snake designs, as well as different sizes of the chain links. The diverse chain making machines are required to provide a wide variety of chain designs to our customers.

- (d) For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, our Group's utilisation rate of the chain making machine is relatively low at 23%, 19%, 17% and 19%, respectively. This is due mainly to our existing diverse chain making machines that focuses on solid gold jewellery, which specialises in the manufacturing of different chain patterns and sizes of the chain links. The diverse chain making machines are to cater for the various needs and demand of our customers.

In addition, gold chain jewellery are high value slow moving consumer items. As such, the sales quantity for gold chain jewellery is much lower compared to the speed of the machine to manufacture gold chains.

Our chain manufacturing operations was affected pursuant to the various restrictions imposed since 18 March 2020 due to the COVID-19 pandemic. This included closure of operations between 18 March 2020 and April 2020. This was reflected in the decrease in our production volume in chain manufacturing by 60.43% or 37,601g in March 2020 compared to the previous month of February 2020. There was no production output in April 2020 due to the closure of manufacturing operations.

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

- (e) Based on the maximum capacity of 1 unit of bead making machine, running on a single 8-hour shift per day multiplied by the total number of working days in each respective year. There were 243, 242, 246 and 245 working days in FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. However, during the Financial Years Under Review, we have also extended our production hours up to approximately 3 hours on certain days to keep up with customers' demand, when need arises. This includes periods before the festive seasons such as Hari Raya, Chinese New Year and Deepavali.
- (f) The decline in the utilisation rate of our bead making machine was in line with the decline in our sales volume for FYE 2019 and FYE 2020 brought about by the increase in gold prices which affected the demand for gold jewellery. In addition, in FYE 2020, our manufacturing operations were temporarily suspended during the MCO 1.0 from 18 March 2020 to 3 May 2020. Please refer to Section 6.3.14 of this Prospectus for details on the impact of the COVID-19 pandemic.

In addition, gold bead jewellery are high value slow moving consumer items. As such, the sales quantity for gold bead jewellery is much lower compared to the speed of the machine to manufacture gold bead jewellery.

Our bead manufacturing operations was affected pursuant to the various restrictions imposed since 18 March 2020 due to the COVID-19 pandemic. This included closure of operations between 18 March 2020 and April 2020. This was reflected in the decrease in our production volume in bead manufacturing by 43.22% or 6,600g in March 2020 compared to the previous month of February 2020. There was no production output in April 2020 due to the closure of manufacturing operations.

- (g) The production capacity and utilisation rates for machinery and equipment used for finishing and other processes were not applicable due to the following:
- casting, plating, stamping and engraving processes are used for customised designs;
  - value added jewellery making and gold assaying are mainly manual in nature; and
  - diamond cutting is dependent on production output of chains and beads, that require diamond cut finishing.
- (h) Based on the maximum capacity of refinery of 4kg a day, running on a single 8-hour shift per day multiplied by the total number of working days in each respective year. There were 243, 242, 246 and 245 working days in FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. However, during the Financial Years Under Review, we have also extended our production hours up to approximately 3 hours on certain days to keep up with customers' demand, when need arises. This includes periods before the festive season in Malaysia such as Hari Raya, Chinese New Year and Deepavali.
- (i) In FYE 2020, our refining operations were temporarily suspended during MCO 1.0 from 18 March 2020 to 3 May 2020. This was reflected in the decrease in our refining throughput by 58.26% or 34,373g in March 2020 compared to the previous month of February 2020. There was no production output in April 2020 due to the closure of manufacturing operations. This resulted in the decline in our utilisation of our refinery in FYE 2020. In FYE 2021, our refining operations were temporarily suspended during NRP Phase 1 from 1 June 2021 to 23 August 2021. There was no production output in June 2021 and July 2021 due to the closure of manufacturing operations. This resulted in the decline in our utilisation of our refinery in FYE 2021. Please refer to Section 6.3.14 of this Prospectus for details on the impact of the COVID-19 pandemic.

The relatively low utilisation rate is because our Group's refining operations are mainly used to support in-house refining of scrap gold bars as and when it is required.

We intend to continue to use the machinery and equipment which are near their average useful or have passed their useful life, after taking into consideration the following:

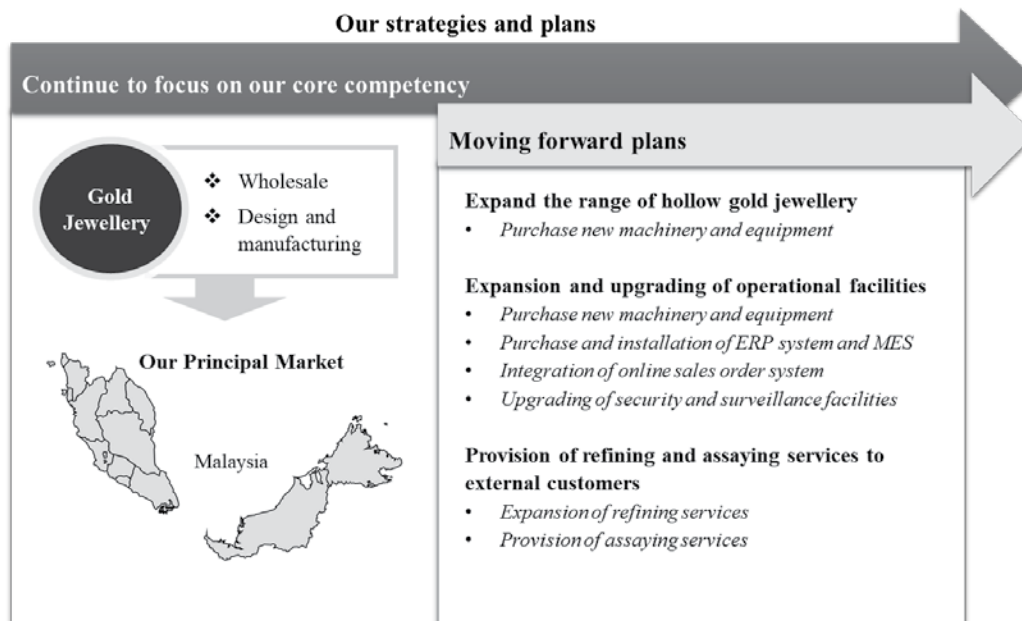
- (i) condition and efficiency of the machinery and equipment; and
- (ii) the financial impact (depreciation and maintenance cost of the existing machinery and equipment as compared to replacement machinery and equipment), of which is not expected to be material to our Group.

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

The average age of most of our key machinery and equipment is more than their respective average 10 years lifespan and we continue to use the said machines as they are still operational, which is in line with the above considerations.

### 6.13 BUSINESS STRATEGIES

Our overall business strategies and plans are to continue to leverage from our core competency as a one-stop gold jewellery specialist in Malaysia to sustain and grow our business. This is supported by our wholesale, design and manufacturing capabilities and facilities.



#### 6.13.1 Expand the range of hollow gold jewellery

The global average gold prices have been increasing at a CAGR of 11.2% between 2017 and 2020 from RM174/g to RM239/g respectively. In light of the rise in global average gold prices, and the economic impact from the COVID-19 pandemic, consumers have increased their preferences to hollow or lightweight gold jewellery, which is more affordable compared to similar designed solid gold jewellery. India and China, which collectively accounted for 52.1% of the global gold jewellery demand in 2020, have seen trends towards the affordable and trendy hollow gold jewellery, particularly for young consumers. In Malaysia, some of the local large retail chain jewellery stores have been providing hollow gold jewellery products through their physical retail stores as well as through e-commerce platforms. (Source: *Industry Overview Report*).

As the global average gold prices continue to increase, affordability becomes an important factor for end-consumers. In order to increase the level of affordability for gold jewellery, part of our strategies and plans is to expand on our range of in-house design and manufacturing of hollow gold jewellery. Hollow gold jewellery refers to a range of gold jewellery where some part of it is hollow in the inside and thus uses a lower quantity of gold. Therefore, it is generally lighter in weight and less expensive compared to solid gold jewellery. Hollow gold jewellery allows us to meet the needs of our customers, mainly jewellery retailers who are intending to target a wider cross section end-consumers.

For the Financial Years Under Review, revenue from sales of hollow gold jewellery that we manufactured accounted for 36.22% (RM23.35 million), 34.37% (RM23.71 million), 49.05% (RM30.26 million) and 49.09% (RM39.41 million) of our total revenue of internally manufactured gold jewellery for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

Part of our future plans is to purchase new machinery and equipment including rope chain machinery as well as the use of new electroforming process to manufacture hollow gold jewellery to address opportunities for business expansion.

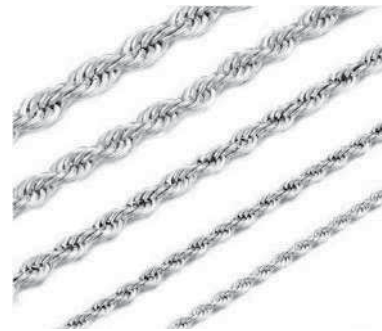
**6. INFORMATION ON OUR GROUP (Cont'd)**

We plan to manufacture the following types of hollow gold jewellery:

- **Hollow gold rope chain**

We plan to manufacture hollow gold rope chain with diamond cut design of various sizes ranging from 1.5mm up to 4.0mm in width. This new hollow gold rope chain will be further processed into necklaces, bracelets, anklets and chain hoop earrings. Rope chain is a design of a type of chain which is linked in a twisted pattern to resemble a rope, as illustrated.

**Sample of hollow rope chains in different width**



- **Hollow gold pendants, charms and earrings using electroforming**

We plan to manufacture hollow gold pendants, charms and earrings with wall thickness of 0.1mm using the electroforming process.

- **Pairing of hollow gold chain with other jewellery items**

We also plan to develop a range of new hollow gold chain designs to be paired with pendants for necklaces, and charms for bracelets and anklets.

**Hollow chain bracelets paired with charms**



We intend to purchase new machinery and equipment to facilitate the manufacturing of new range of hollow gold jewellery as follows:

	<b>No of units/sets</b>	<b>Estimated cost (RM'000)</b>
<b>Purchase new machinery and equipment for expansion of hollow gold jewellery range</b>		
Rope chain machine <sup>(a)</sup>	5 units	2,500
Electroforming equipment	5 sets	1,800
Metal dissolving machine	1 unit	100
<b>Total estimated cost</b>		<b>4,400</b>

Note:

(a) Rope chain machine can be used to manufacture both solid and hollow chains.

Although the new rope chain machines can be used to manufacture rope chain in both solid and hollow form, we intend to utilise the new rope chain machines together with the new electroforming equipment and metal dissolving machine (which can only be used for hollow jewellery) for our new range of hollow gold jewellery. We expect to utilise IPO proceeds to fund the total estimated cost of RM4.40 million for the purchase of the above machinery and equipment. Please refer to Section 4.4 of this Prospectus for further details on the utilisation of proceeds.

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

The following section is a description of the type of machines we intend to purchase:

**(i) Rope chain machine**

We plan to purchase 5 units of rope chain machines. The rope chain machine is a fully automatic 'wire to chain' machine that is capable of producing up to 100 links per minute. The said machine can accommodate the input of hollow gold wire with diameter size ranging from 0.25mm to 1.20mm with wall thickness ranging from 0.10mm to 0.40mm. The purchase of these machines will support our plan to expand our in-house manufactured hollow gold jewellery range by including hollow rope chain.

We intend to purchase 4 units of rope chain machines by the 4<sup>th</sup> quarter of 2022 and the remaining 1 unit by the 4<sup>th</sup> quarter of 2023.

**(ii) Electroforming equipment and metal dissolving machine**

We plan to purchase 5 sets of electroforming equipment and 1 unit of metal dissolving machine. Each set of electroforming equipment consist of, among others, the following:

- 1 unit of gold potassium cyanide making machine;
- 1 unit of copper electroplating machine;
- 1 unit of gold electroforming machine;
- 1 unit of cyanide exhaust gas treatment system;
- 1 unit of concentrated acid gas purifier;
- 1 unit of jewellery polishing machine with heated acid; and
- 1 unit of gas absorption recovery barrel.

Electroforming is a metal forming process where metal is formed by electrodeposition process onto a model, or otherwise known as a mandrel in jewellery manufacturing. The mandrel is a three-dimensional shape of the desired jewellery design. After a thick gold coating is deposited onto the mandrel, the mandrel is chemically dissolved, thus creating a hollow product. The purchase of these machines will support our plan to commence the manufacturing of hollow gold pendants, charms and earrings with wall thickness of 0.1mm using the electroforming process. Currently, we are only able to manufacture hollow gold pendants, charms and earring with wall thickness of 0.4mm using the casting process.

We intend to purchase 4 sets of electroforming equipment and 1 unit of metal dissolving machine by 4<sup>th</sup> quarter of 2022 and 1 set of electroforming equipment by 4<sup>th</sup> quarter of 2023.

In view of the additional purchases of machinery and equipment above, we intend to rent an additional factory floor, approximately 1,600 sq. ft., within the vicinity of our existing operational facility. The rental costs of the additional factory floor will be funded via internally generated funds. We intend to install the new 5 sets of electroforming equipment and 1 unit of metal dissolving machine to the said facility. Further, we intend to install the new 5 units of rope chain machines in our existing rented facility in Project Jaya Industrial Estate, Batu 6, Jalan Kelang Lama, 58200 Kuala Lumpur.

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

### 6.13.2 Expansion and upgrading of operational facilities

#### 6.13.2.1 Purchase new machinery and equipment

We currently have a range of machinery and equipment to carry out various manufacturing processes where the usage of these machinery or equipment is dependent on the type of jewellery product to be manufactured. As disclosed in Section 6.12 of this Prospectus, we currently have 39 chain making machines where its utilisation rates are relatively low. This is due mainly to our existing diverse chain making machines which specialises in the manufacturing of different chain patterns and sizes of the chain links. The diverse chain making machines are to cater for the various needs and demand of our customers.

Although we have a diverse range of machinery and equipment, some of our manufacturing processes are undertaken manually. As such, purchasing the new machinery and equipment is part of our future plans to automate some of our existing processes which are done manually. By automating our processes, we would be able improve production efficiency, reduce wastage of materials, cut down production time, produce consistent quality products due to precision, as well as reduce the reliance on manual labour. We intend to purchase new machinery and equipment as part of our expansion and upgrading of operational facilities. This is as follows:

	<u>No. of units</u>	<u>Estimated cost (RM'000)</u>
<b>Purchase new machinery and equipment</b>		
Robotic arms	2	800
Industrial wax 3D printer	2	530
Chain cutting machine	1	370
CNC cutting machine	1	170
<b>Total estimated cost</b>		<b><u>1,870</u></b>

We expect to utilise IPO proceeds to fund the purchase of the above machinery and equipment with a total estimated cost of RM1.87 million. Please refer to Section 4.4 of this Prospectus for further details on the utilisation of proceeds.

The following section is a description of the type of machines we intend to purchase:

#### (i) **Robotic arms**

We plan to purchase 2 units of robotic arms to automate our chain linking and welding process. Generally, our chain machines can only accommodate the input of wire with size up to 2.5mm thickness. Any wire that is thicker than 2.5mm is linked up into chains using manual labour. We usually carry out manual chain linking in-house for small orders. However, it is a labour intensive and time-consuming process, as such, we would generally subcontract this work out to external manufacturers if we have a large order for this type of jewellery. Part of our plan is to automate and bring this process in-house by using robotic arms in order to scale up this chain linking process.

By automating the chain linking process using robotic arms, we will be able to carry out the chain linking and welding process efficiently by minimising human errors and ensure consistency in output. In addition, automating this process will help us to increase our chain linking output in length by approximately 39% from 54cm to 75cm per hour using robotic arms compared to the manual process.

We intend to purchase the 2 units of robotic arms by 4<sup>th</sup> quarter of 2022.

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

### (ii) Industrial wax 3D printer

We plan to purchase 2 units of industrial wax 3D printers which will enable us to print multiple wax models at the same time including intricate designs. These wax models are then used in the lost wax casting process to manufacture gold jewellery. These industrial wax 3D printers will replace our manual method of making wax models using vulcanised rubber mould. Please refer to Section 6.3.6.2(iv)(c) for details on our existing lost wax casting method.

Currently, we are producing approximately 12 pieces per hour of wax models using manual method of making wax model. We expect to increase our output by approximately 3 times, from 12 pieces to 37 pieces per hour using industrial wax 3D printer as compared to manual method.

We intend to purchase 1 unit of the industrial wax 3D printer by 4<sup>th</sup> quarter of 2022 and the remaining 1 unit by 4<sup>th</sup> quarter of 2023.

### (iii) Chain cutting machine

We plan to purchase 1 unit of chain cutting machine to perform diamond cutting, surfacing and beveling on chains to produce chain jewellery products such as necklaces, bracelets, anklets as well as basic chains. The said chain cutting machine has 2 vertical diamond heads that is able to cut flat surface and edges of the chain. It will be utilised mainly to cut designs onto box, curb and cable chains. Currently, we own 2 chain cutting machine with similar functions and it is used in the manufacturing of both gold and silver jewellery. These machines are currently running full time during operational hours due to their capabilities to cut multiple chain designs and hence they are used more frequently to fulfil sales order. By purchasing one additional chain cutting machine, we are able to dedicate 1 machine for silver jewellery while our existing 2 machines will be dedicated for gold jewellery. This will help us to save on downtime required to clean the cutting machines between manufacturing gold and silver jewellery.

We intend to purchase the chain cutting machine by 4<sup>th</sup> quarter of 2022.

### (iv) CNC cutting machine

We currently own 3 units of CNC machines that are used for diamond cutting process to create a uniformed geometric design on the surface of the precious metal in order to achieve light reflecting properties or a shiny appearance to the precious metal. Out of the 3 units of our existing CNC machines, only one is a 5-axis CNC cutting machine which enables the CNC machine to cut 5 different axes simultaneously. This 5-axis CNC machine is currently dedicated for product development purposes. The other two existing CNC machines are 3-axis CNC cutting machines with the capability to cut 3 different axes simultaneously.

We plan to purchase a new 5-axis CNC cutting machine, which is intended to automate the cutting and finishing works on circular shaped round type of jewellery such as rings and bangles. Currently, this process is undertaken manually by our craftsman. By using CNC machine to carry out the diamond cutting process, we will be able carry out finishing process efficiently by minimising human errors and ensure consistency in output. In addition, automating this process will help us to increase our finishing output by approximately 2.5 times from 12 pieces to 30 pieces of circular shaped jewellery per hour using CNC machines compared to the manual process.

We intend to purchase the CNC cutting machine by the 4<sup>th</sup> quarter of 2022.

#### 6.13.2.2 Purchase and installation of ERP system and MES

Part of our plans includes investing in a new ERP system and MES to replace our existing system. Our current ERP system is only limited to the inventory management and it is not designed to support our manufacturing operations. The migration to the new ERP system and MES will enable us to streamline and integrate our wholesaling and manufacturing business segments as well as backroom operations such as customer database, inventory control, material management, production costing and accounting functions. The new systems are aimed at facilitating a timely flow of data and information for decision making and reporting purposes.



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

The total cost for the purchase and installation of the new ERP system and MES is estimated at RM0.35 million including systems integration, infrastructure and requisite licences and this will be funded through the IPO proceeds. We expect to purchase and commence the installation of the new ERP system and MES by 4<sup>th</sup> quarter of 2022.

### 6.13.2.3 Integration of online sales order system

Part of our future plans is to integrate our new online order system to the abovementioned new ERP system and MES. This is to facilitate a seamless flow of sales data transaction, from the input of customers' orders to our inventory management and manufacturing process, and finally coordinating the delivery of gold jewellery to customers. With the integration of our online order system to the new ERP system and MES, we expect to benefit from improved operational efficiency, timeliness and cost savings in situations, which include among others, the following:

- (i) customer orders will automatically be posted to relevant sections of the ERP system and MES, as such, the new ERP system and MES will improve efficiency, where staff need not re-enter customer orders into the inventory and production planning system, and at the same time eliminate potential data entry errors; and
- (ii) the real time posting of customer orders to the ERP system and MES will facilitate improved inventory keeping and minimising out of stock or over-stocking situation.

We also intend to use this system to collect various data points where we will be able to analyse our customers' purchasing behaviour and preference to facilitate our sales and marketing efforts.

The total cost for the integration of online sales order system is estimated at RM0.30 million and this will be funded through internally generated funds. We expect to commence the integration of the online sales order system with the purchase of new ERP system and MES by 4<sup>th</sup> quarter of 2022.

### 6.13.2.4 Upgrading security and surveillance facilities

We plan to upgrade our security and surveillance facilities by upgrading the CCTV camera system at our operating premises located at Project Jaya Industrial Estate, Jalan Kelang Lama, Kuala Lumpur. We intend to upgrade all our camera system from analogue cameras to digital high-definition cameras as our previous major upgrade was approximately 6 years ago. This upgrade will enable us to keep up with the advancements in technology where the high-definition cameras will provide better resolution for viewing.

The total cost for the purchase and installation of the new CCTV camera system is estimated at RM0.28 million and this will be funded through the IPO proceeds. We expect to purchase and commence the installation of the said CCTV camera system by 4<sup>th</sup> quarter of 2022.

### 6.13.3 Provision of refining and assaying services to external customers

Part of our future plans is to provide refining and assaying services of precious metals to external customers through our subsidiaries, GRSB and EASB respectively. Currently, refining and assaying activities are undertaken by GPM as part of our internal manufacturing process. For the Financial Years Under Review, GPM provides refining services mainly to our related company, TGJH as well as some external customers. This will enable us to expand on our customer base for our refining services as well as generate additional revenue stream through the provision of assaying services.

#### 6.13.3.1 Expansion of refining services

As at the LPD, we are equipped with a refinery with the capacity to refine approximately 4kg of scrap gold a day. For the Financial Years Under Review, our utilisation of the refinery was approximately 59%, 60%, 48% and 44% for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. In FYE 2021, approximately 84% of the utilisation of the refinery was used to refine scrap gold bars for our related company, TGJH, followed by 13% for our in-house manufacturing operations, and the remaining 3% was for external customers.

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

In January 2021, we purchased a new refining plant with the intention of providing refining services to external customers. The new refining plant is fully automated with smart and remote-control compatibility with smartphone, tablet and PC platforms. The machine is able to perform main operations such as acid calculation, acid injection, temperature control, water rinsing and vacuum liquid movement with minimal operator intervention. The machine is also able to fully manage gold precipitation using a computerised system where it will electronically detect the end of the gold reduction, and automatically inject reagent to complete the precipitation process. The new refining plant has the capacity to refine 20kg of scrap gold a day.

The total cost of purchasing the new refining plant was RM0.50 million which was financed using internally generated funds and bank borrowings. As at the LPD, the plant has yet to be commissioned as our vendor is located in Italy and is restricted to enter Malaysia due to the MCO measures and COVID-19 pandemic conditions. As such, we expect to commission the new refining plant and commence its operations by 3<sup>rd</sup> quarter of 2022. In the event of any delays on the commissioning of the new refining plant due to COVID-19 pandemic containment measures, we will utilise our existing refining facilities to provide services to external customers as a temporary measure until the new refining plant is completed.

With this additional capacity, we will be able to extend our refining services to additional external customers and grow this business segment.

### 6.13.3.2 Provision of assaying services

Currently, our gold assaying process is part of our internal manufacturing and quality control process. Part of our future plans is to become a certified assaying company and provide gold fire assaying services to external customers. As a certified assaying company, we will be able to issue confirmation notes or letters to customers with regards to the quality of gold or gold content of jewellery, for a fee. This is also to enable our Group to have a complete range of services for our customers.

In line with this plan, we will restructure our Group's business operations and transfer our internal assaying related operations, assets and resources from GPM to EASB including a registered chemist who is currently managing our internal assaying department within GPM. GPM will also be transferring its assets including furnace for melting, muffle furnace and gold balance scale to EASB. Once GPM transfers its internal assaying related operations, assets and resources to EASB, EASB will undertake the assaying services limited for use by our Group's manufacturing operations only.

As part of our plan to become a certified assaying company accredited under the Standards of Malaysia Act 1996, it is compulsory for us to obtain the MS ISO/IEC 17025:2017 accreditation for quality management system under the Laboratory Accreditation Scheme of Malaysia from the Department of Standards Malaysia ("DOSM"). Upon obtaining the said accreditation from DOSM, which we expect to be by 3<sup>rd</sup> quarter of 2022, EASB will then commence its operations as a certified assaying company to provide assaying services to external customers.

In addition, we intend to undergo an internal audit to adopt the MS 1365: Part 1: 1994, which is the standard for Cupellation Method. Once the internal audit process is completed, we will submit our application to DOSM who will carry out a proficiency test which is an evaluation of our performance and procedures against pre-established criteria by means of interlaboratory comparisons.

The total cost to be registered as an accredited assaying company is estimated at RM10,000 and this will be funded through our internally generated funds.

We have engaged a consultant to carry out the internal audit process and we are currently in the midst of preparing to undertake the proficiency test. The consultation fee to carry out the internal audit process is estimated at RM35,000 and this will be funded through internally generated funds.

In October 2021, the consultant has started training our employees to prepare them for the accreditation from DOSM. We completed the training process in end January 2022. In February 2022, we commenced the implementation and method validation process and it will take approximately up to 3 months before we invite DOSM to our factory to audit our processes. Upon completion of the audit and obtaining the accreditation from DOSM, we intend to commence the provision of assaying services to external customers by 3<sup>rd</sup> quarter of 2022.

## 7. INDUSTRY OVERVIEW



**VITAL FACTOR CONSULTING**  
Creating Winning Business Solutions

5 May 2022

The Board of Directors  
YX Precious Metals Bhd  
No. 23, Jalan 2/131A  
Project Jaya Industrial Estate  
Batu 6, Jalan Kelang Lama  
58200 Kuala Lumpur

**Vital Factor Consulting Sdn Bhd**  
Company No.: 199301012059 (266797-T)  
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Tel: (603) 7931-3188  
Fax: (603) 7931-2188  
Website: www.vitalfactor.com

Dear Sirs and Madam

### **Independent Assessment of the Gold Jewellery Industry in Malaysia**

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above for inclusion into the prospectus of YX Precious Metals Bhd concerning its proposed listing on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, availability of up-to-date information, secondary information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report may include assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wong Wai Ling  
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including initial public offerings for companies seeking listings on Bursa Securities.

7. INDUSTRY OVERVIEW (Cont'd)



INDEPENDENT ASSESSMENT OF THE GOLD JEWELLERY INDUSTRY IN MALAYSIA

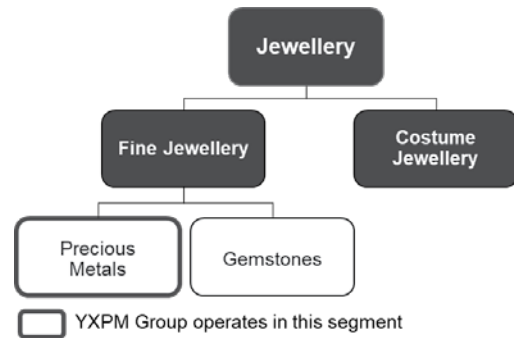
1. INTRODUCTION

- YX Precious Metals Bhd together with its subsidiaries, (herein referred to as YXPM Group) is mainly involved in the wholesale, and design and manufacture of gold jewellery, which collectively accounted for 97.3% of its total revenue for the financial year ended 31 December (FYE) 2021. YXPM Group’s principal market is Malaysia which accounted for approximately 97.6% of its total revenue for the FYE 2021. All information and data refer to Malaysia unless otherwise indicated.

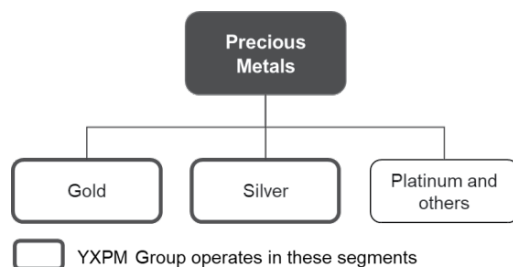
2. THE JEWELLERY INDUSTRY

2.1 Overall Structure of the Jewellery Industry

- Overall, the jewellery industry can be segmented into fine jewellery and costume jewellery.
- Fine jewellery refers to jewellery that is mainly made from precious metals and/or gemstones. Precious metal jewellery commonly refers to jewellery made from gold, silver or platinum. Jewellery that has one or more gemstones usually are known as gemstone jewellery. Common gemstones used for fine jewellery includes diamonds, sapphires, rubies, emeralds, jade as well as pearls.



- Generally, fine jewellery is priced substantially higher than costume jewellery due to the high price of precious metals and gemstones. Fine jewellery is commonly retailed through specialised jewellery stores, although silver jewellery is also sold in non-specialised retail outlets.



- YXPM Group is involved in the wholesale, and design and manufacture of precious metal jewellery under the fine jewellery sector. It is not involved in gemstone jewellery.

Note: The above metals include their respective alloys

2.2 Structure of the Precious Metal Jewellery Sector

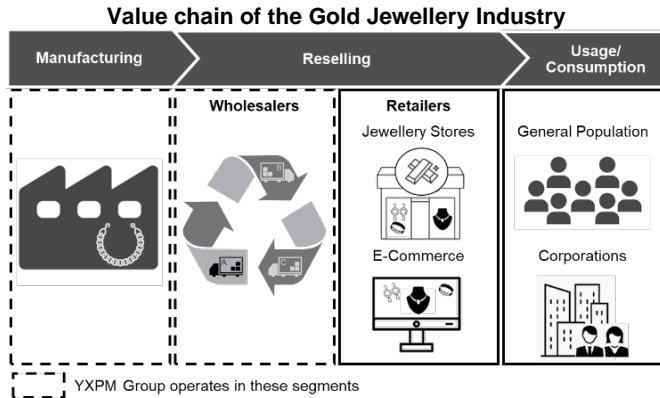
- Precious metals are naturally occurring metallic elements of high economic value. Chemically, precious metals such as gold, silver and platinum are considered to be less reactive under normal environmental conditions of moisture and temperature compared to other elemental metals. Therefore, precious metals retain their original form with minimal reaction to the environment. This is important, particularly for gold when used as an investment and stored for a long time by central banks, other institutions, organisations and individuals.
- YXPM Group mainly operates in the gold jewellery industry, while a very small proportion of its business involves silver jewellery.

7. INDUSTRY OVERVIEW (Cont'd)



2.3 Value Chain of the Gold Jewellery Industry

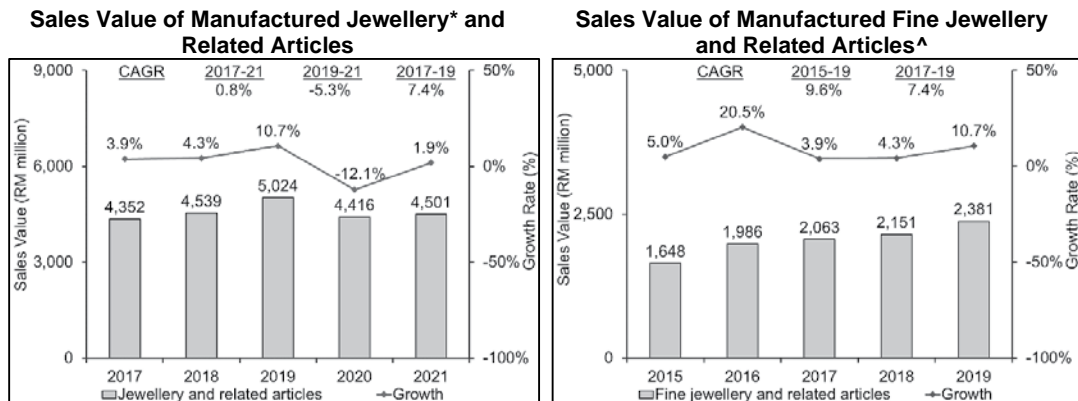
- The value chain of the Gold Jewellery Industry starts from the **manufacturing** of jewellery, where the main raw material is gold bars of the desired karatage. Alternatively, pure gold is used and alloyed to obtain the desired karatage. The gold bar will then be used to manufacture gold jewellery including gold chain products such as necklaces, bracelets and anklets, and other items including rings, bangles, earrings, pendants and charms.



- Reselling** of gold jewellery is carried out by wholesalers and retailers who would purchase or import their gold jewellery from manufacturers for resale. Some of the wholesalers also purchase from other wholesalers to expand their range of products before reselling to retailers. Retailers, through physical outlets or e-commerce, would subsequently sell to **final users or end-consumers** including the general population and corporations.
- Some companies have operations that cover manufacturing, wholesaling and retailing as part of their total business activities. However, as gold jewellery is a fashion and consumer item, retailers with inhouse manufacturing will source from other manufacturers and wholesalers to complement and provide a sufficient range of products to meet diverse consumer preferences. YXPM Group operates as a wholesaler and manufacturer that largely sells to jewellery retailers.

3. PERFORMANCE OF THE JEWELLERY INDUSTRY

3.1 Manufacture of Fine Jewellery



\* Includes precious metals, gemstone and costume jewellery; ^ Latest available statistics (Source: Department of Statistics, Malaysia (DOSM))

- Between 2017 and 2019, the sales of manufactured fine jewellery and related articles in Malaysia experienced a CAGR of 7.4%. This was prior to the COVID-19 pandemic. Related articles include worked raw materials and other non-jewellery products made of precious metals.
- In 2020, the sales value of manufactured jewellery and related articles (includes precious metals, gemstones and costume jewellery) in Malaysia declined by 12.1% compared to 2019. The decline in 2020 was primarily due to the various lockdown and containment measures amidst the COVID-

7. INDUSTRY OVERVIEW (Cont'd)

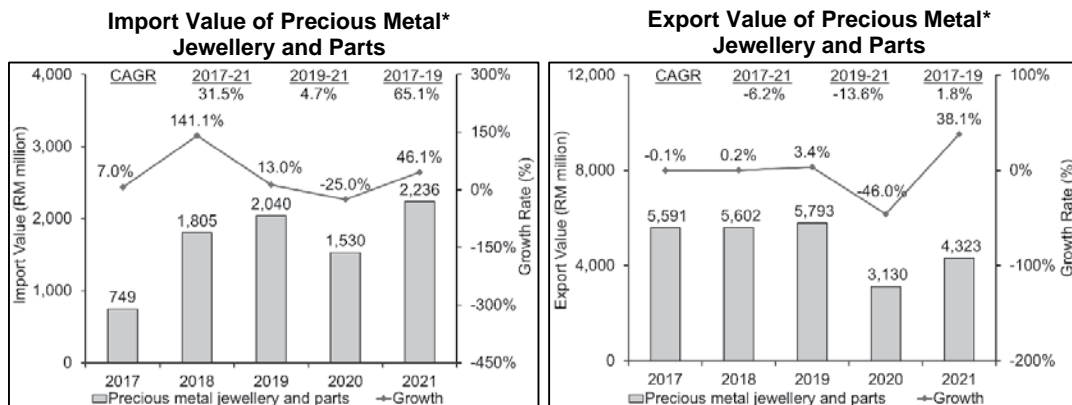


19 pandemic, which restricted retailing activities. In the first quarter (Q1) and second quarter (Q2) of 2021, the sales value of manufactured jewellery and related articles grew by 1.8% and 132.8% respectively compared to the corresponding periods in 2020. Despite the overall growth in Q2 2021, the sales value of manufactured jewellery and related articles declined by 47.0% in the month of June 2021 compared to May 2021. This was mainly due to the implementation of a four-phase National Recovery Plan (NRP) effective from 1 June 2021 as an exit strategy from the COVID-19 crisis.

- In the third quarter (Q3) and fourth quarter (Q4) of 2021, the sales value of manufactured jewellery and related articles declined by 52.2% and 6.7% respectively compared to the corresponding periods in 2020. Overall, in 2021, the sales value of manufactured jewellery and related articles grew by 1.9% compared to 2020.

3.2 Imports and Exports of Precious Metal Jewellery

- Before the COVID-19 pandemic, import and export value of precious metal jewellery and parts grew at a CAGR of 65.1% and 1.8% respectively between 2017 and 2019.



\* Gold and platinum only (Source: DOSM)

- The COVID-19 pandemic had a significant impact on import and export value of precious metal jewellery and parts where they fell by 25.0% and 46.0% respectively in 2020. The decline in export sales was due to lockdowns and international travel restrictions imposed in 2020 which constrained gold merchants from travelling to foreign countries to sell and deliver their products.
- Import value of precious metal jewellery and parts reached RM624.9 million and RM551.8 million in Q1 2021 and Q2 2021 respectively. On a quarter to quarter basis, import value of precious metal jewellery and parts declined by 11.7%. Export value of precious metal jewellery and parts reached RM1.3 billion and RM964.7 million in Q1 2021 and Q2 2021 respectively. On a quarter to quarter basis, export value of precious metal jewellery and parts declined by 24.2%. In June 2021, imports and export value of precious metal jewellery and parts declined by 57.3% and 55.6% respectively from May 2021 due to the implementation of Phase 1 of NRP. In addition, restrictions in international travels arising from containment measures relating to COVID-19 has also affected international trade.
- In Q3 2021, the import value of precious metal jewellery declined by 53.8% compared to Q2 2021, followed by a growth of 215.3% in Q4 2021. In Q3 2021, the export value of precious metal jewellery declined by 31.8% compared to Q2 2021, followed by a growth of 117.0% in Q4 2021. Overall, the import and export values of precious metal jewellery grew by 46.1% and 38.1% respectively in 2021 compared to 2020.
- In 2019 and 2020, Singapore was one of Malaysia's main export markets of precious metal jewellery and parts amounting to RM2.0 billion and RM1.4 billion respectively. Between 2017 and 2019 the export value of precious metal jewellery and parts to Singapore grew at a CAGR of

7. INDUSTRY OVERVIEW (Cont'd)



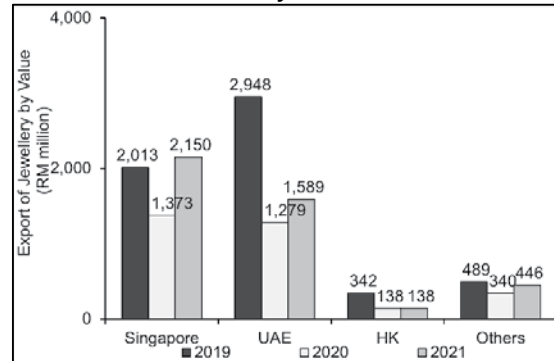
1.8%. In Q1 2021 and Q2 2021, export value of precious metal jewellery and parts to Singapore amounted to RM609.2 million and RM510.6 million respectively. On a quarter to quarter basis, export value of precious metal jewellery and parts to Singapore declined by 16.2% in Q2 2021. The export value of precious metal jewellery and parts to Singapore continued to decline by 24.1% in Q3 2021, before growing by 65.7% in Q4 2021. Overall, in 2021, the export value of precious metal jewellery and parts to Singapore grew by 56.6% compared to the export value in 2020.

- Singapore was one of the export markets for YXPM Group, and exports of precious metal jewellery and parts to this country were also affected by the COVID-19 pandemic in 2020.

3.3 Performance of Wholesale Trade

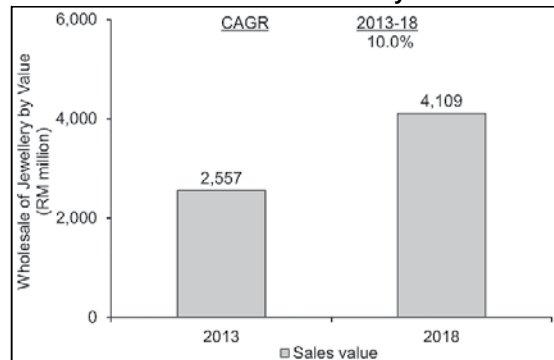
- Before the COVID-19 pandemic, Malaysia's wholesale trade of jewellery including costume jewellery grew by a CAGR of 10.0% between 2013 and 2018, based on census.

Export destination of Precious Metal\* Jewellery and Parts



\* Gold and platinum only (Source: DOSM)

Wholesale of Jewellery\*



Note: Above is the latest available data based on census  
\* Includes precious metals, gemstone and costume jewellery (Source: DOSM)

4. SUPPLY AND PRICING EFFECTS OF KEY RAW MATERIAL

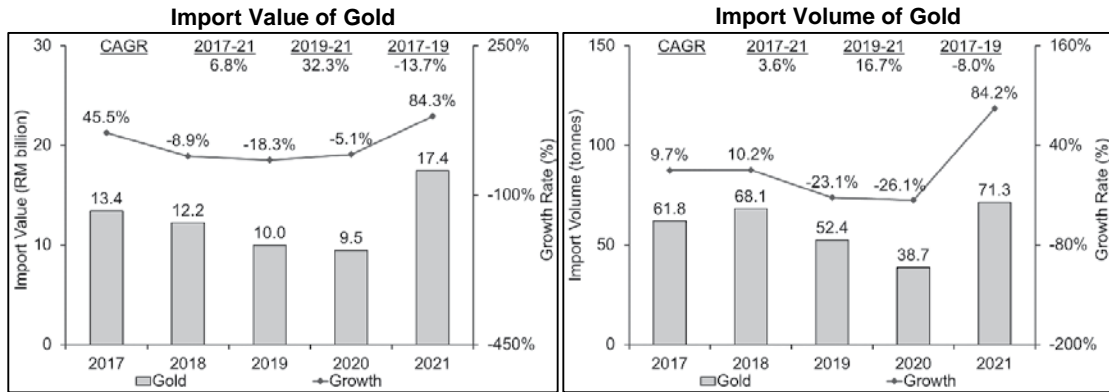
4.1 Gold Supply

- Gold is the main raw material for gold jewellery and is also used in several other applications. Globally, gold is used for jewellery, industrial applications such as electronic products, investments such as gold bars, coins, medals and exchange traded funds (ETFs), and purchases made by central banks. In 2019, 2020 and 2021, jewellery accounted for 49.2%, 36.3% and 55.2% of the total gold used globally respectively.
- There are gold mines in Malaysia, although Malaysia mainly obtains its gold through imports. In 2020, Malaysia had 14 gold mines operating in Pahang, Kelantan, Terengganu and Sabah. Collectively, the total gold production in Malaysia declined by 45.5% from 3,151kg in 2019 to 1,716kg in 2020 (Latest available statistics. Source: Department of Mineral and Geoscience Malaysia).
- Between 2017 and 2021, Malaysia's import value of gold (including gold plated with platinum, unwrought or in semi-manufactured forms, or powder form) peaked in 2021. The COVID-19 pandemic was in full swing in 2020, which resulted in a decline of 26.1% in import volume and a decline of 5.1% in the import value of gold into Malaysia. The lower decline in value relative to the volume of gold import was due to the increase in the global average gold price by 29.0% to RM239 per gram (/g) in 2020.
- In 2020, the major sources of import value of gold were Singapore, Switzerland and the United Arab Emirates which accounted for 46.2%, 25.9% and 21.1% of the total value of gold imports

7. INDUSTRY OVERVIEW (Cont'd)



respectively. In 2021, the major sources of import value of gold were Singapore, Switzerland and the United Arab Emirates which accounted for 52.4%, 20.0% and 13.5% of the total value of gold imports respectively.



(Source: DOSM)

- In Q1 2021 and Q2 2021, the import value of gold amounted to RM7.1 billion and RM3.6 billion respectively. On a quarter to quarter basis, the import value of gold declined by 49.2% in Q2 2021. In Q3 2021, the import value of gold declined by 30.0% compared to Q2 2021, followed by a growth of 71.0% in Q4 2021. Overall, the import value of gold grew by 84.3% in 2021 compared to 2020.

4.2 Gold Price

- Gold is a globally traded commodity and is subject to price fluctuations. Malaysia's gold jewellery industry will also be affected by global prices and demand conditions.

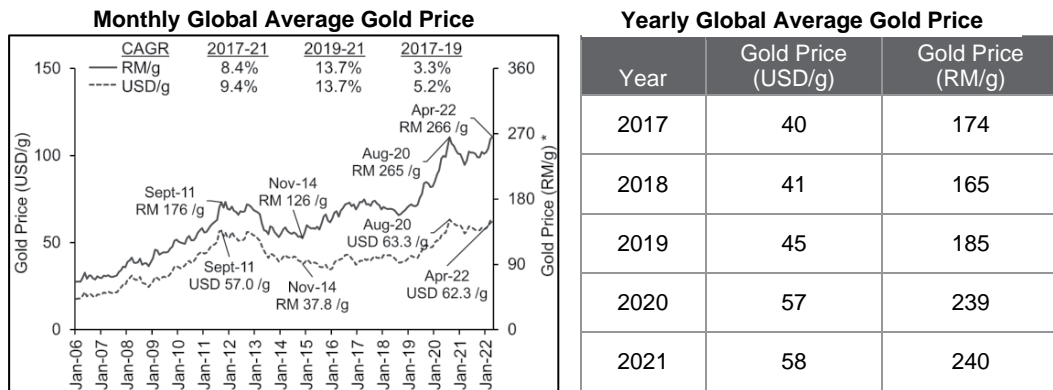


Chart above covers Jan 2006 to Apr 2022 \* Based on the average monthly USD/RM exchange rate from Bank Negara Malaysia (BNM). (Source: Vital Factor analysis)

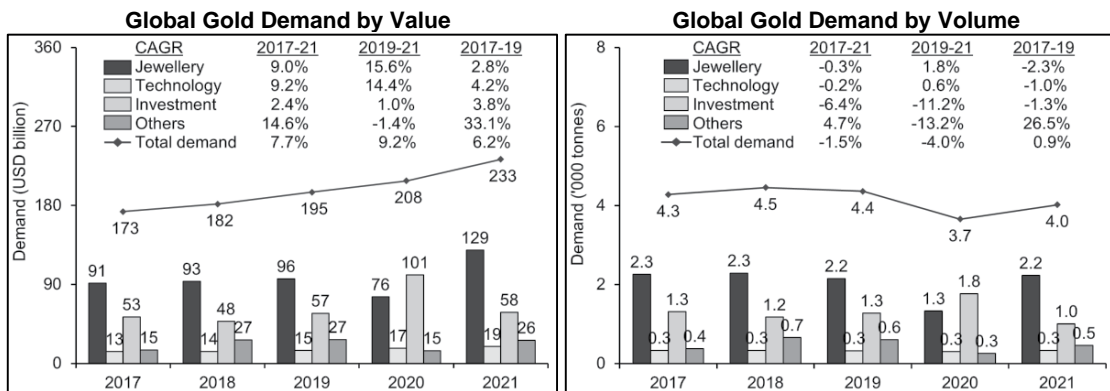
- Gold prices tend to spike when economic, financial and geopolitical risks are heightened as gold is regarded as a form of investment.
- Global average gold prices experienced fluctuations between 2017 and early 2021. In 2017, the global average gold prices in January 2017 were at RM171/g and peaked at RM180/g in April 2017 before decreasing to RM166/g in December 2017. The global average gold prices continued to decrease further in 2018 where they dipped to a monthly low of RM158/g in August 2018. Subsequently, the global average gold prices kept rising from RM158/g in August 2018 to RM202/g in August 2019 and reached an all-time high at RM265/g in August 2020.



7. INDUSTRY OVERVIEW (Cont'd)



- Since the historic peak in August 2020, the global average gold prices have dropped to RM242/g in January 2021, RM235/g in February 2021 and RM227/g in March 2021, which was the lowest since April 2020. The unease over inflation, a weaker US dollar and the spike in market volatility has increased gold demand, driving the global average gold prices back to an upward trend to reach RM246/g in May 2021. Subsequently, the global average gold prices declined slightly to approximately RM244/g in both June 2021 and July 2021, and RM242/g in August 2021. It declined further to RM238/g in both September 2021 and October 2021, before increasing to RM245/g in November 2021 and ending at RM242/g in December 2021.
- Gold prices continued to rise in early 2022 where the global average gold prices grew to RM245/g in January 2022 and RM250/g in February 2022. Gold prices surged sharply at the end of February 2022 and reached RM263/g in March 2022 due to the Russia-Ukraine conflict which caused an increase in the demand for gold as safe haven amidst the market volatility and uncertainty. Gold prices increased further to RM266/g in April 2022.



Technology = Used in industrial applications such as electronics and dentistry; Investment = Gold bars, coins, medals and ETFs; Others = Demand from Central Banks and other institutions (Source: Vital Factor analysis)

- The increase in global average gold prices between 2018 and 2020 was driven by the increase in demand for gold as investments, where the volume increased from 1,200 tonnes in 2018 to 1,800 tonnes in 2020. Amidst the uncertainties brought about by the COVID-19 pandemic including factors such as low or zero interest rates, weakness in the US dollar and geopolitical tensions, gold is used to hedge against such risks as well as an investment alternative to equities and other asset classes.
- The downside of a high gold price is that it reduces demand for gold jewellery. Global gold demand for jewellery by volume decreased by 6.0% and 38.2% in 2019 and 2020 respectively. In 2020, global gold demand for jewellery by volume reached 1,330 tonnes, a decline of 38.2% compared to 2019. In Q1 2021 and Q2 2021, global gold demand for jewellery by volume reached 539 tonnes and 456 tonnes respectively, which represented a decline of 15.3% on a quarter to quarter basis in Q2 2021. This was partly attributed to the increase in global average gold prices. The global gold demand for jewellery subsequently grew by 12.8% and 39.7% in Q3 2021 and Q4 2021 respectively on a quarter to quarter basis, supported by the continuing global economic recovery, reduced containment measures in countries and a relatively stable gold price during the period.

Global Gold Demand for Jewellery by Volume

	Volume (tonnes)	Proportion to total gold demand (%)	Growth (%)
2017	2,257	52.8	11.8
2018	2,290	51.4	1.4
2019	2,153	49.4	-6.0
2020	1,330	36.4	-38.2
2021	2,229	55.4	67.7

(Source: Vital Factor analysis)

7. INDUSTRY OVERVIEW (Cont'd)

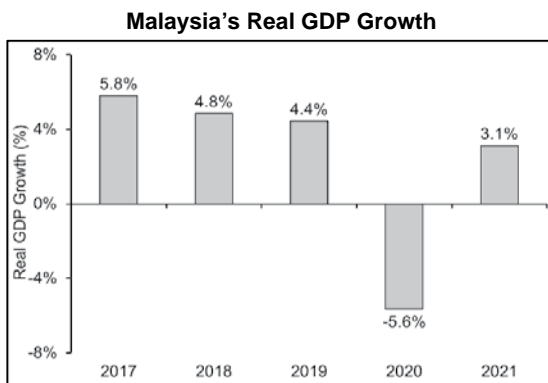


5. DEMAND DEPENDENCIES

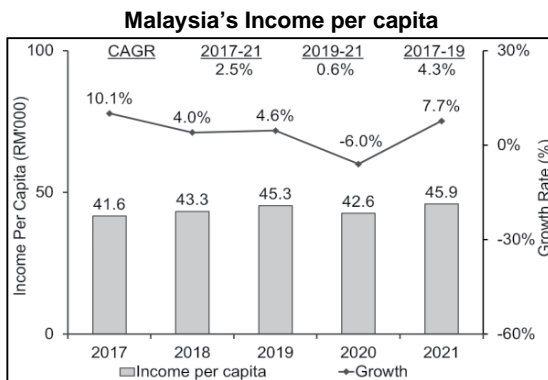
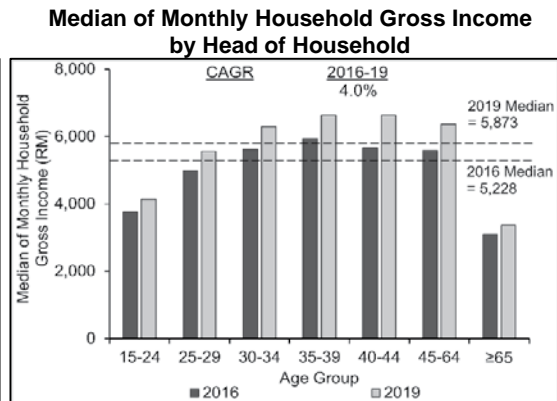
- Some of the factors that drive or influence demand and expenditure on gold jewellery include socio-economic factors and trade including wholesale and retail trade. Factors such as the growing affluence of the population affect consumer discretionary spending on gold jewellery as an adornment and investment. It is also part of the culture and tradition to purchase gold jewellery as gifts for births, weddings, birthdays, special events and festivals, where it is also viewed as a form of investment.
- The global average gold prices have been increasing at a CAGR of 11.2% between 2017 and 2020 from RM174/g to RM239/g respectively. In light of the rise in global average gold prices, and the economic impact from the COVID-19 pandemic, consumers have increased their preferences to hollow or lightweight gold jewellery, which is more affordable compared to similar designed solid gold jewellery. India and China, which collectively accounted for 52.1% of the global gold jewellery demand in 2020, have seen trends towards the affordable and trendy hollow gold jewellery, particularly for young consumers. In Malaysia, some of the local large retail chain jewellery stores have been providing hollow gold jewellery products through their physical retail stores as well as through e-commerce platforms. (Source: Vital Factor analysis)

5.1 Socio-economic

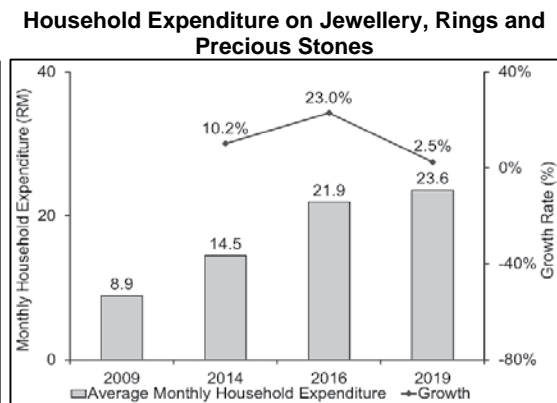
- Gold jewellery is mainly a consumer item and as such, growth in population, household income and expenditure, and consumer sentiments are factors of demand. Between 2017 and 2019, Malaysia’s real Gross Domestic Product (GDP) has been growing at a positive trend. In 2020, Malaysia’s real GDP declined by 5.6%, mainly attributed to the disruption in economic activities caused by the COVID-19 pandemic.



(Source: DOSM)



(Source: BNM)



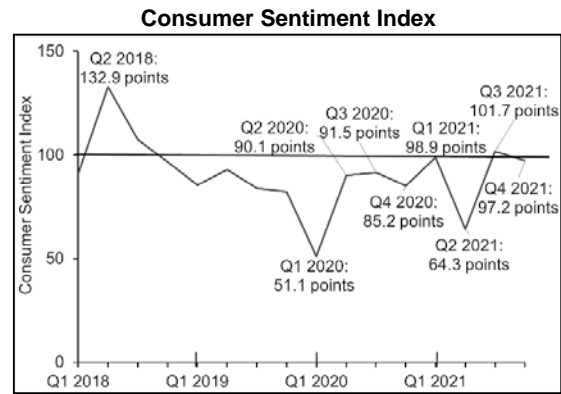
(Source: DOSM)

7. INDUSTRY OVERVIEW (Cont'd)



- In Q1 2021, Malaysia's real GDP recorded a smaller decline of 0.5%, before it expanded with a growth of 16.1% in Q2 2021 which was supported by improvement in domestic demand and robust export performance. In Q3 2021 and Q4 2021, Malaysia's real GDP recorded -4.5% and 3.6% respectively. Overall, the Malaysia's economy in 2021 grew by 3.1% and is forecasted to grow between 5.3% and 6.3% in 2022 (Source: BNM).
- Malaysia's income has experienced growth where the median household income grew by a CAGR of 4.0% between 2016 and 2019. A population with higher income will have higher propensity to spend on consumer goods, including gold jewellery. In 2021, Malaysia's income per capita grew by 7.7%, which was aligned with the growth in Malaysia's real GDP. Between 2016 and 2019, the average monthly expenditure on jewellery, rings and precious stones per household increased at an average annual rate of 2.5% amounting to RM23.60 per month per household.

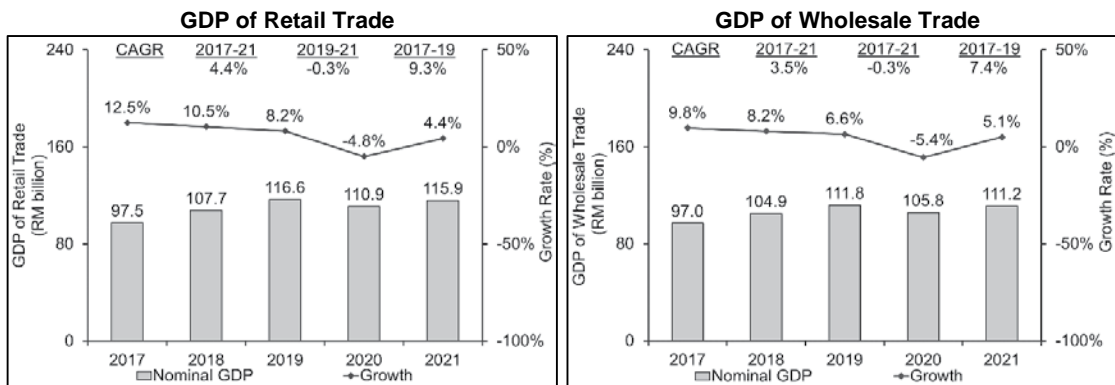
- Consumer sentiment index (CSI) gauges consumer spending trends and sentiments which influence consumer buying behaviour. Since the start of the COVID-19 pandemic, the CSI has been below the threshold benchmark of 100 points. Q2 2021 saw a dip compared to Q1 2021 as Malaysia experienced economic and social restrictions due to increasing COVID-19 infection rates. In Q3 2021, the CSI has exceeded the threshold despite the high inflationary outlook. In Q4 2021, the CSI fell slightly below the threshold mainly due to growing concerns over rising prices.



(Source: Malaysian Institute of Economic Research)

5.2 Wholesale and retail trade

- The performance of the gold jewellery industry is also influenced by its wholesale and retail trades. Below are some statistics on the overall wholesale and retail trades to indicate their respective performances.



(Source: DOSM)

- The GDP for both the retail and wholesale trade experienced positive growth at a CAGR of 9.3% and 7.4% respectively between 2017 and 2019, before the COVID-19 pandemic. In 2020, retail trade, and consequently wholesale trade, were negatively affected by measures such as lockdowns and movement restrictions used to contain the spread of COVID-19 combined with consumers' reluctance to be in crowded places.
- The GDP of retail trade amounted to RM28.8 billion and RM27.1 billion respectively in Q1 2021 and Q2 2021. On a quarter to quarter basis, the GDP of retail trade declined by 5.8% in Q2

## 7. INDUSTRY OVERVIEW (Cont'd)



2021. In Q3 2021, the GDP of retail trade declined by 0.1% before growing by 21.6% in Q4 2021. Overall, the GDP of retail trade grew by 4.4% amounted to RM115.9 billion in 2021.

- Meanwhile, the GDP of wholesale trade amounted to RM25.8 billion and RM25.7 billion respectively in Q1 2021 and Q2 2021. On a quarter to quarter basis, the GDP of wholesale trade declined slightly by 0.1% in Q2 2021. In Q3 and Q4 2021, the GDP of wholesale trade grew by 8.9% and 12.6% respectively on a quarter to quarter basis. Overall, the GDP of wholesale trade grew by 5.1% amounting to RM111.2 billion in 2021.
- YXPM Group is a wholesaler of gold jewellery and its customers are mainly retailers of gold jewellery.

## 6. KEY OPERATORS IN THE GOLD JEWELLERY INDUSTRY

- The jewellery industry in Malaysia is fragmented. The number of operators in the industry range from a large number of sole proprietors and family-owned businesses operating one or a few outlets, international operators, to large retailers with their respective chain of outlets in Malaysia.
- As of 5 May 2022, it was estimated that 1,100 members were registered with the Federation of Goldsmiths and Jewellers Associations of Malaysia (FGJAM), of which 63 were involved in jewellery manufacturing activities, 66 were involved in jewellery wholesaling activities, 21 were involved in both jewellery manufacturing and wholesaling activities, 862 were involved in jewellery retailing who may also be involved in jewellery manufacturing and/or wholesaling activities and 88 were involved in other activities (including bullion trading, ornaments and equipment manufacturing). It should also be noted that there may be operators who are not registered members of FGJAM or have updated their business activities with FGJAM.
- The companies listed below carry out wholesale and manufacture of gold jewellery, similar business activities to YXPM Group. The list is sorted in descending order of revenue and is not exhaustive.

Company Name	FYE <sup>(1)</sup>	Rev <sup>(2)</sup> (RM mil)	GP <sup>(2)</sup> (RM mil)	GP Margin <sup>(2)</sup>	NP <sup>(2)</sup> (RM mil)	NP Margin <sup>(2)</sup>
Zue Bao Jewellery S/B	Jul-21	1,243.7	2.6	0.2%	0.5	#
Habib Jewelry Manufacturing S/B	Dec-20	599.5	37.0	6.2%	13.6	2.3%
Poh Kong Jewellery Manufacturer S/B <sup>(3)</sup>	Jul-21	324.4	17.6	5.4%	6.6	2.0%
<b>YXPM Group</b>	<b>Dec-21</b>	<b>265.4</b>	<b>14.3</b>	<b>5.4%</b>	<b>7.1</b>	<b>2.7%</b>
TKC Aurum Manufacturing S/B	May-21	223.9	9.6	4.3%	3.2	1.4%
Sceng Jewellery Industries S/B	Jul-21	139.4	4.0	2.8%	1.1	0.8%
YCSG Industrial S/B	Dec-20	110.3	5.6	5.1%	1.8	1.6%
G2 Gold (M) S/B	Dec-20	107.1	0.7	0.7%	-1.3	-1.2%
MJ Jewellery S/B	Dec-20	69.6	18.5	26.6%	5.1	7.3%
TC Jewellery S/B	Jun-21	17.0	1.8	10.4%	0.6	3.7%
CHL Innovation Industries S/B	Dec-20	8.9	n.a.	n.a.	0.4	4.8%

FYE = financial year ended; Rev = revenue; mil = million; GP = gross profit; NP = net profit after tax; S/B = Sdn Bhd; # insignificant; n.a. = not available

(1) Latest available audited financial information from annual reports, Companies Commission of Malaysia and YXPM Group.

(2) Total company or Group revenue derived from the manufacture and wholesale of gold jewellery, and may include other business activities and products.

(3) A subsidiary of Poh Kong Holdings Berhad, a listed entity on Bursa Securities.

## 7. INDUSTRY OVERVIEW (Cont'd)



**VITAL FACTOR CONSULTING**  
Creating Winning Business Solutions

- The methodology used to compile information on the companies listed above was based on secondary market research, such as published documents, company websites, industry directories and Bursa Securities. The criteria for the selection of competitors are based on the following:
  - companies must be involved in the wholesale and manufacture of gold jewellery and having operations in Malaysia; and
  - availability of latest financial statements.

### 7. MARKET SIZE AND SHARE

- The market size of the jewellery industry in Malaysia and market share of YXPM Group are estimated below:

2021	Market Size (RM million) <sup>(1)</sup>	YXPM Group Revenue (RM million)	YXPM Group Market Share (%) <sup>(5)</sup>
Wholesale	4,075 <sup>(a) (2)</sup>	249 <sup>(3)</sup>	6.1
Manufacturing	4,501 <sup>(b)</sup>	80 <sup>(4)</sup>	1.8

Sources: (a) Vital Factor analysis; (b) DOSM

(1) Comprises jewellery and related items made of precious metals and gemstones, as well as costume jewellery. Note that there is no segmentation for jewellery excluding costume jewellery.

(2) Extrapolation from the latest available statistics for value of the wholesale of jewellery in 2018 (Source: DOSM).

(3) Revenue of YXPM Group's Wholesale Segment for the FYE 2021.

(4) Revenue of YXPM Group's in-house manufactured gold jewellery for the FYE 2021.

(5) (YXPM Group wholesale and in-house manufacturing revenue divided by their respective market size) x 100%

### 8. INDUSTRY CONSIDERATION FACTORS

- The gold jewellery industry is dependent upon, among others, the recovery of Malaysia as well as the global economies from the COVID-19 pandemic. In 2020, the overall jewellery industry was affected by the impact of the COVID-19 pandemic. The sales value of the manufacture of fine and costume jewellery, and related items in Malaysia decreased by 12.1%, while the export value of precious metal jewellery and parts decreased by 46.0%. The government has imposed Phase 1 of the NRP which took effect from 1 June 2021 onwards. Among others, most social and commercial activities were curtailed except for essential services and goods. Travel restrictions were also imposed on inter-district, interstate and international travels. Since the gradual resumption of the economic sectors during the various phases of the NRP in 2021, the overall sales value of the manufacture of fine and costume jewellery, and related items grew by 1.9%, while the export value of precious metal jewellery and parts grew by 38.1% in 2021.
- The recovery of Malaysia's economy will be supported by eight economic stimulus packages provided by the Malaysian government with a total allocation of RM530 billion. Some of the measures introduced by the government to support the recovery of Malaysia's economy include moratorium on loans, employee wage subsidies, grants and soft loans for small and medium enterprises, unemployment assistance, financial support for households, electricity discount, tax incentives as well as expediting the administration of vaccines. Furthermore, the Government has allocated RM332.1 billion to drive the recovery of the economy as indicated in the Budget 2022.
- The COVID-19 pandemic and the fiscal policy responses from global central banks has given rise to structural changes in asset allocation strategies. Gold as a source of investment is increasingly perceived as a strategic asset that is highly liquid and has been demonstrated to preserve its value over time. In light of the above, it is expected that the gold jewellery industry in Malaysia will rebound in line with the recovery of Malaysia's economy as well as the global economies from the COVID-19 pandemic. In addition to investment opportunities, other considerations which will continue to drive demand include the growing affluence of the population, population growth, and increasing consumer sentiment index. Overall, Malaysia's economy grew by 3.1% in 2021, and is forecasted to grow between 5.3% and 6.3% in 2022 (Source: BNM).

## 8. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**

### 8.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

#### 8.1.1 Our financial performance is subject to the fluctuations in global gold prices

As gold is a globally traded commodity, our financial performance is subject to the fluctuations in global gold prices. The price of gold is influenced by factors including, amongst others, global economic crisis or uncertainties, wars, civil unrests, pandemics, inflation, the strength of the USD, interest rates, demand from industries, investments in jewellery sectors, supply disruptions in gold producing nations, and sales and purchases of gold by government agencies including central banks.

According to the Industry Overview Report, global gold prices had experienced fluctuations between 2017 and early 2021. In 2017, the global average gold prices in January 2017 were at RM171/g and peaked at RM180/g in April 2017 before decreasing to RM166/g in December 2017. The global average gold prices continued to decrease further in 2018 where they dipped to a monthly low of RM158/g in August 2018. Since then, the global average gold prices kept rising from RM158/g in August 2018 to RM202/g in August 2019 and reached an all-time high at RM265/g in August 2020. Since the historic peak in August 2020, global average gold prices has dropped to RM242/g in January 2021, RM235/g in February 2021 and reached RM227/g in March 2021, which is the lowest since April 2020. The unease over inflation, a weaker USD and the spike in market volatility has increased gold demand, driving the global average gold prices back to an upward trend and to reach RM246/g in May 2021. Subsequently, the global average gold prices declined slightly to RM244/g in both June 2021 and July 2021 and RM242/g in August 2021. It declined further to RM238/g in both September 2021 and October 2021, before increasing to RM245/g in November 2021 and ending at RM242/g in December 2021.

Year / Period	Global Average Gold Price (RM/g)
2017	174
2018	165
2019	185
2020	239
2021	240

Gold prices continued to rise in early 2022 where the global average gold prices grew to RM245/g in January 2022 and RM250/g in February 2022. Gold prices surged sharply at the end of February 2022 and reached RM263/g in March 2022 due to the Russia-Ukraine conflict which caused an increase in the demand for gold as safe haven amidst the market volatility and uncertainty. Gold prices increased further to RM266/g in April 2022. (Source: Industry Overview Report)

The purchase price of gold materials and selling price of gold jewellery are largely based on the prevailing price of gold at the point of the transaction. In the event that our selling price of gold jewellery is lower than our purchase price of gold materials, it would adversely affect our margins and profitability.

For the Financial Years Under Review, we have recorded the following margins and profitability:

	Audited			
	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)
Revenue	137,534	144,711	175,634	265,384
Cost of sales	(133,111)	(132,388)	(158,267)	(251,042)
<b>GP</b>	<b>4,423</b>	<b>12,323</b>	<b>17,367</b>	<b>14,342</b>
<b>GP margin (%)</b>	<b>3.22</b>	<b>8.52</b>	<b>9.89</b>	<b>5.40</b>
<b>(LBT)/PBT</b>	<b>(1,396)</b>	<b>6,281</b>	<b>12,395</b>	<b>9,290</b>
<b>(LBT)/PBT margin (%)</b>	<b>(1.02)</b>	<b>4.34</b>	<b>7.06</b>	<b>3.50</b>

**8. RISK FACTORS (Cont'd)**

In FYE 2018, we recorded a LBT of RM1.40 million and LBT margin of 1.02% due mainly to the low GP and GP margin from Gold Jewellery Segment. The low GP and GP margin from the Gold Jewellery Segment were attributed mainly to the higher average cost of sales of gold jewellery at RM177/g as compared to the average selling prices of gold jewellery of RM168/g, which resulted in an average gross loss of RM9/g from sales of gold jewellery under our Design and Manufacture Segment in FYE 2018. The high average cost of sales of gold jewellery was contributed by the higher average cost of gold materials of RM171/g as a result of the higher carrying amount of gold inventories purchased by our Design and Manufacture Segment in FYE 2017.

In FYE 2021, our PBT and PBT margin decreased to RM9.29 million and 3.50% respectively due mainly to the decrease in GP and GP margin from Gold Jewellery Segment. The decrease in GP and GP margin from the Gold Jewellery Segment were attributed mainly to the lower average selling prices of gold jewellery coupled with the higher average cost of gold materials under our Wholesale Segment in FYE 2021. Our average selling price of gold jewellery under Wholesale Segment decreased from RM253/g in FYE 2020 to RM247/g in FYE 2021 due mainly to approximately 35.50% of sales volume were transacted in the 1<sup>st</sup> quarter of 2021, where global average gold prices were lower at RM242/g\* (January 2021), RM235/g\* (February 2021) and RM227/g\* (March 2021) (\*Source: Industry Overview Report). Meanwhile, average cost of gold materials under Wholesale Segment increased from RM224/g in FYE 2020 to RM230/g in FYE 2021 mainly attributed to the higher carrying amount of gold inventories of RM251/g as at the end of 31 December 2020, which was brought forward to 2021 for sale.

Overall, our financial performance is subject to fluctuations in the global gold prices and this is reflected in the revenue and cost of gold materials for the Financial Years Under Review set out below:

**(i) Revenue**

Our revenue for the FYE 2018, FYE 2019 and FYE 2020, which increased from RM137.53 million in FYE 2018 to RM175.63 million in FYE 2020 was due mainly to the increase in our selling prices as a result of the increase in global gold prices.

Gold Jewellery Segment	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Sales volume (g)	<sup>(b)</sup> Average selling price (RM/g)	Sales volume (g)	<sup>(b)</sup> Average selling price (RM/g)	Sales volume (g)	<sup>(b)</sup> Average selling price (RM/g)	Sales volume (g)	<sup>(b)</sup> Average selling price (RM/g)
Wholesale Segment <sup>(a)</sup>	640,760	173	590,933	192	610,026	253	1,002,607	247
Design and Manufacture Segment <sup>(a)</sup>	131,896	168	144,108	186	55,196	238	25,542	246

Notes:

- (a) Excluding gold jewellery manufacturing services.
- (b) The average selling price is calculated based on the total revenue attributable to the respective business activities divided by the total sales volume of gold jewellery.

The increase in our average selling prices of gold jewellery was in line with the increase in the global average gold prices as follows:

	2018 (RM/g)	2019 (RM/g)	2020 (RM/g)	2021 (RM/g)
Global average gold prices	165	185	239	240

(Source: Industry Overview Report)

**8. RISK FACTORS (Cont'd)**

Meanwhile, the increased in revenue for the FYE 2021 was due to the increase in demand for our gold jewellery partly attributable to the decline in gold prices in the 1<sup>st</sup> quarter of 2021. According to the Industry Overview Report, global average gold prices dropped from RM265/g, the historic peak in August 2020, to RM242/g in January 2021, RM235/g in February 2021 and RM227/g in March 2021 which was the lowest since April 2020.

**(ii) Cost of the gold materials**

Gold materials, including pure gold bars and scrap gold bars constitute our main raw materials for our business operations. It is the largest component in our cost of sales which accounted for more than 93% of our total cost of sales for the Financial Years Under Review.

In accordance with our Group's accounting policy, our cost of gold materials was determined on a weighted average basis for the Financial Years Under Review. As such, a higher purchase price of gold materials will lead to a higher weighted average cost per unit which will subsequently lead to a higher cost of sales, and vice versa.

The average cost of gold materials for the Financial Years Under Review are as follows:

Gold Jewellery Segment	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Sales volume (g)	<sup>(a)</sup> Average cost of gold materials (RM/g)	Sales volume (g)	<sup>(a)</sup> Average cost of gold materials (RM/g)	Sales volume (g)	<sup>(a)</sup> Average cost of gold materials (RM/g)	Sales volume (g)	<sup>(a)</sup> Average cost of gold materials (RM/g)
Wholesale Segment	640,760	161	590,933	169	610,026	224	1,002,607	230
Design and Manufacture Segment	131,896	171	144,108	176	55,196	199	25,542	217

Note:

- (a) The average cost of gold materials is calculated based on the total cost of gold materials attributable to the respective business segment divided by the total sales volume of gold jewellery.

The increase in the average cost of our gold materials was due mainly to the higher carrying amount of gold inventories purchased, as well as increased purchases of gold materials at high gold prices and this is in line with the increase in the global gold prices. In the absence of gold prices hedging activity for our operations, we monitor gold prices daily for our purchases, maintain a minimal inventory of gold raw materials to meet our Group's production schedule for upcoming sales order and will always purchase the equivalent amount of gold at the same time as when our Group sells the gold jewellery. Although we will continue to monitor the global gold prices closely on a daily basis, there is no assurance that we will be able to manage the unfavourable fluctuations in the prices of gold which are beyond our control. Kindly refer to Section 11.3.2 of this Prospectus on the effects of the gold material prices on our cost of sales for the Financial Years Under Review.

There is no assurance that we would be able to continually manage our risks from the adverse fluctuations in the price of gold due to the timing of our purchases of gold materials and sales of gold jewellery.

**8.1.2 Our business was and will continue to be susceptible to the outbreak of the COVID-19 pandemic and any further lockdowns would adversely affect our financial performance**

The outbreak and spread of the COVID-19 pandemic had and will continue to affect our business operations. As evidenced by the COVID-19 pandemic, measures such as lockdowns or movement restrictions have impacted the retail business including those relating to gold jewellery. A reduction in retail activities for gold jewellery will affect the demand for our products and subsequently adversely affect our financial performance.



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**8. RISK FACTORS (Cont'd)**

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As part of the effort to reduce and control the spread of COVID-19 in the country, the Government implemented the MCO as one of the preventive measures. The MCO involved restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. The different periods of MCO are summarised in Section 6.3.14 of this Prospectus.

**Impact on our business and financial performance*****FYE 2020***

For FYE 2020, our business operations were affected due to restrictions imposed by the Government during MCO periods including the closure of operations between mid-March and April 2020. Due to the restrictions on interstate travel and border closure, our sales personnel were unable to conduct physical sales meeting and this also affected the delivery of our gold jewellery to local customers as well as customers in Singapore. In this respect, our business operations were affected pursuant to the above restrictions and this can be further demonstrated by the fact that in FYE 2020, the sales volume of our Gold Jewellery Segment decreased by 138,948g or 12.10% as compared to FYE 2019. Kindly refer to Section 6.3.14.2 of this Prospectus for further details on the impact on our business and financial performance.

***FYE 2021***

Pursuant to the FMCO that started on 1 June 2021 under the NRP Phase 1, our business operations were suspended for 56 working days from 1 June 2021 to 22 August 2021. In this respect, our business operations were affected due to restrictions imposed and only minimal final assembly works were carried out at home, mainly to fulfil the export orders as well as some of the local customers' orders. Due to restrictions on interstate travel, our sales personnel were unable to conduct physical sales meeting and this also affected the delivery of our gold jewellery to customers.

Due to the temporary closure of our Group's business operations from 1 June 2021 to 22 August 2021, our financial performance and profitability for the FYE 2021 was affected. This has severely affected our revenue where we lost the opportunity to capitalise on our sales when the global average gold prices were higher during these 3 months from June 2021 to August 2021 at RM244/g (June 2021 and July 2021) and RM242/g (August 2021). Subsequently, when our business operations resumed at the end of August 2021, the global average gold prices declined to RM238/g in September 2021 and October 2021.

In the event that any prolonged outbreak of the COVID 19 and/or any prolonged or extended preventive measures, this could adversely affect our future business operations and in turn could have an impact on our financial performance for the FYE 2022. Kindly refer to Section 6.3.14 of this Prospectus for further details.

If any of our employees are infected with COVID-19, we will be required to temporarily shut down our manufacturing operations until our premises have been reviewed and approved to resume operations by the Ministry of Health, Malaysia. Any of the COVID-19 swab tests conducted on our employees may be at our own cost. As at the LPD, save as disclosed in Section 6.3.14.1 of this Prospectus, none of our employees was infected with the COVID-19 virus.

Although the roll-out of vaccines has started in Malaysia and some foreign countries in December 2020, there is no assurance that the COVID-19 pandemic will not persist or that there will not be another resurgence of the COVID-19 virus. If adverse events materialise and persists for an extended time together with movement and business operation restrictions, our business operations and financial performance may be adversely affected.

In addition, we may face delays in implementing our business strategies and expansion plans due to the COVID-19 pandemic, including the purchase of new machinery and equipment, expansion and upgrading our operational facilities as well as provision of refining and assaying services to external customers. Our business strategies and plans include the purchase of new machinery and equipment to facilitate our strategy to expand our new range of hollow gold jewellery. We also intend to expand and upgrade our operational facilities by purchasing new machinery and equipment to automate certain processes, purchasing and installing ERP system and MES, integrate our online sales order system as well as upgrade our security and surveillance facilities. Part of our business strategy is to also expand our refinery and gold assaying operations as well as provide these services to external customers.

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**8. RISK FACTORS (Cont'd)**

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We may also face delays in expected funding for capital expenditure to meet the expected timeline as set out in Section 6.13 of this Prospectus. The future growth of our business is dependent on our ability to implement and carry out these business strategies and plans according to the expected timing. Any failure to implement our business strategies and plans in a timely manner may adversely affect our future business and financial performance. There is also no assurance that our business strategies will be commercially successful or that we will be able to anticipate all the business and operational risks associated with our strategies. Kindly refer to Section 6.13 of this Prospectus for further details on our business strategies and plans.

**8.1.3 We are dependent on gold materials and network of external manufacturers for our gold jewellery products**

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, purchases of gold materials accounted for RM120.28 million (96.66%), RM133.30 million (97.18%), RM155.08 million (97.57%) and RM238.28 million (97.76%) of our total purchases of materials and services, respectively. As such, we are reliant on the gold materials for our gold jewellery wholesale and manufacturing operations. Our sources of supply consist of pure gold bars mainly from banks and bullion traders as well as scrap gold bars from pawnshops, jewellery retailers, wholesalers and manufacturers. Our wholesale operation also provides external manufacturers with gold materials, who would then manufacture gold jewellery for our Group.

Based on the above, we are dependent on gold materials for our wholesale and manufacturing operations. However, we are not dependent on any of our major suppliers of gold materials as gold bars are globally traded commodities. In the event there is any disruption in the supply or shortage of gold materials, our wholesale and manufacturing operations would be adversely affected.

As a one-stop supply centre for gold jewellery, part of our range of gold jewellery products are manufactured by external manufacturers. In FYE 2021, we have approximately 50 external jewellery manufacturers. Sales of externally sourced gold jewellery manufactured by external parties accounted for 52.52%, 51.75%, 61.77% and 66.99% of our total revenue, respectively for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021. Therefore, we are reliant on these external jewellery manufacturers for our externally sourced gold jewellery. In the event there is any delay and/or disruption in the supply of externally sourced gold jewellery from our external manufacturers, there is a risk that we would not be able to meet scheduled delivery expectations of our customers, which might also affect their satisfaction levels on our overall services.

Although we have not experienced any material disruptions in the supply or shortage of gold materials or gold jewellery from external sources for the Financial Years Under Review and up to the LPD, there is no assurance that this situation may not occur in the future. In the event of any interruptions in our supply or shortage of materials and services, this would adversely affect our wholesale and manufacturing operations and consequently our financial performance.

**8.1.4 We are subject to regulatory requirements for our business operations**

Our business is subject to various laws, rules and regulations. Please refer to Section 6.3.10 of this Prospectus for the list of our major approvals, licenses and permits.

Our major approvals, licenses and permits are subject to compliance with relevant conditions (if any), laws and regulations under which they were issued. In the event of non-compliance, these licenses, permits and approvals may be revoked or may not be renewed upon expiry. Further, the relevant government authority may take action by issuing warnings, imposing penalties, suspending the approvals, licenses or permits, reducing the term, imposing additional conditions or restrictions and/or revoking the approvals, licenses or permits against us for any breach or non-compliance.

As at the LPD, save as disclosed in Section 6.7(ii) of this Prospectus, our Group has complied with the conditions imposed on all our major approvals, licenses and permits from various governmental authorities.

## 8. RISK FACTORS (*Cont'd*)

In general, pursuant to Section 3(1) of the ICA and the Industrial Co-ordination Exemption Order 1976, manufacturing companies with shareholders' funds of RM2.50 million and above and employing 75 or more full time paid employees are required to have a manufacturing license. Section 3(2) of the ICA provides that failure to comply with Section 3(1) of the ICA is an offence and on conviction, the offender is liable to a fine not exceeding RM2,000 or to imprisonment not exceeding 6 months and a further fine not exceeding RM1,000 for every day during which such default continues. As a manufacturing concern, our subsidiary, GPM holds a manufacturing license issued by MITI. Pursuant to Section 6 of the ICA, if there is a breach of condition imposed in the manufacturing license by GPM, the relevant licensing officer may, in his discretion, revoke the said manufacturing license.

Under Section 3 of the Trade Licensing Ordinance (Sabah Cap. 144), no person shall carry on in Sabah, whether as principal or agent, any business in respect of which a valid trading license is not for the time being in force or carry on any such business in any place other than that specified in such license. If any person contravenes Section 3, such person shall be liable to a fine of 4 times the amount of the license fee and to a further fine of RM10 for each day or part of a day subsequent to a conviction during which the contravention continues. YXG had in the past, undertaken sales activities at Suite 7-7D, Level 7, Menara MAA, No. 6, Lorong Api-Api 1, 88000 Kota Kinabalu, Sabah without a business license. We have not been fined or issued with any notice of non-compliance from the relevant authorities in relation to the above. Nonetheless, we recognise that the above past non-compliance could still result in an estimated potential fine of up to RM700.00 based on Section 3 of the Trade Licensing Ordinance (Sabah Cap. 144). Kindly refer to Note (d) of Section 6.3.10 of this Prospectus for further details.

Based on the above, any revocation or failure to obtain, maintain or renew any of the licenses or permits may materially and adversely affect our business operations and financial performance.

### 8.1.5 We are dependent on the demand from the gold jewellery retailing industry and any reduction in demand from this sector would adversely affect our financial performance

Gold jewellery is a discretionary product which is sensitive to changes in, amongst others, consumer sentiments as well as general economic conditions. Consumer sentiments are affected by factors including, among others, employment rates, inflation, performance of the local, regional and global economies and general business conditions. Any of these factors could spur or impede the propensity to purchase gold jewellery products. We are indirectly dependent on the purchasing patterns of consumers, and the performance of the jewellery retailing industry would directly affect the demand for our jewellery products.

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, revenue from jewellery retailers accounted for 94.08%, 93.30%, 91.42% and 95.53% of our total revenue respectively. The remainder 5.92%, 6.70%, 8.58% and 4.47% of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021, respectively constituted by jewellery wholesalers and manufacturers.

In the event of any adversities arising from regulatory, economic, social and political events that would negatively impact the gold jewellery retail sector and/or consumer demand for gold jewellery, our financial performance would be adversely affected.

### 8.1.6 We are subject to the risk of changing market trends and consumer preferences

We operate in a sector where the end-users of our gold jewellery are mainly consumers. As a wholesaler and manufacturer of gold jewellery serving mainly jewellery retailers, our business success is dependent on our ability to identify market trends, consumer behaviour and preferences, and to bring the gold jewellery to the retail market promptly.

There is no assurance that we would be able to continually anticipate market changes, consumer preferences and trends. If we are unable to react to such market conditions promptly, the demand for our range of jewellery products and our financial performance would be adversely affected.

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## **8. RISK FACTORS (Cont'd)**

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### **8.1.7 We are dependent on our Managing Director, Key Senior Management and certain key technical personnel for the continuing success of our Group**

We are dependent on our efforts, commitment and abilities of our Managing Director and Key Senior Management who play significant roles in the continuing success of our Group from formulation and implementation of our strategies and plans, to the day-to-day operations of our business. Our Managing Director have been with us for 30 years, while 3 of our Key Senior Management, namely our Head of Resource Planning, Head of Design and Development and Head of Production have been with us for at least 20 years.

Our business operations are also dependent on the experience, abilities, creativity and market understanding of certain key technical personnel in the areas of resource planning, procurement of gold materials, design and manufacturing as well as the selection of external manufacturers to manufacture our gold jewellery products.

In the event we lose any of these key personnel, we cannot assure that their replacements would be prompt or that their replacements would be able to make similar or increased contributions to our operations. In view of this, the loss of one or more of these key personnel may hinder the continued success of our business operations as well as our financial performance.

### **8.1.8 The use of our tenanted properties are subject to various land use, licensing and compliance certification requirements**

We lease all the properties used in our business and, therefore, we require the cooperation of, and depend on, our landlords to apply to the relevant authorities to ensure that our use of such properties complies with applicable laws and regulations, including procuring the necessary CCC in respect of such properties. A person who occupies a premise without a CCC is subject to a fine of up to RM250,000, imprisonment for a term of up to 10 years, or both, under the Street, Drainage and Building Act, 1974. Although we intend to continue to work with our landlords and to assist our landlords, to the extent possible, to obtain the required CCC in respect of our tenanted properties, there can be no assurance that we will be able to obtain such CCC or any other required licenses in a timely manner or at all. Kindly refer to Section 6.7(iv) of this Prospectus for further details.

Our tenanted properties are also required to obtain fire certificates, which are subject to annual renewal. Where there is no fire certificate in force, the owners of such premises may become subject to a fine of up to RM50,000 and/or imprisonment of up to 5 years (or both). Jabatan Bomba also has a general authority to order or direct the owner or occupier of any premises to cease any activities if Jabatan Bomba is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

Our landlords have not been subject to any material enforcement action in the past with respect to the foregoing non-compliance. However, there can be no assurance that we will not be required to shut down or relocate our operational facilities or become subject to financial or other penalties in respect of such non-compliance or any similar non-compliance in the future. Kindly refer to Section 6.7(v) of this Prospectus for further details.

### **8.1.9 We are exposed to risk of pilferage, theft and robbery**

Due to the nature of our business, we are susceptible to the risk of pilferage, theft and robbery that could result in monetary losses and personal injury or death. For the Financial Years Under Review and up to the LPD, we did not experience any incidences of theft and robbery by external parties, nor did we encounter any pilferage by internal staff which had a material adverse effect on our financial performance.

While we have taken measures against pilferage, theft and robbery, we may not be able to prevent, detect or deter all instances of pilferage, theft and robbery nor can we assure that the preventive measures that we have or to be undertaken by us will be adequate.

## 8. RISK FACTORS *(Cont'd)*

### 8.1.10 We may not have adequate insurance to cover all the risks related to our business operations

We maintain various insurance policies covering risks against fire, flood, theft, burglary, loss of goods, and damage to property, plant and machinery. Although the total sum that we insured amounted to RM58.70 million, as at the LPD, it may not be sufficient to cover all the risks relating to our business operations that might be incurred as a result of unforeseen circumstances. Unforeseen circumstances such as, loss or damage directly or indirectly as a consequence of war, invasion, acts of foreign enemies, civil war, rebellion, revolution, requisition or destruction of or damage to property by or under the order of any government or public or local authority are not covered by our insurance policies and the maximum exposure under such scenarios cannot be quantified due to their unpredictable nature. We have not experienced any insurance claims for the Financial Years Under Review.

Nevertheless, any losses or damages suffered in excess of our insured limits or in areas where we are not covered may adversely affect our business and financial conditions.

### 8.1.11 We are exposed to the risks of adverse foreign exchange fluctuations which may affect our financial performance

We are exposed to the risk of foreign exchange fluctuations where 8.52%, 10.35%, 3.48% and 1.10% of our total purchases of materials and services for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively were denominated in foreign currencies including SGD, USD and Euro. The purchases transacted in foreign currencies were mainly for the purchases of gold materials and gold jewellery manufacturing services. Any depreciation of the RM against the respective foreign currencies will lead to a higher cost of material and services in RM.

We also undertake sales transactions in foreign currencies where 7.27%, 9.55%, 3.77% and 2.42% of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively were denominated in foreign currencies including SGD, USD and HKD. As we maintain foreign currency accounts in USD and foreign currency cash in hand in SGD, HKD and Euro, our revenue and purchases to a certain extent, are naturally hedged.

For the Financial Years Under Review, we did not carry out any currency hedging for our operations. Moving forward, any unfavorable foreign exchange fluctuations between foreign currencies and RM may adversely affect our financial performance including our profitability and margins.

## 8.2 RISKS RELATING TO OUR INDUSTRY

### 8.2.1 A high and sustained price of gold may create affordability issues and dampen the demand for gold jewellery

According to the Industry Overview Report, the global average gold price rose from RM158/g in August 2018 to RM202/g in August 2019 and reached an all-time high at RM265/g in August 2020. Since then, gold prices dropped and averaged at RM240/g in 2021. However, in 2022, gold prices surged sharply at the end of February 2022 and reached RM263/g in March 2022 due to the Russia-Ukraine conflict. Gold prices increased further to RM266/g in April 2022. There is a risk that the strong price performance of gold may dampen the demand or purchases of gold jewellery due to issues relating to affordability. According to the World Gold Council, the world demand for gold jewellery declined by 34.0% from 2,123 tonnes in 2019 to 1,401 tonnes in 2020. The decline in world demand for gold jewellery was mainly due to the combination of the COVID-19 pandemic and the lockdowns imposed in various countries as well as the high gold prices at the time of a global economic slowdown. A high price of gold may adversely impact the purchasing patterns of gold jewellery, where consumers may either deter, reduce or defer their purchases until such a time when the gold prices stabilise or decline to an acceptable level.

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## 8. RISK FACTORS (*Cont'd*)

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### 8.2.2 The gold jewellery industry is subject to political, social and regulatory conditions, the risk of outbreak of diseases in Malaysia

Any changes and/or developments in political, social, economic and regulatory conditions as well as any outbreak of diseases including the COVID-19 pandemic in Malaysia would adversely affect businesses and financial prospects of operators in the gold jewellery industry. These uncertainties include, but not limited to, changes in inflation rates, fluctuation in interest rates, civil unrest, acts of terrorism, riots, changes in political leadership and unfavourable changes to government policies and laws. Similarly, any prolonged and/or widespread economic slowdown or any outbreak of diseases would affect our business and consumer confidence. Outbreak of diseases such as the COVID-19 pandemic may cause interruptions in the supply chain of operators in the gold jewellery industry which may adversely affect our business operations. Any economic slowdown may cause our Group's customers comprising mainly of jewellery retailers to defer or reduce their purchase orders or the price of our products. As such, in the event of any adverse political, social, regulatory or economic developments and outbreak of diseases, it would adversely affect our financial performance or the industry as a whole.

### 8.2.3 We operate in a competitive environment

We face competition from other operators that are involved in the wholesaling and manufacturing of gold jewellery in terms of pricing, quality and range of jewellery products, timely delivery and service. The number of operators in the jewellery industry ranges from a large number of sole proprietors and family-owned businesses operating one or a few outlets, international operators, to large retailers with a chain of outlets in Malaysia.

As at 5 May 2022, it was estimated that there were 1,100 members registered with the Federation of Goldsmiths and Jewellers Associations of Malaysia that were involved in manufacturing activities (63 members), wholesaling activities (66 members), both manufacturing and wholesaling activities (21 members), retailing who may also be involved in manufacturing and/or wholesaling activities (862 members) and other activities (including bullion trading, ornaments and equipment manufacturing) (88 members). It should also be noted that there may be operators who did not register themselves as members of Federation of Goldsmiths and Jewellers Associations of Malaysia or update their business activities. (*Source: Industry Overview Report*). For further details on our competitors, please refer to Section 7 of this Prospectus.

Although our Group has its strengths and advantages, there is no assurance that we will be able to compete effectively against our peers. If we are unable to remain competitive, this may result in a reduction in our profit margins and/or reductions in orders or the loss of business from customers, all of which would adversely affect our financial performance.

## 8.3 RISKS RELATING TO OUR SHARES

### 8.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

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**8. RISK FACTORS (Cont'd)**

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**8.3.2 The trading price and volume of our Shares upon Listing may be volatile**

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

- (i) material variations in our financial results and operations;
- (ii) success or failure of our management in implementing future plans, and business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;
- (v) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vi) additions or departures of key personnel;
- (vii) fluctuations in stock market prices and volumes; or
- (viii) involvement in claims, litigation, arbitration or other form of dispute resolution.

**8.3.3 Tomei will continue to hold a majority of our Shares after the IPO**

Upon Listing, Tomei will hold 70.00% of our enlarged issued share capital upon Listing. As a result, they will be able to effectively control the business direction and management of our Group. They may also be able to influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by any applicable laws, guidelines or regulations.

**8.3.4 There may be a potential delay to or failure of our Listing**

The occurrence of any one or more of the following events may cause a delay in or cancellation of our Listing:

- (i) the MITI approved Bumiputera investors fail to acquire the Shares allocated to them under the Public Issue;
- (ii) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (iii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or
- (iv) our inability to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

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**8. RISK FACTORS (Cont'd)**

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Where prior to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
  - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
  - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.



## 9. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including a person who is or was a director or major shareholder within the preceding 6 months before the transaction was entered into). “Major shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

### 9.1 RELATED PARTY TRANSACTIONS

#### 9.1.1 Material related party transactions entered into by our Group

Save for the Acquisitions pursuant to our internal reorganisation for the Listing (details of which are as set out in Section 4.1.1 of this Prospectus) and as disclosed below, our Board has confirmed that there are no other material related party transactions that we had entered into with related parties in respect of the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and up to the LPD:

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value					(a) 1 January 2022 up to the LPD (RM'000)
					FYE				2021 (RM'000)	
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)		
1.	YXG	Ong Tiong Yee & Sons Sdn Bhd	<ul style="list-style-type: none"> <li>Ng Sheau Chyn, being our Promoter, substantial shareholder and Managing Director, is the spouse of Ong Kee Liang. Ong Kee Liang is a director and shareholder of Ong Tiong Yee &amp; Sons Sdn Bhd.</li> </ul>	<p>(i) Sales of gold jewellery to Ong Tiong Yee &amp; Sons Sdn Bhd</p> <p>(ii) Purchase of scrap gold bars from Ong Tiong Yee &amp; Sons Sdn Bhd</p>	633 (0.46% of our Group's revenue)	414 (0.29% of our Group's revenue)	655 (0.37% of our Group's revenue)	651 (0.25% of our Group's revenue)	138	141 (0.06% of our Group's cost of sales)
					110 (0.08% of our Group's cost of sales)	218 (0.16% of our Group's cost of sales)	184 (0.12% of our Group's cost of sales)	141 (0.06% of our Group's cost of sales)	47	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value					(a) 1 January 2022 up to the LPD (RM'000)
					FYE					
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 up to the LPD (RM'000)	
2.	YXG	Oasis Properties Sdn Bhd ("OPSB")	<ul style="list-style-type: none"> <li>• <b>Ng Sheau Chyn</b>, being our Promoter, substantial shareholder and Managing Director, is a director and shareholder of OPSB.</li> <li>• <b>Datuk Ng Yih Pyng</b>, being our substantial shareholder and Non-Independent Non-Executive Director, is a director and shareholder of OPSB.</li> <li>• <b>Ng Sheau Yuen</b>, being our substantial shareholder, is a director and shareholder of OPSB.</li> <li>• <b>Ng Yih Chen</b>, being our substantial shareholder, is the spouse and father of Wee Ching Yun and Ng Yi Li, respectively. Wee Ching Yun and Ng Yi Li are directors and shareholders of NYC Resources Sdn Bhd. NYC Resources Sdn Bhd is a shareholder of OPSB.</li> </ul>	<p>Rental expenses of No. 23-LG and 23-G, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Off Jalan Kelang Lama, 58200 Kuala Lumpur<sup>(b)</sup> paid to OPSB</p> <p>As at the LPD, the aforementioned rented premise is used by our Group as the head office, sales and administrative office.</p>	41 (2.98% of our Group's LAT)	44 (0.90% of our Group's PAT)	42 (0.45% of our Group's PAT)	45 (0.63% of our Group's PAT)	12	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				(a) 1 January 2022 up to the LPD (RM'000)
					FYE				
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
3.	GPM	OPSB	<ul style="list-style-type: none"> <li>• <b>Ng Sheau Chyn</b>, being our Promoter, substantial shareholder and Managing Director, is a director and shareholder of OPSB.</li> <li>• <b>Datuk Ng Yih Pyng</b>, being our substantial shareholder and Non-Independent Non-Executive Director, is a director and shareholder of OPSB.</li> <li>• <b>Ng Sheau Yuen</b>, being our substantial shareholder, is a director and shareholder of OPSB.</li> <li>• <b>Ng Yih Chen</b>, being our substantial shareholder, is the spouse and father of Wee Ching Yun and Ng Yi Li, respectively. Wee Ching Yun and Ng Yi Li are directors and shareholders of NYC Resources Sdn Bhd. NYC Resources Sdn Bhd is a shareholder of OPSB.</li> </ul>	<p>Rental expenses of No. 14-LG<sup>(c)</sup>, 15-LG<sup>(d)</sup>, 23-1, 23-2, 23-3, 27-LG, 27-G, 27-1, 27-2 and 27-3 Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Off Jalan Kelang Lama, 58200 Kuala Lumpur<sup>(e)</sup> paid to OPSB</p> <p>As at the LPD, the aforementioned rented premise is used by our Group for the sales and administrative office and manufacturing facilities purposes.</p>	179 (13.02% of our Group's LAT)	191 (3.93% of our Group's PAT)	170 (1.81% of our Group's PAT)	159 (2.24% of our Group's PAT)	43

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value					(a) 1 January 2022 up to the LPD (RM'000)
					FYE					
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)		
4.	YXG	TGJH	<ul style="list-style-type: none"> <li>• <b>Tomei</b>, being our Promoter and substantial shareholder, is the holding company of TGJH.</li> </ul>	<ul style="list-style-type: none"> <li>(i) Sales of gold jewellery to TGJH</li> <li>(ii) Purchase of pure and scrap gold bars from TGJH</li> </ul>	4,206 (3.06% of our Group's revenue)	5,238 (3.62% of our Group's revenue)	7,981 (4.54% of our Group's revenue)	5,312 (2.00% of our Group's revenue)	438	
5.	GPM	TGJH	<ul style="list-style-type: none"> <li>• <b>Tomei</b>, being our Promoter and substantial shareholder, is the holding company of TGJH.</li> </ul>	<ul style="list-style-type: none"> <li>(i) Sales of gold jewellery to TGJH</li> <li>(ii) Purchase of pure and scrap gold bars and silver bar from TGJH</li> </ul>	14,761 (10.73% of our Group's revenue)	15,430 (10.66% of our Group's revenue)	8,409 (4.79% of our Group's revenue)	1,908 (0.72% of our Group's revenue)	618	
					12,634 (9.49% of our Group's cost of sales)	13,290 (10.04% of our Group's cost of sales)	7,773 (4.91% of our Group's cost of sales)	10 (Less than 0.01% of our Group's cost of sales)	-	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value					(a) 1 January 2022 up to the LPD (RM'000)
					FYE					
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2021 (RM'000)	
6.	YXG	Tomei Gold & Jewellery Manufacturing Sdn Bhd	<ul style="list-style-type: none"> <li>Tomei, being our Promoter and substantial shareholder, is the holding company of Tomei Gold &amp; Jewellery Manufacturing Sdn Bhd.</li> </ul>	Purchase of pure and scrap gold bars from Tomei Gold & Jewellery Manufacturing Sdn Bhd	-	1,205 (0.91% of our Group's cost of sales)	1,196 (0.76% of our Group's cost of sales)	-	-	-
7.	GPM	Tomei Gold & Jewellery Manufacturing Sdn Bhd	<ul style="list-style-type: none"> <li>Tomei, being our Promoter and substantial shareholder, is the holding company of Tomei Gold &amp; Jewellery Manufacturing Sdn Bhd.</li> </ul>	Sales of silver chains and provision of gold jewellery manufacturing services to Tomei Gold & Jewellery Manufacturing Sdn Bhd	1	5 (Less than 0.01% of our Group's revenue)	178 (0.10% of our Group's revenue)	21 (0.01% of our Group's revenue)	-	-
8.	YXG	TXG	<ul style="list-style-type: none"> <li>Tomei, being our Promoter and substantial shareholder, is the holding company of TXG.</li> </ul>	(i) Purchase of pure and scrap gold bars from TXG  (ii) Rental expense of motor vehicle paid to TXG	-	-	788 (0.50% of our Group's cost of sales)	-	-	-
					99 (7.20% of our Group's LAT)	87 (1.79% of our Group's PAT)	56 (0.60% of our Group's PAT)	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value					(a) 1 January 2022 up to the LPD (RM'000)
					FYE					
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 up to the LPD (RM'000)	
9.	GPM	TXG	<ul style="list-style-type: none"> <li>Tomei, being our Promoter and substantial shareholder, is the holding company of TXG.</li> </ul>	<ul style="list-style-type: none"> <li>(i) Rental expense of motor vehicle paid to TXG</li> </ul>	148 (10.76% of our Group's LAT)	127 (2.61% of our Group's PAT)	102 (1.09% of our Group's PAT)	-	-	-
				<ul style="list-style-type: none"> <li>(ii) Purchase of pure gold bars from TXG</li> </ul>	-	-	-	72 (0.03% of our Group's cost of sales)	-	-
10.	GPM	Tomei Marketing Sdn Bhd	<ul style="list-style-type: none"> <li>Tomei, being our Promoter and substantial shareholder, is the holding company of Tomei Marketing Sdn Bhd.</li> </ul>	Sales of gold jewellery to Tomei Marketing Sdn Bhd	99 (0.07% of our Group's revenue)	618 (0.43% of our Group's revenue)	165 (0.09% of our Group's revenue)	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				(a) 1 January 2022 up to the LPD (RM'000)
					FYE				
					2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
11.	GPM	Tomei (Vietnam) Company Limited	<ul style="list-style-type: none"> <li>Tomei, being our Promoter and substantial shareholder, is the indirect holding company of Tomei (Vietnam) Company Limited, a subsidiary of Tomei Retail Sdn Bhd, which in turn is the wholly-owned subsidiary of Tomei.</li> </ul>	Purchase of semi-finished jewellery manufacturing services from Tomei (Vietnam) Company Limited	646 (0.49% of our Group's cost of sales)	696 (0.53% of our Group's cost of sales)	471 (0.30% of our Group's cost of sales)	(i) -	-
12.	GPM	Gexcel Asia Sdn Bhd ("GASB")	<ul style="list-style-type: none"> <li>Ng Sheau Chyn, being our Promoter, substantial shareholder and Managing Director, is a director of GASB and also deemed shareholder of GASB through her shareholdings in Ng Teck Fong Holdings Sdn Bhd, the shareholder of GASB.</li> </ul>	Purchase of manufacturing tools for jewellery manufacturing machines from GASB	92 (6.69% of our Group's LAT)	301 (6.19% of our Group's PAT)	41 (0.44% of our Group's PAT)	95 (1.34% of our Group's PAT)	18

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

Notes:

- (a) Percentage contributions are not available as there is no audited financial statements for the period from 1 January 2022 up to the LPD.
- (b) The tenancy has a tenure of 1 year with an option to renew for a further 1 year subject to monthly rental to be mutually agreed upon between the tenant and landlord. YXG shall give to the landlord notice in writing of its desire on the renewal of tenancy not later than 3 months prior to the expiration of the tenancy agreement. It is also expressly agreed that the landlord shall have the right to terminate the tenancy before the expiry of the tenure of the tenancy provided that a notice in writing of not less than 3 months prior to the expiration of the tenancy agreement shall have been served to YXG.
- (c) The tenancy for No. 14-LG, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Off Jalan Kelang Lama, 58200 Kuala Lumpur was terminated on 1 January 2021.
- (d) The tenancy for No. 15-LG, Jalan 2/131A, Project Jaya Industrial Estate, Batu 6, Off Jalan Kelang Lama, 58200 Kuala Lumpur was terminated on 1 January 2020.
- (e) The tenancy has a tenure of 1 year with an option to renew for a further 1 year subject to monthly rental to be mutually agreed upon between the tenant and landlord. GPM shall give to the landlord notice in writing of its desire on the renewal of tenancy not later than 3 months prior to the expiration of the tenancy agreement. It is also expressly agreed that the landlord shall have the right to terminate the tenancy before the expiry of the tenure of the tenancy provided that a notice in writing of not less than 3 months prior to the expiration of the tenancy agreement shall have been served to GPM.
- (f) Since January 2021, we have stopped sourcing semi-finished jewellery manufacturing services from Tomei (Vietnam) Company Limited.

As at the LPD, there are no related party transactions entered into but not yet effected.

All the material related party transactions entered into by our Group as disclosed in the table above are recurrent in nature and will subsist after our Listing, save for items (8) and (11). Our Board, having considered all aspects of the related party transactions (inclusive of recurrent related party transactions), are of the opinion that all the above transactions were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders based on the following considerations:

- (i) the sale of gold jewellery and silver chains were based on comparable selling price to our external customers and the selling price of gold jewellery was also based on the then prevailing market price of gold at the point of the transactions;
- (ii) the purchase of raw materials were based on comparable purchase costs from our external suppliers. Further, the purchase price of gold materials was also based on the then prevailing market price of gold at the point of the transactions;
- (iii) the provision of gold jewellery manufacturing services to the related parties, and the purchase of semi-finished jewellery manufacturing services from the related party were based on comparable service fee charged to our external customers or service fee paid to our external suppliers;



**9. RELATED PARTY TRANSACTIONS (Cont'd)**

- (iv) the purchase of manufacturing tools for jewellery manufacturing machines were based on comparable purchase costs from our external suppliers;
- (v) the rental of properties expense paid to OPSB were based on the then prevailing market rental rates; and
- (vi) the rental of motor vehicles expense paid to TXG were based on the then prevailing market rental rates.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person and persons connected to the interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12 month period, are entered into with the same party or with parties related to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation/asset or of various parcels of land contiguous to each other.

Upon Listing, the Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

**9.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION**

Our Board has confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and up to the LPD.

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

**9.3 OUTSTANDING LOANS AND/OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES**

Save as disclosed below, our Board has confirmed that there are no outstanding loans and/or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of the related parties for the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and up to the LPD:

No.	Loans made to or for the benefit of related parties	Interested related party and nature of relationship	Nature of transaction and purpose	Outstanding amount				
				FYE				As at the LPD
				2018	2019	2020	2021	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
1.	Advances made by GPM to Tomei Gold & Jewellery Manufacturing Sdn Bhd	Tomei, being our Promoter and substantial shareholder, is the holding company of Tomei Gold & Jewellery Manufacturing Sdn Bhd.	Advances for working capital purposes	315	-	-	-	
2.	Advances made by YXG to Tomei Diamond Sdn Bhd <sup>(a)</sup>	Tomei, being our Promoter and substantial shareholder, is the holding company of Tomei Diamond Sdn Bhd.	Advances for working capital purposes	188	-	-	-	

Note:

- (a) Formerly known as My Diamond Sdn Bhd. It assumed its current name on 4 April 2019 and is principally engaged in retailing of jewellery. Prior to 2019, it undertakes retailing activities under the brand name of "My Diamond", being one of the brands under the Tomei Group's retail activities. Tomei Group has ceased all the retail outlets under the brand name of "My Diamond" to prevent overlapping among the other brands of Tomei Group in 2019. Since then, the products of "My Diamond" are assimilated into and marketed under the brand names of "Tomei" and "Goldheart".

All the outstanding amount as at the FYE 2018 as disclosed above are short-term in nature with an interest rate of 6% per annum and the advances were fully repaid in FYE 2019. The above advances were made on an arm's length basis taking into consideration our Group's weighted average effective interest rates from external financing for the FYE 2018, which ranges from 4.41% to 8.39% for our credit facilities, and were not repayable on demand. Going forward, our Group will not be providing any such advances (including loans and guarantees of any kind) to or for the benefit of the related parties.

## 10. CONFLICT OF INTEREST

### 10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

As at the LPD, save as disclosed below, our Directors and/or substantial shareholders do not have any interest, direct or indirect, in other businesses or corporations, which are carrying on a similar or related trade as that of our Group or which are our customers or suppliers:

(i) **Tomei**

Tomei, our Promoter and substantial shareholder is an investment holding company, while its subsidiaries (excluding our Group) are principally involved in retailing of jewellery.

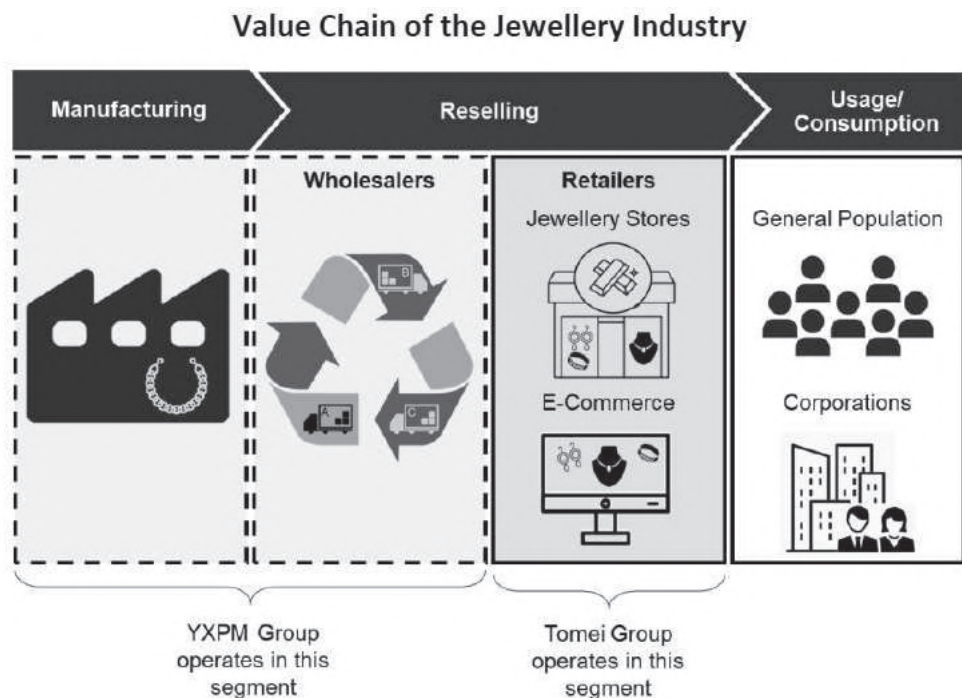
Both the Tomei Group and our Group are involved in jewellery related businesses. A comparison between the principal business activities, main products, other products and services, and customer base of the Tomei Group and our Group is as follows:

Descriptions	Tomei Group	Our Group
<b>Principal business activities</b>	<ul style="list-style-type: none"> <li>• <b>Retail</b> of various types of precious metal and gemstone jewellery and other gold products such as gold bars (which have been casted to desired weight of 10g, 50g and 100g), wafers and coins</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Wholesale</b> of gold jewellery, and other gold products such as wafers and coins</li> <li>• <b>Design and manufacture</b> of gold jewellery as well as other gold products such as wafers and coins</li> </ul>
<b>Main products</b>	<ul style="list-style-type: none"> <li>• <b>Various types of precious metal and gemstone jewellery</b> such as diamond, sapphire, pearls, jade, gold (916-gold and 999-gold. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, Tomei Group's revenue from sale of 916-gold were 49.22%, 52.69%, 54.24% and 65.46%. Revenue from sale of 999-gold were 5.18%, 3.85%, 3.08% and 4.51% for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021), white gold, rose gold and platinum jewellery</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Gold jewellery</b> such as necklaces, bracelets, anklets and basic chains, bangles, rings, pendants and earrings</li> </ul>
<b>Other products and services</b>	<ul style="list-style-type: none"> <li>• Distribution of jewellery to Tomei Group's retail outlets</li> <li>• Design and manufacture of gemstone jewellery for Tomei Group's retail activities</li> <li>• Manufacture of semi-finished jewellery in Vietnam for Tomei Group</li> <li>• Provision of motor vehicles for rental to Tomei Group</li> <li>• Sale of scrap and pure gold bars (only to jewellery manufacturers for them to manufacture customised jewellery for Tomei Group. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, Tomei Group's revenue from sale of scrap and pure gold bars were 4.75%, 7.38%, 4.69% and 1.35%)</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacture of silver jewellery</li> <li>• Provision of gold refining services</li> <li>• Sale of scrap and pure gold bars (only upon customers' request and is dependent on the availability of such raw materials in our Group's inventories. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, our Group's revenue from sale of scrap and pure gold bars were 0.11%, 0.18%, 2.68% and 2.46%)</li> </ul>

10. CONFLICT OF INTEREST (Cont'd)

Descriptions	Tomei Group	• Our Group
<b>Customer base</b>	<ul style="list-style-type: none"> <li>• End-customers (i.e., individuals and corporate customers)</li> <li>• Jewellery manufacturers (only scrap and pure gold bars. As at 31 December 2021, save for our Group, Tomei Group only sold to 1 other jewellery manufacturer, namely O M Technique Sdn Bhd)</li> </ul>	<ul style="list-style-type: none"> <li>• Intermediaries (i.e., retailers and wholesalers)</li> <li>• Jewellery manufacturers</li> </ul>

The following diagram depicts the operation segment of the YXPM Group and Tomei Group in the value chain of the Jewellery Industry:



(a) **Business independence**

Subsequent to our Listing, our Group shall continue to operate our business independently of Tomei in the following manner:

- (i) our Group shall continue with our core business in wholesaling, design and manufacturing of gold jewellery and other related products and services;
- (ii) our Group shall continue to rely on our own expertise and personnel in marketing our products;
- (iii) our Group shall continue to source our raw materials using our own means and negotiate the pricing of raw materials independent of Tomei. It should be noted that besides purchasing our main raw materials, i.e., pure and scrap gold bars from Tomei Group, we have also been purchasing pure and scrap gold bars independently from other suppliers. This is due to the fact that gold bar is a globally traded commodity and can be easily sourced from suppliers. Our Group purchased gold bars from approximately 10 pure gold bar suppliers and approximately 80 scrap gold bar suppliers in the FYE 2021. Further, our Group has commenced manufacturing our own semi-finished gold jewellery to be further processed into our ready to wear gold jewellery and has ceased to purchase semi-finished jewellery manufacturing services from the Tomei Group since 31 December 2020;

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**10. CONFLICT OF INTEREST (Cont'd)**

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- (iv) our financial, operational and management function shall remain separate from Tomei and our Managing Director and Key Senior Management reports to our Board and their decision making will not be influenced by Tomei and its corporate representative; and
- (v) our Group shall continue to rely on our own management and technical team for our operations including the purchase and sale of goods, management policy, financial support and manufacturing capabilities.

**(b) Undertaking by Tomei**

To prevent any future conflict of interest between the business activities of our Group and Tomei Group (excluding our Group), Tomei has given its undertaking to our Board, so long as:

- (i) Tomei remains listed on Bursa Securities;
- (ii) Tomei remains a controlling shareholder (as defined in the Listing Requirements, as may be amended from time to time) in YXPM;
- (iii) YXPM remains listed on Bursa Securities; and
- (iv) our Group remains as subsidiaries of Tomei,

Tomei Group will not venture into:

- (a) any competing business activities of YXPM Group such as wholesale, design and manufacture of gold and silver jewellery, as well as other related products and services; and
- (b) any investments (as investee) in other companies having similar/competing businesses of YXPM Group.

Similarly, we have provided an undertaking to Tomei, so long as:

- (i) Tomei remains listed on Bursa Securities;
- (ii) Tomei remains a controlling shareholder (as defined in the Listing Requirements, as may be amended from time to time) in YXPM;
- (iii) our Company remains listed on Bursa Securities; and
- (iv) our Group remains as subsidiaries of Tomei,

our Group will not venture into:

- (a) any competing business activities of Tomei Group such as retailing of jewellery and manufacturing of gemstones jewellery; and
- (b) any investments (as investee) in other companies having similar/competing businesses of Tomei Group.

To mitigate any potential conflict of interest arising from any related party transactions, including sales and purchases to/from Tomei Group, our Board shall seek the approval from our non-interested shareholders for a mandate to continue to enter into such transactions at the next general meeting of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such transactions in our ordinary course of business without the need to convene numerous general meetings to approve such transactions as and when they are entered into.

**10. CONFLICT OF INTEREST (Cont'd)****(ii) Ng Sheau Chyn**

Ng Sheau Chyn, our Promoter and Managing Director, is also the former Non-Independent Non-Executive Director of Tomei and a shareholder of Tomei, which is also our Promoter and substantial shareholder. Her direct and indirect shareholdings in Tomei as at the LPD is as follows:

Name	Direct		Indirect	
	No. of shares	* (%)	No. of shares	* (%)
Ng Sheau Chyn	468,700	0.34	<sup>^</sup> 82,702,399	59.67

Notes:

\* Based on Tomei's issued share capital of 138,600,000 ordinary shares.

<sup>^</sup> Deemed interested by virtue of her shareholdings in TFC, TBSB and being a trustee for Ng Teck Fong Foundation pursuant to Section 8 of the Act.

Notwithstanding the above, her past and present involvement and interests (direct or indirect) in Tomei does not give rise to any existing and potential conflict of interest or affect her responsibilities to our Group in view of the following:

- (a) her past involvement in Tomei as a Non-Independent Non-Executive Director did not influence her decision making in YXPM and/or affected her responsibilities to our Group as her previous role in Tomei did not contribute to the day-to-day management of Tomei's operations;
- (b) her past involvement in Tomei as a Non-Independent Non-Executive Director was as a representative of YXPM to report to Tomei's board of directors on our Group's financial performance and the status of our compliance with applicable laws, regulations, rules, directives and guidelines; and
- (c) other than her role as a former Non-Independent Non-Executive Director of Tomei, her involvement in Tomei is limited to being a shareholder of Tomei. In the event there are any proposed related party transactions, Ms. Ng will abstain from all board deliberations of YXPM and if the related party transactions require the prior approval of shareholders, Ms. Ng and persons connected to her will abstain from voting in respect of their direct and/or indirect interest in YXPM and Tomei on the resolutions pertaining to the proposed related party transactions.

**10. CONFLICT OF INTEREST (Cont'd)****(iii) Datuk Ng Yih Pyng**

Datuk Ng Yih Pyng, our Non-Independent Non-Executive Director, is also a Group Managing Director and a shareholder of Tomei, which is our Promoter and substantial shareholder. His direct and indirect shareholdings in Tomei as at the LPD is as follows:

Name	Direct		Indirect	
	No. of shares	* (%)	No. of shares	* (%)
Datuk Ng Yih Pyng	581,239	0.42	<sup>^</sup> 82,702,399	59.67

Notes:

- \* Based on Tomei's issued share capital of 138,600,000 ordinary shares.
- <sup>^</sup> Deemed interested by virtue of his shareholdings in TFC, TBSB and being a trustee for Ng Teck Fong Foundation pursuant to Section 8 of the Act.

Notwithstanding the above, his involvement in Tomei Group does not give rise to any existing and potential conflict of interest or affect his responsibilities to YXPM in view of the following:

- (a) his involvement in Tomei Group will not influence his decision making in YXPM and affect his responsibilities in our Group as his role in YXPM is as a Non-Independent Non-Executive Director, which does not entail any executive functions and as such does not contribute to the day-to-day management of our Group's operations;
- (b) his involvement in YXPM is as a corporate representative of Tomei (in view that YXPM is a 70%-owned subsidiary of Tomei) to participate in YXPM's Board meetings in order to be kept abreast on the developments of YXPM Group. Nonetheless, if there are any proposed related party transactions, Datuk Ng will abstain from all Board deliberations of YXPM; and
- (c) his involvement as a director in the following subsidiaries of Tomei, which are principally involved in different core businesses as our Group. As such, these companies do not compete with our Group:

Subsidiaries of Tomei	Principal activity
De Beers Diamond Jewellers Sdn Bhd	Retailing of jewellery
Go Gold Shop Sdn Bhd	Retailing of jewellery
Le Lumiere Sdn Bhd	Retailing of jewellery
MyTomei Sdn Bhd	Retailing of jewellery
TGJH	Investment holding in a company involved in manufacturing of semi-finished jewellery and distribution of jewellery
Tomei Collections Sdn Bhd	Retailing of jewellery
Tomei Diamond Sdn Bhd	Retailing of jewellery
Tomei Gold & Jewellery Manufacturing Sdn Bhd	Design and manufacturing of gemstone jewellery
Tomei Signature Sdn Bhd	Retailing of jewellery
TXG Bullion Sdn Bhd	Trading of gold bullion

## 10. CONFLICT OF INTEREST (*Cont'd*)

As at the LPD, our Board (save for Ng Sheau Chyn and Datuk Ng Yih Pyng) having considered the following, is of the view that our Directors and/or substantial shareholders' involvement in similar or related business as our Group or which are our customers or suppliers, do not give rise to any existing and potential conflict of interest with our Group:

- our Group's principal business activities are in **wholesale, design and manufacture** of gold jewellery, whereas the Tomei Group's principal business activity is in **retail of jewellery** (various types of jewellery and not limited to gold);
- our Group's customer base is 100% **trade customers or intermediaries** such as jewellery resellers (retailers and wholesalers) and jewellery manufacturers. On the other hand, Tomei Group's customer base is **end-consumers**. Only a small proportion of Tomei Group's customers (in FYE 2021, save for our Group, there is only 1 other jewellery manufacturer, namely O M Technique Sdn Bhd) are jewellery manufacturers as Tomei Group will sell pure and scrap gold bars (raw materials) to these manufacturers in order for them to use the raw materials to manufacture gold jewellery. Thereafter, these manufacturers will sell the manufactured gold jewellery back to Tomei;
- our Group is operating in a different segment as compared to the Tomei Group in the value chain of the Jewellery Industry and other than a small proportion of Tomei Group's customers (in FYE 2021, save for our Group, there is only 1 other jewellery manufacturer, namely O M Technique Sdn Bhd) who are jewellery manufacturers, both groups do not have any common customers. Hence Tomei Group is not viewed as a competitor to our Group;
- our Group is not dependent on the sales and purchases to/from Tomei Group as our Group has a wide customer/supplier base with approximately 315 customers and approximately 90 gold bar suppliers in the FYE 2021;
- Ng Sheau Chyn's present involvement in Tomei is limited to being a shareholder of Tomei. If there are any proposed related party transactions, Ms. Ng will abstain from all board deliberations of YXPM and if the related party transactions require the prior approval of shareholders, Ms. Ng and persons connected to her will abstain from voting in respect of their direct and/or indirect interest in YXPM and Tomei on the resolutions pertaining to the proposed related party transactions; and
- the core businesses of the other subsidiaries of Tomei in which Datuk Ng Yih Pyng is involved, are different from the core business of our Group, hence these companies are not viewed as competitors to our Group.

Moving forward, our Audit and Risk Management Committee will supervise and monitor any conflict of interest or potential conflict of interest situations and all Directors and Key Senior Management will disclose such conflict of interest situations, if any, to our Nomination Committee for resolution as and when they arise.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Nomination Committee and our Board of their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business. When a determination has been made that there is a conflict of interest of a Director, our Nomination Committee will:

- (i) immediately inform our Board of the conflict of interest situation; and
- (ii) make recommendations to our Board to direct the conflicted Director to:
  - (aa) withdraw from all his/her executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and



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**10. CONFLICT OF INTEREST (Cont'd)**

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- (bb) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (ii) above, the conflicted Director shall abstain from any Board deliberation relating to the recommendation of our Nomination Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his/her fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

**10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**

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

PIVB has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent for our Listing.

**10.2.2 Solicitors to our Company as to the laws of Malaysia**

Jeff Leong, Poon & Wong has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to the Listing.

**10.2.3 External Auditors and Reporting Accountants**

BDO PLT has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the External Auditors and Reporting Accountants to our Group in relation to the Listing.

**10.2.4 Independent Market Researcher**

Vital Factor has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

## 11. FINANCIAL INFORMATION

### 11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the Financial Years Under Review presented in this section have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the Financial Years Under Review.

You should read the historical audited combined financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

The historical audited combined financial information included in this Prospectus does not reflect our Group's results of operations, financial position and cash flows in the future. Moreover, our Group's past operating results are not indicative of our Group's future operating performance.

#### (a) Historical audited combined statements of comprehensive income of our Group

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	137,534	144,711	175,634	265,384
Cost of sales	(133,111)	(132,388)	(158,267)	(251,042)
<b>GP</b>	<b>4,423</b>	<b>12,323</b>	<b>17,367</b>	<b>14,342</b>
Other income	190	211	229	622
Administrative expenses	(2,873)	(2,795)	(2,734)	(3,205)
Selling and distribution expenses	(1,590)	(1,688)	(1,213)	(1,261)
Net gain/(loss) on impairment of financial assets	126	(119)	69	(77)
Other expenses	(188)	(348)	(330)	(282)
Finance costs	(1,484)	(1,303)	(993)	(849)
<b>(LBT)/PBT</b>	<b>(1,396)</b>	<b>6,281</b>	<b>12,395</b>	<b>9,290</b>
Taxation	21	(1,419)	(3,025)	(2,186)
<b>(LAT)/PAT for the financial year</b>	<b>(1,375)</b>	<b>4,862</b>	<b>9,370</b>	<b>7,104</b>
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive (loss)/income</b>	<b>(1,375)</b>	<b>4,862</b>	<b>9,370</b>	<b>7,104</b>

**11. FINANCIAL INFORMATION (Cont'd)**

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
GP margin <sup>(a)</sup> (%)	3.22	8.52	9.89	5.40
(LBT)/PBT margin <sup>(b)</sup> (%)	(1.02)	4.34	7.06	3.50
(LAT)/PAT margin <sup>(c)</sup> (%)	(1.00)	3.36	5.33	2.68
Effective tax rate <sup>(d)</sup> (%)	(1.50)	22.59	24.41	23.53
EBITDA <sup>(e)</sup> (RM'000)	446	8,368	14,136	10,640
Assumed number of Shares in issue <sup>(f)</sup> ('000)	372,150	372,150	372,150	372,150
Basic and diluted (LPS)/EPS <sup>(g)</sup> (sen)	(0.37)	1.31	2.52	1.91

Notes:

- (a) GP margin is calculated based on GP divided by revenue.
- (b) (LBT)/PBT margin is calculated based on (LBT)/PBT divided by revenue.
- (c) (LAT)/PAT margin is calculated based on (LAT)/PAT divided by revenue.
- (d) Effective tax rate is calculated based on taxation divided by (LBT)/PBT.
- (e) EBITDA is calculated as follows:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
(LBT)/PBT	(1,396)	6,281	12,395	9,290
<u>Adjusted for:</u>				
Finance cost	1,484	1,303	993	849
Interest income	(28)	-	-	-
Depreciation of PPE	386	343	293	306
Depreciation of right-of-use assets	-	441	455	195
<b>EBITDA</b>	<b>446</b>	<b>8,368</b>	<b>14,136</b>	<b>10,640</b>

- (f) The assumed number of Shares in issue after our Public Issue.
- (g) Basic (LPS)/EPS is calculated based on (LAT)/PAT attributable to owners of the Company divided by the assumed number of Shares in issue. Diluted (LPS)/EPS are the same as basic (LPS)/EPS as there were no potential dilutive ordinary shares existing during the respective years/periods.

**11. FINANCIAL INFORMATION (Cont'd)****(b) Historical audited combined statements of financial position of our Group**

	<b>Audited</b>			
	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,369	1,024	1,060	1,894
Right-of-use assets	-	716	461	696
Deferred tax assets	173	67	58	61
	<b>1,542</b>	<b>1,807</b>	<b>1,579</b>	<b>2,651</b>
<b>Current assets</b>				
Inventories	41,554	49,621	53,044	49,089
Trade and other receivables	13,644	13,000	11,377	19,279
Current tax assets	569	34	*	*
Cash and bank balances	2,059	1,320	8,385	8,853
	<b>57,826</b>	<b>63,975</b>	<b>72,806</b>	<b>77,221</b>
<b>TOTAL ASSETS</b>	<b>59,368</b>	<b>65,782</b>	<b>74,385</b>	<b>79,872</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owner of the combining entities</b>				
Invested equity	10,500	10,500	17,600	17,600
Equity loan	7,100	7,100	-	-
Retained earnings	20,439	25,301	34,496	41,600
<b>TOTAL EQUITY</b>	<b>38,039</b>	<b>42,901</b>	<b>52,096</b>	<b>59,200</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	190	-	-	-
Lease liabilities	-	234	210	386
Deferred tax liabilities	47	57	73	67
	<b>237</b>	<b>291</b>	<b>283</b>	<b>453</b>
<b>Current liabilities</b>				
Trade and other payables	1,148	4,211	1,323	1,994
Borrowings	19,944	17,494	19,884	17,309
Lease liabilities	-	364	179	203
Current tax liabilities	-	521	620	713
	<b>21,092</b>	<b>22,590</b>	<b>22,006</b>	<b>20,219</b>
<b>TOTAL LIABILITIES</b>	<b>21,329</b>	<b>22,881</b>	<b>22,289</b>	<b>20,672</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>59,368</b>	<b>65,782</b>	<b>74,385</b>	<b>79,872</b>

Note:

\* Amount is less than RM1,000.

**11. FINANCIAL INFORMATION (Cont'd)****(c) Historical audited combined statements of cash flows of our Group**

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>Cash flows from operating activities</b>				
(LBT)/PBT:	(1,396)	6,281	12,395	9,290
Adjustments for:				
Bad debt written off	2	-	-	-
Depreciation of property, plant and equipment	386	343	293	306
Depreciation of right-of use assets	-	441	455	195
Finance cost	1,484	1,303	993	849
Gain on disposal of property, plant and equipment	-	(26)	-	(356)
Impairment loss on trade and other receivables	81	187	117	123
Interest income	(28)	-	-	*
Inventories written off	3	-	-	-
Reversal on impairment loss on trade and other receivables	(207)	(68)	(186)	(46)
Reversal of lease liabilities	-	-	(8)	-
Right-of-use assets written off	-	-	8	-
Unrealised loss on foreign exchange	21	21	16	(4)
Unrealised loss on gold price fluctuation	-	-	25	-
<b>Operating profit before changes in working capital</b>	<b>346</b>	<b>8,482</b>	<b>14,108</b>	<b>10,357</b>
<u>Changes in working capital</u>				
Inventories	5,673	(8,067)	(3,423)	3,955
Trade and other receivables	3,712	451	1,650	(7,975)
Trade and other payables	(2,956)	3,049	(2,912)	679
Cash generated from operations	6,775	3,915	9,423	7,016
Interests paid	(1,481)	(1,144)	(967)	(813)
Tax paid	(599)	(801)	(2,890)	(2,104)
Tax refunded	-	554	23	-
<b>Net cash from operating activities</b>	<b>4,695</b>	<b>2,524</b>	<b>5,589</b>	<b>4,099</b>

**11. FINANCIAL INFORMATION (Cont'd)**

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>Cash flows from investing activities</b>				
Interest income	-	-	-	*
Net repayment from/(to) related company	496	(6)	5	-
Proceeds from disposal of property, plant and equipment	-	26	-	485
Purchase of property, plant and equipment	(337)	(326)	(329)	(1,140)
Addition of right-of-use assets	-	(66)	-	(114)
<b>Net cash from/(used in) investing activities</b>	<b>159</b>	<b>(372)</b>	<b>(324)</b>	<b>(769)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	-	-	(175)	-
Interest paid	(3)	-	-	-
Lease interest paid	-	(13)	(10)	(11)
Net repayments of hire-purchase creditors	(11)	-	-	-
Net (repayments)/drawdown of short term borrowings	(984)	(3,387)	3,610	(3,115)
Payment of lease liabilities	-	(428)	(407)	(276)
<b>Net cash (used in)/from financing activities</b>	<b>(998)</b>	<b>(3,828)</b>	<b>3,018</b>	<b>(3,402)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,856</b>	<b>(1,676)</b>	<b>8,283</b>	<b>(72)</b>
Cash and cash equivalents at beginning of financial year	(2,133)	1,722	1	8,286
Effect of exchange rate changes	(1)	(45)	2	*
<b>Cash and cash equivalents at end of financial year<sup>(a)</sup></b>	<b>1,722</b>	<b>1</b>	<b>8,286</b>	<b>8,214</b>

Notes:

\* Amount is less than RM1,000.

(a) Cash and cash equivalents comprised of the following:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Cash and bank balances	2,059	1,320	8,385	8,853
Bank overdrafts	(337)	(1,319)	(99)	(639)
<b>Cash and cash equivalents</b>	<b>1,722</b>	<b>1</b>	<b>8,286</b>	<b>8,214</b>

**11. FINANCIAL INFORMATION (Cont'd)****11.2 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our Group's capitalisation and indebtedness:

- (i) as at 31 March 2022, after taking into account the Acquisitions but before Public Issue and use of proceeds; and
- (ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from Public Issue.

<b>Indebtedness</b>	<b>Unaudited</b>	<b>After Public Issue and</b>
	<b>As at 31 March 2022</b>	<b>use of proceeds</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
<b><u>Current</u></b>		
Secured and guaranteed:		
Bankers' acceptances	11,600	11,600
Bank overdrafts	-	-
Revolving credit	7,000	7,000
Lease liabilities	118	118
	18,718	18,718
<b><u>Non-current</u></b>		
Secured and guaranteed:		
Lease liabilities	232	232
	232	232
<b>Total indebtedness</b>	18,950	18,950
Shareholders' equity	62,238	89,999
<b>Total capitalisation and indebtedness</b>	81,188	108,949
Gearing ratio (times)*	0.23	0.17

Note:

- \* Computed based on total indebtedness over our shareholders' equity.

The material contingent liabilities of our Group are set out in Section 11.3.11(vii) of this Prospectus.

## 11. FINANCIAL INFORMATION (*Cont'd*)

### 11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

#### **Overview of business operations**

We are a gold jewellery specialist involved in wholesaling, design and manufacturing activities. As a gold jewellery specialist, we focus on 916-gold jewellery which contains 91.67% pure gold content alloyed with other metals. We offer a wide range of gold jewellery including gold chain products such as necklaces, bracelets and anklets, as well as bangles, rings, pendants, charms and earrings. Our gold jewellery comprised externally sourced as well as internally designed and manufactured products.

Our Other Related Products and Services include sales of scrap and pure gold bars, manufacture of silver chains, and provision of refining services for precious metals.

Our business model is based on sales of gold jewellery to trade customers for resale and this includes jewellery retailers, wholesalers and manufacturers. We mainly serve the Malaysian market covering both Peninsular Malaysia and East Malaysia. We also export to foreign countries including Singapore, Germany, Myanmar, Indonesia and Hong Kong.

Please refer to Section 6 of this Prospectus for further information about our Group's business activities.

#### **Financial performance**

As gold is a globally traded commodity, our financial performance is subject to the fluctuations in global gold prices. The purchase price of gold materials and selling price of gold jewellery are also largely based on the prevailing market price of gold at the point of the transaction. In the event that our selling price of gold jewellery is lower than our purchase price of gold materials, it would adversely affect our margins and profitability.

The global average gold prices as extracted from the Industry Overview Report are as follows:

	2018 (RM/g)	2019 (RM/g)	2020 (RM/g)	2021 (RM/g)
Global average gold prices	165	185	239	240

(Source: Industry Overview Report)

Overall, our financial performance for the Financial Years Under Review was subject to fluctuations in the global gold prices as reflected in the revenue, cost of gold materials and GP for the Financial Years Under Review set out in the ensuing paragraphs.

#### 11.3.1 Segmental analysis by revenue

Our main revenue stream is derived from our Gold Jewellery Segment which accounted for more than 96.00% of our total revenue for the Financial Years Under Review. Our revenue from this segment is contributed by the following:

- (i) Wholesale Segment (undertaken by YXG): Revenue is derived from sales of gold jewellery as well as gold jewellery manufacturing services that are sourced from external manufacturers. It also includes the sales of gold jewellery that we internally sourced i.e., gold jewellery designed and manufactured by our design and manufacturing arm, namely GPM. Revenue under the Wholesale Segment including the revenue derived from internally sourced gold jewellery is based on the sales orders secured through our Wholesale Segment.



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**11. FINANCIAL INFORMATION (Cont'd)**

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Revenue generated from gold jewellery manufacturing services under the Wholesale Segment refers to a service fee that we charged to customers when we engaged external jewellery manufacturers to carry out the manufacturing services and the gold raw material is supplied by the customers.

- (ii) Design and Manufacture Segment (undertaken by GPM): Revenue is derived from sales of our own designed and manufactured gold jewellery as well as provision of gold jewellery manufacturing services. Revenue under the Design and Manufacture Segment is based on the sales orders secured through our Design and Manufacture Segment.

Revenue generated from gold jewellery manufacturing services under the Design and Manufacture Segment refers to service fee we charged to customers when we carry out the manufacturing services through our subsidiary, GPM and the gold raw material is supplied by the customers.

Our other revenue streams are from Other Related Products and Services including the sales of scrap and pure gold bars, manufacture of silver chains and provision of refining services for precious metals.

Revenue from sale of products and services rendered is recognised at a point in time when the products have been transferred or the services have been rendered to the customer and coincide with the delivery of products and services and acceptance by customers.

Our Group recorded revenue of RM137.53 million, RM144.71 million, RM175.63 million and RM265.38 million for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Revenue generated from Gold Jewellery Segment accounted for 99.40%, 99.41%, 96.89% and 97.25% of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively, while the remaining 0.60%, 0.59%, 3.11% and 2.75% of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively was generated from other related products and services. In addition, generally our Wholesale Segment can command a higher selling price for the sales of gold jewellery as compared to our Design and Manufacture Segment because our Wholesale Segment offers a mix and various of designs for purchases in low quantities, where our Group's Wholesale Segment charges a higher workmanship prices, while gold prices are based on prevailing market prices. With higher selling price coupled with generally lower carrying cost of gold inventories due to faster turnaround of materials and quicker replenishment of inventories, our Wholesale Segment can command a higher GP margin. Please refer to Sections 11.3.1(i) and 11.3.3 of this Prospectus for further analysis of revenue and GP margin by business activities, products and services.

For the Financial Years Under Review, more than 90.00% of our revenue were generated from customers in Malaysia comprising Peninsular Malaysia and East Malaysia. Revenue generated from Malaysia accounted for 92.73%, 90.45%, 96.23% and 97.58% of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. The remaining 7.27%, 9.55%, 3.77% and 2.42% of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively was generated from customers in foreign countries including Singapore, Germany, Myanmar, Indonesia and Hong Kong. Our sales to foreign customers are denominated in USD, SGD and HKD. Please refer to Section 11.3.1(ii) of this Prospectus for further analysis of revenue by geographical markets.

**11. FINANCIAL INFORMATION (Cont'd)****(i) Revenue by business activities, products and services**

The table below presents the breakdown of our total revenue by business activities, products and services:

Revenue	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Gold Jewellery Segment</b>	<b>136,708</b>	<b>99.40</b>	<b>143,863</b>	<b>99.41</b>	<b>170,171</b>	<b>96.89</b>	<b>258,079</b>	<b>97.25</b>
<b>Wholesale Segment</b>	<b>112,055</b>	<b>81.47</b>	<b>114,377</b>	<b>79.04</b>	<b>155,133</b>	<b>88.33</b>	<b>248,863</b>	<b>93.77</b>
- Externally sourced	72,234	52.52	74,882	51.75	108,486	61.77	177,787	66.99
· Gold jewellery <sup>(a)</sup>	70,856	51.52	73,887	51.06	107,610	61.27	176,215	66.40
· Gold jewellery manufacturing services	1,378	1.00	995	0.69	876	0.50	1,572	0.59
- Internally sourced gold jewellery <sup>(b)</sup>	39,821	28.95	39,495	27.29	46,647	26.56	71,076	26.78
<b>Design and Manufacture Segment</b>	<b>24,653</b>	<b>17.93</b>	<b>29,486</b>	<b>20.37</b>	<b>15,038</b>	<b>8.56</b>	<b>9,216</b>	<b>3.48</b>
· Gold jewellery <sup>(c)</sup>	22,095	16.07	26,769	18.50	13,111	7.46	6,294	2.38
· Gold jewellery manufacturing services	2,558	1.86	2,717	1.87	1,927	1.10	2,922	1.10
<b>Other Related Products and Services<sup>(d)</sup></b>	<b>826</b>	<b>0.60</b>	<b>848</b>	<b>0.59</b>	<b>5,463</b>	<b>3.11</b>	<b>7,305</b>	<b>2.75</b>
<b>Total revenue</b>	<b>137,534</b>	<b>100.00</b>	<b>144,711</b>	<b>100.00</b>	<b>175,634</b>	<b>100.00</b>	<b>265,384</b>	<b>100.00</b>

Notes:

- (a) Includes necklaces, bracelets, anklets, bangles, rings, earrings, pendants and charms.
- (b) Gold jewellery internally sourced from our design and manufacturing arm, namely GPM, which includes necklaces, bracelets, anklets and bangles.
- (c) Includes necklaces, bracelets, anklets, bangles, rings, earrings, pendants, charms, semi-finished chains and beads, and minted gold bars such as wafers and coins.
- (d) Includes sales of scrap and pure gold bars, manufacture of silver chains and provision of refining services for precious metals.

**11. FINANCIAL INFORMATION (Cont'd)**

Within the Gold Jewellery Segment, the sales volume and average selling price per gram for our gold jewellery and gold jewellery manufacturing services for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)
<b>Gold Jewellery Segment</b>								
<b>Wholesale Segment</b>								
- Externally sourced								
· Gold jewellery	410,188	173	385,022	192	425,232	253	714,034	247
· Gold jewellery manufacturing services	179,905	8	125,550	8	111,798	8	198,272	8
- Internally sourced gold jewellery	230,572	173	205,911	192	184,794	252	288,573	246
<b>Design and Manufacture Segment</b>								
· Gold jewellery	131,896	168	144,108	186	55,196	238	25,542	246
· Gold jewellery manufacturing services	247,268	10	287,872	9	232,495	8	305,842	10
<b>Total Gold Jewellery Segment</b>								
- Gold jewellery	772,656	172	735,041	191	665,222	252	1,028,149	247
- Wholesale Segment	640,760	<sup>(b)</sup> 173	590,933	<sup>(b)</sup> 192	610,026	<sup>(b)</sup> 253	1,002,607	<sup>(b)</sup> 247
- Design and Manufacture Segment	131,896	<sup>(b)</sup> 168	144,108	<sup>(b)</sup> 186	55,196	<sup>(b)</sup> 238	25,542	<sup>(b)</sup> 246
- Gold jewellery manufacturing services	427,173	9	413,422	9	344,293	8	504,114	9

Notes:

- (a) The average selling price is calculated based on the total revenue attributable to the respective business activities divided by the total sales volume of gold jewellery.
- (b) The average selling price of gold jewellery for our Wholesale Segment is higher than the average selling price of gold jewellery for our Design and Manufacture Segment as we are able to command a higher selling price for our wholesale products.

**11. FINANCIAL INFORMATION (Cont'd)****(ii) Revenue by geographical markets**

The table below presents the breakdown of our total revenue by geographical markets:

Revenue	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Malaysia</b>	<b>127,538</b>	<b>92.73</b>	<b>130,898</b>	<b>90.45</b>	<b>169,015</b>	<b>96.23</b>	<b>258,970</b>	<b>97.58</b>
Peninsular Malaysia	94,630	68.80	92,852	64.16	111,652	63.57	130,816	49.29
- Wholesale Segment	78,872	57.34	76,151	52.62	97,730	55.64	124,338	46.85
- Design and Manufacture Segment	15,405	11.20	16,410	11.34	8,797	5.01	2,559	0.96
- Other Related Products and Services	353	0.26	291	0.20	5,125	2.92	3,919	1.48
East Malaysia	32,908	23.93	38,046	26.29	57,363	32.66	128,154	48.29
- Wholesale Segment	32,908	23.93	37,864	26.16	57,363	32.66	124,524	46.92
- Design and Manufacture Segment	-	-	-	-	-	-	985	0.37
- Other Related Products and Services	-	-	182	0.13	-	-	2,645	1.00
<b>Foreign countries</b>	<b>9,996</b>	<b>7.27</b>	<b>13,813</b>	<b>9.55</b>	<b>6,619</b>	<b>3.77</b>	<b>6,414</b>	<b>2.42</b>
Singapore	8,910	6.48	12,052	8.33	5,801	3.30	5,672	2.14
- Wholesale Segment	-	-	-	-	-	-	-	-
- Design and Manufacture Segment	8,910	6.48	12,052	8.33	5,801	3.30	5,672	2.14
- Other Related Products and Services	-	-	-	-	-	-	-	-
Others	<sup>(a)</sup> 1,086	0.79	<sup>(a)</sup> 1,761	1.22	<sup>(b)</sup> 818	0.47	<sup>(c)</sup> 742	0.28
- Wholesale Segment	275	0.20	362	0.25	40	0.02	-	-
- Design and Manufacture Segment	338	0.25	1,024	0.71	439	0.25	-	-
- Other Related Products and Services	473	0.34	375	0.26	339	0.20	742	0.28
<b>Total</b>	<b>137,534</b>	<b>100.00</b>	<b>144,711</b>	<b>100.00</b>	<b>175,634</b>	<b>100.00</b>	<b>265,384</b>	<b>100.00</b>

Notes:

- (a) Includes Myanmar, Germany, Hong Kong and Indonesia.  
(b) Includes Myanmar and Germany.  
(c) Includes Germany and Hong Kong.

**11. FINANCIAL INFORMATION (Cont'd)**

Within the Gold Jewellery Segment, the sales volume and average selling price per gram for our gold jewellery and gold jewellery manufacturing services segmented by geographical markets for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)	<sup>(a)</sup> Average Sales volume (g)	<sup>(a)</sup> Average selling price (RM/g)
<b>Malaysia</b>								
Peninsular Malaysia								
- Wholesale Segment								
· Gold jewellery	450,028	172	392,766	192	385,520	252	500,231	246
· Gold jewellery manufacturing services	163,968	8	108,349	8	61,741	8	186,103	8
- Design and Manufacture Segment								
· Gold jewellery	83,416	163	76,213	183	30,291	235	97	246
· Gold jewellery manufacturing services	172,214	10	262,463	9	201,977	8	271,045	9
East Malaysia								
- Wholesale Segment								
· Gold jewellery	189,191	173	196,345	192	224,337	254	502,376	248
· Gold jewellery manufacturing services	15,937	8	17,202	8	50,057	8	12,169	7
- Design and Manufacture Segment	-	-	-	-	-	-	3,931	250
<b>Foreign countries</b>								
Singapore								
- Wholesale Segment	-	-	-	-	-	-	-	-
- Design and Manufacture Segment								
· Gold jewellery	48,480	174	63,195	189	22,804	243	21,514	246
· Gold jewellery manufacturing services	43,626	10	8,362	10	30,321	8	34,798	11
Others <sup>(b)</sup>								
- Wholesale Segment								
· Gold jewellery	1,541	178	1,822	199	169	237	-	-
· Gold jewellery manufacturing services	-	-	-	-	-	-	-	-
- Design and Manufacture Segment								
· Gold jewellery	-	-	4,700	183	2,101	208	-	-
· Gold jewellery manufacturing services	31,428	11	17,046	10	197	8	-	-

**11. FINANCIAL INFORMATION (Cont'd)**

Notes:

- (a) The average selling price is calculated based on the total revenue attributable to the respective business activities divided by the total sales volume of gold jewellery.
- (b) Includes Myanmar in FYE 2018, FYE 2019 and FYE 2020 as well as Indonesia in FYE 2019.

**(a) FYE 2019 compared to FYE 2018**

Our total revenue increased by RM7.18 million or 5.22% from RM137.53 million in FYE 2018 to RM144.71 million in FYE 2019. This was due mainly to the following:

**Gold Jewellery Segment**

In FYE 2019, our revenue from the Gold Jewellery Segment grew by 5.23% or RM7.16 million attributed primarily to the higher selling price of our gold jewellery, whereby our average selling price increased by 11.05%, from RM172/g in FYE 2018 to RM191/g in FYE 2019. This was in line with the trend in the global average gold prices, where it increased by 12.12% from RM165/g\* in 2018 to RM185/g\* in 2019 (\*Source: *Industry Overview Report*). In this respect, the increase in our revenue was mainly contributed by the higher global average gold prices in FYE 2019. The high global average gold prices also affected the demand for our gold jewellery as we experienced lower sales orders from customers in Peninsular Malaysia.

The increase in revenue of RM7.16 million from the Gold Jewellery Segment was contributed mainly by the following:

- (i) an increase of 2.07% or RM2.32 million in the revenue from our Wholesale Segment due mainly to an increase in revenue from East Malaysia of RM4.96 million or 15.06%. This was attributed primarily to higher demand from existing customers with an increase in sales volume of gold jewellery of 7,154g, from 189,191g in FYE 2018 to 196,345g in East Malaysia in FYE 2019. Despite the increased revenue from East Malaysia, the overall revenue from our Wholesale Segment was partially offset by a decrease in revenue from Peninsular Malaysia of RM2.72 million due to the lower demand of gold jewellery as a result of higher global gold prices; and
- (ii) an increase of 19.60% or RM4.83 million in revenue from our Design and Manufacture Segment contributed mainly by the increase in revenue from Singapore of RM3.14 million or 35.26%. This was attributed mainly to the higher demand as well as increased orders for a new range of jewellery products of an existing customer (Poh Heng Jewellery Pte Ltd) in Singapore. The total sales volume of gold jewellery from Singapore increased by 30.35% in FYE 2019 was contributed mainly by Poh Heng Jewellery Pte Ltd.

Despite the increased demand from the customers in Singapore under our Design and Manufacture Segment, our overall sales volume of gold jewellery decreased by 37,615g or 4.87% from 772,656g in FYE 2018 to 735,041g in FYE 2019. This was attributed mainly to the lower demand of gold jewellery from Peninsular Malaysia primarily Klang Valley, Southern and Northern regions under our Wholesale Segment as a result of the higher global gold prices.

Despite the growth in our revenue, the sales volume from our Gold Jewellery Segment decreased by 4.28% or 51,366g. This was attributed mainly to lower sales orders from customers in Peninsular Malaysia primarily Klang Valley, Southern and Northern regions under our Wholesale Segment where the sales volume of gold jewellery from our Wholesale Segment decreased by 12.72% in FYE 2019. The decrease in sales volume was partially offset by an increase in sales volume of gold jewellery to Singapore which increased by 30.35% in FYE 2019.

## 11. FINANCIAL INFORMATION (Cont'd)

### Other Related Products and Services

In FYE 2019, revenue from Other Related Products and Services increased by 2.66% or RM0.02 million. This was contributed mainly by the increase of RM0.12 million from the sales of scrap and pure gold bars based on customers' request who are jewellery retailers. The increase in revenue was partially offset by a decrease in revenue of RM0.11 million from the manufacture of silver chains in FYE 2019 due to lower demand from customers to purchase silver chains.

#### (b) FYE 2020 compared to FYE 2019

Our total revenue increased by RM30.92 million or 21.37% from RM144.71 million in FYE 2019 to RM175.63 million in FYE 2020. This was due mainly to the following:

### Gold Jewellery Segment

In FYE 2020, our revenue from Gold Jewellery Segment grew by 18.29% or RM26.31 million due primarily to the increase in our average selling price of gold jewellery by 31.94% from RM191/g in FYE 2019 to RM252/g in FYE 2020. This was in line with the increase in the global average gold prices by 29.19% from RM185/g\* in 2019 to RM239/g\* in 2020 (\*Source: *Industry Overview Report*). In this respect, the increase in revenue was mainly contributed by the higher global average gold prices. The high global average gold prices also affected the demand for our gold jewellery as we experienced lower sales orders from customers in the Southern region.

The increase in revenue of RM26.31 million from the Gold Jewellery Segment was mainly contributed by the following:

- (i) an increase of 35.63% or RM40.76 million in the revenue from our Wholesale Segment due mainly to:
  - increase in revenue of RM27.23 million or 55.29% from customers in Klang Valley region due mainly to orders from Alpha Gold Jewels Sdn Bhd, a new major customer in FYE 2020 and East Coast region due partly to the increased demand during the Hari Raya Haji festive season, where we experienced higher sales orders from customers in these regions. The aforesaid increase was offset by the decrease in revenue from customers in Southern region of RM6.14 million with lower sales volume in FYE 2020 due to higher gold prices; and
  - increase in revenue of RM19.50 million or 51.50% from customers in East Malaysia with increased sales volume of gold jewellery of 14.26% in FYE 2020 as we experienced higher sales orders from customers in this region, including our major customer, KC Goldsmith. We experienced an increased sales volume from East Malaysia via our Sabah sales office which enabled us to continue to facilitate the sales and delivery directly to customers in East Malaysia amidst the COVID-19 pandemic condition.

The increase in sales volume of gold jewellery from our Wholesale Segment in FYE 2020 was mainly contributed by externally sourced gold jewellery. This was because we were only able to carry out partial manufacturing operations due to the restrictions imposed pursuant to the COVID-19 pandemic. In this respect, we sourced the gold jewellery externally to fulfil the customers' sales orders.

- (ii) a decrease of 49.00% or RM14.45 million in revenue from our Design and Manufacture Segment due mainly to the COVID-19 pandemic and MCO conditions where we were only able to carry out partial manufacturing operations due to the restrictions imposed and disruptions in the delivery of goods due to the closure of borders, which resulted in the decrease in sales volume of gold jewellery and the following:

## 11. FINANCIAL INFORMATION (Cont'd)

- decrease in revenue of RM7.61 million or 46.39% from Peninsular Malaysia primarily Klang Valley region. This was attributed mainly to the decrease in sales orders and revenue from our related company, TGJH of RM6.84 million in FYE 2020 impacted by the closure of operation pursuant to COVID-19 pandemic;
- decrease in revenue of RM6.25 million or 51.87% from Singapore, where sales volume of gold jewellery decreased by 63.91% in FYE 2020. The decline in sales volume of gold jewellery to Singapore was due to disruption in the delivery of goods; and
- decrease in revenue of RM0.59 million or 57.13% and sales volume of gold jewellery from a customer in Myanmar impacted by the closure of border pursuant to COVID-19 pandemic where our sales personnel were unable to conduct physical sales meeting.

The overall sales volume of our Gold Jewellery Segment decreased by 138,948g or 12.10% in FYE 2020 as we were affected by restrictions imposed during the MCO periods including the closure of operations and restrictions on interstate and international travels. As such, our sales personnel were unable to conduct physical sales meetings which also affected delivery of our gold jewellery to local and Singapore customers.

Despite the increase in the net sales volume of gold jewellery from our Wholesale Segment of 19,093g, our overall sales volume of gold jewellery decreased by 69,819g or 9.50% from 735,041g in FYE 2019 to 665,222g in FYE 2020. This was contributed by the decrease in sales volume of gold jewellery from our Design and Manufacture Segment of 88,912g or 61.70% from 144,108g in FYE 2019 to 55,196g in FYE 2020. This was mainly attributed to the decrease in sales volume from our related company, TGJH and our customers in Singapore due mainly to the COVID-19 pandemic and MCO conditions.

### **Other Related Products and Services**

The increase in revenue from Other Related Products and Services by RM4.62 million was contributed mainly by the increase of RM4.44 million from sales of scrap and pure gold bars due to customers' request who are jewellery retailers for scrap and pure gold bars. The increase also partially contributed by an increase in revenue of RM0.19 million from silver chains manufacturing due to an increased sales volume of silver chains by 24.47% in FYE2020 as we experienced an increase in sales orders from customers.

### **(c) FYE 2021 compared to FYE 2020**

Our total revenue increased by RM89.75 million or 51.10% from RM175.63 million in FYE 2020 to RM265.38 million in FYE 2021. This was due mainly to the following:

#### **Gold Jewellery Segment**

In FYE 2021, revenue from our Gold Jewellery Segment grew by 51.66% or RM87.91 million. This was due mainly to the increase in the overall sales volume of gold jewellery by 362,927g or 54.56% from 665,222g in FYE 2020 to 1,028,149g in FYE 2021. The increase in demand for gold jewellery from customers was partly attributable to the decline in gold prices in the 1<sup>st</sup> quarter of 2021. According to the Industry Overview Report, global average gold prices dropped from RM265/g, the historic peak in August 2020 to RM242/g in January 2021, RM235/g in February 2021 and RM227/g in March 2021 which was the lowest since April 2020. The global average gold prices subsequently increased to RM246/g in May 2021.

Additionally, we also experienced an increase in demand from our customers in the 4<sup>th</sup> quarter of 2021 after a long period of lockdown in the previous quarter, as well as in preparation for year-end sales and festivities.



**11. FINANCIAL INFORMATION (Cont'd)**

The increase in revenue of RM87.91 million from the Gold Jewellery Segment was mainly contributed by the following:

- (i) an increase of 60.42% or RM93.73 million in the revenue from our Wholesale Segment. This was due mainly to an increase in revenue from East Malaysia and Peninsular Malaysia of RM67.16 million and RM26.61 million respectively with sales volume of gold jewellery increased by 278,039g and 114,711g respectively. The increase in demand was mainly attributable to the decline in the gold prices in the 1<sup>st</sup> quarter of 2021, as well as increased orders after a long period of lockdown and preparation for year-end sales and festivities, as mentioned above; and
- (ii) a decrease of 38.72% or RM5.82 million in revenue from our Design and Manufacture Segment due mainly to the following:
  - decrease in revenue of RM6.24 million or 70.91% from Peninsular Malaysia, primarily Klang Valley region due to lower revenue from our related company, TGJH, which declined from RM8.30 million in FYE 2020 to RM1.24 million in FYE 2021. In FYE 2021, TGJH only engaged us for our gold jewellery manufacturing services where we carry out the services using gold bars that are supplied by TGJH for a fee. The sales volume for the provision of gold jewellery manufacturing services to TGJH increased from 154,257g equivalent to RM1.24 million of sales in FYE 2020 to 193,175g, equivalent to RM1.82 million of sales in FYE 2021. In FYE 2020, we generated revenue of RM7.06 million from the sales of 29,978g of internally manufactured gold jewellery products to TGJH, while there was no revenue recorded for sales of internally manufactured gold jewellery products to TGJH in FYE 2021; and
  - decrease in revenue of RM0.13 million or 2.22% from Singapore, where sales volume of gold jewellery from Design and Manufacture Segment decreased by 1,290g, from 22,804g in FYE 2020 to 21,514g in FYE 2021. The decline in revenue and sales volume of gold jewellery to Singapore was due mainly to the disruption in the delivery of goods pursuant to the cross-border restrictions due to the COVID-19 pandemic.

**Other Related Products and Services**

The increase in revenue from Other Related Products and Services by RM1.84 million was contributed by an increase of RM1.83 million from the sales of scrap and pure gold bars due to customers' request, who are mainly from jewellery retailers. The increase in revenue for this segment of our business was also partly contributed by an increase in the sales of silver chains by RM0.03 million.

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**11. FINANCIAL INFORMATION (Cont'd)****11.3.2 Segmental analysis by cost of sales****(i) Cost of sales by compositions**

The table below sets forth the breakdown of our cost of sales by compositions:

Cost of sales	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Gold Jewellery Segment</b>	<b>132,701</b>	<b>99.69</b>	<b>131,914</b>	<b>99.64</b>	<b>153,749</b>	<b>97.15</b>	<b>244,469</b>	<b>97.38</b>
Gold materials	125,856	94.55	124,917	94.35	147,545	93.23	236,122	94.06
- Wholesale Segment	103,351	77.64	99,588	75.22	136,562	86.29	230,575	91.85
- Design and Manufacture Segment	22,505	16.91	25,329	19.13	10,983	6.94	5,547	2.21
Other services and consumables <sup>(a)</sup>	3,998	3.00	3,859	2.92	3,622	2.29	5,397	2.15
Direct labour	2,097	1.58	2,325	1.76	1,947	1.23	2,199	0.87
Factory overheads <sup>(b)</sup>	750	0.56	813	0.61	635	0.40	751	0.30
<b>Other Related Products and Services<sup>(c)</sup></b>	<b>410</b>	<b>0.31</b>	<b>474</b>	<b>0.36</b>	<b>4,518</b>	<b>2.85</b>	<b>6,573</b>	<b>2.62</b>
<b>Total</b>	<b>133,111</b>	<b>100.00</b>	<b>132,388</b>	<b>100.00</b>	<b>158,267</b>	<b>100.00</b>	<b>251,042</b>	<b>100.00</b>

Notes:

- (a) Includes mainly cost of gold jewellery manufacturing services purchased from external manufacturers, and consumables comprising gas and chemicals such as solvents, as well as machinery spare parts.
- (b) Includes depreciation costs, utility charges, factory rental, upkeep of tools, equipment and machinery as well as freight, insurance and handling charges.
- (c) Includes gold and silver material costs, consumables such as gas and chemicals such as solvents, machinery spare parts, direct labour costs, and factory overheads.

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**11. FINANCIAL INFORMATION (Cont'd)****(ii) Cost of sales by business activities**

The table below sets forth the breakdown of our cost of sales by business activities:

Cost of sales	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Gold Jewellery Segment</b>	<b>132,701</b>	<b>99.69</b>	<b>131,914</b>	<b>99.64</b>	<b>153,749</b>	<b>97.15</b>	<b>244,469</b>	<b>97.38</b>
<b>Wholesale Segment</b>	<b>108,193</b>	<b>81.28</b>	<b>104,037</b>	<b>78.58</b>	<b>140,760</b>	<b>88.94</b>	<b>238,104</b>	<b>94.84</b>
- Externally sourced	69,647	52.32	68,068	51.42	98,391	62.17	170,091	67.75
· Gold jewellery <sup>(a)</sup>	68,588	51.53	67,293	50.83	97,765	61.77	168,980	67.31
· Gold jewellery manufacturing services	1,059	0.79	775	0.59	626	0.40	1,111	0.44
- Internally sourced gold jewellery <sup>(b)</sup>	38,546	28.96	35,969	27.16	42,369	26.77	68,013	27.09
<b>Design and Manufacture Segment</b>	<b>24,508</b>	<b>18.41</b>	<b>27,877</b>	<b>21.06</b>	<b>12,989</b>	<b>8.21</b>	<b>6,365</b>	<b>2.54</b>
· Gold jewellery <sup>(c)</sup>	23,396	17.58	26,537	20.05	12,645	7.99	5,915	2.36
· Gold jewellery manufacturing services	1,112	0.83	1,340	1.01	344	0.22	450	0.18
<b>Other Related Products and Services<sup>(d)</sup></b>	<b>410</b>	<b>0.31</b>	<b>474</b>	<b>0.36</b>	<b>4,518</b>	<b>2.85</b>	<b>6,573</b>	<b>2.62</b>
<b>Total cost of sales</b>	<b>133,111</b>	<b>100.00</b>	<b>132,388</b>	<b>100.00</b>	<b>158,267</b>	<b>100.00</b>	<b>251,042</b>	<b>100.00</b>

Notes:

- (a) Includes necklaces, bracelets, anklets, bangles, rings, earrings, pendants and charms.
- (b) Gold jewellery internally sourced from our design and manufacturing arm, namely GPM that includes necklaces, bracelets, anklets and bangles.
- (c) Includes necklaces, bracelets, anklets, bangles, rings, earrings, pendants, charms, semi-finished chains and beads, and minted gold bars such as wafers and coins.
- (d) Includes cost of sales for scrap and pure gold bars, manufacture of silver chains and provision of refining services for precious metals.

**Gold Jewellery Segment**

- **Gold material costs**

Gold material costs constituted the largest component in our cost of sales which accounted for 94.55% (RM125.86 million), 94.35% (RM124.92 million), 93.23% (RM147.55 million) and 94.06% (RM236.12 million) of our total cost of sales for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. This includes costs of pure gold bars, scrap gold materials and other gold materials such as gold sheets, wires as well as jewellery parts and components (including fasteners, clasps and end caps).

**11. FINANCIAL INFORMATION (Cont'd)**

For the FYE 2019, gold material costs decreased by 0.75% or RM0.94 million. This was due mainly to the lower volume of gold materials purchased during the FYE 2019 and the lower carrying amount of gold inventories, consisted mainly of gold jewellery (finished goods) and gold bars (raw materials) that was purchased in FYE 2018 brought forward to FYE 2019 for sale.

For the FYE 2020, gold material costs increased by 18.11% or RM22.63 million. This was due mainly to the increase in our average cost of gold materials from RM170/g in FYE 2019 to RM222/g in FYE 2020 as a result of the increase in the global average gold prices in 2020.

For the FYE 2021, gold material costs increased by 60.03% or RM88.58 million. This was due mainly to the higher volume of gold materials purchased during the FYE 2021 coupled with an increase in our average cost of gold materials from RM222/g in FYE 2020 to RM230/g in FYE 2021, which was in tandem with the increase in the global average gold prices in 2021.

The average cost of gold materials for our Gold Jewellery Segment for the Financial Years Under Review are as follows:

Gold Jewellery Segment	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Sales volume (g)	*Average cost of gold materials (RM/g)	Sales volume (g)	*Average cost of gold materials (RM/g)	Sales volume (g)	*Average cost of gold materials (RM/g)	Sales volume (g)	*Average cost of gold materials (RM/g)
Wholesale Segment	640,760	161	590,933	169	610,026	224	1,002,607	230
Design and Manufacture Segment	131,896	171	144,108	176	55,196	199	25,542	217
	<b>772,656</b>	<b>163</b>	<b>735,041</b>	<b>170</b>	<b>665,222</b>	<b>222</b>	<b>1,028,149</b>	<b>230</b>

Note:

\* The average cost of gold materials is calculated based on the total cost of gold materials attributable to the respective business segment divided by the total sales volume of gold jewellery.

In accordance with our Group's accounting policy, our cost of gold materials was determined on a weighted average basis for the Financial Years Under Review. As such, a higher purchase price of gold materials will lead to a higher weighted average cost per unit which will subsequently lead to a higher cost of sales, and vice versa. These gold materials are globally traded, as such the said materials are subjected to price fluctuations and volatility. In this respect, we are subject to the risk of any unfavourable fluctuations in the prices of raw materials that we use. Please refer to Section 8.1.1 of this Prospectus for further details on risk factor relating to fluctuations in prices of gold as raw materials.

For the FYE 2018 and FYE 2019, the average cost of gold materials under the Design and Manufacture Segment was higher compared to Wholesale Segment due mainly to the higher carrying amount of gold inventories purchased by our Design and Manufacture Segment as compared to the carrying amount of gold inventories purchased by our Wholesale Segment.

**11. FINANCIAL INFORMATION (Cont'd)**

In FYE 2020 and FYE 2021, the average cost of gold materials for our Wholesale Segment was higher at RM224/g and RM230/g, respectively, compared to our Design and Manufacture Segment of RM199/g and RM217/g, respectively. This was due mainly to the faster turnaround of gold materials purchased by our Wholesale Segment, coupled with the increased purchases of gold materials at high gold prices to meet the increased orders of gold jewellery from our Wholesale Segment during FYE 2020 and FYE 2021. The faster turnaround of materials was due to the quick replenishment of stock as a result of the increase in sales volume of gold jewellery from our Wholesale Segment in FYE 2020 and FYE 2021.

- **Other services and consumables**

Other services and consumables constitute the second largest component of our cost of sales. This comprises mainly of cost of gold jewellery manufacturing services purchased from external manufacturers, and partly contributed by cost of consumables comprising of gas and chemicals such as solvents, as well as machinery spare parts.

Cost of other services and consumables decreased by RM0.14 million or 3.48% and RM0.24 million or 6.14% in FYE 2019 and FYE 2020, respectively. This was due mainly to the decrease in cost of gold jewellery manufacturing services purchased from external manufacturers as follows:

- In FYE 2019, the cost of gold jewellery manufacturing services purchased from external manufacturers decreased by RM0.10 million or 2.61%, attributed mainly to the decrease in sales volume of externally sourced gold jewellery manufacturing services of 54,355g under the Wholesale Segment in FYE 2019.
- In FYE 2020, the cost of gold jewellery manufacturing services purchased from external manufacturers decreased by RM0.31 million or 8.40%, attributed mainly to the decrease in sales volume of externally sourced gold jewellery manufacturing services of 13,752g under the Wholesale Segment and 55,377g under the Design and Manufacture Segment.

In FYE 2021, cost of other services and consumables increased by RM1.77 million or 48.98% due mainly to the increase in cost of gold jewellery manufacturing services purchased from external manufacturers. The cost of gold jewellery manufacturing services purchased from external manufacturers increased by RM1.66 million or 49.72%, attributed mainly to the increase in sales volume of externally sourced gold jewellery by 288,802g and external sourced gold jewellery manufacturing services by 86,474g under our Wholesale Segment.

- **Direct labour**

Our direct labour costs comprise of salaries, allowances, bonuses, and other related staff costs for workers at our manufacturing operations. Direct labour costs increased by 10.87% in FYE 2019 due mainly to the increase in 8 production floor workers in FYE 2019 under our Design and Manufacture Segment. In FYE 2020, direct labour costs decreased by 16.26% due mainly to the decrease in staff overtime salaries and bonus during the year as a result of the restriction in operating hours amidst the COVID-19 condition in FYE 2020. In FYE 2021, direct labour costs increased by 12.94% due mainly to the increase in staff salaries arising from salary increment as well as reduction in wages subsidies received from the Government.

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**11. FINANCIAL INFORMATION (Cont'd)**

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- **Factory overheads**

Our factory overheads comprise of depreciation of machinery and equipment, electricity and water charges, factory rental, upkeep of tools, equipment and machinery, as well as freight, insurance and handling charges. Our factory overheads increased by RM0.06 million or 8.40% in FYE 2019 due mainly to the increase in upkeep of tools, equipment and machinery arising from one-off repair cost for a chain cutting machine and scrubber equipment as well as purchase of fume cupboard used for our assaying activities. In FYE 2020, our factory overheads decreased by RM0.18 million or 21.89% arising from lower cost incurred on upkeep tools, equipment and machinery due to the closure of our manufacturing facilities during the MCO in March 2020 and partial operations as a result of the restrictions imposed pursuant to the COVID-19 pandemic. In FYE 2021, our factory overheads increased by RM0.12 million or 18.27% arising from higher upkeep of tools, equipment and machinery and factory expenses which was in line with the higher production of gold jewellery in FYE 2021.

**Other Related Products and Services**

The cost of sales for Other Related Products and Services comprises mainly cost of gold materials for the sales of scrap and pure gold bars, as well as cost of silver materials, direct labour costs, factory overheads and other consumable costs for the manufacturing of silver chains and provision of refining services.

In FYE 2019, the cost of sales for Other Related Products and Services increased by RM0.06 million due mainly to the increase in cost of gold materials, of which the gold materials were utilised as sales of scrap and pure gold bars in FYE 2019. The aforesaid increase was offset by the decrease in cost of silver materials of RM0.02 million due to lower orders from customers.

In FYE 2020, the significant increase in cost of sales for Other Related Products and Services of RM4.04 million was due mainly to the increase in cost of gold materials by RM4.01 million, of which the gold materials were utilised as sales of scrap and pure gold bars in FYE 2020.

In FYE 2021, the cost of sales for Other Related Products and Services increased by RM2.06 million due mainly to the increase in cost of gold materials, of which the gold materials were utilised as sales of scrap and pure gold bars in FYE 2021.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.3.3 Segmental analysis by GP and GP margin

Our total GP increased from RM4.42 million in FYE 2018 to RM17.37 million in FYE 2020, which represented a CAGR of 98.15% over the same period. Our total GP margin improved from 3.22% in FYE 2018 to 9.89% in FYE 2020.

#### (i) GP and GP margin by business activities, products and services

The table below presents the breakdown of our total GP and GP margin by business activities, products and services:

GP and GP margin	Audited											
	FYE 2018			FYE 2019			FYE 2020			FYE 2021		
	GP (RM'000)	(%) of total GP	GP margin (%)	GP (RM'000)	(%) of total GP	GP margin (%)	GP (RM'000)	(%) of total GP	GP margin (%)	GP (RM'000)	(%) of total GP	GP margin (%)
<b>Gold Jewellery Segment</b>	<b>4,007</b>	<b>90.59</b>	<b>2.93</b>	<b>11,949</b>	<b>96.97</b>	<b>8.31</b>	<b>16,422</b>	<b>94.56</b>	<b>9.65</b>	<b>13,610</b>	<b>94.90</b>	<b>5.27</b>
<b>Wholesale Segment</b>	<b>3,862</b>	<b>87.31</b>	<b>3.45</b>	<b>10,340</b>	<b>83.91</b>	<b>9.04</b>	<b>14,373</b>	<b>82.76</b>	<b>9.26</b>	<b>10,759</b>	<b>75.02</b>	<b>4.32</b>
- Externally sourced	2,587	58.49	3.58	6,814	55.29	9.10	10,095	58.13	9.31	7,696	53.66	4.33
· Gold jewellery	2,268	51.28	3.20	6,594	53.51	8.92	9,845	56.69	9.15	7,235	50.45	4.11
· Gold jewellery manufacturing services	319	7.21	23.15	220	1.78	22.11	250	1.44	28.54	461	3.21	29.33
- Internally sourced gold jewellery	1,275	28.82	3.20	3,526	28.62	8.93	4,278	24.63	9.17	3,063	21.36	4.31
<b>Design and Manufacture Segment</b>	<b>145</b>	<b>3.28</b>	<b>0.59</b>	<b>1,609</b>	<b>13.06</b>	<b>5.46</b>	<b>2,049</b>	<b>11.80</b>	<b>13.63</b>	<b>2,851</b>	<b>19.88</b>	<b>30.95</b>
· Gold jewellery	(1,301)	(29.41)	(5.89)	232	1.88	0.87	466	2.68	3.55	379	2.64	6.03
· Gold jewellery manufacturing services	1,446	32.69	56.53	1,377	11.18	50.68	1,583	9.12	82.15	2,472	17.24	84.59
<b>Other Related Product and Services<sup>(a)</sup></b>	<b>416</b>	<b>9.41</b>	<b>50.36</b>	<b>374</b>	<b>3.03</b>	<b>44.10</b>	<b>945</b>	<b>5.44</b>	<b>17.30</b>	<b>732</b>	<b>5.10</b>	<b>10.01</b>
<b>Total</b>	<b>4,423</b>	<b>100.00</b>	<b>3.22</b>	<b>12,323</b>	<b>100.00</b>	<b>8.52</b>	<b>17,367</b>	<b>100.00</b>	<b>9.89</b>	<b>14,342</b>	<b>100.00</b>	<b>5.40</b>

Note:

(a) Includes sales of scrap and pure gold bars, manufacture of silver chains and provision of refining services for precious metals.

**11. FINANCIAL INFORMATION (Cont'd)**

Within the Gold Jewellery Segment, the average GP for our gold jewellery and gold jewellery manufacturing services for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	Sales volume (g)	Average GP (RM/g)	Sales volume (g)	Average GP (RM/g)	Sales volume (g)	Average GP (RM/g)	Sales volume (g)	Average GP (RM/g)
<b>Gold Jewellery Segment</b>								
<b>Wholesale Segment</b>								
Externally sourced								
- Gold jewellery	410,188	6	385,022	17	425,232	23	714,034	10
- Gold jewellery manufacturing services	179,905	2	125,550	2	111,798	2	198,272	2
Internally sourced gold jewellery	230,572	6	205,911	17	184,794	23	288,573	11
<b>Design and Manufacture Segment</b>								
- Gold jewellery	131,896	(9)	144,108	2	55,196	9	25,542	15
- Gold jewellery manufacturing services	247,268	4	287,872	4	232,495	7	305,842	8
<b>Total Gold Jewellery Segment</b>								
- Gold jewellery	772,656	3	735,041	14	665,222	22	1,028,149	10
- Gold jewellery manufacturing services	427,173	4	413,422	4	344,293	5	504,114	6

**(a) FYE 2019 compared to FYE 2018**

Our total GP increased significantly by 178.61% or RM7.90 million to RM12.32 million in FYE 2019 and total GP margin also improved from 3.22% in FYE 2018 to 8.52% in FYE 2019. This was due mainly to the increase in GP and GP margin for our Gold Jewellery Segment.

**Gold Jewellery Segment**

In FYE 2019, our GP for Gold Jewellery Segment grew by 198.20% or RM7.94 million and GP margin improved from 2.93% in FYE 2018 to 8.31% in FYE 2019 due to the following:

- (i) an increase in GP by 167.74% or RM6.48 million and improvement in GP margin from 3.45% in FYE 2018 to 9.04% in FYE 2019 by our Wholesale Segment. The improvement in GP and GP margin of our Wholesale Segment was driven mainly by the higher increase in average selling prices of gold jewellery of 10.98%, from RM173/g in FYE 2018 to RM192/g in FYE 2019 as compared to the increase in average cost of sales of gold jewellery of 4.79%, from RM167/g in FYE 2018 to RM175/g in FYE 2019. This is reflected in the average GP from sales of gold jewellery of RM17/g in FYE 2019; and



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**11. FINANCIAL INFORMATION (Cont'd)**

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- (ii) an increase in GP by 1,009.66% or RM1.46 million and improvement in GP margin from 0.59% in FYE 2018 to 5.46% in FYE 2019 by our Design and Manufacture Segment. The improvement in GP and GP margin of our Design and Manufacture Segment was due mainly to the higher increase in average selling prices of gold jewellery of 10.71%, from RM168/g in FYE 2018 to RM186/g in FYE 2019 as compared to the increase in average cost of sales of gold jewellery of 3.95%, from RM177/g in FYE 2018 to RM184/g in FYE 2019. This is reflected in the average GP from sales of gold jewellery of RM2/g in FYE 2019.

Despite the improvement in GP margin from sales of gold jewellery, the GP margin from the provision of gold jewellery manufacturing services under our Design and Manufacture Segment declined from 56.53% in FYE 2018 to 50.68% in FYE 2019 due mainly to an increase in manufacturing costs by 3.33%, from RM4.50/g in FYE 2018 to RM4.65/g in FYE 2019 as a result of the increased direct labour costs and factory overheads. The increase in direct labour cost is due mainly to the increase in 8 production floor workers under our manufacturing operations, while the increase in factory overhead is attributed mainly to the increase in the upkeep of tools, equipment and machinery arising from one-off repair cost for a chain cutting machine and scrubber equipment as well as the purchase of fume cupboard used for our assaying activities.

In FYE 2018, our Gold Jewellery Segment recorded a low GP margin of 2.93% attributed mainly to the gross loss of RM1.30 million with a gross loss margin of 5.89% from the sales of gold jewellery under our Design and Manufacture Segment. This was attributed mainly to the higher average cost of sales of gold jewellery at RM177/g as compared to the average selling prices of gold jewellery of RM168/g, which resulted in an average gross loss of RM9/g from sales of gold jewellery under our Design and Manufacture Segment in FYE 2018. The high average cost of sales of gold jewellery was contributed by the higher average cost of gold materials of RM171/g as a result of the higher carrying amount of gold inventories purchased by our Design and Manufacture Segment in FYE 2017.

**Other Related Products and Services**

Our GP from Other Related Products and Services decreased from RM0.42 million in FYE 2018 to RM0.37 million in FYE 2019. This was due mainly to the decrease in GP of silver chains manufacturing which was in line with the decrease in revenue from the sales of silver chains.

However, the decrease in GP from this segment was partially offset by the increase in GP from sales of scrap and pure gold bars, and provision of refining services of RM0.02 million, which was in line with the increase in revenue from sales of scrap and pure gold bars, and provision of refining services.

Our overall GP margin for Other Related Products and Services also decreased from 50.36% in FYE 2018 to 44.10% in FYE 2019 due mainly to the increase in GP contribution from sales of scrap and pure gold bars, which carries a lower GP margin.

**11. FINANCIAL INFORMATION (Cont'd)****(b) FYE 2020 compared to FYE 2019**

Our total GP increased by 40.93% or RM5.04 million to RM17.37 million in FYE 2020, and our overall GP margin also improved from 8.52% in FYE 2019 to 9.89% in FYE 2020. The improvement was mainly contributed by our Gold Jewellery Segment.

**Gold Jewellery Segment**

In FYE 2020, our GP for Gold Jewellery Segment grew by 37.43% or RM4.47 million and GP margin improved from 8.31% in FYE 2019 to 9.65% in FYE 2020 due to the following:

- (i) an increase in GP by 39.00% or RM4.03 million and improvement in GP margin from 9.04% in FYE 2019 to 9.26% in FYE 2020 by our Wholesale Segment. The improvement in GP and GP margin was driven mainly by the higher increase of our average selling prices of gold jewellery by 31.77%, from RM192/g in FYE 2019 to RM253/g in FYE 2020 under this segment as compared to the increase in average cost of sales of gold jewellery of 31.43%, from RM175/g in FYE 2019 to RM230/g in FYE 2020. This is reflected in the average GP from sales of gold jewellery of RM23/g in FYE 2020; and
- (ii) an increase in GP by 27.35% or RM0.44 million and improvement in GP margin from 5.46% in FYE 2019 to 13.63% in FYE 2020 by our Design and Manufacture Segment. The improvement in GP and GP margin was due mainly to:
  - an increase in GP contribution from the sales of gold jewellery by RM0.23 million and its GP margin increased from 0.87% in FYE 2019 to 3.55% in FYE 2020. This was contributed mainly by the higher increase of our average selling prices of gold jewellery by 27.96%, from RM186/g in FYE 2019 to RM238/g in FYE 2020 as compared to the increase in average cost of sales of gold jewellery of 24.46%, from RM184/g in FYE 2019 to RM229/g in FYE 2020. This is reflected in the average GP from sales of gold jewellery of RM9/g in FYE 2020 under our Design and Manufacture Segment; and
  - an increase in GP contribution from the provision of gold jewellery manufacturing services by RM0.21 million and increased in its corresponding GP margin from 50.68% in FYE 2019 to 82.15% in FYE 2020. The improvement was contributed mainly by a decrease in manufacturing cost by 68.17%, from RM4.65/g in FYE 2019 to RM1.48/g in FYE 2020 under our Design and Manufacture Segment. The decrease was attributed mainly from the lower direct labour cost and factory overheads in FYE 2020 due to the restriction in operating hours and closure of our manufacturing facilities during the MCO in March 2020, and partial operations due to restrictions imposed pursuant to the COVID-19 pandemic.

**Other Related Products and Services**

Our GP for Other Related Products and Services improved by RM0.58 million from RM0.37 million in FYE 2019 to RM0.95 million to FYE 2020 attributed mainly to an increase in GP from sales of scrap and pure gold bars of RM0.43 million, and silver chains manufacturing of RM0.15 million, respectively in FYE 2020. However, we experienced a drop in GP margin from 44.10% in FYE 2019 to 17.30% in FYE 2020 due mainly to the sales of scrap and pure gold bar, which carries a lower GP margin.

## 11. FINANCIAL INFORMATION (Cont'd)

### (c) FYE 2021 compared to FYE 2020

Our total GP decreased by 17.42% or RM3.03 million to RM14.34 million in FYE 2021, and our overall GP margin decreased from 9.89% in FYE 2020 to 5.40% in FYE 2021.

#### Gold Jewellery Segment

In FYE 2021, our GP for Gold Jewellery Segment decreased by 17.12% or RM2.81 million while GP margin decreased from 9.65% in FYE 2020 to 5.27% in FYE 2021. This was due mainly to the following:

- (i) a decrease in GP by 25.12% or RM3.61 million and a lower GP margin of 4.32% as compared to the GP margin of 9.26% in FYE 2020 from our Wholesale Segment. The lower GP and GP margin in FYE 2021 was due mainly to:
  - average selling prices of gold jewellery under our Wholesale Segment in FYE 2021 was lower at RM247/g compared to RM253/g in FYE 2020, as set out in Section 11.3.1 (i). These average selling prices were in line with the trend in the global average gold prices for 2020 and 2021. Out of the 1,002,607g of the volume of gold jewellery that are sold by our Wholesale Segment in FYE 2021, approximately 35.50% of this sales volume were transacted in the 1<sup>st</sup> quarter of 2021, where global average gold prices were lower at RM242/g\* (January 2021), RM235/g\* (February 2021) and RM227/g\* (March 2021) (\*Source: Industry Overview Report);
  - average cost of gold materials under our Wholesale Segment in FYE 2021 was higher at RM230/g compared to RM224/g in FYE 2020, as set out in Section 11.3.2 (ii). The higher average cost of gold materials under our Wholesale Segment was mainly attributed to the higher carrying amount of gold inventories of RM251/g as at the end of 31 December 2020, which was brought forward to 2021. In comparison, the carrying amount of gold inventories as at the end of 31 December 2019 that was brought forward to 2020 was RM195/g; and
- (ii) an increase in GP by 39.14% or RM0.80 million in FYE 2021 and improvement in GP margin from 13.63% in FYE 2020 to 30.95% in FYE 2021 from our Design and Manufacture Segment was due mainly to:
  - an increase in GP contribution from the provision of gold jewellery manufacturing services by RM0.89 million and an increase in its corresponding GP margin from 82.15% in FYE 2020 to 84.59% in FYE 2021; and
  - the improvement of GP margin was mainly attributed to the higher sales volume of gold jewellery in the 4<sup>th</sup> quarter of 2021 after a long period of lockdown in the previous quarter coupled with a higher average selling price. Out of 25,542g of the volume of gold jewellery that are sold by our Design and Manufacture Segment in FYE 2021, approximately 55.41% of this sales volume were transacted in the 4<sup>th</sup> quarter of 2021, where global average gold prices were higher at RM245/g\* (November 2021) and RM242/g\* (December 2021) (\*Source: Industry Overview Report).

#### Other Related Products and Services

Our GP for Other Related Products and Services decreased by RM0.21 million from RM0.95 million in FYE 2020 to RM0.73 million in FYE 2021 attributed mainly to a decrease in GP from sales of scrap and pure gold bars by RM0.19 million in FYE 2021. GP margin for this segment also decreased from 17.30% in FYE 2020 to 10.01% in FYE 2021 due mainly to the sales of scrap and pure gold bar, which carries a lower GP margin.

**11. FINANCIAL INFORMATION (Cont'd)****11.3.4 Other income and net gain from impairment of financial assets**

The table below presents the breakdown of our other income and net gain from impairment of financial assets:

Other income and net gain from impairment of financial assets	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Other income</b>								
- Gain on disposal of PPE	-	-	26	12.32	-	-	356	57.23
- Realised gain on gold price fluctuation	-	-	-	-	114	49.78	203	32.64
- Others <sup>(a)</sup>	190	100.00	185	87.68	115	50.22	63	10.13
	<b>190</b>	<b>100.00</b>	<b>211</b>	<b>100.00</b>	<b>229</b>	<b>100.00</b>	<b>622</b>	<b>100.00</b>
<b>Net gain from impairment of financial assets</b>								
Impairment of financial assets	126	100.00	-	-	69	100.00	-	-
	<b>126</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>69</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

Note:

- (a) Includes sundry income comprised mainly of stamping mould charges, interest income, and realised gain on foreign currency exchange.

**FYE 2019 compared to FYE 2018**

For FYE 2019, our other income increased by 11.05% or RM0.02 million. This was due mainly to the gain on disposal of PPE of RM0.03 million in FYE 2019. This was partially offset by the decrease in others by RM0.01 million contributed mainly by the decrease in interest income.

The net gain from impairment of financial assets of RM0.13 million in FYE 2018 comprised the reversal of impairment loss on trade and other receivables of RM0.21 million and impairment loss on trade and other receivables of RM0.08 million. The reversal of impairment loss on trade and other receivables were recognised based on the expected credit losses (“ECL”) computed in accordance with Malaysian Financial Reporting Standards (“MFRS”) 9. The amounts of ECL were updated at each reporting period to reflect changes in credit risk since initial recognition of trade and other receivables. Kindly refer to Note 13(e) in Section 12 of this Prospectus for further details on the computations.

**FYE 2020 compared to FYE 2019**

For FYE 2020, our other income increased by 8.53% or RM0.02 million attributed mainly to the increase in realised gain on gold price fluctuation of RM0.11 million from a gold trading account as at 31 December 2020. However, the decrease in others contributed mainly by the decrease in stamping mould charges had offset the total increase in other income for FYE 2020.

The net gain from impairment of financial assets of RM0.07 million in FYE 2020 comprised the reversal of impairment loss on trade and other receivables of RM0.19 million and the impairment loss on trade and other receivables of RM0.12 million.

**11. FINANCIAL INFORMATION (Cont'd)****FYE 2021 compared to FYE 2020**

For FYE 2021, our other income increased by 171.62% or RM0.39 million attributed mainly to the gain on disposal of PPE of RM0.36 million including 1 unit of chain cutting machine and 3 units of motor vehicles. The increase in other income was partially offset by the decrease in others contributed mainly by the decrease in stamping mould charges.

**11.3.5 Administrative expenses**

The table below presents the breakdown of our administrative expenses:

Administrative expenses	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff related costs <sup>(a)</sup>	937	32.61	1,041	37.24	992	36.29	1,669	52.07
Directors' fee and remuneration	444	15.45	510	18.25	493	18.03	559	17.44
Depreciation expenses	139	4.84	440	15.74	444	16.24	199	6.21
Rental expenses	628	21.86	258	9.23	203	7.43	283	8.83
Insurance expenses	237	8.25	226	8.09	219	8.01	221	6.90
Others <sup>(b)</sup>	488	16.99	320	11.45	383	14.00	274	8.55
<b>Total</b>	<b>2,873</b>	<b>100.00</b>	<b>2,795</b>	<b>100.00</b>	<b>2,734</b>	<b>100.00</b>	<b>3,205</b>	<b>100.00</b>

Notes:

- (a) Includes staff related costs including salaries and wages, bonuses, employee contributions, and other related expenses.
- (b) Includes mainly annual dinner and entertainment expenses, donation, Goods and Services Tax expenses written off, tax agent fee and telephone expenses.

**FYE 2019 compared to FYE 2018**

For the FYE 2019, our administrative expenses decreased by 2.71% or RM 0.08 million. This was due mainly to the decrease in rental expenses of RM0.37 million arising from the change in accounting policies, whereby rental expenses were recognised as rights-of-use assets upon the adoption of MFRS 16 from 1 January 2019 onwards.

The decrease in administrative expenses was partially offset by the increase in staff related costs and directors remuneration of RM0.10 million and RM0.07 million, respectively due to bonus payment, as well as increased depreciation expenses of RM0.30 million.

**FYE 2020 compared to FYE 2019**

For the FYE 2020, our administrative expenses decreased by 2.18% or RM0.06 million due mainly to the decrease in rental expenses of RM0.06 million, staff related costs of RM0.05 million and directors' remuneration of RM0.02 million. The decrease in administrative expenses was partially offset by the increase in other expenses of RM0.06 million, contributed mainly by the expenses in relation to the IPO and upkeep of office equipment.

**11. FINANCIAL INFORMATION (Cont'd)****FYE 2021 compared to FYE 2020**

For the FYE 2021, our administrative expenses increased by 17.23% or RM0.47 million due mainly to the increase in staff related costs of RM0.68 million arising mainly from general increment of salaries and bonus payments, as well as increased in directors' remuneration of RM0.06 million and rental expenses of RM0.08 million. The increased in administrative expenses was partially offset by the decrease in depreciation expenses of RM0.25 million. In FYE 2021, there was a change in our Group's lease for our operating premises to a 1-year lease arrangement and the said lease arrangement was treated as a short term lease and was charged out as rental expenses on a straight-line basis over the lease term in FYE 2021 in accordance with our accounting policy as set out in Note 3.3 of the Accountants' Report under Section 12 of this Prospectus. As such, this had resulted in the decrease in depreciation expenses and an increase in rental expenses.

**11.3.6 Selling and distribution expenses**

The table below presents the breakdown of our selling and distribution expenses:

Selling and distribution expenses	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff costs <sup>(a)</sup>	1,029	64.72	1,189	70.44	826	68.10	1,036	82.16
Travelling expenses	246	15.47	233	13.80	128	10.55	68	5.39
Others <sup>(b)</sup>	315	19.81	266	15.76	259	21.35	157	12.45
<b>Total</b>	<b>1,590</b>	<b>100.00</b>	<b>1,688</b>	<b>100.00</b>	<b>1,213</b>	<b>100.00</b>	<b>1,261</b>	<b>100.00</b>

Notes:

- (a) Includes sales and marketing's staff related costs including salaries and wages, bonuses, employee contributions, commission and other related expenses.
- (b) Includes upkeep of motor vehicles, furniture and fittings, and tools and equipment.

**FYE 2019 compared to FYE 2018**

For the FYE 2019, our selling and distribution expenses increased by 6.16% or RM0.10 million. This was due mainly to the increase in staff costs of RM0.16 million attributable to higher bonus payment as well as salary increment for sales and marketing staffs. The above increase was partially offset by the decrease in other selling and distribution expenses such as upkeep of motor vehicles, furniture and fittings, and tools and equipment of RM0.05 million and travelling expenses of approximately RM13,000.

**FYE 2020 compared to FYE 2019**

For the FYE 2020, our selling and distribution expenses decreased by 28.14% or RM0.48 million due mainly to the decrease in staff related cost namely staff overtime, salaries and bonuses, as well as decrease in travelling and entertainment expenses amidst the restriction of movement and closure of interstate borders during the COVID-19 pandemic.

**FYE 2021 compared to FYE 2020**

For the FYE 2021, our selling and distribution expenses increased by 3.96% or RM0.05 million due mainly to the increase in staff related cost namely sales commission and staff salaries. The increase in sales commission was in line with the increase in sales volume in FYE 2021. Additionally, we recruited an additional 2 sales and marketing personnel during the financial year. The above increase was partially offset by the decrease in travelling expenses amidst the restriction of movement and closure of interstate borders during the COVID-19 pandemic.

**11. FINANCIAL INFORMATION (Cont'd)****11.3.7 Other expenses and net loss on impairment of financial assets**

The table below presents the breakdown of our other expenses and net loss on impairment of financial assets:

Other expenses and net loss on impairment of financial assets	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Other expenses</b>								
Realised and unrealised loss on gold price fluctuation	113	60.11	280	80.46	195	59.09	-	-
Realised and unrealised loss on foreign exchange	65	34.57	51	14.65	129	39.09	276	97.87
Others	10	5.32	17	4.89	6	1.82	6	2.13
	<b>188</b>	<b>100.00</b>	<b>348</b>	<b>100.00</b>	<b>330</b>	<b>100.00</b>	<b>282</b>	<b>100.00</b>
<b>Net loss on impairment of financial assets</b>								
Impairment of financial assets	-	-	119	100.00	-	-	77	100.00
	<b>-</b>	<b>-</b>	<b>119</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>100.00</b>

**FYE 2019 compared to FYE 2018**

For the FYE 2019, our other expenses increased by RM0.16 million due mainly to the increase of RM0.17 million in realised and unrealised loss on gold price fluctuation from our gold trading account.

The net loss on impairment of financial assets of RM0.12 million in FYE 2019 comprised the impairment loss on trade and other receivables of RM0.19 million and the reversal of impairment loss on trade and other receivables of RM0.07 million. The increase in impairment loss was due mainly to higher impairments made on trade and other receivables based on the ECL computation pursuant to the MFRS 9. The amount of ECL were updated at each reporting period to reflect changes in credit risk since initial recognition of trade and other receivables. Please refer to Note 13(e) in Section 12 of this Prospectus for further details on the computations.

**FYE 2020 compared to FYE 2019**

For the FYE 2020, our other expenses decreased by RM0.02 million due mainly to the decrease of RM0.09 million in realised and unrealised loss on gold price fluctuation from our gold trading account. The decrease in other expenses was partially offset by the increase in realised and unrealised loss on foreign exchange of RM0.08 million.

**FYE 2021 compared to FYE 2020**

For the FYE 2021, our other expenses decreased by RM0.05 million due mainly to the decrease of RM0.20 million in realised and unrealised loss on gold price fluctuations from our gold trading account. The decrease in other expenses was partially offset by the increase in realised and unrealised loss on foreign exchange by RM0.15 million.

The net loss on impairment of financial assets of RM0.08 million in FYE 2021 comprised the impairment loss on trade and other receivables of RM0.12 million and the reversal of impairment loss on trade and other receivables of RM0.04 million.

**11. FINANCIAL INFORMATION (Cont'd)****11.3.8 Finance costs**

The table below presents the breakdown of our finance costs:

Finance costs	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<u>Interest expense on:</u>								
Bankers' acceptances	597	40.23	561	43.05	479	48.24	350	41.22
Revolving credit	743	50.07	523	40.14	392	39.47	409	48.17
Bank overdrafts	141	9.50	60	4.60	96	9.67	54	6.36
Hire purchase	3	0.20	-	-	-	-	-	-
Lease liabilities	-	-	41	3.15	26	2.62	36	4.25
Related company <sup>(a)</sup>	-	-	118	9.06	-	-	-	-
<b>Total</b>	<b>1,484</b>	<b>100.00</b>	<b>1,303</b>	<b>100.00</b>	<b>993</b>	<b>100.00</b>	<b>849</b>	<b>100.00</b>

Note:

- (a) Refers to interest expense on advances from a related company, Tomei Gold & Jewellery Manufacturing Sdn Bhd, which bears an interest rate of 6.00% per annum in FYE 2019.

**FYE 2019 compared to FYE 2018**

Our finance costs decreased by RM0.18 million in FYE 2019 due mainly to the decrease in interest expenses of RM0.34 million on bankers' acceptances, revolving credit, and bank overdrafts arising from lower effective interest rates and lower utilisation of some of these bank facilities in FYE 2019. This is reflected by the net repayment of bank borrowings of RM3.39 million in FYE 2019.

The above decrease in finance cost was offset by one-time interest expense of RM0.12 million on advances obtained from a related company, Tomei Gold & Jewellery Manufacturing Sdn Bhd in FYE 2019. The said advances was fully repaid in December 2020. In FYE 2019, we recorded an interest expense on lease liabilities of RM0.04 million due to the purchase of a motor vehicle.

**FYE 2020 compared to FYE 2019**

Our finance costs decreased by RM0.31 million in FYE 2020 due mainly from a decrease in interest expenses on bankers' acceptances and revolving credit arising from the lower effective interest rates in FYE 2020.

**FYE 2021 compared to FYE 2020**

Our finance costs decreased by RM0.14 million in FYE 2021 due mainly to a decrease in interest expenses on bankers' acceptances arising from a lower utilisation of the said facility.



**11. FINANCIAL INFORMATION (Cont'd)****11.3.9 (LBT)/PBT, (LAT)/PAT, and Tax (income)/expense**

The table below sets forth our (LBT)/PBT, (LAT)/PAT and effective tax rate:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
(LBT)/PBT (RM'000)	(1,396)	6,281	12,395	9,290
(LBT)/PBT margin (%)	(1.02)	4.34	7.06	3.50
Taxation (RM'000)	21	(1,419)	(3,025)	(2,186)
Effective tax rate (%)	(1.50)	22.59	24.41	23.53
Statutory tax rate (%)	24.00	24.00	24.00	24.00
(LAT)/PAT (RM'000)	(1,375)	4,862	9,370	7,104
(LAT)/PAT margin (%)	(1.00)	3.36	5.33	2.68

**FYE 2019 compared to FYE 2018**

We recorded a LBT of RM1.40 million and LBT margin of 1.02% in FYE 2018 due mainly to the low GP of RM4.01 million and GP margin of 2.93% from Gold Jewellery Segment in FYE 2018. The low GP and GP margin from Gold Jewellery Segment in FYE 2018 were attributed mainly to the gross loss of RM1.30 million with a gross loss margin of 5.89% from the sales of gold jewellery under our Design and Manufacture Segment as mentioned in Section 11.3.3(i)(a) of this Prospectus.

As such, our overall low GP of RM4.42 million and other operating income of RM0.40 million in FYE 2018 were unable to cover our total expenses (comprising administrative, selling and distribution, other expenses, and finance costs) of RM6.22 million and resulted in the LBT of RM1.40 million in FYE 2018.

Our performance improved from a LBT of RM1.40 million in FYE 2018 to a PBT of RM6.28 million in FYE 2019. This was a result of the improvement in our GP by 178.61% or RM7.90 million as discussed under Section 11.3.3(i)(a) of this Prospectus. The improvement in PBT had correspondingly resulted in the improvement of our Group's PBT margin from a LBT margin of 1.02% in FYE 2018 to a PBT margin of 4.34% in FYE 2019.

Following from the improvement in our PBT, our total PAT had also improved from a LAT of RM1.38 million in FYE 2018 to a PAT of RM4.86 million in FYE 2019. Similarly, the PAT margin had also improved from a LAT margin of 1.00% in FYE 2018 to a PAT margin of 3.36% in FYE 2019.

For the FYE 2018, we recorded a tax credit of RM0.02 million due to deferred tax credit arising from tax loss position from our 2 subsidiaries, namely YXG and GPM. In FYE 2019, we had an effective tax rate of 22.59%, which was lower than the statutory tax rate of 24.00%. This was due mainly to the utilisation of deferred tax assets arising from utilisation of tax losses incurred in FYE 2018.

**FYE 2020 compared to FYE 2019**

Our PBT increased by RM6.11 million or 97.34% due mainly to the improvement in our GP, coupled with the decrease in our total expenses (comprising administrative, selling and distribution, other expenses, and finance costs). With the improvement in our PBT in FYE 2020, this had correspondingly resulted in the improvement in our PBT margin from 4.34% in FYE 2019 to 7.06% in FYE 2020.

Our PAT had also improved by RM4.51 million or 92.72% to RM9.37 million in FYE 2020 following from the improvement in our PBT. Similarly, our PAT margin had also improved from a PAT margin of 3.36% in FYE 2019 to 5.33% in FYE 2020.

In FYE 2020, we recorded an effective tax rate of 24.41%, which approximates the statutory tax rate of 24.00%.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**FYE 2021 compared to FYE 2020**

Our PBT decreased by RM3.11 million or 25.05% due mainly to the decrease in GP, coupled with the increase in administrative, and selling and distribution expenses. With the decrease in our GP margin in FYE 2021, this had correspondingly resulted in the decrease in our PBT margin from 7.06% in FYE 2020 to 3.50% in FYE 2021.

Our PAT had also decreased by RM2.27 million or 24.18% to RM7.10 million in FYE 2021 following from the decrease in PBT. Similarly, the PAT margin had also decreased from 5.33% in FYE 2020 to 2.68% in FYE 2021.

In FYE 2021, we recorded an effective tax rate of 23.53%, which approximates the statutory tax rate of 24.00%.

**11.3.10 Significant factors affecting our business**

Significant factors affecting our business include, but not limited to, the following:

**(i) Global gold price fluctuation**

As gold is a globally traded commodity, our financial performance is subject to the risk of adverse fluctuations in global gold prices. The price of gold is influenced by factors including, amongst others, global economic crisis or uncertainties, wars, civil unrests, pandemics, inflation, the strength of the USD, interest rates, demand from industries, investments and jewellery sectors, supply disruptions in gold producing nations, and sales and purchases of gold by government agencies including central banks.

Kindly refer to Section 8.1.1 of this Prospectus for further details.

**(ii) Impact of the COVID-19 pandemic**

The outbreak and spread of the COVID-19 pandemic or any contagious or virulent diseases had and will continue to affect our business operations. As evidenced by the COVID-19 pandemic, measures such as lockdowns or movement restrictions have impacted the retail business including those relating to gold jewellery. A reduction in retail activities for gold jewellery will affect the demand for our products and subsequently adversely affect our financial performance.

Kindly refer to Section 8.1.2 of this Prospectus for further details.

**(iii) Dependency on our supply chain**

We are reliant on the supply of gold materials for our gold jewellery wholesale and manufacturing operations. Our sources of supply consist of pure gold bars mainly from banks and bullion traders as well as scrap gold bars from pawnshops, jewellery retailers, wholesalers and manufacturers. In addition, we are also reliant on our network of external manufacturers whom we engage for their jewellery manufacturing services.

In the event of any interruptions in our supply chain, this would adversely affect our wholesale and manufacturing operations and consequently our financial performance.

Kindly refer to Section 8.1.3 of this Prospectus for further details.

**(iv) Dependency on the demand from gold jewellery retailing industry**

We are indirectly dependent on the purchasing patterns of consumers, and the performance of the jewellery retailing industry would directly affect the demand for our jewellery products. In the event of any adversities arising from regulatory, economic, social and political events that would negatively impact the gold jewellery retail sector and/or consumer demand for gold jewellery, our financial performance would be adversely affected.

Kindly refer to Section 8.1.5 of this Prospectus for further details.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**(v) Changing market trends and consumer preferences**

We operate in a sector where the end-users of our gold jewellery are mainly consumers. As a wholesaler and manufacturer of gold jewellery serving mainly jewellery retailers, our business success is dependent on our ability to identify market trends, consumer behaviour and preferences, and to bring the gold jewellery to the retail market promptly.

There is no assurance that we would be able to continually anticipate market changes, consumer preferences and trends. If we are unable to react to such market conditions promptly, the demand for our range of jewellery products and our financial performance would be adversely affected.

Kindly refer to Section 8.1.6 of this Prospectus for further details.

**(vi) Foreign exchange fluctuations**

Our total purchases of materials and services denominated in foreign currencies accounted for 8.52%, 10.35%, 3.48% and 1.10% of our total purchases for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. This includes foreign currencies such as SGD, USD and Euro. The purchases transacted in foreign currency was mainly for the purchases of gold materials and gold jewellery manufacturing services. Any depreciation of the RM against the respective foreign currencies will lead to a higher cost of material and services in RM.

We also undertake sales transactions in foreign currencies where 7.27%, 9.55%, 3.77% and 2.42% of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively were denominated in foreign currencies including SGD, USD and HKD.

As we maintain foreign currency accounts in USD and foreign currency cash in hand in SGD, HKD and Euro, our revenue and purchases to a certain extent, are naturally hedged. For the Financial Years Under Review, we did not carry out any currency hedging for our operations. Moving forward, any unfavorable foreign exchange fluctuations between foreign currencies and RM may adversely affect our financial performance including our profitability and margins.

**(vii) Impact on interest rate fluctuations**

All our borrowings are interest bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on bank and trade facilities including revolving credit, bank overdrafts, bankers' acceptances, and hire purchases that are granted by bank and financial institutions.

Save for hire purchase, all our borrowings were based on prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with our banking institutions when respective loans and financing were granted. Meanwhile, our hire purchases were charged based on the average fixed rates.

In this respect, we face financial risks relating to increase in interest rates that may impact on our financial performance including profitability and margins. For the Financial Years Under Review and up to LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

**(viii) Impact of inflation**

Our financial performances for the Financial Years Under Review were not materially affected by the impact of inflation. Although we believe that we would not be able to pass on all future increases in costs of materials and services of our operations to our customers, there can be no assurance that future inflation would not have an impact on our business and financial performance.

**11. FINANCIAL INFORMATION (Cont'd)****(ix) Government/Economic/Fiscal/Monetary Policies**

Our business and the industry we operate are subject to the risks relating to government, economic, fiscal or monetary policies. Any unfavourable changes in the government policies, economic conditions or fiscal or monetary policies may materially affect our financial and business prospects.

Kindly refer to Section 8.2.2 of this Prospectus for further details.

**11.3.11 Liquidity and capital resources****(i) Working capital**

We have been financing our business operations through existing cash and bank balances, cash generated from our operations and external sources of funds. Our external sources of funds comprise mainly banking facilities from financial institutions such as bankers' acceptance, revolving credit and bank overdrafts. The principal utilisation of the banking facilities or borrowings is for our business operations and growth.

As at 31 December 2021, we have cash and bank balances of RM8.85 million and banking facilities (excluding lease liabilities) of up to RM25.00 million, of which RM7.69 million has yet to be utilised.

Based on the pro forma consolidated statements of financial position of our Group as at 31 December 2021 (after the Acquisitions but before the Public Issue), our NA stood at RM90.46 million and our gearing ratio is 0.19 times. Our NA position and gearing ratio after the Acquisitions and Public Issue (and utilisation of proceeds) are RM86.96 million and 0.20 times, respectively.

As at the LPD, we have cash and bank balances of RM6.09 million and banking facilities (excluding lease liabilities) of up to RM25.00 million, of which RM6.49 million has yet to be utilised.

Our Board is of the opinion that, after taking into consideration our cash flow position, the banking facilities currently available to our Group, and the impact of the COVID-19 pandemic on our business as set out in Section 6.3.14.2 as well as the proceeds to be raised from our Public Issue, we will have sufficient working capital to meet our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus.

**(ii) Review of cash flows**

The table below sets out the summary of our historical audited combined statements of cash flows for the Financial Years Under Review and should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Net cash from operating activities	4,695	2,524	5,589	4,099
Net cash from/(used in) investing activities	159	(372)	(324)	(769)
Net cash (used in)/from financing activities	(998)	(3,828)	3,018	(3,402)
Net increase/(decrease) in cash and cash equivalents	3,856	(1,676)	8,283	(72)
Cash and cash equivalents at beginning of financial year	(2,133)	1,722	1	8,286
Effect of exchange rate changes	(1)	(45)	2	*
<b>Cash and cash equivalents at end of financial year<sup>(a)</sup></b>	<b>1,722</b>	<b>1</b>	<b>8,286</b>	<b>8,214</b>

**11. FINANCIAL INFORMATION (Cont'd)**

Notes:

\* Amount less than RM1,000.

(a) Cash and cash equivalents comprised of the following:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Cash and bank balances	2,059	1,320	8,385	8,853
Bank overdrafts	(337)	(1,319)	(99)	(639)
<b>Cash and cash equivalents</b>	<b>1,722</b>	<b>1</b>	<b>8,286</b>	<b>8,214</b>

**FYE 2018*****Net cash from operating activities***

For the FYE 2018, our net cash from operating activities was RM4.70 million. Our operating profit before changes in working capital of RM0.35 million was adjusted for the changes in working capital of RM6.43 million arising from the following:

- decrease in inventories of RM5.67 million due mainly to the lower inventory of finished gold jewellery. As at 31 December 2018, we recorded inventory of finished gold jewellery of RM20.77 million (124,054g) as compared to RM25.07 million (144,235g) as at 31 December 2017;
- decrease in trade and other receivables of RM3.71 million due mainly to collections of non-trade amount owing from Tomei Gold & Jewellery Manufacturing Sdn Bhd of RM5.80 million for advances provided by GPM. However, this was offset by the increase in trade amount owing from TGJH of RM1.57 million for the sales of products in FYE 2018; and
- decrease in trade and other payables of RM2.96 million due mainly to net repayment of non-trade amount owing to related companies such as TGJH, Tomei Gold & Jewellery Manufacturing Sdn Bhd and Tomei of RM0.81 million for advances received mainly by YXG, as well as repayment of trade amount owing to TGJH of RM1.61 million by GPM.

For the FYE 2018, we also paid interest expenses and net income tax of RM1.48 million and RM0.60 million, respectively.

***Net cash from investing activities***

For the FYE 2018, we recorded a net cash from investing activities of RM0.16 million due mainly to the collection of amount owing by Tomei Signature Sdn Bhd of RM0.50 million for the advances made by EASB. Advances made by EASB were deemed as an investing activity in view that EASB was inactive and does not have any operations. There was also payment made for the purchase of PPE comprising 1 unit of motor vehicle, and 5 units of plant and machinery including bead cutting machine, 4-axis rolling machine, gyrate polishing machine, cobra chain making machine and tumbling machine amounting to RM0.34 million.

***Net cash used in financing activities***

For the FYE 2018, our net cash used in financing activities of RM1.00 million was attributed mainly to the following:

- net repayment of short-term borrowings including revolving credit, bank overdrafts and bankers' acceptances of RM0.98 million for the purchase of gold materials; and
- net repayment of hire-purchase creditors of RM0.01 million.

**11. FINANCIAL INFORMATION (Cont'd)****FYE 2019*****Net cash from operating activities***

For the FYE 2019, our net cash from operating activities was RM2.52 million. Our operating profit before changes in working capital of RM8.48 million was offset by the changes in working capital of RM4.57 million arising from the following:

- increase in inventories of RM8.07 million due mainly to the higher gold jewellery inventory. As at 31 December 2019, we recorded the inventory of finished gold jewellery of RM27.85 million (143,127g) as compared to RM20.77 million (124,054g) as at 31 December 2018 due mainly to increased orders received from customers which were expected to be delivered by January 2020 for the Chinese New Year festive season;
- decrease in trade and other receivables of RM0.45 million due mainly to the decrease in other receivables arising from the collections of non-trade amount owing from related companies, namely Tomei Gold & Jewellery Manufacturing Sdn Bhd to GPM of RM0.31 million and Tomei Diamond Sdn Bhd (formerly known as My Diamond Sdn Bhd. It assumed its current name on 4 April 2019) to YXG of RM0.19 million, for expenses paid on behalf in FYE 2018; and
- increase in trade and other payables of RM3.05 million due mainly to the increase in non-trade amount owing to a related company, namely Tomei Gold & Jewellery Manufacturing Sdn Bhd of RM1.97 million, which were mainly advances obtained by GPM for working capital purposes. In addition, our accruals also increased by RM0.93 million due mainly to accrued staff salary, bonus and bankers acceptance interest.

For the FYE 2019, we also paid interest expenses and net income tax amounting to RM1.14 million, and RM0.25 million, respectively.

***Net cash used in investing activities***

For the FYE 2019, we recorded a net cash used in investing activities of RM0.37 million due mainly to the purchase of PPE such as bead cutting machine, 5-axis cutting machine, bench top welding machine and spark welding machine amounting to RM0.33 million.

***Net cash used in financing activities***

For the FYE 2019, our net cash used in financing activities of RM3.83 million was attributed mainly to cash outflow from the following:

- net repayment of short-term borrowings comprising revolving credit, bank overdrafts and bankers' acceptances of RM3.39 million for the purchase of gold materials; and
- payment for lease liabilities of RM0.43 million, comprising mainly RM0.37 million for the rental payment of office space. For clarification purposes, we did not utilise any form of borrowings to finance the rental of office space. The recognition of rental of office space as lease liabilities was made pursuant to the adoption of MFRS 16, Leases, which came into effect on 1 January 2019, where the rental of office space is recognised as right-of-use ("ROU") assets and lease liabilities.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**FYE 2020*****Net cash from operating activities***

For the FYE 2020, our net cash from operating activities was RM5.59 million. Our operating profit before changes in working capital of RM14.11 million was offset by the changes in working capital of RM4.69 million arising from the following:

- increase in inventories of RM3.42 million attributed mainly to the higher global gold prices, despite the lower total gold inventory volume of 214,851g as at 31 December 2020 as compared to 246,613g as at 31 December 2019. The average cost of our gold inventories as at 31 December 2020 was higher at RM236/g as compared to RM193/g as at 31 December 2019;
- decrease in trade and other receivables of RM1.65 million due mainly to collections of trade amount owing from TGJH; and
- decrease in trade and other payables of RM2.91 million due mainly to repayment of non-trade amount owing to Tomei Gold & Jewellery Manufacturing Sdn Bhd of RM1.99 million, which were mainly advances obtained by GPM for working capital purposes. Additionally, our accruals also decreased by RM0.84 million in FYE 2020 due to timely payment of staff salaries.

For the FYE 2020, we also paid interest expenses and net income tax amounting to RM0.97 million and RM2.87 million, respectively.

***Net cash used in investing activities***

For the FYE 2020, we recorded a net cash used in investing activities of RM0.32 million attributed mainly to the purchase of PPE comprising 5 units of plant and machinery including 2 units of laser engraving machine, 1 unit of laser generator for laser welding machine, 1 unit of bead threading machine and 1 unit of pressing machine amounting to RM0.33 million.

***Net cash from financing activities***

For the FYE 2020, our net cash from financing activities of RM3.02 million was attributed mainly to the following:

- cash inflow from drawdown of short-term borrowings including revolving credit and bankers' acceptances amounting to RM3.61 million for the purchase of gold materials; and
- cash outflow arising from payment of lease liabilities of RM0.41 million and dividend payment of RM0.18 million.

**11. FINANCIAL INFORMATION (Cont'd)****FYE 2021*****Net cash from operating activities***

For the FYE 2021, our net cash from operating activities was RM4.10 million. Our operating profit before changes in working capital of RM10.36 million was offset by the changes in working capital of RM3.34 million arising from the following:

- decrease in inventories of RM3.96 million attributed mainly to the lower inventory of gold materials. As at 31 December 2021, we recorded a lower inventory of gold materials of RM10.37 million (43,424g) as compared to RM16.62 million (69,604g) as at 31 December 2020. This was due mainly to the gold materials being utilised to manufacture gold jewellery, which is reflective of the increase in inventory of work in progress and finished goods as at 31 December 2021;
- increase in trade and other receivables of RM7.98 million due mainly to the increase in the trade receivables resulting from higher sales order recorded in the 4<sup>th</sup> quarter of FYE 2021. As mentioned above, we experience an increase in demand from customers in the 4<sup>th</sup> quarter of 2021 after a long period of lockdown in the previous quarter, as well as in preparation for year-end sales and festivities; and
- increase in trade and other payables of RM0.68 million due mainly to the increase in trade payables attributed to purchases of external manufacturing services.

For the FYE 2021, we also paid interest expenses and net income tax amounting to RM0.81 million and RM2.10 million, respectively.

***Net cash used in investing activities***

For the FYE 2021, we recorded a net cash used in investing activities of RM0.77 million attributed mainly to the purchase of PPE, which amounted to RM1.14 million comprising 7 units of plant and machinery including 2 units of laser welding machines, 1 unit of ball chain cutting machine, 1 unit of earring post making machine, 1 unit of ultrasonic jewellery cleaning machine, 1 unit of box chain making machine and 1 unit of loss wax casting machine.

There was also an addition of right-of-use assets arising from downpayment for the purchase of 2 units of motor vehicles under hire purchase amounting to RM0.11 million.

This was partially offset by the proceeds from the disposal of 1 unit of chain cutting machine and 3 units of motor vehicles which amounted to RM0.49 million.

***Net cash used in financing activities***

For the FYE 2021, our net cash used in financing activities of RM3.40 million was attributed mainly to cash outflow from the following:

- net repayment of short-term borrowings comprising revolving credit and bankers' acceptances of RM3.12 million for the purchase of gold materials; and
- payment for lease liabilities and lease interest amounting to RM0.28 million and RM0.01 million respectively.



**11. FINANCIAL INFORMATION (Cont'd)**

**(iii) Borrowings**

We utilise credit facilities such as bankers' acceptances, revolving credit and bank overdrafts to finance our purchases of gold materials and working capital for our business operations. Further, we utilise hire purchase and lease liabilities for the purchase of motor vehicles.

Our total outstanding borrowings (including lease liabilities owing to financial institutions for the purchase of motor vehicles) as at 31 December 2021 stood at RM17.66 million, details of which are set out below. All our borrowings are all interest bearing and denominated in RM.

Item	Purpose	Tenure	Weighted average	As at 31 December
			interest rate	2021
			(% per annum)	(RM'000)
<b><u>Interest bearing short term borrowings, payable within 1 year:</u></b>				
Bankers' acceptances	Financing purchase of gold materials	within 1 year	3.88	10,670
Revolving credit	Working capital, mainly to finance the purchase of gold materials	within 1 year	5.95	6,000
Bank overdrafts	Working capital, mainly to finance the purchase of gold materials	within 1 year	6.89	639
Lease liabilities owing to financial institutions	Financing purchase of motor vehicles	5 years	4.80	104
<b>Sub-total</b>				<b>17,413</b>
<b><u>Interest bearing long term borrowings, payable after 1 year:</u></b>				
Lease liabilities owing to financial institutions	Financing purchase of motor vehicles	5 years	4.80	245
<b>Sub-total</b>				<b>245</b>
<b>Total borrowings</b>				<b>17,658</b>

**11. FINANCIAL INFORMATION (Cont'd)**

The following table sets out the maturity profiles of our bank borrowings and lease liabilities owing to financial institutions for the purchase of motor vehicles for the Financial Years Under Review:

	FYE 2018			FYE 2019			FYE 2020			FYE 2021		
	Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)	Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)	Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)	Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)
<u>Bank borrowings:</u>												
Bankers' acceptances	10,862	-	10,862	10,875	-	10,875	11,485	-	11,485	10,670	-	10,670
Revolving credit	8,700	-	8,700	5,300	-	5,300	8,300	-	8,300	6,000	-	6,000
Bank overdrafts	337	-	337	1,319	-	1,319	99	-	99	639	-	639
Hire purchase creditors	45	190	235	-	-	-	-	-	-	-	-	-
	<b>19,944</b>	<b>190</b>	<b>20,134</b>	<b>17,494</b>	<b>-</b>	<b>17,494</b>	<b>19,884</b>	<b>-</b>	<b>19,884</b>	<b>17,309</b>	<b>-</b>	<b>17,309</b>
Lease liabilities owing to financial institutions	-	-	-	72	234	306	74	174	248	104	245	349
<b>Total borrowings</b>	<b>19,944</b>	<b>190</b>	<b>20,134</b>	<b>17,566</b>	<b>234</b>	<b>17,800</b>	<b>19,958</b>	<b>174</b>	<b>20,132</b>	<b>17,413</b>	<b>245</b>	<b>17,658</b>

**11. FINANCIAL INFORMATION (Cont'd)**

Our borrowings carry the following weighted average effective interest rates for the Financial Years Under Review:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(% per annum)</b>	<b>(% per annum)</b>	<b>(% per annum)</b>	<b>(% per annum)</b>
Bankers' acceptances	4.83	4.88	3.88	3.88
Revolving credit	7.95	7.45	5.95	5.95
Bank overdrafts	8.39	6.50	6.89	6.89
Hire purchase creditors	4.41	-	-	-
Lease liabilities owing to financial institutions	-	4.40	4.40	4.80

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currencies. We have not defaulted on payments of principal sums and/or interests in relation to any borrowings for the Financial Years Under Review and up to the LPD.

As at the LPD, we have not breached any terms and conditions or covenants associated with credit arrangements or bank loans, which can materially affect the financial position and results of our business operations or investments by holders of our securities.

We have not experienced any claw back or reduction in the facilities limit granted to us by our lenders from the FYE 2018 to FYE 2021. Further, we do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from our lenders before utilising the banking facilities, where necessary.

As at the LPD, save as disclosed above, we did not use any other financial instruments.

**(iv) Types of financial instruments used**

For the Financial Years Under Review and as at the LPD, save for our borrowings as disclosed in Sections 11.3.11(iii) of this Prospectus, we do not use any other financial instruments. We utilise credit facilities such as bankers' acceptances, revolving credit and bank overdrafts to finance our purchases of gold materials and working capital for our business operations. Furthermore, we utilise hire purchase and lease liabilities for the purchase of motor vehicles.

Financial instruments, from accounting perspective, comprised cash and bank balances, borrowings, trade and other receivables as well as trade and other payables, as shown in our Combined Statements of Financial Position.

**(v) Treasury policies and objectives**

Our main treasury policy and objective is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities. The combination of internal and external sources of funds includes mainly cash generated from operations, credit terms granted by our suppliers, as well as bank borrowings. Our bank borrowings as at 31 December 2021 are based on the bank's cost of funds plus a rate, which varies depending on the different types of bank facilities.

The principal usages of these banking facilities are for purchase of gold materials and working capital purposes.

**11. FINANCIAL INFORMATION (Cont'd)****(vi) Material litigation / arbitration**

As at the LPD, neither our Company nor our subsidiaries are involved in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

**(vii) Material contingent liabilities**

As at the LPD, our Board confirms that there are no contingent liabilities incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on the financial position of our Group.

**(viii) Material capital commitments**

Save as disclosed below, as at the LPD, we do not have any material capital commitments for capital expenditure, which upon becoming enforceable, may have a material effect on the financial position of our Group:

		Source of funds	
		IPO proceeds	Internal generated funds/bank borrowings
Capital expenditure	(RM'000)	(RM'000)	(RM'000)
<b>Approved but not contracted for:</b>	<b>7,200</b>	<b>6,900</b>	<b>300</b>
- Purchase new machinery and equipment <sup>(a)</sup>	4,400	4,400	-
- Expansion and upgrading of operational facilities <sup>(b)</sup>	2,800	2,500	300
<b>Total material capital commitments</b>	<b>7,200</b>	<b>6,900</b>	<b>300</b>

Notes:

- (a) We intend to purchase new machinery and equipment to facilitate the manufacturing of our new range of hollow gold jewellery. This includes 5 units of hollow rope chain machines, 5 sets of electroforming equipment, and 1 unit of metal dissolving machine.
- (b) We intend to expand and upgrade our operational facilities including purchasing 2 units of robotic arms to automate our chain linking and welding process, 2 units of industrial wax 3D printer, 1 unit of chain cutting machine and 1 unit of CNC cutting machine, purchase and install a new ERP system and MES to replace our existing system and to integrate our new online order system to the said ERP system and MES, as well as upgrade our security and surveillance facilities.

Further details on the use of proceeds are set out in Section 4.4 of this Prospectus and details on our business strategies are set out in Section 6.13 of this Prospectus.

**11. FINANCIAL INFORMATION (Cont'd)****(ix) Key financial ratios**

The following table sets forth the key financial ratios based on our Group's combined financial statements for the financial years indicated:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
Average trade receivables turnover period (days) <sup>(a)</sup>	24	29	23	17
Average trade payables turnover period (days) <sup>(b)</sup>	4	1	1	1
Average inventory turnover period (days) <sup>(c)</sup>	122	126	118	74
Current ratio (times) <sup>(d)</sup>	2.74	2.83	3.31	3.82
Gearing ratio (times) <sup>(e)</sup>	0.53	0.41	0.39	0.30

Notes:

- (a) Based on dividing the average closing balance of trade receivables after deducting impairment on trade receivables (net trade receivables) by the revenue of the respective financial years and multiplied by 365 days. Average closing balance of net trade receivables for a particular financial year is calculated by adding the value of the financial year's closing balance of net trade receivables with that of the previous financial year, and dividing the total by 2.
- (b) Based on dividing the average closing balance of trade payables by the cost of sales of the respective financial years and multiplied by 365 days. Average closing balance of trade payables for a particular financial year is calculated by adding the value of the financial year's closing balance of trade payables with that of the previous financial year, and dividing the total by 2.
- (c) Based on dividing the average closing balance of inventories by the cost of sales of the respective financial years and multiplied by 365 days. Average closing balance of inventories for a particular financial year is calculated by adding the value of the financial year's closing balance of inventories with that of the previous financial year, and dividing the total by 2.
- (d) Based on current assets divided by current liabilities.
- (e) Based on total interest bearing borrowings (including lease liabilities owing to financial institutions) divided by total equity.

**11. FINANCIAL INFORMATION (Cont'd)****(a) Trade receivables**

The table below sets forth a summary of our trade receivables for the financial years indicated:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Trade receivables	11,377	12,342	10,768	15,420
- Third parties	8,363	8,114	10,489	15,420
- Related companies	<sup>(a)</sup> 3,014	<sup>(a)</sup> 4,228	<sup>(b)</sup> 279	-
<i>Less:</i> Impairment losses	(364)	(467)	(372)	(446)
Net trade receivables	11,013	11,875	10,396	14,974
Revenue	137,534	144,711	175,634	265,384
Average trade receivable turnover period (days) <sup>(c)</sup>	24	29	23	17

Notes:

- (a) Refers to TGJH and O M Design Sdn Bhd.
- (b) Refers to Tomei (Vietnam) Company Limited, TGJH, and O M Design Sdn Bhd.
- (c) Based on dividing the average closing balance of net trade receivables by the revenue of the respective financial years and multiplied by 365 days. Average closing balance of net trade receivables for a particular financial year is calculated by adding the value of the financial year's closing balance of net trade receivables with that of the previous financial year, and dividing the total by 2.

We deal with our customers on cash terms and on credit terms. The credit period that we generally grant to our customers ranges from 7 to 90 days from the date of invoices.

The credit terms granted to our customers are assessed and approved on a case-by-case basis. The factors that are taken into consideration when determining the credit period granted to customers include their creditworthiness, payment history, quantum of amount owing to us and length of relationship with us.

As part of our credit control policy, our finance team closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

Our average trade receivables turnover period increased from 24 days in FYE 2018 to 29 days in FYE 2019. The increase in average trade receivables turnover period in FYE 2019 was due mainly to an increase in trade receivables from our related company, TGJH with credit term of 90 days, which was within the normal credit terms granted to our customers. The increase in trade receivables from the said related company was mainly from the higher sales of gold jewellery due to an increase in sales orders.

For the FYE 2020, our average trade receivables turnover period improved from 29 days to 23 days. This was due mainly to improvement in collections from our related company, TGJH.

For the FYE 2021, our average trade receivables turnover period improved from 23 days to 17 days respectively. This was due mainly to improvement in collections from our customers.

**11. FINANCIAL INFORMATION (Cont'd)**

Our trade receivable ageing analysis as at 31 December 2021 is as follows:

	Within credit period	Past due (days)				Total
		1 – 30	31 – 60	61 – 90	More than 90	
Trade receivables (RM'000)	12,265	2,192	461	183	319	15,420
<i>Less:</i>						
Impairment losses (RM'000)	(117)	(65)	(26)	(14)	<sup>(a)</sup> (224)	(446)
<b>Net trade receivables (RM'000)</b>	12,148	2,127	435	169	95	14,974
<i>Proportion of total net trade receivables (%)</i>	81.13	14.20	2.91	1.13	0.63	100.00
Subsequent collections as at LPD (RM'000)	12,148	2,127	435	169	95	14,974
Net trade receivables after subsequent collections (RM'000)	-	-	-	-	-	-
<i>Proportion of trade receivables after subsequent collections (%)</i>	-	-	-	-	-	-

Note:

- (a) The impairment loss of RM0.23 million comprised mainly of customers who are retailers.

In accordance with our Group's policy on impairment on trade receivables, where we will recognise allowance for impairment loss for trade receivables based on the simplified approach in accordance with MFRS 9 Financial Instruments and measure the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

As at the LPD, all our total net trade receivables outstanding of RM14.97 million has been collected.

**(b) Trade payables**

The table below sets forth a summary of our trade payables for the financial years indicated:

	Audited			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade payables	269	441	246	1,192
- Third parties	220	190	227	1,192
- Related companies	<sup>(a)</sup> 49	<sup>(b)</sup> 251	<sup>(c)</sup> 19	-
Cost of sales	133,111	132,388	158,267	251,042
Average trade payables turnover period (days) <sup>(d)</sup>	4	1	1	1

**11. FINANCIAL INFORMATION (Cont'd)**

Notes:

- (a) Refers to TGJH.
- (b) Refers to Tomei Marketing Sdn Bhd and Tomei (Vietnam) Company Limited.
- (c) Refers to Tomei Marketing Sdn Bhd.
- (d) Based on dividing the average closing balance of trade payables by the cost of sales of the respective financial years and multiplied by 365 days. Average closing balance trade payables for a particular financial year is calculated by adding the value of the financial year's closing balance of trade payables with that of the previous financial year, and dividing the total by 2.

We deal with our suppliers either on cash terms or on credit terms. Our suppliers for purchases of gold materials are in cash terms. Meanwhile, our suppliers for other purchases such as gold jewellery manufacturing services, manufacturing materials such as gas, chemicals, and solvents, as well as machinery spare parts, generally grant us credit terms that ranges from 30 to 180 days.

Overall, our average trade payables turnover periods are relatively low. This is mainly because majority of our purchases are gold materials which mostly are paid on cash term. Our purchases of gold materials amounted to 96.66%, 97.18%, 97.57% and 97.75% of our total purchases for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

Our trade payables ageing analysis as at 31 December 2021 is as follows:

	Within credit period	Past due (days)				Total
		1 - 30	31 - 60	61 - 90	More than 90	
Trade payables (RM'000)	721	471	-	-	-	1,192
<i>Proportion of total trade payables (%)</i>	<i>60.49</i>	<i>39.51</i>	-	-	-	<i>100.00</i>
Subsequent payments as at LPD (RM'000)	721	471	-	-	-	1,192
Trade payables after subsequent payments (RM'000)	-	-	-	-	-	-
Proportion of trade payables after subsequent payments (%)	-	-	-	-	-	-

Note:

\* Amount is less than RM1,000.

As at the LPD, all our trade payables outstanding of RM1.19 million has been paid.



**11. FINANCIAL INFORMATION (Cont'd)****(c) Inventory turnover**

The table below sets forth a summary of our inventories for the financial years indicated:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>Total inventory</b>	<b>41,554</b>	<b>49,621</b>	<b>53,044</b>	<b>49,089</b>
Consisting of:				
- Raw materials	10,715	11,590	16,979	10,660
- Work in progress	8,988	9,114	15,330	16,645
- Finished goods	21,627	28,689	20,494	21,351
- Consumables	224	228	241	433
Cost of sales	133,111	132,388	158,267	251,042
Average inventory turnover period (days) <sup>(a)</sup>	122	126	118	74

Note:

- (a) Based on dividing the average closing balance of inventories by the cost of sales of the respective financial years and multiplied by 365 days. Average closing balance of inventories for a particular financial year is calculated by adding the value of that financial year's closing balance of inventories with that of the previous financial year, and dividing the total by 2.

Our inventory mainly comprises the following:

- raw materials comprise gold and silver bars;
- work in progress comprises gold and silver bars that are undergoing manufacturing process at our in-house manufacturing facilities. It also comprises gold bars that was sent out to external manufacturers for further processing;
- finished goods comprises products that are manufactured such as gold jewellery and silver chain products which are stored as stock or pending final delivery to customers; and
- consumables comprises gas and chemicals such as solvents as well as machinery spare parts. The shelf life of consumables such as gas is 3 years and chemicals such as solvents ranges from 20 months and up to 2 years.

Our average inventory turnover period increased from 122 days in the FYE 2018 to 126 days in the FYE 2019. This was due mainly to the higher volume of gold inventory particularly gold jewellery in the form of finished goods as at 31 December 2019. The higher gold jewellery inventories as at 31 December 2019 was due mainly to the increased orders received from customers which were expected to be delivered by January 2020 for the Chinese New Year festive season.

**11. FINANCIAL INFORMATION (Cont'd)**

Our average inventory turnover period decreased from 126 days in FYE 2019 to 118 days in FYE 2020. This was attributed mainly to lower inventory of finished goods of gold jewellery due to higher sales and delivery of finished gold jewellery in the second half of FYE 2020 under our Wholesale Segment, as well as a lower inventory of finished goods from our in-house manufacturing activities. Our manufacturing operations were closed between mid-March and April 2020, and subsequently, in May 2020, we resumed partial operations due to COVID-19 pandemic containment measures.

Our average inventory turnover period decreased from 118 days in FYE 2020 to 74 days in FYE 2021. This was due mainly to the gold materials being utilised to manufacture gold jewellery, which is reflective of the increase in inventory of work in progress and finished goods as at 31 December 2021. Additionally, the lower inventory of gold raw materials was also in line with our strategy to mitigate the risk of gold price fluctuations and to maintain a minimal inventory of gold raw materials to meet our Group's production schedule for upcoming orders.

Based on our Group's accounting policy, inventories are stated at either cost or net realisable value, whichever is lower. Cost is determined on a weighted average basis which comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Our impairment policy on inventories, where we write down the slow moving inventories based on specific assessment by our Directors, which involved judgement about the ageing and design of inventories, coupled with market knowledge of merchandising department and the valuation of inventories which is subject to the fluctuation of the market price. Inventories are written down when events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the Financial Years Under Review, the cost of gold materials was computed based on the weighted average basis. As such, a higher purchase cost of gold materials will lead to a higher weighted average cost per unit, and subsequently leads to a higher cost of sales, and vice versa.

**(d) Current ratio**

The table below sets forth a summary of our current ratio for the financial years indicated:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Current assets	57,826	63,975	72,806	77,221
Current liabilities	21,092	22,590	22,006	20,219
Current ratio (times) <sup>(a)</sup>	2.74	2.83	3.31	3.82

Note:

(a) Current ratio is calculated based on current assets divided by current liabilities.

As at 31 December 2019, our current ratio was 2.83 times, which was higher compared to 2.74 times as at 31 December 2018. This was due mainly to higher inventories as at 31 December 2019 attributed from the higher volume of finished goods of gold jewellery, coupled with the higher gold price as at 31 December 2019. The higher volume of gold jewellery stocks as at 31 December 2019 was due mainly to increased orders received from customers which were expected to be delivered by January 2020 for the Chinese New Year festive season.

**11. FINANCIAL INFORMATION (Cont'd)**

As at 31 December 2020, our current ratio was 3.31 times, which was higher compared to 2.83 times as at 31 December 2019. This was due mainly to the increase in cash and bank balances which was also contributed by the increase in receipt of collections from a related company, TGJH amounting to RM4.23 million.

As at 31 December 2021, our current ratio was 3.82 times, which was higher compared to 3.31 times as at 31 December 2020. This was due mainly to the increase in trade receivables, which was in line with the higher revenue in FYE 2021, as well as increased deposits and prepayments, coupled with a decrease in borrowings resulting from the repayment of bankers' acceptances and revolving credit.

**(e) Gearing ratio**

The table below sets forth a summary of our gearing ratio for the financial years indicated:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Total interest bearing borrowings <sup>(a)</sup>	20,134	17,800	20,132	17,658
Total equity	38,039	42,901	52,096	59,200
Gearing ratio (times) <sup>(b)</sup>	0.53	0.41	0.39	0.30

Notes:

- (a) Total interest bearing borrowings include revolving credit, bankers' acceptances, bank overdrafts, hire purchases and lease liabilities owing to financial institutions for the purchase of motor vehicles.
- (b) Gearing ratio is calculated based on the total interest bearing borrowings (including lease liabilities owing to financial institutions) divided by total equity.

As at 31 December 2019, our gearing ratio was 0.41 times, which was lower compared to 0.53 times as at 31 December 2018. This was attributed mainly to lower utilisation of revolving credit as at 31 December 2019. Our total equity as at 31 December 2019 also grew as our retained earnings increased from RM20.44 million as at 31 December 2018 to RM25.30 million as at 31 December 2019.

As at 31 December 2020, our gearing ratio improved further to 0.39 times due mainly to the increase in our total equity attributed from the increase in our retained earnings by RM9.20 million.

As at 31 December 2021, our gearing ratio improved further to 0.30 times due mainly to the increase in retained earnings of RM7.10 million, coupled with a decrease of RM2.47 million in total interest bearing borrowings resulting from the repayment of bankers' acceptances and revolving credit amounting to RM3.11 million.

**11.3.12 Trend analysis**

As at the LPD, our Board confirms that there are no:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in this section and Sections 6 and 8 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 11.3.11(viii) of this Prospectus;

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**11. FINANCIAL INFORMATION (Cont'd)**

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- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this section and Sections 6 and 8 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits as well as our liquidity and capital resources, save as disclosed in this section and Sections 6, 7 and 8 of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and Sections 6 and 8 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into consideration our Group's competitive advantages and key strengths, as well as business strategies as set out in Section 6 of this Prospectus.

**11.3.13 Order book**

We do not maintain an order book as we are involved mainly in the wholesale, design and manufacturing of gold jewellery, whereby our sales are carried out based on purchase and sales orders that we received from our customers on an on-going basis.

While we do not maintain an order book, our business is sustainable based on the following factors:

**Track record of our business operation**

We have an established track record of approximately 30 years since the commencement of our wholesaling of gold jewellery business in 1992 and manufacturing of gold jewellery in 1999 and this established track record has enabled us to garner the trust among our customers. We also have a experienced Managing Director who has approximately 30 years of experience in the jewellery industry and is supported by our Key Senior Management comprising the Head of Resource Planning, Head of Design and Development and Head of Production, who have been with us for at least 20 years, as well as the Group Financial Controller.

**Competitive landscape**

Based on the Industry Overview Report, our GP margin and PAT margin are comparable and primarily higher than the other industry operators. Our position within the Gold Jewellery Industry from the perspective of our GP margin and PAT margin as compared to other industry operators indicates that we have a sustainable position in the industry.

**Product substitution**

Gold is an element and chemically, there is no alternative to gold. Further, gold jewellery is commonly used as a store of value, and there are no alternative precious metals that are used as commonly and widely as gold to serve as a store of value by businesses, institutions as well as consumers.

As such, gold jewellery's unique attributes as adornment as well as a store of value would serve as a product that will continue to have consumer demand to sustain operators within the industry including our Group.

**11.3.14 Significant changes**

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2021 and up to the LPD.

**11.3.15 Accounting policies which are peculiar to the Group**

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Note 3 of the Accountants' Report included in Section 12 of this Prospectus.

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.4 DIVIDEND POLICY

It is our Boards' policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our Subsidiaries, present and future. The payment of dividends by our Subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant. Save for certain banking restrictive covenants, which our Subsidiaries are subject to, there is no other dividend restriction imposed on our Subsidiaries as at LPD.

In addition to the factors above which may affect the ability of our Subsidiaries to pay dividends to us, our Board will also consider, among others the following, when recommending the actual dividends for approval by shareholders or when declaring any interim dividends:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our working capital requirements;
- (iv) our other investment plans;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) any restrictive covenants contained in our current and future financing arrangements.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on the factors mentioned above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

During the Financial Years Under Review, we have declared and paid the following dividends:

	<b>Audited</b>			
	<b>FYE 2018 (RM'000)</b>	<b>FYE 2019 (RM'000)</b>	<b>FYE 2020 (RM'000)</b>	<b>FYE 2021 (RM'000)</b>
Dividends declared and paid (LAT)/PAT	-	-	175	-
Dividend payout ratio <sup>(a)</sup> (%)	(1,375)	4,862	9,370	7,104
	-	-	1.87	-

Note:

- (a) Computed based on dividends declared and paid divided by PAT.

Subsequent to the Financial Years Under Review and up to the LPD, there was no dividend declared or payable by our Group. Further, our Board does not intend to declare any dividends prior to our Listing.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

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## 11. FINANCIAL INFORMATION (*Cont'd*)

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### 11.5 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



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50100 Kuala Lumpur  
Malaysia

**The Board of Directors**  
YX Precious Metals Bhd  
No. 23, Jalan 2/131A,  
Project Jaya Industrial Estate,  
Batu 6, Jalan Kelang Lama,  
58200 Kuala Lumpur,  
Malaysia.

Date: 6 May 2022

Our ref: BDO/LKH/TKY2

Dear Sirs

**YX Precious Metals Bhd (“YXPM” or “the Company”) and its subsidiaries (“YXPM Group” or “the Group”)**  
**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 31 December 2021 (“This Report”)**

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We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2021 (“Pro Forma Consolidated Statements of Financial Position”). The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes thereon, for which we have stamped for purpose of identification, have been compiled by the Board of Directors of the Company (“Board of Directors”) for inclusion in the prospectus of the Company (the “Prospectus”) in connection with the listing of and quotation for the entire enlarged issued share capital of YXPM on the ACE Market of Bursa Malaysia Securities Berhad (the “Listing”).

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and are in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors, to illustrate the impact of the events or transactions as set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position on the Group’s financial position as at 31 December 2021 as if the events have occurred or the transactions have been undertaken on 31 December 2021. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the financial statements of YXPM, Yi Xing Goldsmith Sdn. Bhd. (“YXG”), Gemas Precious Metals Industries Sdn. Bhd. (“GPM”), Emas Assayer Sdn. Bhd. (“EASB”) and GPM Refinery Sdn. Bhd. (“GRSB”) for the financial period/year ended 31 December 2021, which have been audited.

#### **Directors’ Responsibility for the Pro Forma Consolidated Statements of Financial Position**

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

#### **Our Independence and Quality Control**

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Our Independence and Quality Control (continued)**

The firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibility**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

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11. FINANCIAL INFORMATION (Cont'd)

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**Reporting Accountants' Responsibility (continued)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

**Other Matter**

This Report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this Report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'BDO m'.

BDO PLT  
LLP0018825-LCA & AF 0206  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Law Kian Huat'.

Law Kian Huat  
02855/06/2022 J  
Chartered Accountant



11. FINANCIAL INFORMATION (Cont'd)

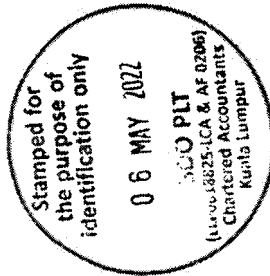
YX Precious Metals Bhd (Registration No. 202101001245 (1401543-M))  
Pro Forma Consolidated Statements of Financial Position

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

The Pro Forma Consolidated Statements of Financial Position have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2021 based on the assumptions that the transactions set out in Note 1.3 had been effected on that date, and should be read in conjunction with the notes thereon.

Note	As at 31 December 2021 RM'000	Adjustments for the Acquisition RM'000	Pro Forma I After Acquisition RM'000	Adjustments for Public Issue RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Adjustments for Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
<b>ASSETS</b>							
<b>Non-current asset</b>							
3	23	1,871	1,894	-	1,894	6,900	8,794
	-	696	696	-	696	-	696
	-	61	61	-	61	-	61
	23	2,628	2,651	-	2,651	6,900	9,551
<b>Current assets</b>							
4	-	49,089	49,089	-	49,089	20,861	69,950
	1,204	18,075	19,279	-	19,279	-	19,279
	-	*	*	-	*	-	*
5	*	8,853	8,853	31,261	40,114	(31,261)	8,853
	1,204	76,017	77,221	31,261	108,482	(10,400)	98,082
	1,227	78,645	79,872	31,261	111,133	(3,500)	107,633
<b>TOTAL ASSETS</b>							
<b>EQUITY AND LIABILITIES</b>							
Equity attributable to owners of the parent							
6	*	52,100	52,100	31,261	83,361	(545)	82,816
6	-	(34,500)	(34,500)	-	(34,500)	-	(34,500)
6	(86)	41,686	41,600	-	41,600	(2,955)	38,645
	(86)	59,286	59,200	31,261	90,461	(3,500)	86,961
<b>TOTAL EQUITY</b>							

\* Amount is less than RM1,000.



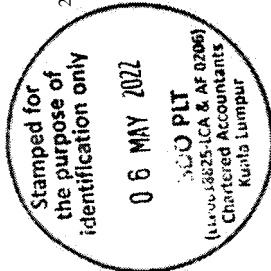
**11. FINANCIAL INFORMATION (Cont'd)**

YX Precious Metals Bhd (Registration No. 202101001245 (1401543-M))  
Pro Forma Consolidated Statements of Financial Position

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (continued)**

The Pro Forma Consolidated Statements of Financial Position have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2021 based on the assumptions that the transactions set out in Note 1.3 had been effected on that date, and should be read in conjunction with the notes thereon. (continued)

	Note	As at 31 December 2021 RM'000	Adjustments for the Acquisition RM'000	Pro Forma I After Acquisition RM'000	Adjustments for Public Issue RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Adjustments for Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
<b>LIABILITIES</b>								
<b>Non-current liabilities</b>								
Lease liabilities		-	386	386	-	386	-	386
Deferred tax liabilities		-	67	67	-	67	-	67
		-	453	453	-	453	-	453
<b>Current liabilities</b>								
Trade and other payables		1,313	681	1,994	-	1,994	-	1,994
Lease liabilities		-	203	203	-	203	-	203
Borrowings		-	17,309	17,309	-	17,309	-	17,309
Current tax liabilities		-	713	713	-	713	-	713
		1,313	18,906	20,219	-	20,219	-	20,219
<b>TOTAL LIABILITIES</b>		1,313	19,359	20,672	-	20,672	-	20,672
<b>TOTAL EQUITY AND LIABILITIES</b>		1,227	78,645	79,872	31,261	111,133	(3,500)	107,633
Net (liabilities)/assets (RM'000)	(86)			59,200		90,461		86,961
Number of ordinary shares in issue ('000)	*			260,502		372,150		372,150
Net (liabilities)/assets attributable to equity holders per ordinary share (RM)	(8,664.40)			0.23		0.24		0.23



\* Amount is less than 1,000 / RM1,000.

**11. FINANCIAL INFORMATION (Cont'd)**

YX Precious Metals Bhd (Registration No. 202101001245 (1401543-M))  
Pro Forma Consolidated Statements of Financial Position

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**1. INTRODUCTION, BASIS OF PREPARATION AND LISTING SCHEME**

**1.1 Introduction**

The Pro Forma Consolidated Statements of Financial Position of YX Precious Metals Bhd (“YXPM” or “the Company”) and its subsidiaries, namely Emas Assayer Sdn. Bhd. (“EASB”), Gemas Precious Metals Industries Sdn. Bhd. (“GPM”), GPM Refinery Sdn. Bhd. (“GRSB”) and Yi Xing Goldsmith Sdn. Bhd. (“YXG”) (collectively referred to as “YXPM Group”, “Pro Forma Group” or “the Group”) as at 31 December 2021 (“Pro Forma Consolidated SOFP”) together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of YXPM on the ACE Market of Bursa Malaysia Securities Berhad (“Listing”).

**1.2 Basis of preparation**

The Pro Forma Consolidated SOFP of the Group have been prepared on the basis consistent with the accounting policies adopted by the Group, in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”) and with the requirements of the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The audited financial statements of YXPM, EASB, GPM, GRSB and YXG for the financial period/year ended 31 December 2021 were not subject to any audit qualification.

The Pro Forma Consolidated SOFP together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 1.3 had the events occurred or the transactions been undertaken on 31 December 2021. The Pro Forma Consolidated SOFP are not necessarily indicative of the financial position of the Group that would have been attained had the effects of the events or transactions as set out in Note 1.3 actually occurred at the respective dates. Accordingly, such information, because of its nature, may not be reflective of the actual financial position of the Group and does not purport to predict the future financial position of the Group.

The Group has applied the merger method of accounting as all the entities within the Group are under common control before and after the acquisition of EASB, GPM, GRSB and YXG.

Under the merger method of accounting, the retained earnings and other equity balances of the Group immediately before the combination and the results from the beginning of the accounting period to the date of the combination are those of EASB, GPM, GRSB and YXG. The equity structure, however, reflects the equity structure of YXPM, including the equity instruments issued to effect the combination which resulted in a merger reserve as disclosed below:

	<b>RM'000</b>
New ordinary share in YXPM (“Share(s)”) issued by the Company as consideration for the acquisition of EASB, GPM, GRSB and YXG	52,100
Reversal of issued share capital of EASB, GPM, GRSB and YXG pursuant to the merger	<u>(17,600)</u>
Merger reserve	<u><u>34,500</u></u>



**11. FINANCIAL INFORMATION (Cont'd)**

YX Precious Metals Bhd (Registration No. 202101001245 (1401543-M))  
Pro Forma Consolidated Statements of Financial Position

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)****1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)****1.3 Listing Exercise**

The following proposals were undertaken in conjunction with, and as an integral part of the Listing:

**1.3.1 Acquisition**

On 18 August 2021, the Company entered into a conditional share sale and purchase agreement with its holding company, Tomei Consolidated Berhad (“Tomei”) for the acquisitions of:

- (i) Acquisition of the entire issued share capital of EASB from Tomei, comprising 500,000 ordinary shares in EASB for a purchase consideration of RM475,204, satisfied via the issuance of 2,376,020 YXPM Shares at an issue price of RM0.20 each;
- (ii) Acquisition of the entire issued share capital of GPM from Tomei, comprising 10,600,000 ordinary shares in GPM for a purchase consideration of RM15,847,132, satisfied via the issuance of 79,235,660 YXPM Shares at an issue price of RM0.20 each;
- (iii) Acquisition of the entire issued share capital of GRSB from Tomei, comprising 2 ordinary shares in GRSB for a purchase consideration of RM2, satisfied via the issuance of 10 YXPM Shares at an issue price of RM0.20 each; and
- (iv) Acquisition of the entire issued share capital of YXG from Tomei, comprising 6,500,000 ordinary shares in YXG for a purchase consideration of RM35,778,060, satisfied via the issuance of 178,890,300 YXPM Shares at an issue price of RM0.20 each.

The aggregate purchase consideration of RM52,100,398, to be satisfied via the issuance of 260,501,990 new YXPM Shares to Tomei at RM0.20 per Share was arrived at on a willing buyer-willing seller basis and after taking into consideration the audited net assets of EASB, GPM and YXG as well as the audited net liability position of GRSB as at 31 December 2020.

The acquisitions were completed on 12 April 2022 and EASB, GPM, GRSB and YXG became wholly owned subsidiaries of the Company.

**1.3.2 Public Issue**

The Public Issue of 111,648,000 new Shares, representing 30.00% of the enlarged issued share capital of YXPM at an issue price of RM0.28 per Share to be allocated and allotted in the following manner:

- (i) 18,608,000 new Shares made available for application by Malaysian public;
- (ii) 11,162,000 new Shares made available for application by the eligible directors and employees of YXPM Group, directors and employees of Tomei and its subsidiaries as well as any other persons who have contributed to the success of the Group;
- (iii) 18,608,000 new Shares made available for application by all entitled shareholders of Tomei;
- (iv) 16,751,200 new Shares made available by way of private placement to selected investors; and
- (v) 46,518,800 new Shares made available by way of private placement to selected Bumiputera investors approved by the Ministry of International Trade and Industry, Malaysia.

**1.3.3 Listing and Quotation on the ACE Market of Bursa Malaysia Securities Berhad**

Upon completion of the Public Issue, YXPM would seek the listing of and quotation for its entire enlarged issued share capital of RM83,361,840 comprising 372,150,000 Shares on the ACE Market of Bursa Malaysia Securities Malaysia.



**11. FINANCIAL INFORMATION (Cont'd)**

YX Precious Metals Bhd (Registration No. 202101001245 (1401543-M))  
Pro Forma Consolidated Statements of Financial Position

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**

**1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)**

**1.3.4 Utilisation of Proceeds from Public Issue**

The gross proceeds from the Public Issue of RM31,261,440 are expected to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM'000
Capital expenditure:		
- Purchase of new machinery and equipment	24 months	4,400
- Expansion and upgrading of operational facilities	24 months	2,500
Total capital expenditure		6,900
Working capital		
- Purchase of raw materials	12 months	20,861
Estimated listing expenses	3 months	3,500
		31,261

The estimated listing expenses totalling RM3,500,000 comprise underwriting fees, placement fees, brokerage fees, regulatory fees, professional fees and miscellaneous expenses relating to the Public Issue and the Listing. The estimated listing expenses of RM544,500 directly attributable to the Public Issue will be offset against the share capital of the Company and the remaining estimated listing expenses of RM2,955,500 will be expensed off to the profit or loss.

**2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

**2.1 PRO FORMA ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**2.1.1 PRO FORMA I**

Pro Forma I incorporates the effects of the acquisitions of subsidiaries as disclosed in Note 1.3.1.

**2.1.2 PRO FORMA II**

Pro forma II incorporates the effects of Pro Forma I and Public Issue as disclosed in Note 1.3.2.

**2.1.3 PRO FORMA III**

Pro forma III incorporates the effects of Pro Forma II and the utilisation of proceeds as disclosed in Note 1.3.4.



**11. FINANCIAL INFORMATION (Cont'd)**

YX Precious Metals Bhd (Registration No. 202101001245 (1401543-M))  
Pro Forma Consolidated Statements of Financial Position

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT**

The movements of property, plant and equipment are as follows:

	<b>RM'000</b>
<b>As at 31 December 2021</b>	<b>23</b>
Adjustments for the Acquisition	1,871
<b>Pro Forma I/ Pro Forma II</b>	<b>1,894</b>
Adjustments for utilisation of proceeds - Capital expenditure	6,900
<b>Pro Forma III</b>	<b>8,794</b>

**4. INVENTORIES**

The movements of inventories are as follows:

	<b>RM'000</b>
<b>As at 31 December 2021</b>	<b>-</b>
Adjustments for the Acquisition	49,089
<b>Pro Forma I/ Pro Forma II</b>	<b>49,089</b>
Adjustments for utilisation of proceeds - Purchase of raw materials	20,861
<b>Pro Forma III</b>	<b>69,950</b>

