

## **7. BUSINESS OVERVIEW**

### **7.1 HISTORY OF OUR GROUP**

#### **7.1.1 Ownership and group structure**

Our Company was incorporated in Malaysia on 18 July 2022 under the Act as a private limited company and was subsequently converted to a public limited company on 16 December 2022. Our Company was incorporated to facilitate the Listing.

Our history started in 1998 with the incorporation of MST Stainless Steel Enterprise (expired in April 2005), a partnership business involved in the trading of stainless steel sanitary valves, tubes & fittings, by the late Cheong Chee Hoo (50.0%) (the brother of Cheong Chee Son, our Managing Director) who passed away in 2010 and Looi Poo Poo, our Executive Director (50.0%). The trading business started with a small workforce of 3 personnel and we began by providing such products to small engineering companies serving end-customers in the F&B industry.

In 2001, Cheong Chee Son joined MST Stainless Steel Enterprise as Sales Assistant, where he assisted in the management of business operations and establishing business relationships with vendors.

#### **MST MY and Minox MY**

In 2004, as our business continued to grow, Cheong Chee Son (33.4%) incorporated MST MY with Cheong Chee Hoo (33.3%) and the late Kow Kai Meng (husband of Looi Poo Poo) who passed away in 2021 (33.3%) and took over the entire business of MST Stainless Steel Enterprise. Between 2005 and 2007, by way of allotment of new shares, their shareholdings in MST MY were restructured resulting in Cheong Chee Son, Cheong Chee Hoo and Kow Kai Meng holding 18.8%, 56.2% and 25.0% in MST MY respectively. In 2010, Cheong Chee Hoo disposed his entire 56.2% shareholdings in MST MY to Cheong Chee Son at a cash consideration of RM562,000 being his original cost of investment, resulting in Cheong Chee Son and Kow Kai Meng holding 75.0% and 25.0% equity interest respectively in MST MY.

In 2006, Cheong Chee Son (33.4%) incorporated Minox MY with Cheong Chee Hoo (33.3%) and Kow Kai Meng (33.3%). In 2010, Cheong Chee Son acquired Cheong Chee Hoo's 33.3% shareholdings in Minox MY at a cash consideration of RM1 being his original cost of investment. In 2013, by way of allotment of new shares, the shareholdings in Minox MY were restructured resulting in Cheong Chee Son and Kow Kai Meng holding 75.0% and 25.0% equity interest respectively in Minox MY.

In 2013, Looi Poo Poo was appointed as a director of MST MY and Minox MY (both non-executive role). Subsequently in 2019, she became a shareholder of both MST MY and Minox MY and took over 25.0% equity interest in both companies from Kow Kai Meng at a cash consideration of RM375,000 and RM50,000 respectively being his original cost of investment. In 2020, she was appointed as our Executive Director.

In 2019, MVFM TW was incorporated by MST MY (55.0%) and 5 other Taiwanese shareholders namely, Wu Xin-Pei (2.0%), Liang Bi-Yu (4.0%), Wang Ren-Cun (7.0%), Huang Qiu-Xue (12.0%) and Lai Ying-Ying (20.0%). Subsequently in 2022, MST MY disposed its entire shareholdings (55.0%) to Tan Kok Hooi, a non-related party, at a consideration of 11.00 million Taiwanese Dollar (equivalent to approximately RM1.60 million) being MST MY's original cost of investment.

**7. BUSINESS OVERVIEW (Cont'd)****Minox SG**

In 2007, Cheong Chee Son (11.0%) co-founded Minox SG with Cheong Chee Hoo (40.0%), Kee Kong Beng Jason (17.0%) and 2 other passive shareholders namely, Tan Yeow Hwee (16.0%) and Teo Siow Ai (16.0%), to tap into the Singapore market. In 2008, Tan Yeow Hwee and Teo Siow Ai exited to pursue their personal interests and sold their entire equity interest to Kee Kong Beng Jason at a cash consideration of SGD32 being their original cost of investment, resulting in him holding 49.0% equity interest in Minox SG.

In February 2012, Cheong Chee Son and his sister, Cheong Mei Leng inherited Cheong Chee Hoo's 40.0% shareholdings in Minox SG in equal proportions. Shortly thereafter, Cheong Mei Leng sold her 20.0% shareholdings to Cheong Chee Son at a cash consideration of SGD2,000 being her original cost of investment, resulting in Cheong Chee Son and Kee Kong Beng Jason holding 51.0% and 49.0% equity interest respectively in Minox SG.

In June 2022, due to the entry of Ng Kwang Hua (a passive shareholder) and Looi Poo Poo, Minox SG undertook the following transactions: (1) issuance of bonus shares to Cheong Chee Son and Kee Kong Beng Jason; (2) new subscription of shares by each of Cheong Chee Son and Kee Kong Beng Jason; (3) investment by Ng Kwang Hua (a passive shareholder); and (4) acquisition by Looi Poo Poo of 29.0% equity interest from Cheong Chee Son (16.7%) at a cash consideration of SGD167,400 both being their original cost of investment and from Kee Kong Beng Jason (12.3%) at a cash consideration of SGD122,600 both being their original cost of investment. This resulted in Cheong Chee Son, Kee Kong Beng Jason, Looi Poo Poo and Ng Kwang Hua holding 22.0%, 25.0%, 29.0% and 24.0% equity interest respectively in Minox SG.

**Minox TH**

In 2008, Minox TH was co-founded by Cheong Chee Son (38.0%), Nopparan Suwanpimolkul (28.0%), Rujira Jerngmanotham (5.0%) and 4 other passive shareholders (namely Napchanok Suwanpimolkul (20.5%) and Jaruwan Suwanpimolkul (5.0%) who are family members of Nopparan Suwanpimolkul, Boonmee Jernmanotham (0.5%) who is a family member of Rujira Jerngmanotham and Kanyawee Tanakulasi (3.0%), a non-related party). In 2009, Kanyawee Tanakulasi disposed her entire shareholding in Minox TH (3.0%) at a cash consideration of THB60,000 being her original cost of investment, to Nopparan Suwanpimolkul, resulting in him holding 31.0% shareholdings in Minox TH. In 2013, Napchanok Suwanpimolkul (20.5%), Jaruwan Suwanpimolkul (5.0%), Boonmee Jernmanotham (0.5%) disposed their shareholdings to the current shareholders in Minox TH at an aggregate cash consideration of THB520,000 being their original cost of investment. In the same year, Nopparan Suwanpimolkul also disposed some of his shareholdings to Cheong Chee Son and Rujira Jerngmanotham at an aggregate cash consideration of THB520,000 being his original cost of investment. This resulted in Cheong Chee Son, Nopparan Suwanpimolkul and Rujira Jerngmanotham holding 49.0%, 30.0% and 21.0% equity interest respectively in Minox TH.

**MST SG**

In 2011, Cheong Chee Son (70.0%) co-founded MST SG with Liew Siang Ji (30.0%) to expand our presence in the SEA region.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**Minox ID**

In 2013, Minox ID was incorporated by a passive shareholder, Mariati (80.0%) and Gamal Abdul Nashir (20.0%). In 2019, Mariati exited to pursue her personal interests and disposed her entire shareholdings to Cheong Chee Son and Gamal Abdul Nashir at a cash consideration of IDR368,500,000 and IDR71,500,000 respectively being her original cost of investment, resulting in them holding 67.0% and 33.0% respectively. Cheong Chee Son was also appointed as Commissioner of Minox ID in the same year.

In December 2022, we undertook the Acquisitions as part of our Listing which resulted in the formalisation of our Group structure.

**7.1.2 Business**

In 1998, upon establishment of MST Stainless Steel Enterprise, we operated out of a rented shoplot located at Bandar Bukit Puchong, Selangor with a built-up area of approximately 2,000 sq ft. During this period, our customers were mainly small engineering companies handling replacement, maintenance and small fabrication works for F&B plants.

In 2003, we secured our first project order from Dutch Lady Milk Industries Berhad, a leading dairy company listed on the Main Market of Bursa Securities (a subsidiary of a Dutch multinational dairy cooperative) which is principally involved in the manufacturing and distribution of a wide range of dairy products under various brand names, who still remains our customer till date, to supply stainless steel sanitary valves, tubes & fittings for the installation of its new automated processing plant in Petaling Jaya, Selangor. In 2003, "MINOX®" brand was successfully registered by Cheong Chee Hoo and was subsequently transferred to our Group in 2013.

In 2004, recognising the importance of branding and marketing, we officially launched our in-house brand, "MINOX®", and worked with third-party manufacturers based in China, Taiwan and Europe to manufacture our "MINOX®" brand of sanitary products. Our founders incorporated MST MY to take over the business of MST Stainless Steel Enterprise, and began distributing our "MINOX®" brand of stainless steel sanitary valves, tubes & fittings. In the same year, we successfully penetrated into the pharmaceutical industry, beginning with an order from Duopharma (M) Sdn Bhd to supply stainless steel sanitary tubes & fittings. Since then, we continue to grow our business in the pharmaceutical industry with new customers such as Biocon Sdn Bhd, Xepa-Soul Pattison (Malaysia) Sdn Bhd, Solution Biologics Sdn Bhd, Millennium Technology Systems Sdn Bhd, Deltaflex Sdn Bhd and Puretech Engineering Sdn Bhd, who are our Group's active customers to-date.

Also in 2004, we established a dedicated sales and marketing team to increase our business development as well as marketing efforts to secure more orders. Through these endeavours, we successfully secured new purchase orders from both local and multinational companies which includes F&N Coca-Cola (M) Sdn Bhd (presently known as F&N Beverages Marketing Sdn Bhd) (2004), Malaysia Milk Sdn Bhd (2005), Unilever Foods (M) Sdn Bhd (2005), Kerry Ingredients Sdn Bhd (2006) and Johnson & Johnson (M) Sdn Bhd (2007). Save for Unilever Foods (M) Sdn Bhd, these companies are still our Group's customers to-date. In the same year, we started distributing our "MINOX®" brand of sanitary products in Thailand, via our then Thai representative agent.

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**7. BUSINESS OVERVIEW (Cont'd)**

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In 2005, we further expanded our overseas market coverage to Vietnam. As part of our business growth, we also expanded our "MINOX®" brand product offerings from only stainless steel sanitary valves, tubes & fittings to include sanitary installation components & equipment such as pumps and tank equipment. In the same year, we commenced distribution of ContiTech Schlauch GmbH ("**ContiTech**", a German-based functional parts, components and systems manufacturer supporting the oil and gas, food, water management, chemical/petrochemical, mining, mechanical engineering and others industries)'s flexible rubber hoses.

In 2006, Minox MY was incorporated to streamline the overall business and focus. Minox MY focuses on the local distribution of "MINOX®" brand of sanitary products to industrial end-customers while MST MY focuses on onward distribution to our regional offices and representative agents. In the same year, we became a member of EHEDG, allowing us to access EHEDG's guidelines and resources. This enabled us to understand the latest product design criteria and developments as well as keep abreast with current and new guidelines in relation to the production of sanitary products. We also continuously develop our "MINOX®" brand of sanitary products in line with EHEDG's latest guidelines on hygienic design.

In 2007, we relocated our operations to 2 adjacent shoplots in Puchong, Selangor with a built-up area of approximately 8,200 sq ft to support our business growth. In the same year, we also penetrated into the Philippines market and incorporated Minox SG to distribute our products to industrial end-customers in Singapore.

In 2008, we incorporated Minox TH to directly distribute our "MINOX®" brand of sanitary products in Thailand and cease to distribute our products via our then Thai representative agent. In the same year, we commenced distribution of Rubber Fab Gasket & Molding Inc ("**Rubber Fab**", a supplier of sanitary gaskets, rubber hoses and fittings for hygienic process industries based in USA)'s flexible rubber hoses and gaskets. We also commenced distribution of TEMPRESS A/S ("**TEMPRESS**", a mechanical pressure and temperature instruments manufacturer based in Denmark)'s non-sanitary pressure gauges and thermometers. Later in 2017, we appointed TEMPRESS as our third-party manufacturer to manufacture our "MINOX®" brand of sanitary-grade pressure gauges and thermometers.

In tandem with growing demand for our products as well as the need to maintain and assure the quality and inventory level of our products, we constructed a warehouse in Melaka in 2011 with a built-up area of approximately 40,660 sq ft. This property has been disposed in July 2022 as we intend to improve and better manage our business operations by centralising our warehousing operations in Malaysia in near proximity to each other. In December 2022, we relocated our operations in Melaka to Warehouse 3 (distribution centre) in Puchong Selangor.

Additionally, in 2011, MST SG was incorporated to cater for our regional expansion and facilitate better implementation and execution of multinational companies' projects throughout SEA.

In 2013, we incorporated Minox ID and extended our market reach to Indonesia. We have since built up market presence in Indonesia particularly in the F&B industry.

In 2016, we received our largest order to date of approximately RM2.00 million, where we supplied stainless steel sanitary valves, tubes & fittings to a project from PureCircle Sdn Bhd (a subsidiary of PureCircle Ltd, a USA-based producer and innovator of stevia sweeteners then for the global F&B industry).

In 2017, we expanded our "MINOX®" brand range of sanitary products to include FDA-compliant rubber hoses for end-customers across diverse industries.

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**7. BUSINESS OVERVIEW (Cont'd)**

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In 2018, we commenced distribution of GECITech Sas ("**GECITech**", a French-based flexible hoses and stainless steel fittings manufacturer supporting the food, chemical, pharmaceutical, biotechnology and cosmetic industries)'s flexible rubber hoses.

In 2019, to cater for our business expansion, we relocated from the 2 adjacent shoplots in Puchong, Selangor to our Headquarters cum Warehouse 1 with an approximate built-up area of 14,367 sq ft. Additionally, we also successfully ventured into the semiconductor industry by securing an order from Tialoc Malaysia Sdn Bhd to supply sanitary tubes & fittings to SunPower Malaysia Manufacturing Sdn Bhd, a company involved in the manufacturing of semiconductors and related solid-state devices. Since then, we have successfully expanded our customer base in the semiconductor industry to include Leeden Gas Sdn Bhd, Faeth Asia Pacific Sdn Bhd, Gases System Engineering Services Sdn Bhd, Reliance Engineering Solutions Sdn Bhd and Advanced Ceramics Technology (M) Sdn Bhd, who are our Group's active customers to-date.

In 2019, we also incorporated MVFM TW with the intention to manufacture "MINOX<sup>®</sup>" brand and third-party brands of sanitary products. Since its incorporation, Cheong Chee Son was appointed as Director of MVFM TW and was responsible for its sales. As part of its after sales service, MVFM TW's customers' will need constant feedback from him on the manufacturing processes. However, due to his limited knowledge in the technical manufacturing processes, Cheong Chee Son decided to focus on his expertise, which is the distribution of "MINOX<sup>®</sup>" brand of sanitary products. As such, Cheong Chee Son ceased to be a director in April 2022 and MST MY disposed its entire shareholdings in MVFM TW (55.0%) to Tan Kok Hooi (non-related party) in July 2022 at MST MY's original cost of investment. MVFM TW still remains our Group's representative agent to distribute our "MINOX<sup>®</sup>" brand of sanitary products in Taiwan as well as our Group's third-party manufacturer for "MINOX<sup>®</sup>" brand of valves.

In 2021, our "MINOX<sup>®</sup>" brand of sanitary fittings for the F&B industry have been authorised to use the 3-A Symbol, which states our sanitary fittings are in compliance with 3-A Sanitary Standards, thereby fostering greater confidence and assurance in our "MINOX<sup>®</sup>" brand amongst our customers. Our customers comprise of industrial end-customers as well as project consultants and contractors (i.e. the process system providers to the F&B, pharmaceutical and semiconductor industries). In the same year, we expanded our market reach to Taiwan.

In 2022, our "MINOX<sup>®</sup>" brand of sanitary tubes for the F&B industry have been certified by EHEDG with the Type EL Class I Certification, which is a testament of our product quality.

In June 2023, our "MINOX<sup>®</sup>" brand of sanitary tubes for the F&B industry have been authorised to use the 3-A Symbol. This achievement further signifies our ongoing dedication to maintaining standards of hygiene and quality in our products.

Over the years, our Group has evolved from a stainless steel sanitary valves, tubes & fittings trading company serving the domestic market, to an established distributor of stainless steel sanitary valves, tubes & fittings, installation components & equipment, rubber hoses under our "MINOX<sup>®</sup>" brand and other related products serving end-customers in various industries locally and regionally.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.2 KEY ACHIEVEMENTS AND MILESTONES

Our Group's key achievements and milestones are listed in the table below:

<b>Year</b>	<b>Achievement or Milestones</b>
1998	<ul style="list-style-type: none"> <li>Establishment of MST Stainless Steel Enterprise and commencement of trading of stainless steel sanitary valves, tubes &amp; fittings to small engineering companies serving end-customers in the F&amp;B industry</li> </ul>
2003	<ul style="list-style-type: none"> <li>Registered "MINOX®" brand</li> </ul>
2004	<ul style="list-style-type: none"> <li>Officially launched our "MINOX®" brand of sanitary products</li> <li>Incorporation of MST MY to take over the entire business of MST Stainless Steel Enterprise</li> <li>Penetrated into the pharmaceutical industry</li> <li>Ventured into Thailand market</li> </ul>
2005	<ul style="list-style-type: none"> <li>Ventured into Vietnam market</li> <li>Expanded product offerings to include sanitary installation components &amp; equipment</li> <li>Commenced distribution of ContiTech's flexible rubber hoses</li> </ul>
2006	<ul style="list-style-type: none"> <li>Incorporation of Minox MY to manage the local distribution of our "MINOX®" products to industrial end-customers while MST MY focused on onward distribution to our regional offices and representative agents</li> <li>Became a member of EHEDG</li> </ul>
2007	<ul style="list-style-type: none"> <li>Ventured into the Philippines market</li> <li>Incorporation of Minox SG to manage the distribution of our "MINOX®" brand of sanitary products to industrial end-customers in Singapore</li> </ul>
2008	<ul style="list-style-type: none"> <li>Minox TH was incorporated to directly manage the distribution of our "MINOX®" products to industrial end-customers in Thailand</li> <li>Commenced distribution of Rubber Fab's flexible rubber hoses and gaskets</li> <li>Commenced distribution of TEMPRESS's non-sanitary pressure gauges and thermometers</li> </ul>
2011	<ul style="list-style-type: none"> <li>Set up our warehouse (distribution centre) in Melaka</li> <li>Incorporation of MST SG to manage the supply of our "MINOX®" products to multinational companies' projects throughout SEA</li> </ul>
2013	<ul style="list-style-type: none"> <li>Incorporation of Minox ID to venture into the Indonesia market</li> </ul>
2016	<ul style="list-style-type: none"> <li>Received our largest order to date amounting to approximately RM2.00 million from a project from PureCircle Sdn Bhd</li> </ul>
2017	<ul style="list-style-type: none"> <li>Expanded product offerings to include "MINOX®" FDA-compliant rubber hoses</li> </ul>
2018	<ul style="list-style-type: none"> <li>Commenced distribution of GECITech's flexible rubber hoses</li> </ul>
2019	<ul style="list-style-type: none"> <li>Penetrated into the semiconductor industry</li> </ul>



## 7. BUSINESS OVERVIEW (Cont'd)

Year	Achievement or Milestones
2021	<ul style="list-style-type: none"> <li>Our "MINOX®" brand of sanitary fittings for the F&amp;B industry have been authorised to use the 3-A Symbol</li> <li>Ventured into Taiwan market</li> </ul>
2022	<ul style="list-style-type: none"> <li>Our "MINOX®" brand of sanitary tubes for the F&amp;B industry have been certified by EHEDG with the Type EL Class I Certification</li> </ul>
2023	<ul style="list-style-type: none"> <li>Our "MINOX®" brand of sanitary tubes for the F&amp;B industry have been authorised to use the 3-A Symbol</li> </ul>

### 7.3 DESCRIPTION OF OUR BUSINESS

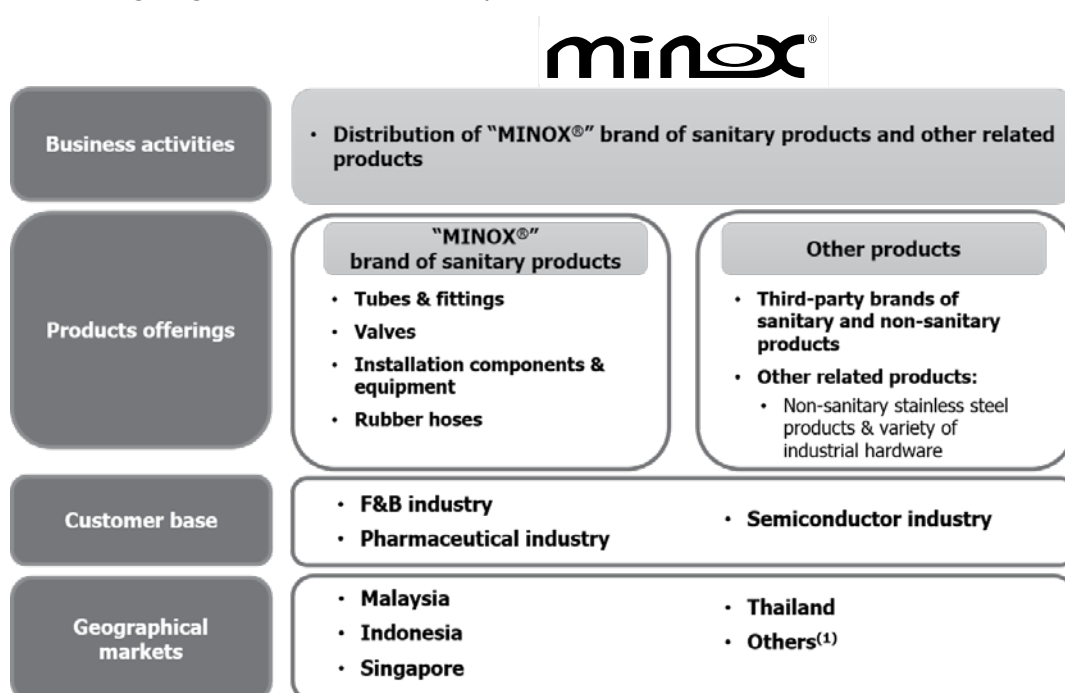
Our Group is principally engaged in the distribution of stainless steel sanitary valves, tubes & fittings, installation components & equipment, rubber hoses under our "MINOX®" brand and other related products. We have a comprehensive range of products, which ranges from different types and specifications (i.e. size, dimension and material grade) that cater to our industrial end-customers' diverse requirements. We supply our products to industrial end-customers either directly, or indirectly via project consultants or contractors who are responsible for the design, development and installation of the production lines. Some of our industrial end-customers have their own in-house engineering team to design and install its production lines, and will directly purchase products required or replacement parts from us.

As our products are used in production plants mainly in the F&B (for food production lines such as dairy and cereal products, food ingredients, food-grade flavourings and fragrances, pet foods as well as beverage production lines such as brewery, soft drink, juice and energy drinks, etc.), pharmaceutical (for production lines including powder/tablet/liquid forms of medicine and supplement products) and semiconductor (for production lines including electronic components, solar cells, storage media and light-emitting diode) industries, we strive to ensure that our "MINOX®" brand of sanitary products are of high quality and standards. In terms of product D&D, we undertake our product D&D activities in-house and subsequently we work with our third-party manufacturers to manufacture prototypes/finished products, i.e. "MINOX®" brand of sanitary products, which are in line with EHEDG's latest guidelines on hygienic design and to comply with international industry standards such as 3-A, DIN, DS, IDF and SMS (for all our sanitary products that are used in the F&B industry), and ASME BPE (for all our sanitary products that are used in the pharmaceutical industry). As for the semiconductor industry, smooth surfaces and leak-proofed design are important specifications although there is no specific certification is required. As such, we comply to such requirements to ensure the quality and reliability of our sanitary products that are used in the semiconductor industry. As our product D&D activities are performed in-house, the product design rights are owned by our Group. As at LPD, our Group has 13 third-party manufacturers and 1 supplier that supply us with our "MINOX®" brand of sanitary products.

In addition to our "MINOX®" brand of sanitary products, we also distribute third-party brands such as Rubber Fab, TEMPRESS, ContiTech and GECITech. Presently, we do not have any exclusive distributorship agreement with these third-party brands. Depending on customers' requirement, we can also source other types of non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and various types of industrial hardware. These products are provided as part of our value-added services to our existing customers. With our experience and industry expertise, we also offer product customisation services on a project-to-project basis as and when requested in order to address our industrial end-customers' specific requirements. Such product customisation services will generally take approximately 3 to 6 months, depending on the customer's requirements.

## 7. BUSINESS OVERVIEW (Cont'd)

The following diagram illustrates our Group's business model:



### Note:

- (1) Comprises mainly Bahrain, Cambodia, Denmark, Germany, India, Japan, South Korea, Myanmar, Sri Lanka, Spain, Taiwan, the Philippines, United Arab Emirates and Vietnam.

The products we distribute can be grouped into 2 main categories, namely:

- (i) "MINOX" brand of sanitary products, which constitutes 95.9%, 97.8%, 97.4%, 96.4% and 82.8% of our Group's total revenue for FYE 2019 to 2022 and FPE 2023 respectively, are segmented as follows:
- tubes & fittings;
  - valves;
  - installation components & equipment; and
  - rubber hoses.

In addition, we also distribute third-party brands of sanitary and non-sanitary products such as RubberFab, ContiTech, GECITech and TEMPRESS brands, which constitutes 0.8%, 0.6%, 0.6%, 1.0% and 0.7% of our total revenue for FYE 2019 to 2022 and FPE 2023 respectively.

- (ii) Other related products which includes non-sanitary stainless steel products and a variety of industrial hardware, constitutes 3.3%, 1.6%, 2.0%, 2.6% and 16.5% of our total revenue for FYE 2019 to 2022 and FPE 2023 respectively.



**7. BUSINESS OVERVIEW (Cont'd)**

Our core business is in the distribution of our "MINOX®" brand of sanitary products. We carry and distribute a total of approximately 7,480 SKUs as at LPD, of which the breakdown by product segments are as follows:



	No. of SKUs as at LPD	
	"MINOX®" brand of sanitary products	Third-party brands
Tubes & fittings	5,397	-
Valves	1,129	-
Installation components & equipment	758	12
Rubber hoses	73	80
Other related products	-	31
	<b>7,357</b>	<b>123</b>

The products which we distribute as at LPD are as segmentised and depicted below:


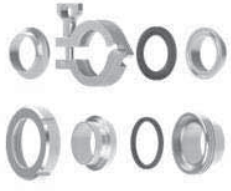

**(i) "MINOX®" brand of sanitary products**

The table below lists the types of "MINOX®" brand of sanitary products as at LPD:





**(a) Tubes & fittings**

<ul style="list-style-type: none"> <li>Sanitary tubes that are manufactured in specific stainless steel grade (304/304L and 316/316L) with inner surface finishing as low as <math>Ra \leq 0.8</math> micrometre<sup>(1)</sup> that are used in fluid or gas and compressed air handling process which hygiene and cleanliness are of critical importance</li> <li>Our Group's "MINOX®" brand of sanitary tubes for the F&amp;B industry is EHEDG certified as it is in compliance with Type EL Class I Certification by EHEDG</li> </ul>	
<p><u>Tubes</u></p>  <ul style="list-style-type: none"> <li>Applicable for F&amp;B and semiconductor industries</li> </ul>	<p><u>ASME BPE Tubes &amp; Fittings</u></p>  <ul style="list-style-type: none"> <li>The ASME BPE Standard tubes &amp; fittings is developed to provide high level of purity and bioburden control in a pipeline system</li> <li>Applicable for pharmaceutical industry</li> </ul>
<ul style="list-style-type: none"> <li>Sanitary fittings are products used in the pipeline systems, to connect straight sections of pipeline system to change and divert the flow of fluids. They are designed for use in F&amp;B, pharmaceutical and semiconductor applications where cleanliness and sterility are of the utmost importance</li> <li>Our Group's "MINOX®" brand of sanitary tubes &amp; fittings for the F&amp;B industry have been authorised to use the 3-A Symbol, which states such sanitary tubes &amp; fittings are in compliance with 3-A Sanitary Standards</li> </ul>	

**7. BUSINESS OVERVIEW (Cont'd)**

<ul style="list-style-type: none"> <li>We offer a variety of sanitary fittings which include pipe hangers, unions, flange connections, tees, elbows, reducers and FDA-compliant rubber gaskets/seal rings as illustrated below:</li> </ul>		
<p><u>Pipe hangers</u></p> 	<p><u>Unions</u></p> 	<p><u>Flange connections</u></p> 
<ul style="list-style-type: none"> <li>Used to suspend pipeline system from ceilings or overhead beams</li> <li>Applicable for F&amp;B, pharmaceutical and semiconductor industries</li> </ul>	<ul style="list-style-type: none"> <li>Used to unite two pipeline systems which can be detached without causing any deformation to the pipeline systems</li> <li>Manufactured using forged materials with higher mechanical strength</li> <li>We currently offer unions product range in different standard which includes clamp unions, SMS unions, DIN 11853/11864 standards unions (DIN hygienic unions/DIN aseptic unions), IDF unions, ring joint type unions and DS unions</li> <li>Applicable for F&amp;B and pharmaceutical industries</li> </ul>	<ul style="list-style-type: none"> <li>Used to connect piping and components in a pipeline system by use of bolted connections and gaskets</li> <li>Manufactured using forged materials with higher mechanical strength</li> <li>We currently offer flange connections products range in different standard which includes DIN 11853/11864 standards hygienic flange connections and aseptic flange connections</li> <li>Applicable for F&amp;B industry</li> </ul>







**7. BUSINESS OVERVIEW (Cont'd)**

<u>Tees</u>	<u>Elbows</u>	<u>Reducers</u>
 <ul style="list-style-type: none"> <li>• Used to change and divert the flow direction of fluids</li> <li>• We currently offer a variety of tee products such as equal tees, short branch tees, reducing tees, short branch reducing tees and cross tees</li> <li>• Applicable for F&amp;B and semiconductor industries</li> </ul> <p><u>FDA-compliant rubber gaskets/seal rings</u></p> 	 <ul style="list-style-type: none"> <li>• Used to change the flow direction of fluids</li> <li>• Applicable for F&amp;B and semiconductor industries</li> </ul>	 <ul style="list-style-type: none"> <li>• Used in the piping process to reduce the pipeline size from a larger bore to a smaller bore (inner diameter)</li> <li>• Applicable for F&amp;B and semiconductor industries</li> </ul>
<ul style="list-style-type: none"> <li>• Used to fill the space between 2 mating surfaces to ensure a tight fit and to prevent leakage from or into joined objects while under compression</li> <li>• Applicable for F&amp;B and pharmaceutical industries</li> </ul>		

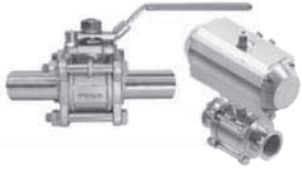





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**7. BUSINESS OVERVIEW (Cont'd)**

**(b) Valves**







<ul style="list-style-type: none"> <li>Valves are mechanical devices that control and divert the flow and pressure of fluids (for F&amp;B and pharmaceutical industries) or gas and compressed air (for semiconductor industry) within a production line</li> </ul>		
<p><u>Butterfly valves</u></p>  <ul style="list-style-type: none"> <li>An on-off valve used to shut off the flow of fluids in a pipeline system</li> <li>We currently offer 2 types of butterfly valve namely multi-position manual operating valves and pneumatic valves</li> <li>Applicable for F&amp;B industry</li> </ul>	<p><u>Seat valves</u></p>  <ul style="list-style-type: none"> <li>Used to divert or control the flow of fluids in a pipeline system</li> <li>We currently offer 2 types of seat valves namely manual (by turning handle) and pneumatic (with air actuator) seat valves</li> <li>Applicable for F&amp;B industry</li> </ul>	<p><u>Control heads/Positioners</u></p>  <ul style="list-style-type: none"> <li>Control head is an electronic automatic feedback positioner and sensor that monitors and ensures optimum valve control</li> <li>Applicable for F&amp;B industry</li> </ul>
<p><u>Diaphragm valves</u></p>  <ul style="list-style-type: none"> <li>Used to control the flow of fluids</li> <li>We currently offer 2 types of diaphragm valves namely manual (by turning handle) and pneumatic (with air actuator) diaphragm valves</li> <li>Applicable for F&amp;B and pharmaceutical industries</li> </ul>	<p><u>Non-return valves</u></p>  <ul style="list-style-type: none"> <li>Used to prevent backflow of fluids inside the pipeline system</li> <li>Applicable for F&amp;B industry</li> </ul>	<p><u>Floating valves</u></p>  <ul style="list-style-type: none"> <li>Used to control the level of fluids inside a tank</li> <li>Applicable for F&amp;B industry</li> </ul>

**7. BUSINESS OVERVIEW (Cont'd)**

<p><u>3-piece body sanitary ball valves</u></p>  <ul style="list-style-type: none"> <li>• A valve that swings open on both ends, allowing easy access to the valve's internals during maintenance and repair</li> <li>• We currently offer 2 types of 3-piece body sanitary ball valves namely manual (by turning handle) and pneumatic (with air actuator) 3-piece body sanitary ball valves</li> <li>• Applicable for F&amp;B and semiconductor industries</li> </ul>	<p><u>2-piece sanitary ball valves</u></p>  <ul style="list-style-type: none"> <li>• This is the most common ball valve which has two openings where the pipeline system is connected to the valve</li> <li>• Applicable for F&amp;B industry</li> </ul>	<p><u>Flow control valves</u></p>  <ul style="list-style-type: none"> <li>• A flow regulating valve that regulates the flow or pressure of fluids</li> <li>• Applicable for F&amp;B industry</li> </ul>
<p><u>Air release valves</u></p>  <ul style="list-style-type: none"> <li>• A valve that is often fitted at the highest point of the pipeline system to continually release unwanted air during production</li> <li>• Applicable for F&amp;B industry</li> </ul>	<p><u>Pressure relief valves</u></p>  <ul style="list-style-type: none"> <li>• A type of safety valve used to control or limit the pressure in a pipeline system</li> <li>• Applicable for F&amp;B industry</li> </ul>	<p><u>Sampling valves</u></p>  <ul style="list-style-type: none"> <li>• A type of valve used for sample collecting for the purpose of identification, QC or regulatory assessment</li> <li>• Applicable for F&amp;B industry</li> </ul>


**7. BUSINESS OVERVIEW (Cont'd)**



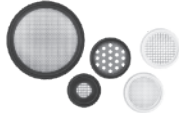
**(c) Installation components & equipment**



<ul style="list-style-type: none"> <li>We offer a variety of installation components &amp; equipment which includes tank equipment, filtration equipment, gauges and pumps as illustrated below:</li> </ul>		
<u>Tank equipment</u>		
<u>Level gauges</u>	<u>Manhole covers</u>	<u>Air vents</u>
		
<ul style="list-style-type: none"> <li>To observe the level of fluid content in the tank</li> <li>Applicable for F&amp;B industry</li> </ul>	<ul style="list-style-type: none"> <li>These are covers that are welded on all tanks with various opening devices for different applications</li> <li>We currently offer 3 types of manhole cover namely round manhole cover, pressure manhole cover and oval manwaydoor with different sizes</li> <li>Applicable for F&amp;B industry</li> </ul>	<ul style="list-style-type: none"> <li>Used to prevent vacuum or pressure relief from occurring in a tank</li> <li>Applicable for F&amp;B industry</li> </ul>
<u>Spray balls</u>	<u>Breather vent filters</u>	<u>Tank sight glasses</u>
		
<ul style="list-style-type: none"> <li>Cleaning nozzles installed in tank for self-cleaning</li> <li>We currently offer 2 types of spray ball namely rotary spray head and static spray ball</li> <li>Applicable for F&amp;B industry</li> </ul>	<ul style="list-style-type: none"> <li>Used for hygienic ventilation of stationary and mobile storage tanks</li> <li>Applicable for F&amp;B industry</li> </ul>	<ul style="list-style-type: none"> <li>Used for observation of the internal condition of a normally closed tank or container to observe the level of fluids within</li> <li>Applicable for F&amp;B industry</li> </ul>




**7. BUSINESS OVERVIEW (Cont'd)**

	<p><u>Inline sight glasses</u></p>  <ul style="list-style-type: none"> <li>• Used for visual observation and the tracking of colour consistency within the pipeline system</li> <li>• Applicable for F&amp;B industry</li> </ul>	
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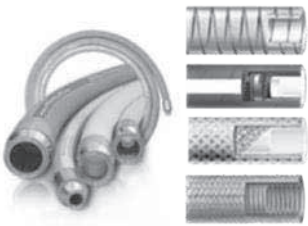
<u>Filtration equipment</u>		
<p><u>Angle filters</u></p>  <ul style="list-style-type: none"> <li>• Used to filter out particles and unnecessary solids</li> <li>• Applicable for F&amp;B industry</li> </ul>	<p><u>Inline filters</u></p> 	<p><u>Screen gaskets</u></p>  <ul style="list-style-type: none"> <li>• A wire-mesh filter made to fit into sanitary pipeline system and filter out impurities from fluids</li> <li>• Applicable for F&amp;B and pharmaceutical industries</li> </ul>

<u>Gauges</u>	
<p><u>Pressure gauges</u></p>  <ul style="list-style-type: none"> <li>• An instrument for measuring the pressure condition from fluids</li> <li>• Applicable for F&amp;B and pharmaceutical industries</li> </ul>	<p><u>Thermometers</u></p>  <ul style="list-style-type: none"> <li>• An instrument that measures the fluid temperature</li> <li>• Applicable for F&amp;B and pharmaceutical industries</li> </ul>

**7. BUSINESS OVERVIEW (Cont'd)**

<u>Pumps</u>	
<p><u>Sanitary centrifugal pumps</u></p> 	<ul style="list-style-type: none"> <li>• Most common type of pump used to transfer low viscosity fluids at a high flow rate and low pressure.</li> <li>• Applicable for transporting fluids and cleaning in place solution for F&amp;B and pharmaceutical industries</li> </ul>

**(d) Rubber hoses**

<ul style="list-style-type: none"> <li>• Rubber hoses are used for fluids or food transfer where a degree of natural flexibility is required and are specifically designed for sanitary suction and discharge applications</li> <li>• We offer a range of flexible rubber hoses that is FDA-compliant and is suitable for direct contact with food products</li> </ul>	
<p><u>FDA-compliant rubber hoses</u></p> 	<ul style="list-style-type: none"> <li>• Used in F&amp;B and pharmaceutical industries to transfer fluids or food from tanks to tanks or from pipeline system to tanks at a determined temperature or pressure range</li> <li>• We offer a variety of FDA-compliant flexible rubber hoses made with different materials such as EPDM, nitrile and silicone</li> </ul>

**Note:**

- (1) The surface roughness of  $Ra \leq 0.8$  micrometre is a surface finish measurement recommended by the EHEDG. The higher the level of purity demanded in the finished product, the finer the surface finish (lower Ra value) that will be required in the manufacturing applications.

We provide product warranty for all our "MINOX®" brand of sanitary products to our customers which is valid up to 12 months upon delivery (i.e. commencement of product warranty period is based on the date of delivery as stated in the delivery order). Any warranty claim received will be subjected to visual inspection by our QC personnel. We will provide one-to-one replacement warranty for any defective products that are not caused by improper application and usage by customers. We are able to claim warranty against our third-party manufacturers/supplier where issues arise on the functionality of mechanical parts on our products. Examples of issues on functionality of mechanical parts on our products include amongst other:

- (i) A pneumatic actuator does not function when supplied with air due to air leaking or spring issue; and
- (ii) A butterfly valve cannot be closed tightly against the gasket due to the size and roundness of the disc.

**7. BUSINESS OVERVIEW (Cont'd)**

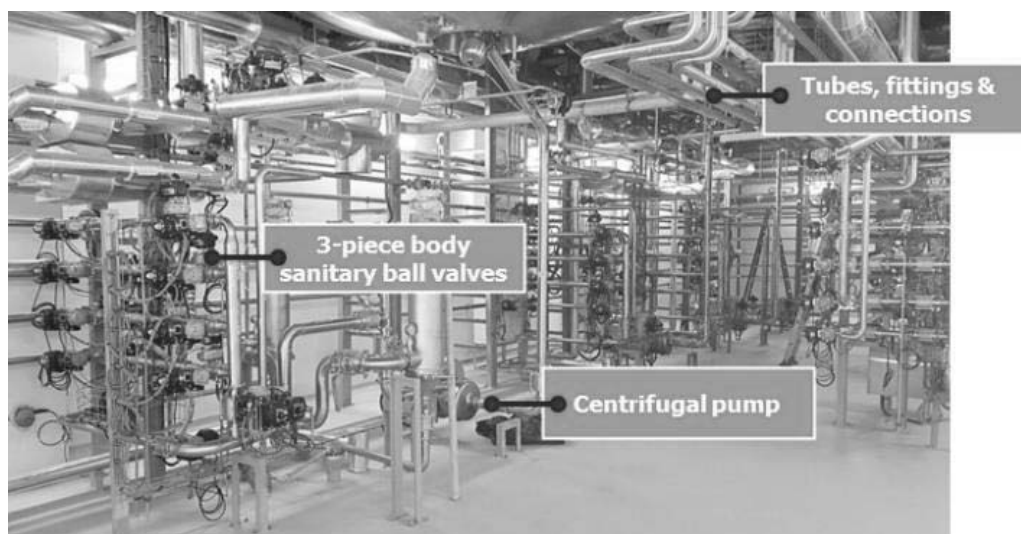
Nevertheless, the customers' claims that we received are often not for issues on functionality of mechanical parts on our products, and hence we do not claim warranty against our third-party manufacturers/supplier. This includes fixing rubber hose crimping (tightness) issues, pipe fitting issues due to roughness, roundness or thickness and/or butterfly valve gasket issues when old gasket design is wrongly delivered with new gasket design. During FYE 2019 to 2022 and FPE 2023, the warranty claims made against our products are as follows:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
"MINOX®" brand of sanitary products	34	11	3	8	2
Third-party brands of sanitary and non-sanitary products	-	4	(1)-	(1)-	(1)-

**Note:**

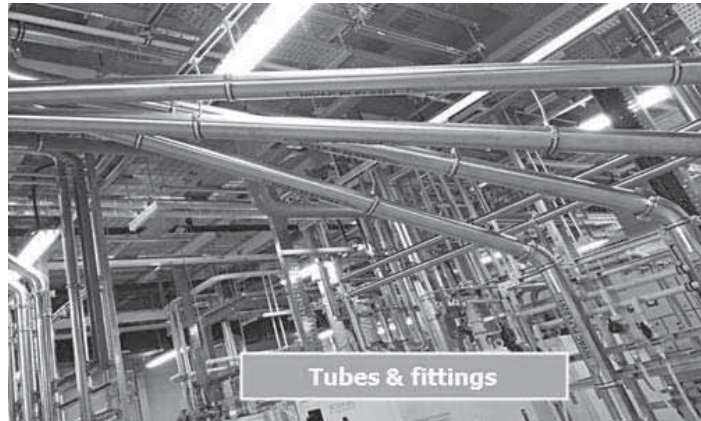
(1) Less than RM1,000.

Examples of our product's applications in different industrial end-customers' plants are illustrated below:

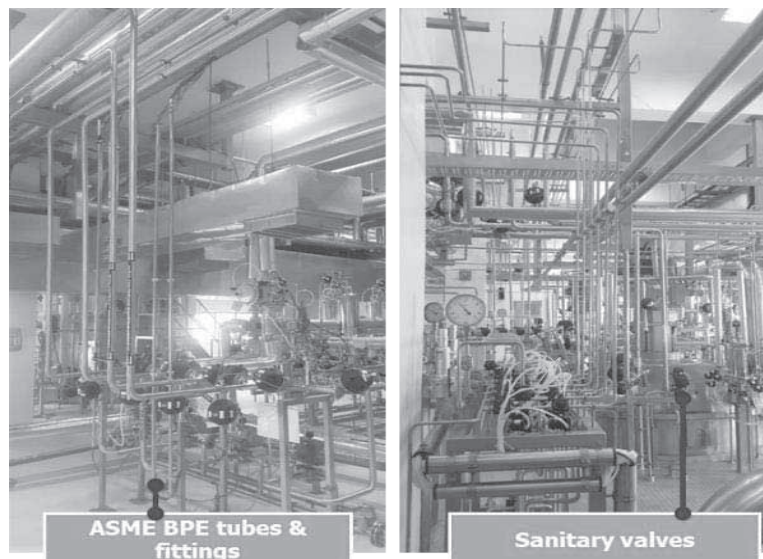


F&B hygienic production line

## 7. BUSINESS OVERVIEW (Cont'd)



Semiconductor production line



Pharmaceutical hygienic production line

In addition, we also distribute third-party brands of sanitary and non-sanitary products as follows:

- **Rubber Fab:** FDA-compliant flexible sanitary rubber hoses and gaskets
- **ContiTech:** FDA-compliant flexible sanitary rubber hoses
- **GECITech:** FDA-compliant flexible sanitary rubber hoses
- **TEMPRESS:** Non-sanitary pressure gauges and thermometers

In respect of third-party brands of sanitary and non-sanitary products, our suppliers do not provide any product warranty (save for non-sanitary products such as pressure gauges and thermometers which has a 18-months warranty period). For any claim(s) made by our customers on defective pressure gauges and thermometers, we will first do a one-to-one replacement with our customers and subsequently claim against our suppliers.

**7. BUSINESS OVERVIEW (Cont'd)****(ii) Other related products**

We provide value-added services to our customers by supplying other types of non-sanitary stainless steel products such as square hollow sections, plates (used for construction of supporting structures), pipes & fittings (used for installation of supporting lines), as well as a variety of industrial hardware, which includes tools, fasteners such as nuts and bolts, and other components.

The revenue contribution by our "MINOX®" brand of sanitary products as well as third-party brands of sanitary and non-sanitary products for FYE 2019 to 2022 and FPE 2023 are as follows:

	<b>Audited</b>									
	<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>"MINOX®" brand of sanitary products</b>	38,549	95.9	37,976	97.8	33,458	97.4	43,407	96.4	13,597	82.8
<b>Third-party brands of sanitary and non-sanitary products</b>										
• Rubber Fab	188	0.5	99	0.3	81	0.2	226	0.5	89	0.5
• ContiTech	16	0.1	27	0.1	17	0.1	86	0.2	3	(1)-
• GECITech	13	(1)-	13	(1)-	3	(1)-	5	(1)-	3	(1)-
• TEMPRESS	100	0.2	76	0.2	109	0.3	122	0.3	30	0.2
• Others <sup>(2)</sup>	1,329	3.3	613	1.6	691	2.0	1,174	2.6	2,707	16.5
	1,646	4.1	828	2.2	901	2.6	1,613	3.6	2,832	17.2
	<b>40,195</b>	<b>100.0</b>	<b>38,804</b>	<b>100.0</b>	<b>34,359</b>	<b>100.0</b>	<b>45,020</b>	<b>100.0</b>	<b>16,429</b>	<b>100.0</b>

**Notes:**

(1) Less than 0.1%.

(2) Comprises non-sanitary stainless steel products (no brand) such as square hollow sections, pipes & fittings, plates and industrial hardware.

We take a proactive approach in inventory management and generally maintain a minimum inventory level of 6 months in particular for products which are commonly requested by our customers. For new project implementation, upon delivery of product to customers, we will ensure that there is a 15.0% to 20.0% inventory level of the same products for the duration of the project (generally up to a year) as part of our commitment to minimise disruption to our industrial end-customers' project.

Post project implementation, it is vital for us to continue to maintain sufficient inventory level to ensure availability of different SKUs of our sanitary products post project implementation and/or to support our industrial end-customers' continuous replacement/maintenance of their manufacturing facilities. This is because our industrial end-customers are manufacturing facilities in the F&B, semiconductor and pharmaceutical industries and they cannot afford major downtime in their production activities. As such, they rely on us for timely replacement of our sanitary products in the event there is a production line malfunction.

## 7. BUSINESS OVERVIEW (Cont'd)

Furthermore, as we source our "MINOX®" brand of sanitary products from overseas third-party manufacturers, we endeavour to minimise any potential delay risk for the delivery of products from our third-party manufacturers. We will conduct monthly sales forecasts to estimate the demand for our products and manage our inventory level. In order to ensure that our inventory is sufficient to support the distribution of our "MINOX®" brand of sanitary products between our regional offices, representative agents and customers, we will generally maintain a minimum inventory of 6 months. Should our regional office in Singapore, Indonesia or Thailand have any immediate delivery orders to fulfil and are out of the required inventories, we are able to support our regional offices by either arranging delivery from our nearest regional office or representative agents, or arrange air freight delivery from Warehouse 3 (distribution centre). We have not experienced any inventory shortages in the past as we recognised the importance of maintaining sufficient inventory level to cater for our customers' needs.

Our Group currently operates from the following locations:



- Our Group also has representative agents in Taiwan, the Philippines and Vietnam to market and distribute our "MINOX®" brand of sanitary products in these countries

In terms of our warehouse capacities, the existing floor area of our warehouses used as storage space for our products and the utilisation rate as at LPD is as below:

<b>Locations</b>	<b>Storage area (sq ft)</b>	<b>Capacity<sup>(1)</sup></b>	<b>Usage<sup>(2)</sup></b>	<b>Utilisation rate (%)<sup>(3)</sup></b>
<b>Malaysia</b>				
Headquarters cum Warehouse 1	6,270	480	398	82.9
Warehouse 2	6,150	170	123	72.4
Warehouse 3 (distribution centre)	10,620	880	785	89.2
<b>Indonesia</b>				
Lot No. II-D, Kadumanggu Babakan Madang, Bogor Regency West Java Indonesia	4,800	160	95	59.4



**7. BUSINESS OVERVIEW (Cont'd)**

<b>Locations</b>	<b>Storage area (sq ft)</b>	<b>Capacity<sup>(1)</sup></b>	<b>Usage<sup>(2)</sup></b>	<b>Utilisation rate (%)<sup>(3)</sup></b>
Lot No. II-K, Kadumanggu Babakan Madang, Bogor Regency West Java Indonesia	2,500	200	165	82.5
Lot No. II-B, Kadumanggu Babakan Madang, Bogor Regency West Java Indonesia	3,600	65	30	46.2
Taman Pondok Jati A06-B Geluran, Taman, Sidoarjo Regency East Java Indonesia	250	12	11	91.7
<b>Singapore</b> 32 Old Toh Tuck Road #04-01 I.Biz Centre Singapore 597658	1,800	115	93	80.9
15 Yishun Industrial Street 1 #02-30 Win 5 Singapore 768091	2,500	156	130	83.3
15 Yishun Industrial Street 1 #02-29 Win 5 Singapore 768091	1,250	18	14	77.8
<b>Thailand</b> 888/8, Moo 9 Nai Khlong Bang Pla Kot Sub- district Phra Samut Chedi District Samut Prakan Province 10290, Thailand	2,400	112	98	87.5
888/10, Moo 9 Nai Khlong Bang Pla Kot Sub- district Phra Samut Chedi District Samut Prakan Province 10290, Thailand	2,000	30	23	76.7

**Notes:**

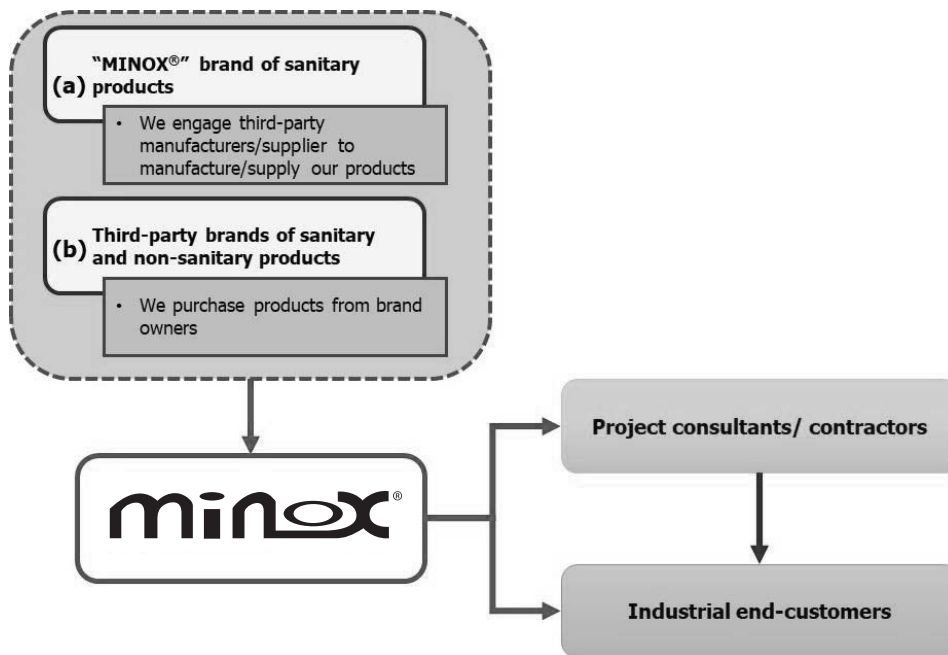
- (1) Calculated based on storage space available in the warehouse to store the maximum units of standard size pallet (measurement of 10.2 sq ft per pallet).

## 7. BUSINESS OVERVIEW (Cont'd)

- (2) Calculated based on actual number of standard size pallet utilised.
- (3) Calculated based on usage over capacity.

### 7.4 BUSINESS PROCESSES

The key stages of our business are as follows:



The following process flows details the distribution of our "MINOX®" brand of sanitary products as well as third-party brands of sanitary and non-sanitary products:

#### (a) "MINOX®" brand of sanitary products



##### Sales initiation

- Purchase order received (existing product range)

Upon receiving purchase order from our customers, we will proceed to check our inventory level and prepare our internal order fulfilment form. We will first review the orders to determine the required quantity of the order and its delivery timeline. We will then check the existing finished goods in our warehouses to determine whether new orders are required to be made with our third-party manufacturers/supplier.

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**7. BUSINESS OVERVIEW (Cont'd)**


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- Product D&D

Our product D&D and QC team undertakes new product development in-house based on the current market trend and requirement in terms of the latest production lines applied within the industrial end-customer industries (i.e. F&B, pharmaceutical and semiconductor industries). We also take into account feedbacks that we receive from our customers to further improve our existing products.

**Place order with third-party manufacturers/supplier**

- Existing product range

For products in our existing product range that are low in inventory or out of stock, we will proceed to place orders with our third-party manufacturers/supplier for them to commence production. We have 13 overseas third-party manufacturers, namely in China (5), Denmark (2), Italy (2), South Korea (1), Taiwan (1), Thailand (1) and Turkey (1), and 1 supplier in Hong Kong. Generally, our third-party manufacturers/supplier will take approximately 2 to 5 months for delivery depending on the quantity of orders.

- New products

Once the new product development outcome has met our requirements and are finalised, we will then engage our third-party manufacturer(s) to manufacture the product. We work closely with our third-party manufacturer(s) by providing them with the new product development information and detailed specifications (i.e. size, dimension and material grade). We will first request our third-party manufacturer(s) to produce a prototype based on such specifications. Our product D&D and QC team will then inspect the prototype against our specifications to ensure that such prototype is consistent with our requirements prior to us engaging them for mass production.

Our third-party manufacturers will generally take approximately 3 to 6 months (depending on specifications) to fulfil our new products' production order, beginning from prototype production up to mass production and final delivery to us.

In terms of raw materials, our third-party manufacturers are responsible for the sourcing and procurement of raw materials and related supplies required for the production process. While for in-manufacturing QC, it will be handled by our third-party manufacturers/supplier and we will conduct rigorous incoming quality checks.

**Incoming product inspection**

Finished products are then delivered by our third-party manufacturers/supplier to our distribution centre for QC before distributing to the respective regional offices' warehouses and representative agents. We will conduct a sampling test on all incoming products to ensure that they comply with our specifications as well as customers' requirements before accepting the incoming products. If a defective product is detected from the sampling test, we will then test the whole batch order for that particular product. In the event that further inspection identifies further defective products, we will return the entire batch of products to our third-party manufacturers/supplier. Please refer to Section 7.13 for further details of our incoming QC procedures.

## 7. BUSINESS OVERVIEW (Cont'd)

### Warehousing and delivery

Once the finished products pass our internal QC, they will then be stored at our warehouses. The products are then repacked into carton boxes based on customers' order quantity prior to delivery to our customers via third-party logistics services. Prior to delivery of our products to our customers, outgoing quality checks will also be performed to ensure the order quantity and products tally with the respective delivery order.

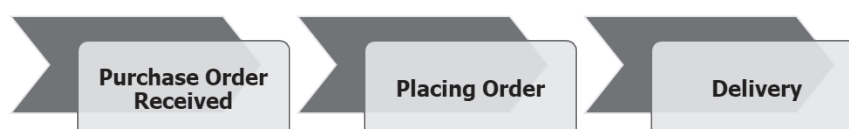
We provide our customers with product warranty for all "MINOX®" brand of sanitary products which is valid up to 12 months upon delivery (i.e. commencement of product warranty period is based on the date of delivery as stated in the delivery order). Upon receiving the warranty claim order from our customers, our QC personnel will perform visual inspection to assess the condition of the products. We provide our customers with one-to-one replacement warranty for any defective products not caused by improper application and usage by customers.

- Inventory control

We have an inventory control procedure where we maintain adequate inventory in our warehouse to provide timely delivery to fulfil our customers' orders. In practice, we conduct sales forecasts on monthly basis to estimate the demand for our products and to manage the required inventory. We generally maintain a minimum inventory of 6 months to avoid disruption for our sanitary products supplied to our customers. When there is a low level of inventory, we will replenish our inventory level from our third-party manufacturers/supplier. By maintaining sufficient level of inventory, our Group is able to stay competitive in the market where we can provide prompt response to our customers' as our industrial-end customers industries (F&B, semiconductor and pharmaceutical industries) relies on products being readily available for immediate replacement in the event there is a production line malfunction.

Upon receiving our products from our third-party manufacturers/supplier, we will conduct incoming product inspection and the quantity count against the delivery order. Any discrepancies will be reported to our third-party manufacturers/supplier for follow-up action. After the products are received, we will record such data into our inventory system and store them in their designated storage areas according to the product categories, for easy and speedy retrieval. We also conduct annual assessments of our inventory value and will impair if the net realisable value of the inventories is below their cost in accordance with our inventory management policy.

### (b) Third-party brands of sanitary and non-sanitary products



**7. BUSINESS OVERVIEW (Cont'd)**Purchase order received

Upon receiving purchase order from our customers, we will proceed to check our inventory level and prepare the internal order fulfilment form. We will first review the order to determine the required quantity of the order and its delivery timeline. We will then check the available stock in our warehouses to determine whether new orders or additional quantity orders are required to be made with our suppliers.

Placing order

For the products that are low in inventory or out of stock, we will proceed to place orders directly with the respective suppliers. We mainly source/import the products directly from our suppliers who are based in Denmark, Germany, France and USA.

Delivery

Generally, our suppliers will take approximately 2 to 12 weeks to deliver our orders. Once we receive the products from our suppliers, our QC personnel will conduct inspection upon receipt to ensure that the products received matches the delivery orders and specifications. Any products that do not meet the order and specifications are returned to our suppliers.

All outgoing products will be checked by our warehouse personnel against the purchase order before being delivered to our customers.

**7.5 PRINCIPAL MARKETS AND SEGMENTS**

Our Group's principal markets comprise both domestic and export markets across SEA including Indonesia, Singapore, Thailand and other regions.

Our revenue contributions by geographical locations for FYE 2019 to 2022 and FPE 2023 are as follows:

Countries	Audited									
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Domestic market:</b>										
Malaysia	11,925	29.7	10,557	27.2	11,174	32.5	16,231	36.1	4,441	27.0
<b>Overseas market:</b>										
Indonesia	10,428	25.9	10,057	25.9	11,123	32.4	14,592	32.4	5,689	34.6
Singapore	7,304	18.2	8,728	22.5	5,166	15.0	7,735	17.2	4,244	25.9
Thailand	6,141	15.3	6,533	16.8	3,989	11.6	4,224	9.4	1,289	7.8
Others <sup>(1)</sup>	4,397	10.9	2,929	7.6	2,907	8.5	2,238	4.9	766	4.7
	28,270	70.3	28,247	72.8	23,185	67.5	28,789	63.9	11,988	73.0
<b>Total</b>	<b>40,195</b>	<b>100.0</b>	<b>38,804</b>	<b>100.0</b>	<b>34,359</b>	<b>100.0</b>	<b>45,020</b>	<b>100.0</b>	<b>16,429</b>	<b>100.0</b>

**Note:**

(1) Comprises mainly Bahrain, Cambodia, Denmark, Germany, India, Japan, South Korea, Myanmar, Sri Lanka, Spain, Taiwan, the Philippines, United Arab Emirates and Vietnam.

## 7. BUSINESS OVERVIEW (Cont'd)

From FYE 2019 to 2022 and FPE 2023, local sales contributed 29.7%, 27.2%, 32.5% 36.1% and 27.0% of our Group's total revenue respectively while the remaining 70.3%, 72.8%, 67.5%, 63.9% and 73.0% respectively were contributed from overseas sales. Amongst the countries, Indonesia, Singapore and Thailand are our Group's major overseas markets, collectively contributing a total of 59.4%, 65.2%, 59.0%, 59.0% and 68.3% respectively of our Group's revenue in FYE 2019 to 2021 and FPE 2022 respectively.

Our product segments are categorised into tubes & fittings, valves, installation components & equipment, rubber hoses and other related products as follows:

	<b>Audited</b>									
	<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Tubes & fittings	29,055	72.3	29,325	75.6	24,820	72.2	32,939	73.1	10,058	61.2
Valves	5,788	14.4	4,968	12.8	4,853	14.1	6,342	14.1	2,201	13.4
Installation components & equipment	2,144	5.3	2,227	5.7	2,293	6.7	2,508	5.6	731	4.4
Rubber hoses	1,879	4.7	1,671	4.3	1,702	5.0	2,057	4.6	732	4.5
Other related products <sup>(1)</sup>	1,329	3.3	613	1.6	691	2.0	1,174	2.6	2,707	16.5
	<b>40,195</b>	<b>100.0</b>	<b>38,804</b>	<b>100.0</b>	<b>34,359</b>	<b>100.0</b>	<b>45,020</b>	<b>100.0</b>	<b>16,429</b>	<b>100.0</b>

### Note:

- (1) Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

During FYE 2019 to 2022 and FPE 2023, tubes & fittings and valves product categories were the largest revenue contributor to our Group as it contributed more than 74.0% of our Group's total revenue respectively.

## 7.6 MARKETING ACTIVITIES

Our sales and marketing team comprises 26 personnel as at LPD and they report directly to our Sales and Marketing Manager, Low Yoke Kiew. Our marketing approach and strategies are aimed at promoting our Group and products and introducing our products to potential customers.

The sales and marketing strategies adopted by our Group are as follows:

### (a) Direct approach

Our sales and marketing team actively approaches industrial end-customers in various industries to market our products as well as showcase our capabilities. The team will also approach potential customers in the industries we currently serve as well as other industries as a means to expand our customer base.

Our sales and marketing team are also responsible for managing the sales accounts for our existing customers in order to maintain and continue developing our business relationships with them. This enables us to achieve repeat business from our existing customers.



**7. BUSINESS OVERVIEW (Cont'd)**

Additionally, we will obtain feedback from our existing customers regarding our product offerings to better understand their preferences and the ever-changing market trends. This allows us to develop new products or improve our existing products more effectively in order to meet the needs of our customers and the market.

**(b) Regional offices and representative agents**

Our customer network covers both the local and overseas markets through our regional offices located in Malaysia, Indonesia, Singapore and Thailand. These regional offices enable us to better serve our existing customers. Further, our active participation in reaching out to target customers in these countries also allows us to create awareness of our Group and product offerings. In addition, we also work with our representative agents to secure customers in Taiwan, the Philippines and Vietnam.

**(c) Participation in trade exhibitions**

Our Group recognises that participation in trade exhibitions not only provide valuable insight into the market, but also allows us to increase our brand visibility as well as enable us to promote our products and services while reaching out to potential customers and keeping abreast with latest industry trends and standards. Since inception, we have participated in numerous trade exhibitions. The major trade exhibitions that we participated from FYE 2019 to 2022, FPE 2023 and up to LPD are as follows:

<b>Year</b>	<b>Name of trade exhibition</b>	<b>Organiser</b>	<b>Location</b>
2019	ProPak Asia	Informa Markets	Bangkok, Thailand
2019	ALLPacK INDONESIA	Krista Exhibitions (PT Kristamedia Pratama)	Jakarta, Indonesia
2019	ProPak Myanmar	Informa Markets	Yangon, Myanmar
2019	AsiaFood Expo	Marketing & Exhibitions Inc	Manila, the Philippines
2019	ProPak Vietnam	Informa Markets	Ho Chi Minh City, Vietnam
2020	ProPak Asia Virtual Exhibition	Informa Markets	Virtual
2022	ProPak Asia	Informa Markets	Bangkok, Thailand
2022	ALLPacK INDONESIA	Krista Exhibitions (PT Kristamedia Pratama)	Jakarta, Indonesia
2022	33 <sup>rd</sup> Malaysia International Machinery Fair (MIMF)	ES International Event Management	Kuala Lumpur, Malaysia

## 7. BUSINESS OVERVIEW (Cont'd)

<u>Year</u>	<u>Name of trade exhibition</u>	<u>Organiser</u>	<u>Location</u>
2023	SEMICON Southeast Asia	SEMI Southeast Asia	Penang, Malaysia
2023	ProPak Asia	Informa Markets	Bangkok, Thailand

### (d) Referrals from existing customers

We have been able to attract new customers through referrals made through our existing customers. Our sales and marketing team will follow up closely with both our existing customers while also working towards procuring new customers.

## 7.7 TECHNOLOGY USED OR TO BE USED

We utilise the following technology in our business operations:

<u>Technology</u>	<u>Description</u>	<u>Unit(s)</u>	<u>NBV as at 30 April 2023 (RM)</u>
Spectrometer	A mobile metal analyser used to analyse and identify chemical composition in metal (i.e. stainless steel 304, 304L, 316 and 316L)	2	-(1)
Surface roughness tester	A device used to determine the surface finishing (i.e. surface texture or surface roughness) of our products	2	287
Calliper, dial gauge and filler gauge	Devices used to check critical dimension i.e. diameter, thickness (calliper), roundness (dial gauge) and perpendicularity (filler gauge)	8	-(1)
AutoCount	Computer software that an organisation uses to manage day-to-day business activities such as accounting, inventory control, invoicing, procurement management, warehouse and logistics management	5 software licences	-(1)
AutoCount On-The-Go	A cloud-native application that complements the AutoCount software which allows an organisation to access basic data, accounting records and accounting functions through the internet	1 subscription licence	Not applicable

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Technology</b>	<b>Description</b>	<b>Unit(s)</b>	<b>NBV as at 30 April 2023 (RM)</b>
SolidWorks	A computer-aided design and drafting software application to create 2-dimensional drawings	1 software licence	-(1)

**Note:**

(1) Fully depreciated.

**7.8 INTERRUPTIONS IN BUSINESS**

Save as disclosed below, our Group has not experienced any interruption that had significant effect on our operations during the past 12 months preceding LPD.

**7.8.1 Impact of the COVID-19 pandemic on our Group's business operations**

(a) Impact of COVID-19 on our business operations in Malaysia

Throughout 2020 and 2021, the Government implemented various stages of the MCO to curb the spread of the COVID-19 pandemic, details of which are set out below together with the implications on our operations:

	<b>MST MY</b>	<b>Minox MY</b>
<b>MCO 1.0</b> (18 March 2020 to 3 May 2020)	Our employees were restricted from working in our premises from 18 March 2020 to 24 April 2020.	Our employees were restricted from working in our premises from 18 March 2020 to 23 April 2020.
<b>CMCO</b> (4 May 2020 to 9 June 2020)	Allowed to resume operations with a 50.0% workforce capacity after obtaining the approval from the MITI on 24 April 2020.	Allowed to resume operations with a 50.0% workforce capacity after obtaining the approval from the MITI on 23 April 2020.
<b>RMCO</b> (10 June 2020 to 31 March 2021)	Allowed to resume operations with a 50.0% workforce capacity after obtaining the approval from the MITI on 24 April 2020.	Allowed to resume operations with a 50.0% workforce capacity after obtaining the approval from the MITI on 23 April 2020.
<b>MCO 2.0</b> (13 January 2021 to 31 May 2021)	Allowed to resume operations with a 50.0% workforce capacity after obtaining the approval from the MITI on 12 January 2021.	
<b>FMCO</b> (1 June 2021 to 4 July 2021)	Allowed to resume operations with a 50.0% workforce capacity after obtaining the approval from the MITI on 5 June 2021.	

**7. BUSINESS OVERVIEW (Cont'd)**

	<b>MST MY</b>	<b>Minox MY</b>
<b>NRP Phase 1</b> (5 July 2021 to 3 September 2021 (Melaka), 5 July 2021 to 9 September 2021 (Selangor))	Allowed to continue business operations with a 60.0% workforce capacity after obtaining the approval from the MITI on 25 August 2021.	
<b>NRP Phase 2</b> (4 September 2021 to 30 September 2021 (Melaka), 10 September 2021 to 30 September 2021 (Selangor))	Allowed to continue business operations with a 80.0% workforce capacity after obtaining the approval from the MITI on 25 September 2021.	
<b>NRP Phase 3</b> (1 October 2021 to 17 October 2021 (Melaka and Selangor))	Allowed to continue business operations with a 80.0% workforce capacity after obtaining the approval from the MITI on 15 October 2021.	
<b>NRP Phase 4</b> (17 October 2021 to 31 March 2022 (Melaka and Selangor))	Allowed to continue business operations with a 100.0% workforce capacity	

Measures to commence and continue our business operations

Although the Ministry of Health Malaysia had announced the transition of COVID-19 into endemic phase from 1 April 2022, followed by the Government's latest decision in relaxing various SOPs which has taken effect from 1 May 2022, we have continued the implementation of COVID-19 safety and health instructions and procedures to safeguard the health and safety conditions of our employees, as detailed below:

- (i) ensuring all our employees and visitors wear face masks at all times and practise social distancing;
- (ii) any employee that show symptoms must inform our human resource personnel immediately, refer to any medical facilities and to undergo home quarantine; and
- (iii) placing hand sanitisers at various areas and regular cleaning, sanitising and disinfecting common areas of our premises.

From FYE 2020 up to LPD, our Group incurred expenses of RM0.07 million for the implementation of health and safety measures which includes the purchase of sanitisers, disinfectants, thermometers, personal protective equipment and self-test kits.

**(b) Impact of COVID-19 on our business operations in Indonesia**

The Indonesian government had on 31 March 2020 declared a public health emergency which led to the imposition of stringent social restrictions and different levels of lockdown policies due to the outbreak of COVID-19 in the country. Nevertheless, our Indonesian operations was allowed to operate during these periods while complying with the control measures issued by the Indonesian government and local authorities.

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**7. BUSINESS OVERVIEW (Cont'd)**

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(c) Impact of COVID-19 on our business operations in Singapore

In response to the COVID-19 pandemic, the Singaporean government had announced various stages of lockdown measures at different point in time. This included the Circuit Breaker Period which commenced on 7 April 2020, the subsequent different phases of reopening of the economy (Phases 1,2 and 3), as well as heightened alert measures during the various phases in response to increasing number of cases and multiple variants and strains of the virus. During the different stages, various safe distancing measures and restrictions were put in place to limit the spread of the virus. These measures include closing non-essential workplaces, mandating work-from-home measures, implementing contact tracing, COVID-19 workplace testing requirements and travel restrictions, and closing Singapore's international borders. The Singaporean government has since introduced a multi-phase approach to resume more economic and social activities safely and manage the COVID-19 pandemic after the Circuit Breaker Period.

Nevertheless, our Singapore operations were allowed to operate during the Circuit Breaker Period while complying with the control measures issued by the Singaporean government, such as operating with a reduced workforce by 50.0% in our facility or implementing work-from-home measures where possible in order to curb the spread of the virus.

(d) Impact of COVID-19 on our business operations in Thailand

The Royal Thai government has on 26 March 2020 declared a state of emergency, and had since extended the same multiple times until 31 September 2022. Thailand's state of emergency is a decree which gives the Royal Thai government autonomy to set restrictions and measures such as nationwide curfews, restrictions on movements, closures, suspension or restrictions in operating hours of certain business activities to combat the spread of COVID-19. In addition, The Royal Thai government had declared an Emergency Decree on Electronic Meeting B.E. 2563 (2020) on 18 April 2020 to facilitate meetings of directors and shareholders via electronic means during the COVID-19 pandemic, include allowing all attendees to attend meetings via electronic means and removing the requirement for physical attendance in such meetings.

Nevertheless, our Thailand operations was allowed to operate during these periods while complying with the control measures issued by the Royal Thai government and local authorities.

### **7.8.2 Impact of COVID-19 on our sales and earnings prospects**

We temporarily ceased all our operations for Minox MY (18 March to 23 April 2020) and MST MY (18 March 2020 to 24 April 2020) prior to obtaining approval from MITI. Notwithstanding the resumption of our operations, governments around the world had enforced lockdown of varying lengths and strictness in response to the COVID-19 pandemic. As our Group operates in Malaysia, Singapore, Indonesia, and Thailand, the imposition of various COVID-19 related lockdown measures in the aforementioned countries had adversely impacted our financial performance for FYE 2019 to 2021. We experienced a decline in revenue by 11.5% from FYE 2020 to FYE 2021 which was primarily caused by lower sales generated in the Singapore and Thailand markets as our industrial end-customers had rescheduled installations at their project sites, thus leading to a delay in their orders.

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**7. BUSINESS OVERVIEW (Cont'd)**

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Nevertheless, we remained in constant communication with our customers during the various lockdowns throughout 2020 and 2021 and received quotation orders amounting to RM4.82 million. However, as a result of the travel restrictions and delay in our industrial end-customers' projects such as installation of production lines for their F&B plants, they were unable to issue their purchase orders to us. Taking into consideration the projects in the pipeline, we began to increase our inventory in preparation for future demand. Subsequently in FYE 2022 when COVID-19 restrictions and SOPs were relaxed, we recognised the delayed sales as our customers issued their purchase orders which led to the increase in our total revenue of RM10.66 million or 31.0% from RM34.36 million in FYE 2021 as compared to RM45.02 million FYE 2022.

We are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run, taking into consideration the gradual recovery of Malaysia's economy, coupled with the country entering the "transition to endemic phase" of COVID-19 from 1 April 2022. This is evidenced by our Group generating revenue of RM45.02 million in FYE 2022 compared to RM34.36 million in FYE 2021.

**7.8.3 Impact of COVID-19 and MCO on our supply chain**

Our supplies are mainly sourced from overseas. During the MCO periods, we experienced longer lead time for our supplies from our third-party manufacturers/supplier due to lockdown measures and restrictions imposed in Malaysia and countries where our third-party manufacturers/supplier are based. This had resulted in up to 2 months delay in the delivery schedule from our third-party manufacturers/supplier. However, we have always practiced a 6-month inventory holding level, there was no material impact on our supply chain and inventory as we have sufficient inventory for our operations. We also experienced slight delays in delivery of our products due to logistics delay as a result of travel restrictions in Malaysia. This had resulted in delays of up to 2 weeks in our delivery schedule to our customers. Nevertheless, we had informed our customers of any delays in delivery and we have not experienced any order cancellation during the affected period.

**7.8.4 Impact of COVID-19 on our Group under the "transition to endemic" phase of COVID-19**

Beginning 1 April 2022, Malaysia entered into the "transition to endemic" phase of COVID-19 whereby COVID-19 restrictions and SOPs were further relaxed as the country prepared to return to near normalcy. In light of the relaxed restrictions, we did not experience any material impact on operations since the commencement of the "transition to endemic" phase. Notwithstanding the relaxed restrictions and SOPs, we continue to implement in-house COVID-19 related SOPs to reduce the risk of COVID-19 amongst our employees.

**7.9 SEASONALITY**

Our operations and sales are not subject to any seasonality factors.



**7. BUSINESS OVERVIEW (Cont'd)**

**7.10 MAJOR CUSTOMERS**

Our top 5 customers according to their revenue contribution for FYE 2019 to 2022 and FPE 2023 are as follows:

No.	Name	Country of operations	Type of customers/ Principal activities	Revenue		Main products provided	<sup>(7)</sup> Length of relationship as at end of FYE
				RM'000	%		
<b>FYE 2019</b>							
1.	GEA Group <sup>(1)</sup>	Singapore, Thailand and Indonesia	Project consultant/ Systems provider for the F&B and pharmaceutical industries	3,319	8.3	Tubes & fittings, rubber hoses and installation components & equipment	9
2.	Ichita Co Ltd <sup>(2)</sup>	Thailand	Project consultant/ Water treatment and process solution provider	1,801	4.5	Valves, tubes & fittings	8
3.	Minox PH <sup>(3)</sup>	Philippines	Representative agent/ Trading of sanitary products and non-sanitary products in the Philippines	1,647	4.1	All "MINOX®" sanitary products supplied by us	13
4.	MST VN <sup>(4)</sup>	Vietnam	Representative agent/ Trading of sanitary products non-sanitary products in Vietnam	1,578	3.9	All "MINOX®" sanitary products supplied by us	1
5.	Tetra Pak Group <sup>(5)</sup>	Malaysia, Singapore and Indonesia	Project consultant and process equipment manufacturer/ Food packaging and processing	1,116	2.8	Tubes & fittings and rubber hoses	7
				<b>9,461</b>	<b>23.6</b>		

**7. BUSINESS OVERVIEW (Cont'd)**

No.	Name	Country of operations	Type of customers/ Principal activities	Revenue		Main products provided	<sup>(7)</sup> Length of relationship as at end of FYE Years
				RM'000	%		
<b>FYE 2020</b>							
1.	GEA Group <sup>(1)</sup>	Singapore, Thailand, Indonesia and Japan	Project consultant/ Systems provider for the F&B and pharmaceutical industries	3,809	9.8	Tubes & fittings, rubber hoses and installation components & equipment	10
2.	MST VN <sup>(4)</sup>	Vietnam	Representative agent/ Trading of sanitary products and non-sanitary products in Vietnam	2,005	5.2	All "MINOX <sup>®</sup> " sanitary products supplied by us	2
3.	Tetra Pak Group <sup>(5)</sup>	Malaysia, Singapore, Indonesia and Thailand	Project consultant and process equipment manufacturer/ Food packaging and processing	1,772	4.6	Tubes & fittings and rubber hoses	8
4.	Ichita Co Ltd <sup>(2)</sup>	Thailand	Project consultant/ Water treatment and process solution provider	1,719	4.4	Tubes & fittings and valves	9
5.	Krones Izumi Processing Pte Ltd	Singapore	Project consultant/ F&B industry solutions provider	1,597	4.1	Tubes & fittings	3
				<b>10,902</b>	<b>28.1</b>		

**7. BUSINESS OVERVIEW (Cont'd)**

No.	Name	Country of operations	Type of customers/ Principal activities	Revenue		Main products provided	<sup>(7)</sup> Length of relationship as at end of FYE Years
				RM'000	%		
<b>FYE 2021</b>							
1.	GEA Group <sup>(1)</sup>	Singapore, Thailand, Indonesia, Malaysia and Japan	Project consultant/ Systems provider for the F&B and pharmaceutical industries	1,652	4.8	Tubes & fittings, rubber hoses and installation components & equipment	11
2.	Tetra Pak Group <sup>(5)</sup>	Malaysia, Singapore, Indonesia and India	Project consultant and process equipment manufacturer/ Food packaging and processing	1,546	4.5	Tubes & fittings and rubber hoses	9
3.	MST VN <sup>(4)</sup>	Vietnam	Representative agent/ Trading of sanitary products and non-sanitary products in Vietnam	1,207	3.5	All "MINOX®" sanitary products supplied by our Group	3
4.	Dterm (M) Sdn Bhd	Malaysia	Project consultant/ Supply and installation of process systems for the F&B industry	840	2.4	Tubes & fittings, valves and rubber hoses	6
5.	Minox PH <sup>(3)</sup>	Philippines	Representative agent/ Trading of sanitary products and non-sanitary products in the Philippines	625	1.8	All "MINOX®" sanitary products supplied by our Group	15
				<b>5,870</b>	<b>17.0</b>		

**7. BUSINESS OVERVIEW (Cont'd)**

No	Name	Country of operations	Type of customers/ Principal activities	Revenue		Main products provided	<sup>(7)</sup> Length of relationship as at the end of FYE Years
				RM'000	%		
<b>FYE 2022</b>							
1.	GEA Group <sup>(1)</sup>	Singapore, Thailand, Indonesia and Japan	Project consultant/ Systems provider for the F&B and pharmaceutical industries	4,898	10.9	Tubes & fittings, rubber hoses and installation components & equipment	12
2.	SiccaDania (SEA) Pte Ltd <sup>(6)</sup>	Singapore	Project consultant/ Systems provider for the F&B and pharmaceutical industries	1,985	4.4	Tubes & fittings, rubber hoses and installation components & equipment	4
3.	Dterm (M) Sdn Bhd	Malaysia	Project consultant/ Supply and installation of process systems for the F&B industries	1,540	3.4	Tubes & fittings, valves and rubber hoses	7
4.	Tetra Pak Group <sup>(5)</sup>	Malaysia, Singapore and Indonesia	Project consultant and process equipment manufacturer/ Food packaging and processing	1,514	3.4	Tubes & fittings and rubber hoses	10
5.	MST VN <sup>(4)</sup>	Vietnam	Representative agent/ Trading of sanitary products and non-sanitary products in Vietnam	1,490	3.3	All "MINOX®" sanitary products supplied by our Group	4
				<b>11,427</b>	<b>25.4</b>		

**7. BUSINESS OVERVIEW (Cont'd)**

No	Name	Country of operations	Type of customers/ Principal activities	Revenue		Main products provided	(7) Length of relationship as at the end of FPE Years
				RM'000	%		
<b>FPE 2023</b>							
1.	Tetra Pak Group <sup>(5)</sup>	Malaysia, Singapore and Indonesia	Project consultant and equipment manufacturer/ Food packaging and processing	2,922	17.8	Tubes & fittings and rubber hoses	11
2.	SiccaDania (SEA) Pte Ltd <sup>(6)</sup>	Singapore	Project consultant/ Systems provider for the F&B and pharmaceutical industries	2,305	14.0	Tubes & fittings, rubber hoses and installation components & equipment	5
3.	GEA Group <sup>(1)</sup>	Singapore, Thailand, Indonesia and Japan	Project consultant/ Systems provider for the F&B and pharmaceutical industries	1,164	7.1	Tubes & fittings, rubber hoses and installation components & equipment	13
4.	PL Plus M&E Sdn Bhd	Malaysia	Project consultant/ Supply and installation of process systems for the F&B industries	547	3.3	Tubes & fittings and valves	6
5.	MST VN <sup>(4)</sup>	Vietnam	Representative agent/ Trading of sanitary products and non-sanitary products in Vietnam	430	2.6	All "MINOX®" sanitary products supplied by our Group	5
				<b>7,368</b>	<b>44.8</b>		

**7. BUSINESS OVERVIEW (Cont'd)****Notes:**

- (1) GEA Group is a German corporation with its principal place of business located in Düsseldorf, Germany. GEA Group is system provider of production lines and we served its group of companies based on their projects in different regions during the financial years/period under review.
- (2) Who serves industrial end-customers such as F&N United Company Limited, Cosmos Brewery (Thailand) Co Ltd, PT Sugar Labinta, Khon Kaen Sugar Industry Public Company Limited and Korach Industry Co Ltd.
- (3) On 7 November 2006, Minox PH was incorporated by Cheong Chee Son, the late Cheong Chee Hoo, Edgardo Serrano and 2 other Filipino shareholders to venture into the Philippines market. On 14 July 2022, Minox PH was subsequently sold by Cheong Chee Son to Innovest Holdings Limited. As at LPD, Minox PH remains as our representative agent to distribute our "MINOX®" brand of sanitary products in the Philippines.
- (4) On 2 July 2018, MST VN was wholly incorporated by Cheong Chee Son, to replace its then exclusive representative agent in Vietnam and distribute our Group's products internally. On 15 April 2022, MST VN was subsequently sold by Cheong Chee Son through a management buyout to Phung Thuy Hoa. As at LPD, MST VN remains as our representative agent to distribute our "MINOX®" brand of sanitary products in Vietnam.
- (5) Tetra Pak Group is a Swedish–Swiss corporation with its principal place of business located in Pully, Switzerland. Tetra Pak Group is a food processing and packaging solutions provider which provides project consultancy services as well as manufactures and supplies process equipment. We served its group of companies in different regions during the financial years/period under review.
- (6) SiccaDania (SEA) Pte Ltd is a subsidiary of a Danish corporation (i.e. SiccaDania A/S) with its principal place of business located in Singapore.
- (7) Calculated on the basis of calendar year (inclusive of the first year in which the business relationship commenced and the respective FYE/FPE).

Our top 5 customers contributed 23.6%, 28.1%, 17.0%, 25.4% and 44.8% of our Group's revenue for the past FYE 2019 to 2022 and FPE 2023 respectively. Although GEA Group (FYE 2022: 10.9%), Tetra Pak Group (FPE 2023: 17.8%) and SiccaDania (SEA) Pte Ltd (FPE 2023: 14.0%) each contributed more than 10.0% of the Group's revenue for FYE 2022 or FPE 2023, we are not dependent on these companies as their revenue contributions for each financial year varies, depending on the size of their project and the products supplied by our Group. In addition, we are not dependent on our top 5 customers (which includes GEA Group, Tetra Pak Group and SiccaDania (SEA) Pte Ltd) due to our large customer base. This is evident as from 1 January 2022 up to LPD, we have a customer base of approximately 1,700 active and recurring customers. Our customers consist of project consultants, contractors as well as industrial end-customers. For FYE 2019 to 2022 and FPE 2023, revenue generated directly from our industrial end-customers amounted to approximately RM8.44 million (21.0%), RM7.99 million (20.6%), RM7.51 million (21.9%), RM9.87 million (21.9%) and RM3.21 million (19.5%) of our total revenue respectively. We have established a good working relationship with our top 5 customers, and we have not encountered any major problems in our past dealings with them. Moving forward, we expect our major customers to continue contributing to our revenue.

## 7. BUSINESS OVERVIEW (Cont'd)

Save for Minox PH and MST VN who are our representative agents, all our major customers for FYE 2019 to 2022 and FPE 2023 in the table above are project consultants or contractors which serves our industrial end-customers.

We have entered into trademark licensing agreements with MVFM TW, Minox PH and MST VN on 16 November 2019, 29 October 2007 and 2 July 2018 respectively whereby MST MY granted them a licence to use the "MINOX<sup>®</sup>" trademark for the purposes of their distribution of "MINOX<sup>®</sup>" brand of sanitary products in Taiwan, Philippines and Vietnam respectively. The trademark licensing agreements will continue in force until terminated by either party by giving 30 days prior written notice to the other party, and may also be terminated when MST MY ceases to hold the title and rights to the "MINOX<sup>®</sup>" trademark. Pursuant to the trademark licensing agreements, the representative agents are obliged to, among others:

- (i) use the "MINOX<sup>®</sup>" trademark in accordance with the specifications, directions and information supplied by MST MY from time to time;
- (ii) maintain the quality, standard and public image of our Group's business in relation to which the "MINOX<sup>®</sup>" trademark is used in accordance with the standards, regulations and other quality control procedures which may be reasonably specified from time to time by MST MY;
- (iii) not cause or permit anything which may damage the "MINOX<sup>®</sup>" trademark or the goodwill generated by the "MINOX<sup>®</sup>" trademark; and
- (iv) not use any name or mark that is identical or resembles the "MINOX<sup>®</sup>" trademark as is likely to deceive or cause confusion other than for the purpose of the business of our Group.

Other than such trademark licencing agreements, we do not have any other agreements with MVFM TW, Minox PH and MST VN.

For FYE 2019 to 2022 and FPE 2023, the industrial end-customers that we serve via our major customers which are project consultants or contractors, are amongst others Advance Nature Sdn Bhd, Australian Fruit Juice (S) Pte Ltd, F&N Dairies Manufacturing Sdn Bhd, F&N United Company Limited, Cosmos Brewery (Thailand) Co.,Ltd and PT. Heinz ABC Indonesia

### 7.11 TYPES, SOURCES AND AVAILABILITY OF INPUT

The table below sets out our major cost components for FYE 2019 to 2022 and FPE 2023:

Cost components	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	% <sup>(1)</sup>	RM'000	% <sup>(1)</sup>	RM'000	% <sup>(1)</sup>	RM'000	%	RM'000	% <sup>(1)</sup>
Tubes & fittings	14,359	76.3	16,579	75.8	8,457	73.9	16,293	80.5	6,578	65.9
Valves	2,973	15.8	3,197	14.6	1,241	10.8	2,093	10.3	692	6.9
Installation components & equipment	619	3.3	1,544	7.1	925	8.1	889	4.4	332	3.3
Rubber hoses	312	1.7	352	1.6	452	4.0	410	2.0	164	1.7
Other related products <sup>(2)</sup>	541	2.9	193	0.9	367	3.2	565	2.8	2,211	22.2
<b>Total</b>	<b>18,804</b>	<b>100.0</b>	<b>21,865</b>	<b>100.0</b>	<b>11,442</b>	<b>100.0</b>	<b>20,250</b>	<b>100.0</b>	<b>9,977</b>	<b>100.0</b>



**7. BUSINESS OVERVIEW (Cont'd)****Notes:**

- (1) As a percentage of total cost of purchases.
- (2) Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

Due to the nature of our business, we engage third-party manufacturers to manufacture our "MINOX®" brand of sanitary products. Our third-party manufacturers are also responsible for the sourcing and purchasing of necessary raw materials (i.e. stainless steel), for the production of finished products. Therefore, any fluctuations in the prices of raw materials may increase our third-party manufacturers' manufacturing costs thereby increasing our purchase cost. The average price of stainless steel for FYE 2013 to 2022 and FPE 2023 are as follows:

	<b>Average price (RM/ton)</b>				
	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>FYE 2017</b>
Stainless steel	9,272	9,805	9,500	9,364	11,204

	<b>Average price (RM/ton)</b>					
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Stainless steel	11,235	10,395	9,318	11,328	12,276	11,154

However, any such price increase will affect the entire sanitary valves and fittings industry. We will generally pass on such price increase to our customers, where possible, to minimise the impact on our financial performance.

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**7. BUSINESS OVERVIEW (Cont'd)**

**7.12 MAJOR SUPPLIERS**

Our suppliers are based in China, Denmark, Italy, South Korea, Taiwan, Thailand, Turkey and Hong Kong. They are selected based on their pricing, lead time for delivery, credible market reputation, creditworthiness and adherence to quality standards for QC procedures as well as possessing the necessary industry certifications and reliability of products.

Our Group's top 5 suppliers according to total purchases for FYE 2019 to 2022 and FPE 2023 are as follows:

No.	Name	Country	Purchase value		Main products sourced	<sup>(4)</sup> Length of relationship as at end of FYE
			RM'000	%		
<b>FYE 2019</b>						
1.	Top Steels Holdings Limited ("Top Steels") <sup>(1)(2)</sup>	Hong Kong	11,103	59.0	Tubes & fittings, valves and installation components & equipment	4
2.	Everfit Technology Co Ltd	Taiwan	1,810	9.6	Valves	8
3.	WSG Co Ltd	South Korea	1,036	5.5	Tubes	2
4.	Ifta Inox SpA	Italy	804	4.3	Tubes	10
5.	MVFM TW <sup>(2)</sup>	Taiwan	800	4.3	Valves	1
			<b>15,553</b>	<b>82.7</b>		
<b>FYE 2020</b>						
1.	Top Steels <sup>(1)(2)</sup>	Hong Kong	15,908	72.8	Tubes & fittings, valves and installation components & equipment	5
2.	G HWA Industries Co Ltd	Thailand	1,006	4.6	Tubes & fittings	13
3.	MVFM TW <sup>(2)</sup>	Taiwan	965	4.4	Valves	2
4.	Ifta Inox SpA	Italy	838	3.8	Tubes	11
5.	Garlock Singapore Pte Ltd	Singapore	382	1.7	Rubber gasket and rubber hoses	4
			<b>19,099</b>	<b>87.3</b>		

**7. BUSINESS OVERVIEW (Cont'd)**

No.	Name	Country	Purchase value		Main products sourced	<sup>(4)</sup> Length of relationship as at end of FYE
			RM'000	%		
<b>FYE 2021</b>						
1.	Top Steels <sup>(1)(2)</sup>	Hong Kong	7,938	69.4	Tubes & fittings, valves and installation components & equipment	6
2.	Borsen Boru Sanayi Ve Ticaret Anonim Sirketi	Turkey	785	6.9	Tubes	1
3.	MVFM TW <sup>(2)</sup>	Taiwan	670	5.9	Valves	3
4.	Garlock Singapore Pte Ltd	Singapore	396	3.5	Rubber gasket and rubber hoses	5
5.	ZYK Stainless Steel Group Ltd	China	230	2.0	Fittings	1
			<b>10,019</b>	<b>87.7</b>		
<b>FYE 2022</b>						
1.	Liyang Sifang Stainless Steel Products Co Ltd	China	8,134	40.3	Tubes & fittings, valves and installation components & equipment	2
2.	Top Steels <sup>(1)(2)</sup>	Hong Kong	4,654	23.0	Tubes & fittings, valves and installation components & equipment	7
3.	MVFM TW <sup>(2)</sup>	Taiwan	1,848	9.1	Valves	4
4.	Borsen Boru Sanayi Ve Ticaret Anonim Sirketi	Turkey	1,167	5.8	Tubes	2
5.	Garlock Singapore Pte Ltd	Singapore	656	3.2	Rubber gasket and rubber hoses	6
			<b>16,459</b>	<b>81.4</b>		

**7. BUSINESS OVERVIEW (Cont'd)**

No.	Name	Country	Purchase value		Main products sourced	<sup>(4)</sup> Length of relationship as at end of FPE Years
			RM'000	%		
<b>FPE 2023</b>						
1.	Liyang Sifang Stainless Steel Products Co Ltd	China	4,269	42.8	Tubes & fittings, valves and installation components & equipment	3
2.	Top Steels <sup>(1)(2)</sup>	Hong Kong	1,981	19.9	Tubes & fittings, valves and installation components & equipment	8
3.	CV Aspindo Perdana <sup>(3)</sup>	Indonesia	1,336	13.4	Non-sanitary square hollow sections and pipes & fittings	2
4.	MVFM TW <sup>(2)</sup>	Taiwan	516	5.2	Valves	5
5.	Borsen Boru Sanayi Ve Ticaret Anonim Sirketi	Turkey	242	2.4	Tubes	3
			<b>8,344</b>	<b>83.7</b>		

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**7. BUSINESS OVERVIEW (Cont'd)**

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**Notes:**

- (1) Top Steels was incorporated in Seychelles on 21 December 2015 under the International Business Companies Act 1994 (now repealed by the International Business Companies Act 2016) as an International Business Company. Top Steels currently operates from Hong Kong and is principally involved in the trading and distribution of stainless steel tubes & fittings, pipe, valves and packaging material for its customers which are mainly from the F&B industry in the Asia Pacific region. Top Steel is not involved in manufacturing activities.

As at LPD, the issued capital of Top Steels is USD1.00 million comprising 1,000,000 shares and Tan Kok Hooi, a Malaysian male, is the sole director and shareholder of Top Steels. Top Steels is neither listed on Bursa Securities nor any stock exchange outside of Malaysia.

Our business relationship with Top Steels was initially driven by inconsistent quality issues we encountered with our then third-party manufacturers, where it was also difficult for us to handle product returns. Additionally, our then third-party manufacturers requested cash payment terms. In contrast, as Top Steels offered QC checks and credit payment terms, upon engaging Top Steels as our supplier, we received products with consistent quality and was able to improve our financial management. Through our engagement with Top Steels, we gained better understanding on evaluation of capabilities of third-party manufacturers. As we have been gaining recognition in the sanitary valves and fittings industry throughout the years, other third-party manufacturers which provides the same service (i.e. performs quality checks for our products which they manufacture, prior to onward delivery to us and provide credit payment terms) have approached us to be our approved third-party manufacturer. This has led to a decrease in our purchases from Top Steels from 59.0% for FYE 2019 to 19.9% for FPE 2023 of our Group's total purchases.

Save for being one of our Group's suppliers, Top Steels has no other relationship with our Group. In addition, our Promoters are not persons connected with Tan Kok Hooi.

- (2) In respect of "MINOX<sup>®</sup>" brand of sanitary products, MVFM TW has by way of a letter of undertaking dated 19 July 2022 undertaken to only manufacture the same for our Group and to not sell any manufactured "MINOX<sup>®</sup>" brand of sanitary products to Minox PH, MST VN or any other third parties. In addition, MVFM TW undertakes to distribute and supply "MINOX<sup>®</sup>" brand of sanitary products pursuant to the terms and conditions of the trademark licensing agreement entered into between MVFM TW and our Group. This letter of undertaking is valid and shall not be terminated unless with the prior written consent of our Group.

In respect of "MINOX<sup>®</sup>" brand of sanitary products, Innovest Holdings Limited has by way of a letter of undertaking dated 14 July 2022 undertaken to take all necessary steps to ensure that Minox PH will only distribute and supply the same pursuant to the terms and conditions of the trademark licensing agreement entered into between Minox PH and our Group. In addition, Minox PH shall only obtain "MINOX<sup>®</sup>" brand of sanitary products directly from our Group and shall not deal directly with MVFM TW, Top Steels or any of its third-party manufacturers in respect of "MINOX<sup>®</sup>" brand of sanitary products.

## **7. BUSINESS OVERVIEW (Cont'd)**

In addition to the undertakings by MVFM TW and Innovest Holdings Limited as set out above:

- (a) Top Steels has by way of a letter of undertaking dated 14 July 2022 undertaken to not sell or supply any "MINOX<sup>®</sup>" brand of sanitary products directly to Minox PH and MVFM TW, or deal with them directly in any way, and to take all necessary steps to ensure that its third-party manufacturers in respect of "MINOX<sup>®</sup>" brand of sanitary products do not sell or supply any "MINOX<sup>®</sup>" brand of sanitary products to Minox PH and MVFM TW or deal with them directly in any way. This letter of undertaking is valid and shall not be terminated unless with the prior written consent of our Group; and
  - (b) Tan Kok Hooi has also undertaken to take all steps necessary to ensure that Top Steels, Minox PH and MVFM TW comply with their respective undertakings as set above.
- (3) CV Aspindo Perdana is principally involved in the trading of non-sanitary products such as square hollow sections and pipes & fittings. The company is not our third-party manufacturer for our "MINOX<sup>®</sup>" brand of sanitary products.
- (4) Calculated on the basis of calendar year (inclusive of the first year in which the business relationship commenced and the respective FYE/FPE).

Our purchases are finished products from our third-party manufacturers/supplier for onward distribution. Our top 5 suppliers contributed 82.7%, 87.3%, 87.7%, 81.4% and 83.7% of our Group's purchases for FYE 2019 to 2022 and FPE 2023 respectively. As at LPD, save for Top Steels, we purchase our tubes & fittings, valves and installation components & equipment from Liyang Sifang Stainless Steel Products Co Ltd, Borsen Boru Sanayi Ve Ticaret Anonim Sirketi, WSG Co Ltd, ZYK Stainless Steel Group Ltd, Itla Inox SpA, Everfit Technology Co Ltd, G HWA Industries Co Ltd, Longva Group Co.,Ltd and MVFM TW. Although Top Steels contributed between 19.9% and 72.8% of our purchases for FYE 2019 to 2022 and FPE 2023, we are not dependent on Top Steels as we are able to source similar products from the abovementioned suppliers.

Amongst our suppliers, Top Steels and Liyang Sifang Stainless Steel Products Co Ltd are the 2 suppliers who supply majority of our sanitary products to our Group. In the event we choose to replace Top Steels and Liyang Sifang Stainless Steel Products Co Ltd, we will be able to source for alternative suppliers to supply us such products.

Our Group is also not dependent on any single supplier as we are able to source our products from other suppliers.

Presently, we do not have any formal agreement or contract with our third-party manufacturers/supplier, and purchases from them are conducted on a purchase order basis. We do not enter into formal arrangement with our third-party manufacturers/supplier as we are able to source for alternative suppliers freely in the event such third-party manufacturers/supplier fails to fulfil any of our Group's terms (e.g. (i) manufacture products that meets our quality standards (ii) meet our delivery timeline) or we are able to source for alternative suppliers which manufacture the same/better quality of products for a competitive price or provides better credit terms. Even though we do not have any long-term agreements or arrangement with our top 5 suppliers, we have not experienced difficulty in sourcing products for FYE 2019 to 2022, FPE 2023 and up to LPD.

## 7. BUSINESS OVERVIEW (Cont'd)

Although we do not enter into formal agreements with our third-party manufacturers/supplier, we entered into non-disclosure agreements with them only for products developed and enhanced by our Group, and will periodically visit their facilities to inspect their manufacturing activities. We also periodically visit Top Steel's third-party manufacturers' facilities to inspect their manufacturing activities.

The salient terms of the non-disclosure agreements which we have entered into with our third-party manufacturers/supplier (only applicable to products that are developed and enhanced by our Group, and does not apply for products with standard specifications) are as follows:

- (a) In consideration of our Group disclosing confidential information to its third-party manufacturers/supplier, the third-party manufacturers/supplier will:
  - (i) not communicate or otherwise make available any confidential information to any third-party, other than to its employees, officers and/or professional advisers who require the information for the purpose of the conduct of business between the parties and/or the discussion of matters relevant to the businesses of the parties ("**Purpose**") without our prior written consent<sup>(aa)</sup> ("**Permitted Recipients**");
  - (ii) not use any confidential information other than as strictly necessary for the fulfilment of the Purpose;
  - (iii) not copy or reproduce in any way any confidential information, except with our prior written consent or as is strictly necessary for the fulfilment of the Purpose; and
  - (iv) treat the confidential information with at least the same degree of confidentiality as they treat their own confidential information and use all reasonable endeavours to prevent unauthorised disclosure of confidential information.
- (b) Our third-party manufacturers undertake and warrant that they shall procure that their Permitted Recipients shall comply at all times with the terms of the non-disclosure agreement as if such Permitted Recipients were a party to the agreement. Our third-party manufacturers shall be liable for any breach of the confidentiality obligations under the non-disclosure agreement by a Permitted Recipient.
- (c) Confidential information includes any and all information or material (including, without limitation, copies, samples, prototypes, articles or documentation incorporating, based on, or derived from such information or material) whether oral, in writing, in electronic form or in any other form, disclosed directly or indirectly (whether before, on or after the date of the agreement) by any and all means, methods and formats by or on behalf of our Group relating to our business, products, systems, operations, opportunities, business plans, intentions, market opportunities, know-how, research, technical information, formulae, designs, specifications, photographs, data, algorithms, trade secrets, intellectual property rights, personnel, research, forecasts, costs, prices, finances, analysis and business affairs.
- (d) The abovementioned obligations will continue until terminated by mutual written agreement of the parties.

**Note:**

- (aa) Prior to engaging its own third-party manufacturers, Top Steels has obtained consent from us.



## **7. BUSINESS OVERVIEW (Cont'd)**

As at LPD, we have not terminated any non-disclosure agreements entered into with third-party manufacturers that have ceased business relationship with us in the past.

Amongst our third-party manufacturers as at LPD, Liyang Sifang Stainless Steel Products Co Ltd, TEMPRESS A/S, G HWA Industries Co Ltd, Tassalini SpA, Zorzini SpA and Longva Group Co.,Ltd have their own brands of sanitary and non-sanitary products.

### **7.13 QC MANAGEMENT**

The quality of our products is a key factor of our value proposition to our industrial end-customers but also a key factor to building trust in our brand and ensuring customer satisfaction. Our customer base mainly consists of customers from the F&B and pharmaceutical, requiring a high standard of hygienic production lines during their production processes. Accordingly, we place utmost importance on the quality of our products and ensure adherence to stringent international quality standards including 3-A, ASME BPE, DIN, DS, IDF and SMS.

As a testament to our commitment to quality, we have been a member of the EHEDG since 2006. EHEDG aims to promote food safety and quality by improving hygienic engineering and design in all facets of food manufacture. As a member of EHEDG, this has allowed us to gain valuable industry knowledge where we receive practical guidance on hygienic design and engineering towards the enhancement of food safety and quality in the production of food. Hence, we are able to keep abreast with current and new guidelines in relation to the production of our "MINOX®" brand of sanitary products, and we are able to provide our customers with quality sanitary products that are safe for use in our industrial end-customers' manufacturing facilities, where hygiene is of utmost importance. Our "MINOX®" brand of sanitary products are designed and developed in line with EHEDG's latest guidelines on hygienic design.

In addition, we have also implemented QC measures for our inventory management where all our products are stored in a clean, dry and well-ventilated warehouse environment. Furthermore, our products are well-packed in plastic bags which are moisture impervious as a means of preventing corrosion.

#### **7.13.1 Internal QC measures**

Our Group has put in place a stringent QC management policy which strives to achieve the highest level of customer satisfaction and specifications that are required for our customers' production lines. Our QC procedures that we adopted is described as follows:

##### **(a) Incoming QC**

As in-process QC is handled by our third-party manufacturers/supplier, we conduct rigorous incoming quality checks on every batch of final products that delivered by our third-party manufacturers/supplier in order to ensure that the products are of high quality. Our Warehouse 3 (distribution centre) is equipped with test and measuring instruments, namely spectrometer, surface roughness tester, calliper, filler gauge and dial gauge which allows our QC personnel to ensure that the final products meet the required international standards.

Our QC personnel will conduct a sampling test, whereby 10.0% of sample size on the selected finished product batch will be tested. If defects are found in majority of our sampling, our QC personnel will then proceed to do a 30.0% sample test to the same batch and if defects are detected here, then the whole batch will be rejected and returned to our third-party manufacturers/supplier. This arrangement is to ensure that the finished products are in compliance with our specifications as well as our customers' requirements before being accepted.

**7. BUSINESS OVERVIEW (Cont'd)**

Additionally, as our third-party manufacturers/supplier are responsible for raw materials sourcing and procurement, they are required to submit the related raw materials sourcing documents for every order we place in order to ensure the manufactured products comply with the agreed quality and specifications.

**7.14 D&D ACTIVITIES**

We are actively involved in product D&D activities where we work with our third-party manufacturers for new product development. The scope of our D&D activities which are undertaken in-house begins from research and analysis of market needs and requirements up to product conceptualisation, enhancements and finally re-designing (i.e. including creating products' features and specifications on our existing products).

We are mindful of the prevalent market trends in industries that we serve, and we subsequently plan and undertake product D&D activities, particularly for our valves, installation component and fittings to cater for both our existing and potential customers' varying requirements and needs. Ideas for new products and product improvements are obtained through feedback gathered from our customers as well as periodic market research conducted by our sales and marketing team.

Our product D&D and QC team is led by Cheong Chee Son, our Managing Director, who is responsible for our Group's product development efforts. As our Group has been a member of EHEDG since 2006, he has gained valuable industry knowledge where he receives guidance on hygienic design and engineering towards the enhancement of food safety and quality in the production of food. In addition, he also understands the market needs and requirements as he has been in the sanitary valves and fittings industry since 2001 and attends exhibitions and seminars from time to time. Furthermore, our D&D team personnel possesses the relevant technical qualifications such as food engineering and mechanical engineering qualifications to handle such engineering tasks in relation to the respective end-user industries and also the design knowledge and capabilities in conceptualising new prototypes design for new products. Based on Cheong Chee Son's experience and knowledge, he is able to work with our D&D team to enhance and improve our existing sanitary products.

Our product D&D and QC team also collaborates with our third-party manufacturers to conduct feasibility studies in terms of product features and quality, forecast costing for raw material and machinery procurement (if required), profitability as well as break-even point. If the feasibility studies results are acceptable, we will then engage our third-party manufacturer(s) to manufacture a prototype piece which will be scrutinised and fine-tuned before being evaluated for final approval. Throughout the years, we have introduced new and improved product offerings arising from our Group's D&D activities, representing 102 SKUs of our existing sanitary products, as follows:

<b>Year</b>	<b>D&amp;D Activities</b>
2015	<ul style="list-style-type: none"> <li>Commence the re-design and development of the air actuator model A63 to a lighter and more compact version (for mounting on butterfly valve or ball valve) for pneumatic control</li> </ul>



## 7. BUSINESS OVERVIEW (Cont'd)

Year	D&D Activities
	<ul style="list-style-type: none"> <li>Product enhancement of aseptic sampling valve to provide a new smooth-turning handle and easy flush cleaning designed pot in a smaller size of 0.5 inch used in both weld and tri-clamp connection</li> </ul>
2017	<ul style="list-style-type: none"> <li>Completed and commercialised the air actuator model A63</li> <li>Product enhancement of inline sight glasses by introducing borosilicate glass tube in precise dimension and flatness with a re-design of the sealing joint to overcome leakage and thermal shock issue</li> <li>Product enhancement of inline filters by customising internal parts of the filters for easy installation and maintenance</li> </ul>
2018	<ul style="list-style-type: none"> <li>Product enhancement of non-return valve by customising the valve body, guide plate, gasket seat and also providing several selections of spring strengths to improve the on-off function of the valve</li> </ul>
2020	<ul style="list-style-type: none"> <li>Product enhancement of air release valve by strengthening the self-air releasing function in a pipeline</li> </ul>

In addition, our products which are currently under development as at LPD are as detailed below:

New products	Description	Status of development as at LPD	Targeted commercialisation
Vacuum fittings and valves	For use in production lines for semiconductor industry such as electronic components, solar cells, storage media and light-emitting diode manufacturing plants	<sup>(1)</sup> Concept development and testing stage	4 <sup>th</sup> quarter of 2023
Valves	Re-design our current butterfly valves for F&B industry to a lighter and more compact version	<sup>(2)</sup> Completed the development	4 <sup>th</sup> quarter of 2023

### Notes:

- (1) As at LPD, we have finalised our vacuum fittings and valves prototypes with third-party manufacturers. By end August 2023 to early September 2023, we intend to send our D&D team to China to inspect the process and production line of third-party manufacturers before engaging them. We have allocated RM4.00 million from the proceeds raised from our Public Issue to develop and deploy the same. Mass production is targeted to commence in end September 2023.
- (2) Mass production is targeted to commence in the 4<sup>th</sup> quarter of 2023.

As product D&D activities are performed in-house, our Group owns the product designs rights. Our Group may also engage other third-party manufacturers to manufacture different parts to complete our finished product. We will also enter into non-disclosure agreement with our third-party manufacturers upon commencement of orders and will periodically visit their facilities to inspect their manufacturing activities.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**7.15 COMPETITIVE STRENGTHS****7.15.1 We are committed to supplying high quality stainless steel sanitary products**

Since our incorporation, we have evolved from a stainless steel sanitary valves, tubes & fittings trading company to an established distributor of stainless steel sanitary valves, tubes & fittings, installation components & equipment, rubber hoses under our "MINOX®" brand and other related products. Over the years, we have also established a reputation for our product quality and reliability.

Our "MINOX®" brand of sanitary tubes & fittings for the F&B industry have been authorised to use the 3-A Symbol after being evaluated to be in compliance with 3-A Sanitary Standards. Additionally, our "MINOX®" brand of sanitary tubes for F&B industry have been certified with Type EL Class I Certification by EHEDG after being evaluated to be compliant with EHEDG's latest guidelines of hygienic design. These certifications serve as a testament of our "MINOX®" brand of sanitary products which are in compliance with internationally recognised standards. In addition, we work with our third-party manufacturers that are ASME-certified to manufacture our "MINOX®" brand of sanitary products used in the pharmaceutical industry to be in compliance with the ASME BPE standards. As for the semiconductor industry, no specific certification is required. However, as smooth surfaces and leak-proofed design are important specifications for sanitary products used in the semiconductor industry, we commit to provide products that meet the stringent requirements of the semiconductor industry. In turn, this has fostered greater confidence and assurance in our "MINOX®" brand amongst our customers.

Our "MINOX®" brand of sanitary products adhere to stringent international food and hygienic grade and material safety standards including ASME BPE, DIN, DS, IDF and SMS. Our membership with EHEDG since 2006 is a testament of our commitment in providing our customers with sanitary products that complies with international standards in hygienic design. In addition, we have also invested in test and measuring equipment which includes spectrometer and surface roughness tester for our QC activities to ensure our products meet our customers' specifications.

**7.15.2 We are able to offer a wide selection of products**

We offer a comprehensive range of sanitary products including valves, tubes & fittings, installation components & equipment and rubber hoses under our "MINOX®" brand in terms of types and specifications (i.e. size, dimension and material grade) that comply with international standards to cater to the varying needs of our customers. This is evident as we carry and distribute a total of approximately 7,480 SKUs as at LPD. Additionally, through the services of our approved third-party manufacturers/supplier, we are also able to provide our customers in various industries with specifications which suit their specific needs.

We also distribute third-party brands of sanitary products and non-sanitary products namely, Rubber Fab, TEMPRESS, ContiTech and GECITech under our product portfolio. In addition, we also provide value-added services to our industrial end-customers by supplying other types of non-sanitary stainless steel products such as square hollow sections, plates, pipes & fittings, as well as a variety of industrial hardware such as tools, fasteners (e.g. nuts and bolts), and other components based on our customer's particular needs.

**7. BUSINESS OVERVIEW (Cont'd)****7.15.3 We are able to distribute our products in various countries**

We are able to distribute our products in Malaysia, across various SEA countries and neighbouring countries through our headquarters in Malaysia and regional offices in Indonesia, Singapore and Thailand. Our regional office and warehouses in Singapore aim to better serve our overseas markets such as Bahrain, Cambodia, Denmark, Germany, India, Japan, South Korea, Myanmar, Sri Lanka, Spain and United Arab Emirates.

We also work with our representative agents in Taiwan, the Philippines and Vietnam to distribute our products in those countries. As a member of EHEDG, we also benefit from EHEDG's extensive global network that provides us with a platform to gain international exposure.

**7.15.4 Established track record and good relationship with our industrial end-customers**

Our Group believes that consistent delivery of quality products that satisfy our customers helps us to maintain mutually beneficial relationships with our customers. Additionally, building a good reputation is important for the industries that we serve, where high standard of hygiene is demanded. Through good working relationships with customers, we stand to gain more than just loyalty and repeat orders. We also benefit from our customers recommending our products to their affiliates and partners out of goodwill, thus creating more business for our Group. We have also developed a good reputation in industries demanding high standards of hygiene and cleanliness through our track record of providing sanitary-grade products that meet international standards.

We have 25 years of track record in supplying various stainless steel sanitary products to both local and overseas customers. From 1 January 2022 up to LPD, our Group has a customer base of approximately 1,700 active and recurring customers comprising project consultants, contractors and industrial end-customers. As at LPD, our major customers have been dealing with our Group for between 5 to 13 years. The breakdown of customers by industries and countries are as follows:

<b>Country</b>	<b>Customer base from 1 January 2022 up to LPD</b>		
	<b>F&amp;B</b>	<b>Pharmaceutical</b>	<b>Semiconductor</b>
Bahrain	1	-	-
Cambodia	2	-	-
Canada	1	-	-
France	1	-	-
India	3	1	-
Indonesia	339	29	-
Japan	2	-	-
Malaysia	764	52	39
New Zealand	1	-	-
Singapore	159	26	12
South Korea	1	-	-
Sri Lanka	4	-	-
Thailand	270	21	-
Turkey	2	-	-
United Arab Emirates	2	-	-
<b>Total</b>	<b>1,552</b>	<b>129</b>	<b>51</b>

## **7. BUSINESS OVERVIEW (Cont'd)**

Since our inception, we have successfully secured purchase orders from a number of notable industrial end-customers such as Malaysia Milk Sdn Bhd, Unilever Foods (M) Sdn Bhd, Kerry Ingredients Sdn Bhd, Johnson & Johnson (M) Sdn Bhd, PureCircle Sdn Bhd, Dindings Poultry Processing Sdn Bhd, Chuan Sin Sdn Bhd (a wholly-owned subsidiary of Spritzer Bhd), Lee Kum Kee (Malaysia) Foods Sdn Bhd, Campbell Cheong Chan (Malaysia) Sdn Bhd, Duopharma (M) Sdn Bhd, Thai Beverage Public Co., Ltd and Nestle Manufacturing (Malaysia) Sdn Bhd.

Our ability to secure notable industrial end-customers is attributed to our capability in supplying high quality stainless steel sanitary products that meet our customers' requirements and standards, which are in accordance with international standards such as EHEDG, 3-A, ASME BPE, DIN, DS, IDF and SMS.

### **7.15.5 We have an established network of third-party manufacturers/supplier**

We are principally involved in the distribution of our "MINOX<sup>®</sup>" brand of sanitary products and we are not involved in any manufacturing activities. We engage third-party manufacturers/supplier to supply our products. Since the introduction of our "MINOX<sup>®</sup>" brand in 2004, we have developed our network of third-party manufacturers/supplier from different countries. While we undertake our product D&D activities in-house, we subsequently work with our third-party manufacturers who have the necessary accreditations and certifications such as ISO certified, 3-A Sanitary Standards certified, and some which are also ASME BPE certified and members of the EHEDG to manufacture our "MINOX<sup>®</sup>" brand of sanitary products that comply with international standards. For avoidance of doubt, Top Steel, our supplier, does not own any of the abovementioned accreditations and certifications as they are not involved in any manufacturing activities. However, Top Steels sources and purchases from third-party manufacturers who have obtained the necessary accreditations and certifications.

There are certain procedures and requirements that a company has to comply with before obtaining the specific accreditations/certifications. Manufacturer(s) that certifies its product(s) with ASME in order to meet the ASME BPE standard will have their quality management systems surveyed and assessed by ASME. A certificate will only be issued by ASME upon successfully demonstrating the implementation of their quality programme to the ASME.

For 3-A Sanitary Standards, 3-A Sanitary Standards Inc. implemented a third-party verification inspection and evaluation programme whereby an on-site evaluation of finished product(s) will be conducted to affirm that the product(s) conforms to the applicable provisions of 3-A Sanitary Standards, before authorisation to display the 3-A Symbol on the product(s) is given.

Based on our knowledge, obtaining an accreditation/ certification can be a challenging process for manufacturers. Some possible challenges which may arise during the process of obtaining such accreditations/certifications, include but are not limited to, (i) a lengthy and time-consuming assessment process; (ii) the complexity of the standards and requirements to be met; and (iii) the process to get a manufacturing facility ready for inspection in order to meet the requirements to attain the certifications. Last but not least, once certified, the third-party manufacturers will have to maintain compliance with the standards and regulations set by organisations, which may require additional resources and ongoing investment.

As at LPD, we work with 13 third-party manufacturers (i.e. China (5), Denmark (2), Italy (2), South Korea (1), Taiwan (1), Thailand (1) and Turkey (1)), and 1 supplier in Hong Kong, that supply us with our "MINOX<sup>®</sup>" brand of sanitary products. Our good working relationships with these third-party manufacturers/supplier allow us to promptly fulfil our customer orders from time to time.



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**7. BUSINESS OVERVIEW (Cont'd)**

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**7.15.6 Our ability to provide prompt response to our customers**

Our established presence in Malaysia, Indonesia, Singapore and Thailand allows us to work closely with our customers, and provide customer service promptly to quickly serve and meet their needs. Our team of 9 sales engineers (2 based in Malaysia who also virtually support Minox TH through phone or video calls, text messages or emails, 1 based in Singapore and 6 based in Indonesia), are available year-round to respond promptly to our industrial end-customers, to identify and diagnose issues regarding our industrial end-customers' production lines where our "MINOX®" brand of sanitary products are installed on such production lines. Such engineers will also advise our industrial end-customers on rectification measures if necessary.

Also, each of our regional offices are equipped with warehouses that carries sizeable inventories which ensures that products are readily available whenever the need arises from customers in a particular country.

For new project implementation, upon delivery of products to customers, we will ensure that there is a 15.0% to 20.0% inventory level of the same products for the duration of the project (generally up to a year) as part of our commitment to minimise disruption to our industrial end-customers' project.

In addition, as our industrial end-customers are from the F&B, semiconductor and pharmaceutical industries, they cannot afford major downtime in their production activities and as such rely on us for timely replacement in the event there is a projection line malfunction. Thus, it is vital for us to maintain certain inventory level to ensure availability of different SKUs of sanitary products post project implementation and/or to support our industrial end-customers' continuous replacement/maintenance of their manufacturing facilities.

Furthermore, should there be urgent requests for products to serve industrial end-customers in countries outside of Malaysia, we are able to arrange for delivery of such products from the nearest regional office or via our representative agents, thereby reducing delivery time. This practice has enabled us to attract and retain our customers.

**7.15.7 Our products can be used in diverse industries with high emphasis on stringent hygiene and cleanability requirements**

Our products can be used by our industrial end-customers which are from the F&B, pharmaceutical and semiconductor industries. For end-customers in the F&B and pharmaceutical industries, as our "MINOX®" brand of sanitary products are installed in hygienic production lines which have direct contact with consumer food and health products, our products have to adhere to stringent hygiene and cleanability requirements. This is to avoid any potential risks of food or health product contamination during the production process. Meanwhile for end-customers in the semiconductor industry, we ensure our product offerings are leak proof to ensure proper transmission of gas or compressed air.

In order to meet the hygiene and cleanability requirements of our industrial end-customers and provide them products in line with specific requirements, our products undergo surface roughness testing and special finishing treatment (i.e. grinding or electropolishing) for a fine, smooth and easy-to-clean inner surface.



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**7. BUSINESS OVERVIEW (Cont'd)**

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**7.16 BUSINESS STRATEGIES AND PROSPECTS**

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over the period of 36 months from the date of our Listing.

**7.16.1 Expansion of our product range**

To maintain and strengthen our position in the market, our Group aims to further expand our products range under our own "MINOX<sup>®</sup>" brand to cater to the varying needs of our customers. We will carry out continuous product improvement and development in terms of product functional features and designs as a means to ensure continuing business sustainability and growth. We aim to roll out new enhanced products that would enable us to cater for a wider application within the hygienic production lines in different industries, while at the same time expanding our industrial end-customer base.

In line with our business expansion into the semiconductor industry, we intend to introduce different types of vacuum fittings and valves to expand our products offerings for the semiconductor industry. This includes offering a wide range of vacuum fittings and valves with better functional features and specifications allowing for higher levels of sterility and leak-tight fittings. These new vacuum fittings and valves to be developed and deployed include unions, flange connections and ball valves, which are used in production lines for semiconductor industry such as electronic components, solar cells, storage media and light-emitting diode manufacturing plants.

As compared to the fittings and valves that are used in F&B and pharmaceutical industries that have fluid flowing in them, vacuum fittings and valves are generally used in the semiconductor industry to transport gas or compressed air. For example, our current ball valves are used for general utility application such as waste discharge in the semiconductor industry. We intend to develop a new type of ball valve with higher standards in terms of leak integrity, high cleanability requirement and higher flow rates during production. Additionally, during the semiconductor device fabrication process, a stable and precise control of vacuum pressure as well as leak-tightness of the transport system is required to ensure proper transmission of gas or compressed air. As such, we intend to develop vacuum fittings and valves that are highly leak-tight down to leak rate of  $10^{-8}$  mbar. These vacuum fittings and valves will be manufactured by stainless steel grade 304L (for non-corrosive gas or compressed air) or 316L (for corrosive gas or compressed air), with contaminants-free surface. As at LPD, we have identified 2 new third-party manufacturers in China to manufacture our new vacuum fittings and valves.

We have allocated RM4.00 million from the proceeds raised from our Public Issue for the development and deployment of certain SKUs of our new vacuum fittings and valves, further details of which are set out in Section 4.9.1(a).

## 7. BUSINESS OVERVIEW (Cont'd)

The indicative timeline for the development and deployment of our new vacuum fittings and valves is as follows:

<b>Timeline</b>	<b>Details</b>
September 2022	Commencement of the development of vacuum fittings and valves
December 2022	<ul style="list-style-type: none"> <li>• Prototype of vacuum fittings and valves manufactured</li> <li>• Liaising with third-party manufacturers on design requirements of prototypes</li> </ul>
End July 2023	Prototype finalised based on design requirements and specifications
End August to early September 2023	D&D team travels to China to inspect the process and production line of third-party manufacturers
End September 2023	Engage third-party manufacturers for mass production
December 2023	Target to be commercialised (depending on time taken by third-party manufacturers to manufacture the vacuum fittings and valves)

### 7.16.2 Construction of Warehouse 4

We currently store bulk of our finished products that are delivered by our third-party manufacturers/supplier in Warehouse 3 (distribution centre) in Puchong, Selangor prior to onward distribution to our regional offices in Singapore, Thailand and Indonesia as well as our representative agents in the Philippines, Vietnam and Taiwan. We also operate 2 other warehouses located in Puchong, Selangor for local sales. As at LPD, our 3 warehouses in Puchong, Selangor have an average utilisation rate of approximately 85.4%, further details of which are set out in Section 7.3.

In view of the high utilisation rate for our 3 local warehouses and in line with our business expansion, we intend to construct Warehouse 4 to store our additional inventories. As such, our subsidiary namely, MST MY (as purchaser) had on 4 November 2022 entered into a sale and purchase agreement with Documation Sdn Bhd (as vendor) to acquire a vacant land measuring approximately 22,560 sq ft at 4, Jalan Industri PBP 9, Taman Industri Pusat Bandar Puchong, 47100 Puchong, Selangor to construct Warehouse 4. Such acquisition was completed on 13 March 2023. As at LPD, we are in the midst of preparing the planning permission for submission to MPSJ, which we target to submit end of October 2023. Upon obtaining the approved building plan, we will begin the construction of Warehouse 4 with expected storage area of approximately 18,690 sq ft (which have a capacity to store approximately 1,130 units of standard size pallet). Such additional storage capacity will increase our total storage capacity in Malaysia from 1,530 units of standard size pallet to approximately 2,660 units of standard size pallets.

We intend to allocate the sum of RM4.00 million from the proceeds raised from our Public Issue for the construction of Warehouse 4 and the remaining RM0.85 million will be funded via internally-generated funds and/or bank borrowings to be obtained by our Group. The approximate construction costs for Warehouse 4 are set out in Section 4.9.1(b).

**7. BUSINESS OVERVIEW (Cont'd)**

The indicative timeline for the acquisition and construction of Warehouse 4 is as below:

<b>Timeline</b>	<b>Details</b>
March 2023	Completion of acquisition of 4, Jalan Industri PBP 9, Taman Industri Pusat Bandar Puchong, 47100 Puchong, Selangor
October 2023	Submission of planning permission to MPSJ
January 2024	<ul style="list-style-type: none"> <li>• Approved planning permission obtained</li> <li>• Submission of building plan to MPSJ</li> </ul>
June 2024	Approved building plan obtained
July 2024	Commencement of construction works
February 2025	Completion of construction works, installation of racking platform system and interior fit-out
March 2025	Application for CCC
May 2025	CCC obtained
June 2025	Commencement of operations in Warehouse 4

**7.16.3 Expansion of our market coverage in Singapore**

We intend to further penetrate into the semiconductor industry in Singapore. Based on our management's market study, the semiconductor industry in Singapore is poised for further growth and the overall outlook for the industry is positive. As part of Singapore's Manufacturing 2030 vision to become a global business, innovation and talent hub for advanced manufacturing, the Singapore government aims to anchor frontier investments from global companies with specialised capabilities to support the country's local manufacturing ecosystem. Singapore has recently attracted investments from several of leading global semiconductor companies such as GlobalFoundries Inc, Siltronic AG and United Microelectronics Corporation.

Furthermore, Singapore has a number of free trade agreements that aims to reduce or eliminate barriers to trade, such as tariffs and other trade barriers on all originating goods. As such, we are able to decrease our average cost per unit of sanitary products delivered to Singapore which in return improve our financial performance. In view of this, we intend to further expand our market coverage by identifying and procuring new potential customers in Singapore such as project consultants or contractors that supply process systems to multinational industrial end-customers. Additionally, as these potential customers are mainly serving the SEA, Australia and New Zealand markets, we are able to increase our visibility and customer base and grow on their geographic expansion within these regions. We also intend to further explore and penetrate into Africa, Canada and USA as well as to expand our market presence in Middle East via our Singapore regional office and our participation in regional exhibitions.

**7. BUSINESS OVERVIEW (Cont'd)**

We currently store bulk of our finished products that are delivered by our third-party manufacturers/supplier in Warehouse 3 (distribution centre) in Puchong, Selangor and conduct quality checks prior to onward distribution to our regional offices in Singapore, Thailand and Indonesia as well as our representative agents in the Philippines, Vietnam and Taiwan. In order to facilitate our growth and expansion of our business in Singapore, we intend to set up a new warehouse in Singapore which will provide us with additional capacity to store our new vacuum fittings and valves for the semiconductor industry as well as to store inventories that caters for our customers in Singapore and other overseas market (such as Bahrain, Cambodia, Denmark, Germany, India, Japan, South Korea, Myanmar, Sri Lanka, Spain and United Arab Emirates) and directly deliver such customers' orders from this new warehouse.

As at LPD, we currently have 3 warehouses in Singapore with aggregate storage space of 5,550 sq ft, of which 2 are located at Yishun Industrial Street, Singapore and 1 is located at Old Toh Tuck Road, Singapore. As at LPD, these 3 warehouses in Singapore have an average utilisation rate of approximately 82.0%. We are in the midst of identifying a suitable property to rent for our new warehouse ideally located in Tampines, Singapore with built-up area of approximately 10,000 sq ft. This new warehouse in Singapore will provide us with an expected storage area of approximately 7,500 sq ft (which have a capacity to store approximately 600 units of standard size pallet). Such additional storage capacity will increase our total storage capacity in Singapore from 289 units of standard size pallet to approximately 889 units of standard size pallet.

Based on our management's assessment, the estimated cost of setting up of our new warehouse in Singapore is approximately RM5.01 million, which our Group intends to finance from the proceeds raised from our Public Issue. Further details on the set-up costs for our new warehouse in Singapore is set out in Section 4.9.1(c).

Upon execution of rental for our new warehouse, we will submit the building plan to BCA. The indicative timeline to set up our new warehouse in Singapore is as follows:

<b>Timeline</b>	<b>Estimated timeline</b>	<b>Details</b>
T (from date of our Listing)	October 2023	Execution of rental agreement for our new warehouse
T + 1 month	November 2023	Submission of building plan to BCA
T + 7 months	May 2024	Approved building plan obtained
T + 8 months	June 2024	Commencement of renovation
T + 10 months	August 2024	Completion of renovation
T + 11 months	September 2024	Commence operations in new warehouse

Once the renovation works are completed, we will prompt our third-party manufacturers/supplier and instruct them via our purchase orders for which inventories to be delivered to Warehouse 3 (distribution centre) or this new warehouse in Singapore. As part of our QC management, our new warehouse in Singapore will also be equipped with test instruments (i.e. spectrometer, surface roughness tester, calliper, filler gauge and dial gauge and helium test equipment) to perform incoming QC. Save for the spectrometer of which we have allocated the proceeds raised from our Public Issue to acquire, we intend to use our internally-generated funds for the acquisition of surface roughness tester, calliper, filler gauge, dial gauge and helium test equipment.

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**7. BUSINESS OVERVIEW (Cont'd)**

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Save for Warehouse 3 (distribution centre) in Puchong, Selangor and this new warehouse to be set up on Tampines, Singapore, the other warehouses of our Group store inventories for customers in its respective countries.

**7.16.4 Prospects of our Group**

We believe that our prospects in the sanitary valves and fittings industry are favourable taking into consideration our competitive strengths in Section 7.15, our business strategies in Section 7.16 as well as the prospects of the sanitary valves and fittings industry as set out below.

According to the IMR Report, the Asia Pacific sanitary valves and fittings industry has dominated the global industry with its 49.0% share valued at USD615.28 million in 2022. Growth in Asia Pacific is expected to be bolstered by emerging economies such as China and India expanding their pharmaceutical and F&B industries coupled with growing hygiene awareness in these industries, as well as growing requirement for water treatment in various Asia Pacific countries. Moving forward, the sanitary valves and fittings industry in Asia Pacific is expected to reach USD642.97 million in 2023 and expand by a CAGR of 6.1% to reach USD825.60 million in 2027.

From a local perspective, factors boosting growth within the Malaysian sanitary valves and fittings industry is likely to come from the expansion in the local F&B manufacturing industry, a prevalence of chronic lifestyle disease boosted demand for pharmaceutical products, as well as technological advancement spurring demand for semiconductors. At the same time, the growing affluence of Malaysians also indicate higher spending power by the population for consumption of food and pharmaceutical products, as well as consumer electronics.

However, the ongoing geopolitical tension across the globe as well as economic slowdown is expected to result in dampened demand for various products including food, pharmaceutical products as well as consumer electronics. In addition, as part of the manufacturing sector that is often labour intensive, the labour shortage issues faced by Malaysia may hinder the growth of the end-user markets of the local sanitary valves and fittings industry, which may dampen the development of the industry.

On the supply side, the Malaysian sanitary valves and fittings industry is expected to benefit from the advancement in technostructure facilities and resources in the country. Furthermore, support from the Government in growing the local manufacturing sector in the country has also served to bolster growth of in the local sanitary valves and fittings industry. In particular, the National Food Security Policy Action Plan 2021-2025 by the Ministry of Agriculture and Food Industries as well as tax incentives for pharmaceutical manufacturers is expected to boost the development of these industries. On the flipside, the higher cost of raw materials such as chromium and nickel which are essential in the manufacture of stainless steel is expected to hinder the expansion of the local sanitary valves and fittings industry.

In 2022, growth in the sanitary valves and fittings industry in Malaysia was supported by the expected pickup in local economic activities, whereby the Government had announced the transition of COVID-19 into an endemic phase starting 1 April 2022. The Ministry of Health had also announced further relaxation of COVID-19 restrictions from 1 May 2022 and that all economic sectors are allowed to operate from 15 May 2022 onwards. On the global front, vaccination efforts and more relaxed COVID-19 measures is expected to boost economic activities, thus resulting in an increase in demand for various goods and services. During the year, the industry expanded by 13.0% to reach RM213.57 million. Going forward, the Malaysian sanitary valves and fittings industry is expected to grow at a CAGR of 11.2% from RM234.93 million in 2023 to RM363.09 million in 2027.

## 8. IMR REPORT

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ASSOCIATES

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The information in this Section 8 is based on market research conducted by Protégé Associates commissioned by Minox International Group Berhad for the purpose of the IPO.

25 AUG 2023

The Board of Directors  
Minox International Group Berhad,  
3, Jalan Industri PBP 11,  
Taman Industri Pusat Bandar Puchong,  
47100 Puchong,  
Selangor.

Dear Sirs,

### **Strategic Analysis of the Sanitary Valves and Fittings Industry in Malaysia**

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this 'Strategic Analysis of the Sanitary Valves and Fittings Industry in Malaysia' for inclusion in the prospectus of Minox International Group Berhad ("Minox" or the "Company") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.


Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 23 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG

Managing Director



**8. IMR REPORT (Cont'd)**



**1.0 Overview of the Sanitary Valves and Fittings Industry**

Sanitary valves and fittings are cleanable tubing connections that are installed in a process piping system to ensure cleanliness and sterility. Similar to regular valves and fittings, sanitary valves and fittings serve as process measurement and control instruments to connect sections of a piping system to regulate the temperature, pressure and flow of liquid and are specially designed and manufactured to prevent the entrapment, formation and spread of bacteria in the process piping system.

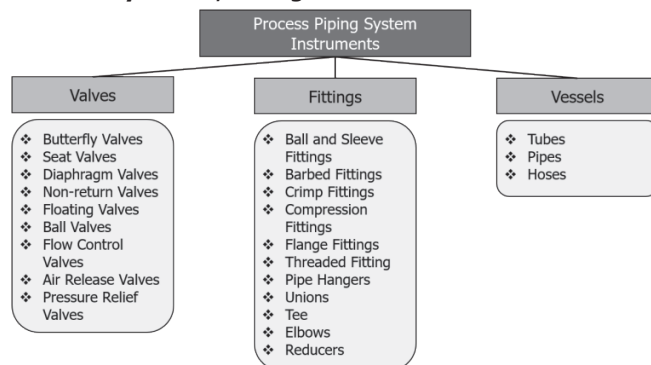
Sanitary valves and fittings are used mainly during the production process in different end-user industries where high levels of hygiene, sterility and cleanliness is needed. These industries include amongst others, pharmaceutical, medical, biological, food and beverage ("F&B"), dairy, cosmetic and personal care. Sanitary valves and fittings are also used in facilities that uses potentially dangerous chemicals to minimise safety risks and to ensure that no contamination occurs in case of a leakage. To ensure the required levels of hygiene and sterility can be maintained during usage, sanitary valves and fittings are manufactured and installed in a manner to allow them to be cleanable. They can be cleaned either by being dismantled and cleaned manually or through an inbuilt clean-in-place ("CIP") process. In particular, the ASME BPE (The American Society of Mechanical Engineers Bioprocessing Equipment) standard provides the requirements applicable to the design of equipment used in the bioprocessing, pharmaceutical and personal-care products, as well as other applications with relatively high levels of hygienic requirements. It covers materials, design, fabrication, inspection, testing and certification.

Sanitary valves and fittings are usually made of sterilisable and corrosion-resistant materials that can withstand frequent exposure to high temperatures, pressure and chemicals. As such, the most commonly used material for sanitary valves and fittings for process piping are stainless steel. Stainless steel is preferred as it is naturally antimicrobial, and is resistant to corrosion and rust. Stainless steel also has an easy-to-clean surface that is ideal for facilities where hygiene and cleanliness are of primary concern.

Sanitary valves and fittings are normally used as pneumatic or hydraulic components to connect sections a process piping system. Fittings are mainly categorised based on the three different types of vessels they are designed for, namely pipes, tubes and hoses. Pipes are hollow cylinders used to convey moving fluids (liquid and gas) and are made from materials with a certain level and rigidity and permanence. Pipe sizes are generally defined nominally, meaning the actual dimensions (inner diameter and wall thickness) may vary from standard pipe sizes. Tubes and pipes are often used interchangeably, but tubes are more strictly defined according to the dimensions of inside and outside diameter and wall thickness. Hoses are generally more flexible and portable, and are often made up of multiple layers of different materials which may vary based on the application.

Sanitary fittings and valves are used in a variety of function and are attached to vessels such as pipes, tubes and hoses via a number of different connections. This may also include valves being used to provide special connections to a vessel, or adapters, plugs, sleeves or caps being used to extend or terminate a vessel. Elbows, tees and crosses can be used to alter the direction of a vessel and reducers fittings can be used to alter the size of a vessel. The figure below provides an illustration of the various types of sanitary valves, fittings and vessels available in the industry.

**Figure 1: Types of Sanitary Valves, Fittings and Vessels**



Source: Protégé Associate.

**2.0 Overview of the Sanitary Valves and Fittings Industry in Asia Pacific**

Owing to the global rapid urbanisation and industrialisation in recent years, especially in emerging economies, there has been a need for sanitary valves and fittings. This development stems from these stainless-steel components being increasingly utilised in various applications such as F&B processing, pharmaceutical instrumentation, chemicals and semiconductor manufacturing, whereby sanitary valves and



**8. IMR REPORT (Cont'd)**

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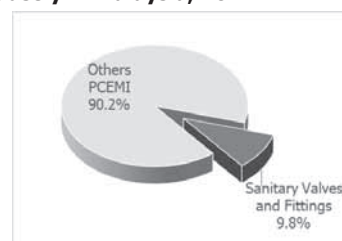
fittings play an integral part of the fluid management systems in these industries. The expansion of these respective industries is expected to result in growing demand for sanitary valves and fittings. The global sanitary valves and fittings industry was valued at USD1,243.00 million in 2022, which was an increase of 5.0% from the previous year. While the industry had been impacted by the Coronavirus Disease 2019 ("COVID-19") COVID-19 pandemic in 2020, whereby operations in various industries had either been temporarily halted or were functioning with minimal workforce due to the implementation of lockdowns and imposed restrictions by respective governments, the industry rebound in 2021 as a recovery in global economic activities led to revived demand across end-user markets. The revival trend continued into 2022 as global economic activities rebounded. Going forward, the industry is expected to expand from USD1,286.50 million in 2023 and reach USD1,601.27 million in 2027 at a CAGR of 5.2%.

In terms of regions, the global sanitary valves and fittings industry can be segmented into North America, Europe, Asia Pacific, South America and Middle East and Africa. In particular, the Asia Pacific region has dominated the global sanitary valves and fittings industry. The sanitary valves and fittings industry in Asia Pacific was valued at USD615.28 million in 2022. Emerging economies such as China and India are expected to contribute significantly to the expansion of the sanitary valves and fittings industry in the region due to the rapid expansion of F&B and pharmaceutical industries coupled with growing hygiene awareness in these industries. The rising demand for ready-to-eat foods and higher awareness about the benefits of healthy and nutritious food have been fuelling the growth of the F&B processing industry in Asia Pacific. Similarly, the pharmaceutical industry has been showing considerable growth over the years due to the rising prevalence of obesity and the expanding geriatric population. This has been compounded by the ongoing COVID-19 pandemic where more resources have been poured into vaccine development and supplements. F&B and pharmaceutical companies are required to ensure a highly sanitized environment to comply with various regulatory guidelines, thus driving demand for sanitary valves and fittings in the region.

In addition, demand for sanitary valves and fittings in the region is also expected to come from growing requirement for water treatment in countries such as China, India and Japan. Sanitary valves and fittings are manufactured using stainless steel and is preferred over other materials such as cast iron, brass and copper due to its ability to withstand harsh temperatures, chemicals and pressures, along with hard water conditions. Stainless steel is also known for its corrosion resistance characteristics. Demand from this end-user industry in Asia Pacific is mainly supported by the increasing urban population, where there is growing demand for new and improved water treatment systems. Chemical factories are another major end-user of sanitary valves and fittings in Asia Pacific, whereby many global market players are setting up chemical plants in the region, in particularly in China. The growing demand for petrochemicals and fuels is also expected to spur refinery capacity in Asia Pacific, and lead to higher demand for sanitary valves and fittings in refineries. Within the Southeast Asia region, demand for sanitary valves and fittings are expected to come from industries including F&B, pharmaceuticals and chemicals in counties such as Indonesia and Thailand. At the same time, the Singaporean sanitary valves and fittings industry is expected to derive demand from the chemicals and semiconductor industries. The expansion in these end-user markets is expected to bode well for the development of the sanitary valves and fittings industry in Southeast Asia. Going forward, the sanitary valves and fittings industry in Asia Pacific is expected to reach USD642.97 million in 2023 and expand by a CAGR of 6.1% to reach USD825.60 million in 2027.

**3.0 Overview of the Sanitary Valves and Fittings Industry in Malaysia**

The sanitary valves and fittings industry in Malaysia is a sub-segment of the process control equipment and measurement instrument ("PCEMI") industry in Malaysia. PCEMI are widely used in sectors such as oil and gas, palm oil, water services and manufacturing industries as a component of the industrial pipeline systems. The PCEMI industry in Malaysia was valued at RM2.17 billion in 2022, which was an expansion from RM2.10 billion in the previous year. The industry is forecast to reach RM2.23 billion in 2023 and expand at a CAGR of 3.9% to RM2.62 billion in 2027.

**Figure 2: Breakdown of the PCEMI Industry in Malaysia, 2022**

Source: Protégé Associates

The sanitary valves and fittings industry was also negatively affected by the COVID-19 pandemic in 2020, whereby many end-user markets were forced to temporarily halt operations or operate at reduced capacities. The industry recovered in 2021 along recovery in economic activities in Malaysia as well as across the globe. The sanitary valves and fittings industry was valued at RM189.00 million in 2021, up from RM138.91 million in 2020 during the peak of the pandemic.

**8. IMR REPORT (Cont'd)**

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**Figure 3: Historical Size and Growth Forecast for the Sanitary Valves and Fittings Industry in Malaysia, 2019-2027**

Year	Market Size (RM million)	Growth Rate (%)
2019	251.64	-
2020	138.91	-44.8
2021	189.00	34.3
2022	213.57	13.0
2023 <sup>f</sup>	234.93	10.0
2024 <sup>f</sup>	260.77	11.0
2025 <sup>f</sup>	289.45	11.0
2026 <sup>f</sup>	324.19	12.0
2027 <sup>f</sup>	363.09	12.0

Compounded annual growth rate ("CAGR") (2023-2027) (base year of 2022): 11.2%

Note: <sup>f</sup> denotes forecast

Source: Protégé Associates

Growth in the local sanitary valves and fittings industry is expected to be boosted by the expansion in the local end-user markets including F&B manufacturing, pharmaceutical and semiconductor industries. The local F&B manufacturing industry plays an important role in Malaysia's economic growth, and the Malaysian Government is encouraging industry players to innovate and adapt more advanced technologies in their operations. In 2022, the Malaysian Investment Development Authority ("MIDA") approved 93 projects worth RM3.50 billion in the food manufacturing industry and another 8 projects worth RM112.90 million in the beverages and tobacco industry. The F&B manufacturing industry was valued at RM316.81 billion in 2022. This figure is forecast to grow from RM342.79 billion in 2023 and expand at a CAGR of 9.3% to RM495.00 billion in 2027. At the same time, the pharmaceutical industry in Malaysia has grown steadily over the last decade and has been identified by the Malaysian Government as a key growth area. A total of 5 projects worth RM266.80 million had been approved by MIDA in 2022 in the local pharmaceutical industry. The Malaysian pharmaceutical industry was valued at RM10.18 billion in 2022. This figure is forecast to grow from RM11.20 billion in 2023 and expand at a CAGR of 12.0% to RM17.94 billion in 2027.

Malaysia is also an important player within the global semiconductor value chain, and the Malaysian semiconductor industry have seen large sums of investments and re-investments being injected into the local industry. In 2022, a total of 40 projects worth RM23.70 billion was approved to produce electronic components including wafer fabrication, semiconductor devices, integrated circuits, printed circuit boards ("PCBs"), and sensors. The Malaysian semiconductor industry was valued at RM335.07 billion in 2022. This figure is forecast to grow from RM363.55 billion in 2023 and expand at a CAGR of 12.1% to RM592.30 billion in 2027.

Supported by growth of end-user markets, the local sanitary valves and fittings industry was valued at RM213.57 million in 2022. The industry is forecast to reach RM234.93 million in 2023 and expand at a CAGR of 11.2% to RM363.09 million in 2027.

In Malaysia, the sanitary valves and fittings industry consists predominantly of suppliers and traders of sanitary valves and fittings. While some suppliers and traders may engage original equipment manufacturers ("OEM") to manufacture own brand sanitary valves and fittings, others generally carry brands manufactured by other foreign manufacturers.

These suppliers and traders generally distribute products from more than one manufacturer and often also distribute a series of other products in addition to sanitary valves and fittings. At the same time, while some of these suppliers and traders may opt to specialise in the trading of all types of sanitary valves and fittings, others generally choose to trade a much wider range of products ranging from valves and fittings to be used in other industries as well as other related equipment such as hoses, pressure gauges and thermometer gauges. In 2022, it is estimated that there are less than 50 industry players that are involved in the supply and trading of sanitary valves and fitting in Malaysia. To cater for the local demand for sanitary valves and fittings, these instruments are imported by suppliers and traders into Malaysia. As an important trading hub in Asia Pacific, many of these suppliers and traders also supply sanitary valves and fittings to overseas countries.

**As Minox mainly supplies sanitary valves and fittings to stakeholders within the local F&B, pharmaceutical and semiconductor industries, Protégé Associates has included an overview of these end-user markets.**

**8. IMR REPORT (Cont'd)****3.1 Overview of the F&B Industry in Malaysia**

The F&B industry in Malaysia can be segmented into the F&B services industry and the F&B manufacturing industry. The F&B services industry mainly revolves around the provision of food services to consumers, whether in the form of dine-in services, self-services, takeout services or delivery services. In other words, it is the business of preparing, transporting and serving food or meals at restaurants or food stores, basically anywhere but consumers' home. The F&B manufacturing industry in Malaysia involves the transformation of F&B raw materials into edible products.

The local F&B industry entered 2022 on a stronger footing with a good performance registered during the year. The gross domestic product ("GDP") contribution from F&B services activities increased from RM35.93 billion in 2021 to RM45.65 billion in 2022, while F&B manufacturing activities increased from RM28.60 billion in 2021 to RM33.99 billion in 2022. Local F&B manufacturers have been navigating various challenges stemming from the COVID-19 pandemic and lockdown measures including but are not limited to dampened consumer sentiments, disruption in supply chain, postponement of orders, maintaining operations at below full capacity with the reduced production hours and workforce and/or additional cost incurred in executing strict health and safety regulations and enhanced sanitisation at the workplace. The Malaysian Government has eased more restrictions and more economic sectors were allowed to open, including the F&B industry as a result of high population vaccination rate.

F&B manufacturing activities in Malaysia have remained vibrant with stringent standard operating procedures becoming a norm post COVID-19 pandemic for local F&B manufacturers. At the same time, the advancement in processing and manufacturing technology has widened the usage of local raw materials, and has expanded the range of food products manufactured in the country. This is seen by the increasing value of processed food products in Malaysia. Malaysia's sales value of own manufactured products (ex-factory) for F&B increased 12.9% from RM280.98 billion in 2021 to RM316.81 billion in 2022.

The animal and vegetable oils and fats sub-segment dominated the industry with its contribution of 60.0% of total sales value of Malaysia manufactured products. The huge percentage of the segment can be attributable to Malaysia being the second largest crude palm oil producer in the world and the main products under this sub-segment include the manufacturing of crude palm oil, refined palm oil and palm kernel oil. This was followed by the other food products sub-segment with a 19.0% share due to the wide range of products manufactured under the sub-segment. Some of the products under other food products include bakery products, cocoa, chocolate and sugar confectionery, macaroni, noodles and similar products as well as prepared meals and dishes. Moving into 2023, for the first five months of the year, sales value of own manufactured products (ex-factory) reached RM122.97 billion, which was a slight decrease from RM125.39 billion in the previous corresponding period.

**3.2 Overview of the Pharmaceutical Industry in Malaysia**

Generally, a pharmaceutical product is defined as any pharmaceutical or biological product which is intended to be used on the prescription of, or under the supervision of, a healthcare professional, and is intended for use in the diagnosis, treatment or prevention of disease in humans, or to affect the structure or any function of the human body. The pharmaceutical industry is defined as an industry that is involved with the manufacture or production of pharmaceutical products.

Products manufactured in the Malaysian pharmaceutical industry can be broadly categorised into six categories, namely new drug products, biologics, generic products, traditional medicine, health or food supplements and veterinary products. In particular, generic products can be further divided into prescription medicines and non-prescription medicine (also known as over-the-counter ("OTC") products). Prescription medicines, also known as ethical drugs, refer to medicines whose sales and transactions are confined to the purview of doctors and pharmacists, while OTC drugs refer to drugs which are used in self-medication and are safe to be used without prescription or treatment from a health professional. Both prescription medicines and OTC drugs can also be divided into patented drugs and generic drugs.

In Malaysia, the National Pharmaceutical Regulatory Agency ("NPRA") is responsible for the processing of product classifications covering products such as new chemical entities or new drug product, biologics, generics (scheduled poison and non-scheduled poison), health supplements, natural products, veterinary, food, medical devices, pesticides, and agriculture products. As of December 2022, 25,949 pharmaceutical products have been registered NPRA. There were 1,419 products registered in 2022 as compared to 1,491 products in 2021.

About 70.0% of Malaysia's generic medicines are manufactured locally and most of these products are procured by the Malaysian Government. Although these medicines are locally made, local pharmaceutical manufacturers rely heavily on the import of pharmaceutical ingredients or medicaments especially for lifestyle disease such as high cholesterol, diabetes, cardiovascular and cancer.

**8. IMR REPORT (Cont'd)**

In recent years, the domestic pharmaceuticals industry has been increasingly focusing on COVID-19-related research and development ("**R&D**") activities, mainly due to worldwide scarcity in specific products related to the pandemic. The Malaysian Government has also recognised the potential of the local pharmaceutical industry, and continues to encourage investments involving cutting-edge innovations and technologies to help develop the local pharmaceutical ecosystem towards producing higher value-added products. A total of 5 projects worth RM266.80 million was approved in 2022. Other government-led initiatives include Budget 2022 extending the preferential tax rate incentive, whereby investors are provided with a tax rate ranging from zero to 10.0% for a period of 10+10 years if they locally manufacture pharmaceutical products including vaccines. Both the PENJANA Relocation Incentive, which provides a special tax rate of zero percent for investments above RM300.00 million for new companies, and the Investment Tax Allowance of 100.0% for existing companies, have also been extended to the end of 2022.

Malaysia is also a prominent trader of pharmaceutical and medicinal products in Southeast Asia. In 2022, trade in pharmaceutical and medicinal products was valued at RM13.33 billion. While this was a decrease as compared to RM14.56 billion in 2021, it is still higher than RM10.11 billion registered in 2020. In particular, export grew by 14.3% to RM2.76 billion (2021: RM2.42 billion) in 2022 while imports fell by 13.0% to RM10.56 billion (2021: RM12.15 billion). Trade rebounded in 2023, with total trade amounting to RM8.35 billion in the first seven months of the year versus RM8.06 billion in the same period last year. Exports were valued at RM1.58 billion (January-July 2022: RM1.64 billion) while imports reached RM6.77 billion (January-July 2022: RM6.42 billion).

According to the NPRA, there were 272 licensed manufacturers of pharmaceutical products listed in the QUEST system (a system utilised for the purpose of registration of medicines and cosmetics and licensing products in Malaysia) at the end of the first half of 2023. These companies have the capabilities to produce generic medicine in all dosage forms, including sterile preparations, injection and soft gelatine capsules for antibiotics, injectables, painkillers and health supplements. Some of these companies have also engaged foreign pharmaceutical companies to manufacture local vaccines starting with Fill and Finish model using existing facilities.

### **3.3 Overview of the Semiconductor Industry in Malaysia**

Semiconductors are crucial parts and components to the electrical and electronics ("**E&E**") industry, as they are used in manufactured electronic products that utilise electrical current. In the recent years, the rapid growth in the global semiconductor industry has been mainly driven by demand from electronics such as smartphones, the proliferation of applications including the Internet of Things ("**IoT**") and cloud computing, the rollout of the fifth generation of telecommunications technology ("**5G**") as well as the rise in electric vehicles. The proliferation of 5G smartphones and innovative features is expected to be driving factors for end-users to upgrade existing phones and drive demand globally. The adoption of IoT, where everyday objects are embedded with network connectivity has also been on the rise. IoT trend has been evolving in modern society, where smart devices are increasingly embedded with software, sensors, actuators and networking connectivity to generate, receive and exchange signals and data. This trend has been embraced by various industries such as the building sector by adopting intelligent electricity meters, smart lighting and heat, ventilation and air conditioning systems. Elsewhere in the manufacturing industry, IoT is deployed as part of the manufacturing automation process for production flow monitoring, remote equipment management by setting limits and parameters, and offering various data throughout the manufacturing value chain for quality monitoring. The importance and adoption of IoT is set to drive the demand of semiconductor moving forward.

The demand for semiconductors has been increasing over the past years with the emergence of new technologies such as artificial intelligence, quantum computing, IoT and advanced wireless communications. However, the ongoing COVID-19 pandemic and international trade disputes have been disrupting the industry's supply and value chains, leading to a global shortage of semiconductor chips. While semiconductor manufacturing companies have been ramping up production, the current shortage is not expected to be resolved in the near future due to complexities in the semiconductor manufacturing process.

The global semiconductor industry is considered to be at the mature stage with the presence of a pool of established industry players. The world's total semiconductor revenue can be divided into four regions namely the Americas, Asia Pacific, Japan and Europe. The Asia Pacific region has continued to exert itself as a dominant force in the world's semiconductor industry, and has retained its position as the highest revenue contributor to the world's semiconductor industry in 2022. In particular, Singapore has been an important semiconductor manufacturing hub in the region. Semiconductor manufacturing contributes more than 80.0% of the country's electronics manufacturing output and 7.0% of the country's GDP. At the same time, Singapore accounts for 11.0% of the global semiconductor industry, and 20.0% of global semiconductor equipment is manufactured in the country.

**8. IMR REPORT (Cont'd)**

BRAND | FINANCE | MARKET

Closer to home, the E&E sector has long been a major economic driver for Malaysia. In 2022, exports of E&E products were valued at RM593.50 billion and contributed 38.2% of total exports. Of this amount, the exports of electronic integrated circuits were valued at RM301.65 billion, which accounts for almost 50.8% of total exported E&E products. Even amid the uncertainties caused by the COVID-19 pandemic and the US-China trade war, Malaysia continues to play its role in supporting the global E&E industry. This is due to the established E&E supply and value chain in the country. E&E products continued to retain its importance in 2023, with exports of E&E products reaching RM232.65 billion in the first five months of the year. This represents a slight increase from RM230.55 billion in the previous corresponding period.

Malaysia has remained one of the largest semiconductor manufacturing hubs in the ASEAN region. Local semiconductor and semiconductor-related companies are mostly involved in the mid- to lower-end of the global value chain, serving both local and foreign semiconductor manufacturers, brand owners, IC developers and fabricators. In general, these local firms can be divided into three groups. The first comprises of outsourced semiconductor assembly and test ("**OSAT**") companies such as Inari Amertron Berhad and Malaysian Pacific Industries Berhad. The presence of these OSAT firms create the need for the second group, which comprise of semiconductor automated test equipment ("**ATE**") manufacturers including ViTrox Corporation Berhad, Elsoft Research Berhad and MMS Ventures Berhad. The third group comprise of companies which design and manufacture supporting solutions such as test sockets and stiffeners for OSAT and other semiconductor companies. Companies in this group include FoundPac Group Berhad and JF Technology Berhad. The E&E value chain also includes electronics manufacturing services ("**EMS**") providers such as V.S. Industry Berhad and K-One Technology Berhad which are essentially not considered as semiconductor companies.

MITI and Malaysian Investment Development Association ("**MIDA**") has been encouraging existing local industry players to ramp up production and diversify their operations to combat the COVID-19 induced global semiconductor chip shortage. In 2022, a total of 40 projects worth RM23.70 billion was approved in the local electronic components sector based on MIDA's Investment Performance Report. The investments were aimed at producing advanced material wafers, IC substrates, printed circuit board assemblies, test interface products, sensors and semiconductor devices.

**3.4 Competitive Analysis****Foreign Competitors**

Minox is involved in the global sanitary valves and fittings industry via the provision of sanitary valves and fittings to various end-user markets including the F&B manufacturing, pharmaceutical and semiconductor industries via its subsidiaries in various foreign countries. Minox engages third-party manufacturers for the production of sanitary valves and fittings under the "MINOX®" brand. For the purpose of this report, Protégé Associates has identified other industry players in the Asia Pacific region that manufacture and trade sanitary valves and fittings along with Minox. These competitors are mainly international industry players including non-listed companies such as Chiang Sung Enterprise Co., Ltd (Taiwan), Dixon Valve & Coupling Company LLC (United States), Eurobinox SA (France), GHWA Industries Co., Ltd (Thailand), Kaysen Steel Industry Co., Ltd (China), SPX Flow Inc (United States), Wenzhou Sunthai Valve Co., Ltd (China), and Armaturenwerk Hötensleben GmbH (AWH) (Germany) as well as listed companies such as Alfa Laval AB (Sweden) and Kunshan Kinglai Hygienic Materials Co., Ltd (China). As international players, the products of these foreign competitors are found across regions globally.

**Local Competitors**

Local competitors of Minox are mainly traders supplying sanitary valves and fittings. For the purpose of comparison, Protégé Associates has selected the following market players that are comparable to Minox, based on the following criteria:

- A company registered in Malaysia and involved in the supply or trading of sanitary valves and fittings; and
- Recorded an annual turnover of less than RM250.00 million based on latest publicly available financial information.

After taking into consideration the above criteria, Protégé Associates has selected the following market players, namely ABS Engineering & Trading Sdn Bhd ("**ABS**"), Alfa Laval Malaysia Sdn Bhd ("**Alfa Laval**"), Astral Venture Flow Component Sdn Bhd ("**Astral**"), CD Global Quest Sdn Bhd ("**CD Global**"), Encord Sdn Bhd ("**Encord**") and NKE Flow Components Supply Sdn Bhd ("**NKE Flow**") for comparison purpose.

As Minox also exports its products to foreign destinations, the company also competes with foreign market players. As such, Protégé Associates has selected foreign market players operating in these foreign destinations (namely Indonesia, Singapore and Thailand) that are involved in the provision of similar product offerings namely sanitary valves and fittings as comparable companies. Based on the above criteria, Protégé Associates has selected the following foreign market players namely Patkol Trading Co. Ltd.



**8. IMR REPORT (Cont'd)**

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("Patkol"), PME (1991) Co. Ltd ("PME"), SCN Technology Co. Ltd ("SCN"), SRM Engineering Co. Ltd ("SRM") and The Sister Group Co. Ltd ("Sister Group") for comparison purposes. The above market players are all based in Thailand and serve end user industries such as F&B, dairy, pharmaceutical, chemical and biotech. Other market players in the Asia Pacific region include PT Stainless Steel Primavalue Majubersama, PT Mitra Teguh Steel and PT Cipta Multiteknik Bersama from Indonesia, as well as Mega Valve & Fitting Pte Ltd and Aik Cheong Metal Engineering Pte Ltd from Singapore. However, the financial information of these market players in Indonesia and Singapore are either private exempt or not publicly available and therefore not provided in Figure 4 below.

It needs to be highlighted that the list of industry players is not exhaustive and serves as a reference only.

**Figure 4: Comparison between Minox and Selected Market Players in Malaysia**

	FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit Before Tax (RM'000)	Profit After Tax (RM'000)	Gross Profit Margin <sup>1</sup> (%)	Profit Before Tax Margin <sup>2</sup> (%)	Profit After Tax Margin <sup>3</sup> (%)
<b>Local Market Players</b>								
Minox	31-12-2022	45,020.00	26,598.00	13,493.00	10,549.00	59.1	30.0	22.9
ABS	31-12-2021	26,559.26	10,660.83	3,550.16	2,532.78	40.1	13.4	9.5
Alfa Laval <sup>^</sup>	31-12-2022	220,857.29	44,394.79	22,574.20	16,452.53	20.1	10.2	7.4
Astral	31-12-2021	1,443.32	656.22	38.64	34.14	45.5	2.7	2.4
CD Global	31-05-2022	1,535.59	714.73	167.08	129.97	46.5	10.9	8.5
Encord	31-12-2021	17,922.46	4,270.57	974.55	701.75	23.8	5.4	3.9
NKE Flow	31-12-2022	2,117.97	993.28	280.28	227.48	46.9	13.2	10.7
<b>Foreign Market Players in Thailand</b>								
	FYE	Income from Sales and Services (RM'000) <sup>*</sup>	Gross Profit (RM) <sup>*</sup>	Profit Before Tax (RM'000) <sup>*</sup>	Profit After Tax (RM'000) <sup>*</sup>	Gross Profit Margin <sup>1</sup> (%)	Profit Before Tax Margin <sup>2</sup> (%)	Profit After Tax Margin <sup>3</sup> (%)
Patkol	31-12-2022	10,062.50	2,449.87	722.26	563.78	24.3	7.2	5.6
PME	31-12-2022	2,768.01	2,205.45	908.44	726.36	79.7	32.8	26.2
SCN	31-12-2022	2,365.29	889.90	181.37	157.59	37.6	7.7	6.7
SRM	31-12-2022	603.09	149.95	75.81	75.81	24.9	12.6	12.6
Sister Group	31-12-2022	5,980.46	1,799.36	8.53	2.86	30.1	0.1	0.0

*Notes:*

- The list of market players is alphabetically arranged and does not constitute as a ranking;*
- The above figures only provide an indication and is not considered directly comparable due to the following reasons:*
  - Not all companies have the same financial year end; and*
  - Not all companies carry out activities that are completely the same to each other or in the same geographical area.*
- Financial information of comparable market players and Minox such as revenue, profit/ loss before tax and profit/ loss after tax were based on information from Companies Commission of Malaysia and Minox, respectively while the financial ratios in the table were computed by Protégé Associates.*

<sup>1</sup> *Gross Profit Margin = Gross Profit / Revenue*

<sup>2</sup> *Profit Before Tax Margin = Profit Before Tax / Revenue*

<sup>3</sup> *Profit After Tax Margin = Profit After Tax / Revenue*

*\* The income from sales and services, gross profit and profit after tax are converted from THB to RM based on the average exchange rate of THB1 = RM0.12560 in 2022 as published by BNM.*

*<sup>^</sup> Alfa Laval is a subsidiary of Alfa Laval AB which is listed on the Stockholm Stock Exchange.*

*Source: Companies Commission of Malaysia, Department of Business Development Thailand, Minox and Protégé Associates*

**8. IMR REPORT (Cont'd)**

In Malaysia, a corporate income tax ("**CIT**") is imposed on income accruing or derived from Malaysia for both local and foreign companies. A CIT of 24.0% is imposed on chargeable income for both local and foreign companies with paid up capital more than RM2.50 million. For companies with paid up capital less than RM2.50 million, a CIT of 17.0% is imposed on the first RM600,000, and a CIT of 24.0% is imposed on the subsequent balance. In the case of Thailand, a CIT of 20.0% is imposed on net profits for companies with paid up capital more than THB5.00 million. For small companies (defined as companies with paid up capital less than THB5.00 million), a CIT of 15.0% is imposed if the net profit of the company is more than THB300,000 but not exceeding THB3.00 million. For small companies with net profits of over THB3.00 million, a CIT of 20.0% is imposed.

**3.5 Minox's Market Share Analysis**

As a large percentage of Minox's revenue is derived from sales to other countries in Asia Pacific, Minox is considered a regional player operating in the sanitary valves and fittings industry in Asia Pacific. For FYE 31 December 2022, Minox generated revenue of RM45.02 million, which is equivalent to 1.7% of the USD615.28 million (equivalent to RM2,707.57 million based on the average USD/MYR exchange rate in 2022) sanitary valves and fittings industry in Asia Pacific in 2022. At the same time, Minox's revenue from Malaysia operations of RM16.23 million in FYE 31 December 2022 is equivalent to 7.6% of the RM213.57 million sanitary valves and fittings industry in Malaysia in 2022.

**4.0 Demand Conditions****Expansion in the Local End-User Industries**

Malaysia has been undergoing rapid urbanisation during the last few decades. The rapid urbanisation in the country has also led to a change in the populations' lifestyle where more women join the workforce and people work longer hours. With less time to prepare for a meal, ease of convenience has become an important consideration when choosing the type of products to consume. This has led to increased consumption of conveniently-packed food products such as ready-to-eat meals and packed food products.

At the same time, the local F&B manufacturing industry is also set to benefit from various government-led initiatives, whereby the local food processing industry has been earmarked for further development under the Third Industrial Master Plan ("**IMP3**"). Major areas such as the supply of raw materials, incentives for the food processing companies, training and skills development, market development and financial assistance are expected to be given more focus. In addition, the National Agrofood Policy 2.0 (the successor of the National Agrofood Policy 1.0) published by the Ministry of Agriculture and Food Industries highlights the strategies to transform the local agrofood sector into a sustainable, competitive and high-technology sector, and to boost economic growth to improve the wellbeing of the population. The above developments have led to continued investments into the industry, whereby a total of 93 projects worth RM3.50 billion in the food manufacturing industry and 8 projects worth RM112.9 million in the beverage and tobacco industry had been approved in 2022, in accordance to MIDA. These new investments are expected to spur the continued expansion of the local F&B processing industry, and will in turn create demand for sanitary valves and fittings required in new manufacturing facilities.

The pharmaceutical industry is another major end-user of sanitary valves and fittings. In Malaysia, the sedentary lifestyles with lack of regular exercises, unhealthy diet, smoking and excessive consumption of alcohol have resulted in increasing prevalence of chronic lifestyle diseases in the country. The National Health and Morbidity Survey conducted in 2019 ("**NHMS 2019**") highlighted that 50.1% of adults in the country are overweight or obese. This shows that the trends of overweight and obesity has continued to rise as compared to 2011 (44.5%) and 2015 (47.7%). In 2019, 29.8% of children 5 to 17 of age are overweight and obese. The increase in the rate of obesity is alarming as it is an indicator of future increases in incidence of chronic lifestyle diseases. The prevalence of chronic lifestyle diseases are expected to continue spurring the demand for pharmaceutical related products and services throughout the lifetimes of these patients, who will require constant treatment to manage their disease. Malaysia has also been categorised as an ageing society by the World Bank. An ageing population is expected to lead to an increase in demand for more medical treatments due to age-related illness. There is likely to be increasing demand for more effective drugs, as well as curative and preventive treatments for age-related illnesses. This development creates demand for pharmaceutical products and fosters the growth of the pharmaceutical industry. At the same time, the COVID-19 pandemic had also led to a surge in demand for pharmaceutical products, including for vaccines as well as other pharmaceutical supplements intended to enhance one's own health to combat the virus. A total of 5 projects worth RM266.80 million had been approved in 2022. The expected increase in demand for pharmaceutical products in the country will in turn result in higher demand for sanitary valves and fittings to be used in these pharmaceutical related facilities.

**8. IMR REPORT (Cont'd)**

Sanitary valves and fittings are also utilised in semiconductor facilities due to strict standards required during the manufacturing process. On this front, the advancement in technology has facilitated an increasing use of electronics and related devices for both traditional and non-traditional end-user markets. This development has led to an increase in demand for semiconductor and other electric components. This trend is particularly visible in the automotive market where an increasing number primary and secondary functions in motor vehicles are being automated to provide better performance, comfort and ease of convenience to the drivers. The global automotive industry landscape is also in the midst of a revolutionary trend with the emergence of electric vehicles ("EV"). Similar to conventional vehicles, semiconductors are used to support touch-screen interactivity between drivers and vehicle, as well as power EV batteries and other components in the power train. In conclusion, the more digitally advanced an EV, the more semiconductors is embedded within the vehicle. Besides the automotive market, the consumer electrical market has also experienced increasing electronic content with more and more digital control replacing manual control in their products. In Malaysia, a total of 40 electronic components projects worth RM23.7 billion was approved in 2022. The investments were wafer fabrication, semiconductor devices, integrated circuits, PCBs, and sensors. The continued investment into the sector is expected to pave the way for new and expansion of semiconductor-related manufacturing facilities in the country, and will also result in higher demand for sanitary valves and fittings to be used in these facilities.

**Geopolitical Tension Across the Globe and Economic Slowdown**

As a part of the global supply chain, economic activities in Malaysia are subject to geopolitical events that may affect economic activities across the globe. In particular, Malaysia is an exporter of E&E, pharmaceutical and food products to various parts of the world. The tension between the US and China has affected the relationship between the top two economies in the world, with the effect spilling over to other parts of the world. The tension began as the former US president Donald Trump imposed punitive tariffs on China. These tariffs were followed by restriction on both China's access to high-tech US products and foreign investments involving security concerns and allegations of unfair Chinese commercial practices. The US and China are among the top export destinations of Malaysian exports.

The ongoing war between Russia and Ukraine has also caused disruptions to the global supply chain. As one of the largest exporters of oil in the world, Russia's involvement in the war throws oil supply from the country into doubt. This has led to oil prices spiking above USD100.00 per barrel in the months after the invasion and renewed supply chain disruptions. The high oil prices had contributed to high inflation in the US as well as in some European countries. This led to central banks across the globe increasing interest rates to combat rising prices. To combat the situation, the central banks in these countries had raised interest rate to cool prices, which had resulted in an economic slowdown. Based on the International Monetary Fund, global growth stood at 3.4% in 2022 and is projected to fall to 2.8% in 2023 before rising to 3.0% in 2024. All these factors are expected to affect demand for products and goods globally. The disruptions in global economic activities may affect demand for Malaysian goods including E&E, pharmaceutical and food products, which will in turn have a negative impact on the local sanitary valves and fittings industry which supplies goods and services to these end-user markets.

**Labour Shortage Issues May Hinder Growth of End-User Markets**

Most of the manufacturing industries in Malaysia are labour intensive. With the country facing labour shortages due to poor participation from Malaysians, the local manufacturing sector is heavily reliant on foreign workers for its manufacturing activities. In addition, market players face another set of problems in view of the existing government policies on the employment of foreign workers. Work permits for foreign workers in Malaysia need to be renewed each year but they can stay for a limited period only and must return to their respective countries after that. In addition, the Minimum Wage Order 2022 which came into effect starting 1 May 2022 raises the minimum wage to RM1,500.00. The increase in minimum wage is expected to lead to higher cost for manufacturers and leading to lower margins. These labour issues are expected to negatively impact the expansion of the manufacturing sector. As the Malaysian sanitary valves and fittings industry serve many of the industries within the manufacturing sector, this may lead to lower demand for products and services from the end-user markets.

**5.0 Supply Conditions****Advancement in Manufacturing Technologies**

Within the manufacturing sector, the advancement in technostructure facilities and resources is a strong growth factor. Technostructure facilities and resources here include the various state-of-the-art machine and tools, the use of computer system along with advanced computer-aided design and other related design and engineering software, R&D facilities, quality control facilities, etc. The advancement of the technostructure allows the manufacturing sector to produce end-products with higher precision and minimise human errors. This trend also applies to the local sanitary valves and fittings industry.



**8. IMR REPORT (Cont'd)****Continuing Government Support**

In Malaysia, government support has been instrumental to the development of the manufacturing sector, whereby companies are set to enjoy various tax incentives such as the Pioneer Status and the Investment Tax Allowance ("ITA"). Furthermore, the Government has also come out with various initiatives such as the Income Tax Incentive for the Industry 4.0 Readiness Assessment and Income Tax Incentive for Industry4WRD Vendor Development Program aimed at attracting companies in the manufacturing and manufacturing-related services sectors towards the application of Industry 4.0 technology. This is expected to boost the growth of the manufacturing sector and presents an opportunity for further growth in the sanitary valves and fittings industry in Malaysia.

**Higher Inflationary Pressure on Raw Material Prices**

The manufacture of sanitary valves and fittings involves a wide range of raw material inputs, in particularly stainless steel. Stainless steel is mainly made out of iron, chromium and nickel. The prices of chromium have been on the rise due to the shortage of the metal from rising demand from various countries, including China. Chromium is consumed in the form of ferrochromium to produce stainless steel. Ferrochromium production is electrical-energy intensive, and the recent rise in energy prices has affected the supply of ferrochromium and further elevated prices. The other main raw material in stainless steel is nickel. The prices of nickel have also been on the rise in recent years due to the adoption of electric vehicles, whereby nickel play a crucial role in manufacturing electric vehicle batteries. On the supply side, the COVID-19 pandemic had impacted the supply of the metals. While the prices of these metals have cooled since the latter half of 2022 due to the slowdown in global economic activities, prices have remained above pre-COVID-19 levels. The higher prices of various raw materials used for the manufacture of sanitary valves and fittings is expected to negatively affect the industry in the form of compressed margins if manufacturers are unable to pass on the cost to consumers.

**6.0 Prospect and Outlook of the Sanitary Valves and Fittings Industry in Malaysia**

The Asia Pacific sanitary valves and fittings industry has dominated the global industry with its 49.2% share valued at USD615.28 million in 2022. Growth in Asia Pacific is expected to be bolstered by emerging economies such as China and India expanding their pharmaceutical and F&B industries coupled with growing hygiene awareness in these industries, as well as growing requirement for water treatment in various Asia Pacific countries. Moving forward, the sanitary valves and fittings industry in Asia Pacific is expected to reach USD642.97 million in 2023 and expand by a CAGR of 6.1% to reach USD825.60 million in 2027.

From a local perspective, factors boosting growth within the Malaysian sanitary valves and fittings industry is likely to come from the expansion in the local F&B manufacturing industry, a prevalence of chronic lifestyle disease boosted demand for pharmaceutical products, as well as technological advancement spurring demand for semiconductors. At the same time, the growing affluence of Malaysians also indicate higher spending power by the population for consumption of food and pharmaceutical products, as well as consumer electronics.

However, the ongoing geopolitical tension across the globe as well as economic slowdown is expected to result in dampened demand for various products including food, pharmaceutical products as well as consumer electronics. In addition, as part of the manufacturing sector that is often labour intensive, the labour shortage issues faced by Malaysia may hinder the growth of the end-user markets of the local sanitary valves and fittings industry, which may dampen the development of the industry.

On the supply side, the Malaysian sanitary valves and fittings industry is expected to benefit from the advancement in technostructure facilities and resources in the country. Furthermore, support from the Malaysian Government in growing the local manufacturing sector in the country has also served to bolster growth of the local sanitary valves and fittings industry. In particular, the National Food Security Policy Action Plan 2021-2025 by the Ministry of Agriculture and Food Industries as well as tax incentives for pharmaceutical manufacturers is expected to boost the development of these industries. On the flipside, the higher cost of raw materials such as chromium and nickel which are essential in the manufacture of stainless steel is expected to hinder the expansion of the local sanitary valves and fittings industry.

In 2022, growth in the sanitary valves and fittings industry in Malaysia was supported by the pickup in local economic activities, whereby the Malaysian Government had announced the transition of COVID-19 into an endemic phase starting 1 April 2022. The Ministry of Health had also announced further relaxation of COVID-19 restrictions from 1 May 2022 and that all economic sectors are allowed to operate from 15 May 2022 onwards. On the global front, vaccination efforts and more relaxed COVID-19 measures is expected to boost economic activities, thus resulting in an increase in demand for various goods and services. During the year, the industry expanded by 13.0% to reach RM213.57 million. Going forward, the Malaysian sanitary valves and fittings industry is expected to grow at a CAGR of 11.2% from RM234.93 million in 2023 to RM363.09 million in 2027.

## 9. 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 OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.**

### 9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

#### 9.1.1 We are highly dependent on our third-party manufacturers/supplier for our products and we do not have long-term agreements with them

We are principally involved in the distribution of stainless steel sanitary valves, tubes & fittings, installation components & equipment and rubber hoses under our "MINOX®" brand. We are highly dependent on our third-party manufacturers/supplier to supply our products. Third-party manufacturers/supplier that we engaged are selected based on a set of criteria which include, amongst others, pricing, lead time for delivery, credible market reputation, creditworthiness and adherence to quality standards for QC procedures as well as possessing the necessary industry certifications including 3-A (for production of sanitary products used in the F&B industry) and ASME BPE (for production of sanitary products used in the pharmaceutical industry), and reliability of products. Moreover, as our third-party manufacturers/supplier are also responsible for the raw material (i.e. stainless steel) sourcing and purchasing, any significant increase in manufacturing cost charged by them due to the increase in raw material prices will lead to an increase in our cost of purchases. If we are unable to pass on the increased cost to our customers, our revenue and margins may be adversely affected, and may lead to a decrease in overall profitability.

As at LPD, we source our products from 13 third-party manufacturers from China, Denmark, Italy, South Korea, Taiwan, Thailand and Turkey and 1 supplier from Hong Kong. Our orders with our third-party manufacturers/supplier are based on purchase orders, and we do not enter into any formal long-term agreements with them. The absence of long-term agreements with our third-party manufacturers/supplier poses a risk to our operations, as they are not obliged to provide their services to us. In the event that we lose several of our third-party manufacturers/supplier simultaneously, and if they are not replaced with alternative third-party manufacturers/supplier in a timely manner, our business operations and financial performance may be adversely affected. While we seek to maintain and strengthen our business relationships with our third-party manufacturers/supplier, there can be no assurance that they will continue to supply products with favourable terms to us.

#### 9.1.2 We face the risk of infringement of intellectual property rights

Our "MINOX®" trademark is registered with the relevant intellectual property offices in Malaysia, Singapore, Thailand, the Philippines, Indonesia, Taiwan and Vietnam, further details of which are set out in Section 6.8. While we have not encountered any issues on renewal of trademark registration in the past, we still face risk of non-renewal and there can be no assurance that our intellectual property rights will be adequately protected against any infringement by third parties.

The revenue contribution from the distribution of our "MINOX®" brand of sanitary products was 95.9%, 97.8%, 97.4%, 96.4% and 82.8% of our Group's total revenue for FYE 2019 to 2022 and FPE 2023 respectively. The success of our "MINOX®" brand is crucial to our business performance and profitability as it is integral to our Group's identity and we are reliant on the goodwill of our brand. As such, any unauthorised use of our brand name by third-parties may adversely affect our business and reputation, including the perceived quality and reliability of our products. The occurrence of such event which draw negative publicity to or otherwise adversely impact our reputation or damage our "MINOX®" brand could undermine customer confidence in our products, potentially reducing demand for our "MINOX®" brand of sanitary products. This could negatively impact our business relationship with customers, which in turn adversely affect our business and financial performance.

## 9. RISK FACTORS (Cont'd)

Although we are not aware of any infringement of our intellectual property rights in the past, there is no assurance that there will not be any infringement activities in the future. In the event that any infringement occurs, we may have to protect our intellectual property rights through litigations, which could also result in substantial costs and diversion of our Group's resources, and may have a material adverse impact on our business operations and financial condition.

### 9.1.3 Our third-party manufacturers/supplier may not be able to implement QC procedures effectively to meet our requirements

The quality of our "MINOX<sup>®</sup>" brand of sanitary products is dependent on, to a certain degree, the effective implementation of stringent QC policies by our third-party manufacturers/supplier to manufacture/supply products that meets our requirements. Any significant deterioration, deviation and failure to implement and uphold QC policies and procedures could lead to production of defective or substandard products, delay in delivery of our products as well as replacement of defective or substandard products and therefore damage our reputation. Moreover, any complaints, claims or litigation against us regarding the quality of our products, could result in negative publicity of our brand which may have a material adverse effect on our business, reputation and future outlook. As at LPD, save for feedbacks and warranty claims on mechanical parts and functional issues of our "MINOX<sup>®</sup>" brand of sanitary products as disclosed in Section 7.3(i), we have not experienced any other complaints, claims or litigation against us regarding the quality of our sanitary products.

### 9.1.4 We are subject to foreign operations risks

During FYE 2019 to 2022 and FPE 2023, our overseas revenue amounted to approximately RM28.27 million, RM28.25 million, RM23.19 million, RM28.79 million and RM11.99 million, or 70.3%, 72.8%, 67.5%, 63.9% and 73.0% of our total revenue respectively. The breakdown of our overseas revenue by countries is as follows:

Countries	Audited									
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Indonesia	10,428	25.9	10,057	25.9	11,123	32.4	14,592	32.4	5,689	34.6
Singapore	7,304	18.2	8,728	22.5	5,166	15.0	7,735	17.2	4,244	25.9
Thailand	6,141	15.3	6,533	16.8	3,989	11.6	4,224	9.4	1,289	7.8
Others <sup>(1)</sup>	4,397	10.9	2,929	7.6	2,907	8.5	2,238	4.9	766	4.7
	<b>28,270</b>	<b>70.3</b>	<b>28,247</b>	<b>72.8</b>	<b>23,185</b>	<b>67.5</b>	<b>28,789</b>	<b>63.9</b>	<b>11,988</b>	<b>73.0</b>

**Note:**

<sup>(1)</sup> Comprises mainly Bahrain, Cambodia, Denmark, Germany, India, Japan, South Korea, Myanmar, Sri Lanka, Spain, Taiwan, the Philippines, United Arab Emirates and Vietnam.

As our revenue is derived from various countries in Asia and Europe, we are subject to foreign operations risks. These risks may include amongst others, political, economic and regulatory risks and conditions in the aforementioned countries, which are entirely out of our Group's control.

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

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The political, economic and regulatory uncertainties that may affect our operations includes changes in the political leadership leading to unstable political situation, terrorism activities, changes in interest rates, fluctuation in currency exchange rates, changes in accounting and tax policies, as well as changes in government policies such as introduction of new regulations, import duties and tariffs. Notwithstanding that we have not experienced any adverse political, economic and regulatory changes which have materially affected our operations and financial performance, there can be no assurance that any adverse political, economic and regulatory changes, which are beyond our control, will not adversely affect our future financial performance. Nevertheless, the daily operations of our overseas subsidiaries are managed by locals, who have the knowledge and expertise towards local business environments and regulatory requirements.

**9.1.5 We are dependent on our industrial end-customers from the F&B industry**

Our business is dependent on our industrial end-customers from the F&B industry. For FYE 2019 to 2022 and FPE 2023, customers from the F&B industry contributed for more than 88.0% of our total revenue, which signifies a heavy reliance on customers from this industry. This level of concentration leaves our Group particularly vulnerable to any disruptions or downturns within the F&B industry. External factors such as changes in consumer preferences may affect the demand for F&B products and in turn may lead to a sudden and significant drop in orders from our customers from the F&B industry due to lower production activities, which may materially and adversely affect our financial performance. In addition, losing a substantial portion of customers from the F&B industry could also erode our reputation and brand recognition in the industry.

As at LPD, save for the impact of the COVID-19 pandemic that have resulted in lower economic activities in various countries, we have not experienced any major slowdown in the F&B industry that affect our Group's business. However, the performance of our industrial end-customers from the F&B industry may be affected by other factors such as the above-mentioned factors as well as political, economic and regulatory risks. There can be no assurance that our industrial end-customers will not experience downturns caused by these external factors, potentially resulting in a decline in the performance of our industrial end-customers in the F&B industry. A negative performance from the industrial end-customers in the F&B industry may affect their production activities (lower production activities), which in turn may result in lower demand for our products due to reduction in maintenance activities such as replacement of wear and tear parts. Consequently, this may adversely affect our business operations and financial performance.

**9.1.6 We do not have long-term contracts with our customers**

We do not have any long-term contracts with our customers. Our Group's sales are based on purchase orders on an as-needed basis. The absence of long-term contracts with our customers is due to the nature of our business and the prevailing customer practices where the demand for our products is subject to our customers' needs as and when required. This could arise from our customers' decisions for the expansion and modification of their production line(s) and/or maintenance/replacement of worn-out parts. In addition, our future profits and financial performance are also dependent on our ability to secure new orders from our existing customers or procure new customers.

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

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The absence of long-term contracts may result in the fluctuation of our Group's sales and result in uncertainties over our overall financial performance since they are not obliged to continue purchasing our products. While our Group continuously seeks to maintain and strengthen existing business relationships as well as establish relationships with new customers to expand our customer base, there can be no assurance that our business relationships with our customers will be maintained in the future. Further, if we lose our customers and are unable to find new replacements that contribute similar revenue contributions, our financial performance and outlook may be adversely affected. In addition, any adverse economic conditions that lead to slowdowns in the end-customer industries, may negatively impact our sales or reduced order of our products from these customers, which may adversely affect our financial performance.

**9.1.7 We are dependent on our continued ability to identify and keep abreast with the latest industrial process systems**

The products that we offer are subject to evolving industry standards as well as technological development whereby our products are constantly being enhanced or innovated in terms of functionalities and appearance to suit the latest industrial process systems requirements. For example, the development of aseptic processing (i.e. sterilised liquid that are filled into sterilised packaging which ultimately provides a longer shelf life for such F&B products) in the F&B industry requires 3-A Sanitary Standards certified sanitary products such as tubes & fittings as well as FDA-compliant for rubber materials to be used in the F&B production lines. Such requirements prompt our customers in the F&B industry to request us to provide them with sanitary products for such purposes and applications. Hence, our Group's success depends on our continued ability to identify and meet the market requirements, including conformity with international quality standards such as 3-A and FDA-compliant. Presently, we are providing 3-A certified flange connections and unions, as well as sampling valves that are used in aseptic processing. There can be no assurance that our Group will be able to keep pace with this change. If our Group is not able to develop new or enhance existing products on a timely and cost-effective basis to achieve market acceptance, or fails to offer products that better address customer's needs, our operations and profitability may be adversely affected.

**9.1.8 We are dependent on our Executive Directors and key senior management for the continued success and growth of our business**

Our continued success is dependent on the experience, industry knowledge, efforts and business network of our Executive Directors and key senior management.

We depend particularly on the leadership of our Managing Director, Cheong Chee Son, to spearhead the strategic direction and to drive the business development and growth of our Group. Additionally, we also depend on Looi Poo Poo (Executive Director), Yap Choo Cheng (Chief Financial Officer), Low Yoke Kiew (Sales and Marketing Manager), Wong Siew Lum (Operations Manager), Gamal Abdul Nashir (Director of Minox ID) and Shum Mei Yau (Finance and Administrative Manager) for their expertise in their respective roles which are essential to our business operations to support the growth of our Group.

Therefore, the loss of any of our Executive Directors and key senior management simultaneously or within a short period of time may create unfavourable impact on our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Executive Directors and key senior management in a timely manner, our business operations, financial performance and prospects may be adversely affected.

**9. RISK FACTORS (Cont'd)****9.1.9 We are exposed to fluctuations in the foreign exchange rates which may impact the profitability of our Group**

We are exposed to foreign exchange fluctuation risk as we purchase from various overseas third-party manufacturers/supplier such as China, Denmark, Italy, South Korea, Taiwan, Thailand, Turkey and Hong Kong. The breakdown of our purchases by currencies during FYE 2019 to 2022 and FPE 2023 are as follows:

	<b>Audited</b>									
	<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Purchases denominated in:</b>										
EUR	615	3.3	208	0.9	241	2.1	332	1.6	71	0.7
IDR	308	1.6	306	1.4	387	3.4	1,074	5.3	2,140	21.5
RM	602	3.2	364	1.7	436	3.8	420	2.1	212	2.1
SGD	28	0.2	15	0.1	-	-	-	-	-	-
THB	79	0.4	425	1.9	194	1.7	12	0.1	-	-
USD	17,172	91.3	20,547	94.0	10,184	89.0	18,412	90.9	7,554	75.7
<b>Total</b>	<b>18,804</b>	<b>100.0</b>	<b>21,865</b>	<b>100.0</b>	<b>11,442</b>	<b>100.0</b>	<b>20,250</b>	<b>100.0</b>	<b>9,977</b>	<b>100.0</b>

**Note:**

(1) Less than 0.1%.

Our purchases are predominantly denominated in USD. As such, we are mainly exposed to fluctuations of the USD. Although our Group has a natural hedge arising from our sales and purchases being denominated in USD, there is no assurance that our financial performance would not be materially affected by any adverse fluctuations in USD against the RM. For example, assuming the fluctuation of RM against the USD is 5.0% in FYE 2022 and such foreign exchange fluctuations is not passed on to our customers by way of selling price changes, this will result in an increase or decrease in our GP for FYE 2022 by RM0.72 million, depending on the direction of the foreign exchange movement between RM and USD.

At present, our Group does not hedge our exposure against fluctuation in foreign currency exchange rates. Our purchase prices are quoted based on exchange rates that are reviewed from time to time to match the current exchange rate. There can be no assurance that there will not be any material fluctuation in foreign exchange in the future that could result in us recording a higher cost of sales or lower revenue and adversely affect our GP and thus, our financial performance.

In terms of sales, the breakdown of our revenue by currencies during FYE 2019 to 2022 and FPE 2023 are as follows:

	<b>Audited</b>									
	<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Sales denominated in:</b>										
THB	5,911	14.7	5,966	15.4	3,862	11.2	4,224	9.4	1,289	7.9
IDR	9,970	24.8	10,414	26.8	10,496	30.5	14,901	33.1	5,856	35.6
USD	5,835	14.5	4,422	11.4	4,036	11.8	4,110	9.1	3,208	19.5
SGD	6,193	15.4	7,377	19.0	4,369	12.7	5,415	12.0	1,611	9.8
MYR	12,286	30.6	10,625	27.4	11,596	33.8	16,370	36.4	4,465	27.2
<b>Total sales</b>	<b>40,195</b>	<b>100.0</b>	<b>38,804</b>	<b>100.0</b>	<b>34,359</b>	<b>100.0</b>	<b>45,020</b>	<b>100.0</b>	<b>16,429</b>	<b>100.0</b>

The revenue generated from our overseas sales are generally denominated in the respective local currencies, and hence the impact of the foreign exchange rates is not material.



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

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**9.1.10 We may not be able to successfully implement our business strategies**

Our business strategies are as follows:

- (a) to expand our product offerings;
- (b) to construct Warehouse 4; and
- (c) to expand our market coverage in Singapore.

Please refer to Section 7.16 for further details on our business strategies.

There can be no assurance that we will be able to successfully execute our business strategies or future plans. The execution of our business strategies is subject to our ability to implement and execute our strategies effectively and promptly. There is a risk that we may not be able to achieve the timing and objectives of our business strategies due to factors including, amongst others, the inability to secure sufficient funding for additional expenditures including staff costs, sales and marketing expenses and other working capital requirements. Furthermore, the growth of our business in existing markets or expansion to new markets may be influenced by factors beyond our control, such as changes in general market condition, new and unforeseen technologies used or introduced, economic climate as well as the political environment in Malaysia and/or countries that we currently operate and/or transact. Any delays or failure in executing our future plans and business strategies effectively may lead to adverse effects on our future business and expected financial performance.

**9.1.11 We are exposed to the risk of unexpected freight disruptions and fluctuations in freight rates**

As our products are imported from our third-party manufacturers/supplier and exported to our overseas customers, we are reliant on sea/air freight. Hence, we may be exposed to unexpected freight disruptions that may arise due to factors including but not limited to, adverse weather conditions, political turmoil, social unrest, port strikes, or delayed or lost shipments, which in turn may have an adverse impact on our business operations.

In addition, any major fluctuation in freight rates may have a substantial impact on our costs and ultimately, our profit margins if we are unable to pass on such increase in costs to our customers by raising selling prices. From FYE 2019 to 2022 and FPE 2023, our freight charges were RM0.82 million, RM0.98 million, RM0.68 million, RM1.24 million and RM0.27 million respectively.

As at LPD, save for the COVID-19 pandemic periods, our Group has not experienced any major shipping and freight disruption or any major fluctuation in shipping and freight rates. However, there can be no assurance that we will not experience any major shipping and freight disruption or any major increase in shipping and freight rates in the future due to unanticipated events that are out of our Group's control, which could in turn, adversely impact our business, financial condition and operations.



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

### 9.1.12 We may be subject to excess inventory risk

We generally maintain a minimum inventory level of 6 months in particular for products which are commonly requested by our customers. For new project implementation, upon delivery of product to customers, we will ensure that there is a 15.0% to 20.0% inventory level of the same products for the duration of the project (generally up to a year) as part of our commitment to minimise disruption to our industrial end-customers' project.

As our industrial end-customers are manufacturing facilities in the F&B, semiconductor and pharmaceutical industries, it is vital for us to continue maintain sufficient inventory level to ensure availability of different SKUs of our sanitary products post project implementation and/or to support our industrial end-customers' continuous replacement/maintenance of their manufacturing facilities. This is because our industrial end-customers are manufacturing facilities in the F&B, semiconductor and pharmaceutical industries and they cannot afford major downtime in their production activities. As such, they rely on us for timely replacement of our sanitary products in the event there is a production line malfunction. We also conduct sales forecasts (derived from the record of historical orders made by our customers) on monthly basis to estimate the demand for our products and to manage the required inventory. For FYE 2019 to 2022 and FPE 2023, our inventory turnover period is 238 days, 281 days, 581 days, 424 days and 388 days respectively, further details of which are set out in Section 12.8.

We may also be required to commit a substantial amount of capital resources to purchase our sanitary products which may affect the amount of capital resources for other operations. There is no assurance that our customers will not cancel orders with us, or the demand for our products may change significantly and our customers may not order in the quantities that we expect. If these happen, any substantial differences between our sales forecast and the final purchase orders may result in excessive inventory. If we fail to sell such excess inventory, we may be subject to risk of inventory obsolescence, a decline in inventory values, lost or damaged inventory by factors such as theft, poor storage conditions, mishandling and natural disaster such as floods, as well as significant inventory write-downs or write-offs. Any of the above may materially and adversely affect our results of operations and financial condition. During FYE 2019 to 2022, FPE 2023 and up to LPD, we have not experienced any major orders cancellation from our customers except due to reasons such as wrong placement orders made by our customers, changing of pipeline system design and/or product types. Nevertheless, any cancellation in orders are subsequently replaced with new purchase orders by our customers.

### 9.1.13 We are subject to fluctuation in the cost of purchases resulting from the fluctuation in raw material prices

We currently engage our third-party manufacturers to manufacture our "MINOX<sup>®</sup>" brand of sanitary products. Our third-party manufacturers are also responsible for sourcing and purchasing of raw material (i.e. stainless steel). Therefore, any significant increase in manufacturing cost charged by them due to the increase in raw material prices will lead to an increase in our purchase price. For illustrative purpose, the average price of stainless steel for FYE 2013 to 2022 and FPE 2023 are as follows:

	Average price (RM/ton)				
	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017
Stainless steel	9,272	9,805	9,500	9,364	11,204

	Average price (RM/ton)					
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Stainless steel	11,235	10,395	9,318	11,328	12,276	11,154

## 9. RISK FACTORS (Cont'd)

Our Group generally maintains a minimum inventory level of 6 months and our inventory turnover days increased from 238 days in FYE 2019 to 388 days in FPE 2023. In view of our Group's high inventory turnover days and the stainless steel price being subject to fluctuations which cannot be predicted with certainty, we are exposed to the risk of fluctuation in stainless steel price. If the manufacturing costs from our third-party manufacturers continue to increase due to the fluctuation in stainless steel prices and we are unable to fully or substantially pass on such increase in costs to our customers, our financial performance may be adversely affected. In addition, in the event our Group has purchased products from third-party manufacturers at a higher cost (e.g. higher price of stainless steel in year 2019), decrease in stainless steel price (e.g. in year 2020) may result in us quoting lower selling prices, which may in turn adversely affect our business and financial performance. Over FYE 2019 to 2022, FPE 2023 and up to LPD, we have not incurred any losses arising from the abovementioned scenario.

### 9.1.14 We are exposed to risk of pilferage and theft

Our inventories in our warehouses are susceptible to the risk of pilferage and theft. In October 2022, our Warehouse 2 encountered a break-in incident where we lost 58 items which included cutting equipment and other ancillary items costing approximately RM0.12 million, which was fully claimed. Save for the aforementioned, we have not encountered any pilferage and theft incident during FYE 2019 to 2022 and FPE 2023. While we have implemented measures against pilferage and theft including installing closed-circuit television (CCTV) and alarm system as well as undertaking regular stocktaking, we may not be able to adequately prevent, detect or deter all instances of pilferage and/or theft nor can we assure that these preventive measures are adequate. Any instances of pilferage and theft committed against our interests could expose us to financial loss, and have a material adverse impact on our business and financial performance.

### 9.1.15 There is no assurance that our insurance coverage would be adequate

As at LPD, our Group has taken up the following insurance policies:

<u>Type of insurance</u>	<u>Insured premises</u>	<u>Total sum insured (RM'000)</u>
Fire policies	All warehouses of MST MY, Minox MY, MST SG, Minox TH	28,142
Burglary policies	All warehouses of MST MY, Minox MY, MST SG, Minox TH	1,846
Property all risk (fire and burglary) policy	All warehouses of Minox ID	10,254
Earthquake policy	All warehouses of Minox ID	1,005
Marine inland transit policies <sup>(1)</sup>	All warehouses of our Group	9,926
Public liability policies	All warehouses of MST SG, Minox SG	6,167

**Note:**

<sup>(1)</sup> Relates to financial protection for our sanitary products by MST MY, Minox MY, Minox ID and Minox TH that are transported on land.

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

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In addition to the above insurance policies, we have also purchased personal accident insurance policies for our employees of MST MY, Minox MY, Minox TH and MST SG. Minox ID's employees are covered under the social security program by the Indonesian government, and Minox SG's employees does not fall under the requirements (based on the salary range) as set out by Singapore Ministry of Manpower.

However, these insurance coverages are subject to exclusions and limitations of liability in both amount and with respect to the insured events. Examples of exclusions include loss or damage caused by war, invasion and terrorism (fire, burglary, earthquake and public liability policies), loss or damage caused by unoccupied premises for a consecutive period (public liability) and loss or damage connected with the use of operation of any computer system or software (burglary, marine inland transit and public liability policies). Limitations of liability include the limitation of liability per conveyance or trip and for each parcel post (marine inland transit policy) as well as limitation of liability for any one accident and for any one period (public liability).

In October 2022, our Warehouse 2 had encountered a break-in incident where we have made insurance claims of approximately RM0.12 million in respect of the loss of inventories, of which we have received the full compensation in December 2022. Whilst we have taken the necessary steps to ensure that our insurance coverage is adequate for our operations, premises and inventory of finished goods, it may not be adequate to fully compensate for the loss that we may suffer in the future. If our losses exceed the coverage provided by the insurance policies, it could have an adverse impact on our business, financial condition and results of operations.

**9.1.16 We are exposed to counterfeit risks of our in-house designed and developed sanitary products**

Counterfeiting our in-house designed and developed sanitary products involves amongst others, replicating either the physical components (size or design) or the materials of the product. While counterfeiting our products is not cost-efficient, time consuming, and requires certain technical expertise to design and develop such products, this may not deter competitors or counterfeiters to attempt to mimic the appearance of these in-house designed products without necessarily replicating their full functionality or durability. Such counterfeit products could potentially tarnish our reputation if customers inadvertently purchase substandard or non-compliant products under the misguided assumption that they are our genuine "MINOX®" products. Moreover, if these counterfeit products are sold at a lower price, this may undercut our Group's pricing strategy and may have a material adverse impact on our financial performance.

Although we have not experienced counterfeiting or imitation of our sanitary products which we have designed and developed in the past, there is no assurance that this will not occur in the future. Our failure to detect counterfeiting of our products could result in decreased sales and erosion of our brand name.

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

### **9.2 RISKS RELATING TO OUR INDUSTRY**

#### **9.2.1 We operate in a competitive environment**

We face competition from existing players in the sanitary valves and fittings industry both locally and overseas. We mainly compete on product quality and price, brand recognition and loyalty, as well as the ability to identify and fulfil the latest needs of the manufacturing processing systems. In SEA, the competition we face from competitors may vary from country to country. For example, in Malaysia, the sanitary valves and fittings industry consists predominantly of suppliers and traders of sanitary products. As such, the barriers to entry are generally low for the local sanitary valves and fittings industry as most of these products can be easily sourced in the market and the upfront cost required by a new industry player can be low if they start with a small range of products. As such, we potentially face competition from new entrants into this industry. In other countries such as Indonesia, Singapore and Thailand, we may compete with sanitary product manufacturers and traders that supply products to end-customers. We could lose market share due to competitive pressure or other factors, and this may necessitate us to lower the prices of our products or increase our marketing expenses. Such measures could adversely affect our margins which may have an impact on our operating results and profitability.

Our Group constantly strives to offer innovative and quality products that are designed and developed to meet customers' specific needs and requirements. However, there can be no assurance that our Group will be able to compete effectively with the existing and new competitors in the future, in light of the dynamic competitive market environment. If we are unable to remain competitive in the future, our business and financial performance may be adversely affected.

#### **9.2.2 We are exposed to non-renewal of import approval in Indonesia**

Our subsidiary, Minox ID is required to hold import approval for irons, steel, alloy steel and its derivative products issued by the Minister of Trade, Indonesia to be able to import certain SKUs of our "MINOX®" brand of sanitary products, which are stipulated under the MOTR 20/2021 into Indonesia. Such SKUs are such as tubes and fittings (i.e. certain SKUs of tubes, ASME BPE tubes & fittings, pipe hangers, unions, flange connections, tees, elbows and reducers) and installation components & equipment (i.e. certain SKUs of manhole covers, spray balls, tank sight glasses and inline sight glasses).

Minox ID had obtained import approval issued based on technical consideration which normally had a validity of 6 months, and has not experienced any non-renewal in the past. However, due to the recent amendments to the Indonesian regulation governing the issuance of this import approval, Minox ID's application to renew its import approval, which was submitted on 18 April 2023, is pending approval as at LPD.

Our Group is unable to determine the expected date of approval for such renewal as discussions by the MOI in relation to the Commodity Balance with other relevant governmental authorities are still ongoing. Further details on the delayed renewal of Minox ID's import approval for certain SKUs of our "MINOX®" brand of sanitary products and its impact on our Group are set out in Notes (1) and (2) of Section 6.7.

While our Group adheres to current regulations and operational protocols as imposed by the Minister of Trade, Indonesia or any other relevant regulatory authorities, we have no control over any laws or regulations that may be revised or implemented from time to time in Indonesia. There can be no assurance that any of the current Indonesian laws and regulations we currently comply with will not change or be implemented in such manner that will have a material adverse effect on our operations, financial conditions and business plans. Furthermore, any failure to obtain approvals or renewal of the import approval in Indonesia as a result of such regulatory change may adversely affect our operations and financial performance.

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

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### **9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES**

#### **9.3.1 There is no prior market for our Shares**

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

#### **9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed**

Our Listing may be aborted or delayed should any of the following occur:

- (a) The selected investors fail to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply, whereby in addition to our liability, our officers shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules. Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

#### **9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile**

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, 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 Shares.

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

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**9.4 OTHER RISKS**

**9.4.1 Our Promoters will be able to exert significant influence over our Company**

Our Promoters will collectively hold approximately 61.8% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will be able to control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders. The interests of our Promoters may differ from the interests of our other shareholders and they may be able to exercise significant influence over the vote of our Shares. Our Promoters could also have significant influence in determining the outcome of any corporate transactions or other matters submitted to our shareholders for approval. This includes the election of Directors, dividend policy, approval of business ventures and having voting control over our Group. As such, our Promoters will have significant influence on the outcome of any ordinary resolution (which requires a simple majority of 50.0% plus 1 voting share) to be tabled at general meeting, unless they are required to abstain from voting by law and/or as required by the relevant authorities (i.e. Bursa Securities).

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**10. RELATED PARTY TRANSACTIONS**

**10.1 RELATED PARTY TRANSACTIONS**

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2019 to 2022, FPE 2023 and up to LPD:

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value											
					FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 May 2023 up to LPD						
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Spektrum Cemerlang Engineering Sdn Bhd ("Spektrum Cemerlang")	Minox MY	Cheong Son	Cheong Son is our Managing Director and substantial shareholder	Sale of tubes & fittings, valves, installation components & equipment and rubber hoses to Spektrum Cemerlang	51	(1)0.1	251	(1)0.7	180	(1)0.5	117	(1)0.3	-	-	-	(15)N/A
Minox PH	MST MY	Cheong Son	Cheong Son is our Managing Director and substantial shareholder	Sale of tubes & fittings, valves, installation components & equipment and rubber hoses to Minox PH <sup>(9)</sup>	1,647	(1)4.1	153	(1)0.4	625	(1)1.8	74	(1)0.2	-	-	-	(15)N/A



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

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 May 2023 up to				
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	LPD
Minox PH	MST MY	Cheong Chee Son	Cheong Chee Son is our Managing Director and substantial shareholder	Purchase of tubes & fittings, valves, and installation components & equipment from Minox PH <sup>(10)</sup>	-	(4)	(8)	-	-	-	-	-	-	-
Minox PH	MST SG	Cheong Chee Son	Cheong Chee Son is our Managing Director and substantial shareholder	Purchase of tubes & fittings, valves, and installation components & equipment from Minox PH <sup>(10)</sup>	(359)	(2)1.9	(123)	(2)0.6	-	-	-	-	-	-
MST VN	MST MY	Cheong Chee Son	Cheong Chee Son is our Managing Director and substantial shareholder	Sale of tubes & fittings, valves, installation components & equipment and rubber hoses to MST VN <sup>(9)</sup>	1,566	(1)3.9	1,995	(1)5.1	1,202	(1)3.5	218	(1)0.5	-	-

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

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value											
					FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 May 2023 up to						
MST VN	MST SG	Cheong Son	Cheong Son is our Managing Director and substantial shareholder	Purchase of tubes & fittings, valves, installation components & equipment from MST VN <sup>(10)</sup>	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
					(128)	(2)0.7	(545)	(2)2.7	(6)	(2)0.1	-	-	-	-	-	-
MST VN	MST SG	Cheong Son	Cheong Son is our Managing Director and substantial shareholder	Sale of tubes & fittings, valves, installation components & equipment to MST VN <sup>(11)</sup>	11	(4)-	10	(4)-	5	(4)-	-	-	-	-	-	-
			He was a director and sole shareholder of MST VN <sup>(7)</sup>													
MST VN	Minox TH	Cheong Son	Cheong Son is our Managing Director and substantial shareholder	Purchase of tubes from MST VN <sup>(14)</sup>	-	-	-	-	-	-	(2)	(4)-	-	-	-	-
			He was a director and sole shareholder of MST VN <sup>(7)</sup>													

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

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value												
					FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FYE 2022 RM'000	%	FPE 2023 RM'000	%	1 May 2023 up to LPD RM'000	%	
MVFM TW	MST MY	<ul style="list-style-type: none"> <li>MST MY</li> <li>Cheong Chee Son</li> </ul>	MVFM TW was a 55.0% subsidiary of MST MY <sup>(6)</sup>	Sale of tubes & fittings to MVFM TW <sup>(9)</sup>	-	-	-	-	90	(1)0.3	1	(4).	-	-	-	-	
			Cheong Chee Son is our Managing Director and substantial shareholder														
			He was a director of MVFM TW <sup>(8)</sup>														
MVFM TW	MST MY	<ul style="list-style-type: none"> <li>MST MY</li> <li>Cheong Chee Son</li> </ul>	MVFM TW was a 55.0% subsidiary of MST MY <sup>(6)</sup>	Purchase of valves from MVFM TW <sup>(12)</sup>	(750)	(2)3.9	(918)	(2)4.5	(624)	(2)5.4	(1,435)	(2)7.8	-	-	-	-	-
			Cheong Chee Son is our Managing Director and substantial shareholder														
			He was a director of MVFM TW <sup>(8)</sup>														
Cheong Chee Son	Minox MY	Cheong Chee Son	Cheong Chee Son is our Managing Director and substantial shareholder	Rental expense paid to Cheong Chee Son <sup>(13)</sup>	(18)	(3)0.2	(18)	(3)0.2	(18)	(3)0.2	-	-	-	-	-	-	-

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

**Notes:**

- (1) Computed based on our Group's revenue for each of the respective financial years/period.
- (2) Computed based on our Group's cost of sales for each of the respective financial years/period.
- (3) Computed based on our Group's administrative expenses for each of the respective financial years/period.
- (4) Less than 0.1%.
- (5) Cheong Chee Son ceased to be a director and shareholder of Spektrum Cemerlang on 12 March 2021 and 28 July 2022 respectively. He disposed his entire shareholding (25.0%) in Spektrum Cemerlang to Kong Wing Onn (existing director and shareholder of Spektrum Cemerlang) and Phang Sheau Pyng (spouse of Kong Wing Onn), both whom are non-related parties, at a consideration of RM0.60 million and RM0.40 million respectively. Thereafter, Spektrum Cemerlang ceased to be our related party. Such transaction will subsist after our Listing.
- (6) On 7 November 2006, Minox PH was incorporated by Cheong Chee Son (20.0%), the late Cheong Chee Hoo (20.0%), Edgardo Serrano (58.0%) and 2 other Filipino shareholders (2.0%) to venture into the Philippines market. Since its incorporation, Edgardo Serrano has been responsible for the day-to-day operations of Minox PH. However, due to health reasons, Edgardo Serrano has been unable to run its operations effectively. This was evident as our Group's sales to Minox PH has been decreasing from RM1.65 million in FYE 2019 to RM0.10 million in FYE 2022. As Cheong Chee Son had lack of expertise in the Philippines market and was unable to appoint other key senior management, Cheong Chee Son decided not to venture into the Philippines market and sold his entire shareholdings (35.0%) on 14 July 2022 to Innovest Holdings Limited, which is wholly-owned by Tan Kok Hooi, a non-related party whom is the owner of Top Steels (one of our major suppliers), at a consideration of 175,000 Philippine pesos (equivalent to approximately RM0.01 million). The purchase consideration was arrived based on "willing-buyer willing seller" basis after taking into consideration the 35.0% of the unaudited NA of Minox PH of 175,000 Philippine pesos (equivalent to approximately RM0.01 million) as at 30 June 2022. At the same time, he also ceased to be a director of Minox PH. Thereafter, Minox PH ceased to be our related party. However, Minox PH still remains our representative agent to distribute our "MINOX®" brand of sanitary products in the Philippines. As at LPD, Minox PH is in the midst of changing its name, which is expected to be completed by October 2023. Such arrangement will subsist after our Listing.

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

- (7) On 2 July 2018, MST VN was wholly incorporated by Cheong Chee Son, to replace its then exclusive representative agent in Vietnam and distribute our Group's products internally. Since its incorporation, Phung Thuy Hoa, a non-related party, has been responsible for the day-to-day operations of MST VN. The third-party brand sanitary products distributed in Vietnam are generally sold at a lower price as compared to our "MINOX®" brand of sanitary products as customers in Vietnam do not emphasise on quality standards or adherence to internationally recognised standards. As such, it was difficult for our "MINOX®" brand to penetrate the sanitary valves and fittings market in Vietnam and to roll-out marketing strategies due to the vast difference in quality standards between our "MINOX®" brand and third-party brands of sanitary products. Cheong Chee Son decided to focus on its existing markets in Malaysia, Singapore, Thailand and Indonesia and not to venture into Vietnam market personally. As such, he ceased to be a director and sold his entire shareholdings (100.0%) in MST VN through a management buyout to Phung Thuy Hoa on 15 April 2022, at a consideration of 1,133,000,000 Vietnamese Dong (equivalent to approximately RM0.21 million). Thereafter, MST VN ceased to be our related party. However, MST VN still remains our representative agent to distribute our "MINOX®" brand of sanitary products in Vietnam. Such arrangement will subsist after our Listing.
- (8) On 22 May 2019, MVFM TW was incorporated by MST MY (55.0%) and 5 other shareholders (45.0%) to venture into the manufacturing of sanitary valves and unions. MVFM TW is principally involved in manufacturing "MINOX®" brand of valves and third-party brands of sanitary valves and unions. Since its incorporation, Cheong Chee Son was appointed as Director of MVFM TW and was responsible for its sales. As part of its after-sales service, MVFM TW's customers' will need constant feedback from him on the manufacturing processes. However, due to his limited knowledge in the technical manufacturing processes, Cheong Chee Son decided to focus on his expertise, which is the distribution of "MINOX®" brand of sanitary products. As such, Cheong Chee Son ceased to be a director on 7 April 2022 and MST MY disposed its entire shareholdings (55.0%) to Tan Kok Hooi, a non-related party, at a consideration of 1.1,000,000 Taiwanese Dollar (equivalent to approximately RM1.60 million) being MST MY's original cost of investment on 19 July 2022. Thereafter, MVFM TW ceased to be our related party. However, MVFM TW still remains as our representative agent to distribute our "MINOX®" brand of sanitary products in Taiwan and one of our third-party manufacturer. Such arrangement will subsist after our Listing.
- (9) MST MY acts as the distribution hub of our Group which specialises in procurement and liaison with third-party manufacturers/supplier, standardisation of products specifications and quality as well as branding and marketing activities. MST MY distributes its products to Minox PH, MST VN and MVFM TW which are our representative agents for their respective regions. Our representative agents will then sell our products to customers in their respective regions which are predominantly project consultants/contractors and industrial end-customers, at a price with fixed margin ranging between 10.0% and 25.0%. There is no minimum quota required to be fulfilled by our representative agents. These arrangement with our representative agents, which have now ceased to be related parties to our Group, subsists as at LPD and will subsist after our Listing. This arrangement will continue until the trademark licensing agreements entered into with MVFM TW, Minox PH and MST VN (further details are set out in Section 7.10) respectively are:
- (a) terminated by either of the parties giving 30 days prior written notice to the other party;
  - (b) terminated by Minox PH, MST VN or MVFM TW in the event MSY MY ceases to hold the title and right to the "MINOX®" trademark in the respective countries; or

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

(c) terminated by MST MY if Minox PH, MST VN or MVFM TW fails to remedy any breach of obligation or condition of the agreement (i.e. the obligation to use the "MINOX®" trademark in accordance with the directions and specifications by MST MY from time to time) that is capable of being remedied or if they become insolvent.

(10) The purchases from Minox PH and MST VN were part of the local support provided to MST SG and Minox MY (invoices for Minox MY were made to MST MY as Minox MY did not have a USD bank account). The arrangement arose from the following:

- (a) between MST SG and GEA Group, a project consultant with its industrial end-customers with project sites in the Philippines and Vietnam; and
- (b) between Minox MY and GEA Group, a project consultant with its industrial end-customer with project site in the Philippines.

In order to respond promptly to our customers' request and also to provide value-added services to our customers, MST SG and Minox MY engaged Minox PH and MST VN to act as the local distributors to facilitate such supply to the respective customers on their behalf which substantially saved on lead time, at a 10.0% fixed discount from the price charged by MST SG and Minox MY to the customers. Based on the aforementioned, such local support purchases were not detrimental to our Group.

(11) The sale to MST VN by MST SG was part of the local support provided to MST VN by MST SG. The arrangement is between MST SG and GEA Group which has excess supply of the products upon completion of their industrial end-customer's projects. Upon the GEA Group's request and also as a value-added service, MST SG agreed to purchase all the excess supply from the customer and thereafter sold the same to MST VN. The transactions with MST VN contributed less than 0.1% of our Group's total revenue for FYE 2019 to 2022 and FPE 2023. As such, the transactions with MST VN are not detrimental to our Group.

(12) MVFM TW (as one of our third-party manufacturers) supplies valves to us for our onward distribution. Such arrangement will subsist after our Listing. For the purposes of this arrangement, MST MY entered into a non-disclosure agreement with MVFM TW as their third-party manufacturer to, amongst others, prevent unauthorised disclosure of confidential information such as design or specification of our products. This obligation will continue until terminated by mutual agreement of the parties (further details are set out in Section 7.12).

(13) We rented a property located at 107, Jalan Puteri 6/1, Bandar Puteri, 47100 Puchong, Selangor for document storage purposes. The tenancy was for 2 years commencing from 1 November 2013 and was subsequently renewed on a 3-year basis until 31 October 2024. However, this rental arrangement was terminated on 31 December 2021 as we no longer require the space.

(14) The purchases from MST VN were part of the local support provided to Minox TH. The arrangement arose between Minox TH and Cryogas (Thailand) Co.,Ltd., a project consultant with its industrial end-customers with project sites in Vietnam. In order to respond promptly to our customers' request and also to provide value-added services to our end customers, Minox TH engaged MST VN to act as the local distributor to facilitate such supply to the respective customers on their behalf which substantially saved on lead time. Based on the aforementioned, such local support purchases were not detrimental to our Group.

(15) Not applicable as we did not prepare any financial statements from 1 May 2023 up to LPD.

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

Our Directors are of the view that all our related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties. This was determined based on the following:

- (a) benchmarking analysis in respect of related party transactions involving MST MY pursuant to the transfer pricing documentations for FYE 2019 to 2022 and FPE 2023;
- (b) purchase price of our products from Minox PH and MST VN as part of local support provided to us were based on comparable selling price which Minox PH and MST VN charged to their customers;
- (c) sales of our products to Spektrum Cemerlang and MST VN were based on comparable selling price charged to our other customers; and
- (d) rental expense paid to our Managing Director, Cheong Chee Son, was based on the then prevailing market rental rate.

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

**(a) Recurrent related party transactions**

- (i) at least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) if quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

**(b) Other related party transactions**

- (i) whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) the rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.



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

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Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

**10.2 OTHER TRANSACTIONS****10.2.1 Transactions entered into that are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2019 to 2022, FPE 2023 and up to LPD.

**10.2.2 Outstanding loans (including guarantees of any kind)****(a) Outstanding loans and/or balances**

As at date of this Prospectus, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

**10. RELATED PARTY TRANSACTIONS (Cont'd)****(b) Guarantees**

Our Promoters, substantial shareholders and Executive Directors, namely Cheong Chee Son and Looi Poo Poo have jointly and severally provided personal guarantees for the banking and leasing facilities extended by the following financial institutions:

Financiers	Type of facilities	Outstanding balance as at LPD	Facility limit	Guarantors
		RM'000	RM'000	
Ambank (M) Berhad	3 term loans	2,441	3,800	• Cheong Chee Son • Looi Poo Poo
	1 overdraft facility	1,084	1,800	• Cheong Chee Son • Looi Poo Poo
AmBank Islamic Berhad	2 term loans	8,185	9,750	• Cheong Chee Son • Looi Poo Poo
	1 overdraft facility	2,302	3,700	• Cheong Chee Son • Looi Poo Poo
Alliance Bank Berhad	2 term loans	11,595	12,756	• Cheong Chee Son • Looi Poo Poo
	1 overdraft facility	-	1,000	Cheong Chee Son
Public Bank Berhad	6 hire purchase facilities	224	301	Cheong Chee Son
United Overseas Bank Limited	3 term loans	<sup>(1)</sup> 4,382	<sup>(1)</sup> 6,355	Cheong Chee Son
Hong Leong Bank Berhad	3 hire purchase facilities	327	402	Cheong Chee Son
		<b>30,540</b>	<b>39,864</b>	

**Note:**

<sup>(1)</sup> Based on the closing rate of SGD1.00 = RM3.4263 as at LPD as extracted from BNM's website.

In conjunction with the Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Directors will continue to guarantee the banking and leasing facilities extended to our Group.

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

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As at LPD, we have received conditional approvals from AmBank (M) Berhad, AmBank Islamic Berhad, Alliance Bank Berhad, Hong Leong Bank Berhad and Public Bank Berhad to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions.

In respect of United Overseas Bank Limited, the bank has replied that they will not provide us consent as the proposed substitute corporate guarantee will be provided by our Company (which is incorporated in a jurisdiction outside of Singapore). As such, in respect of the banking facilities provided by United Overseas Bank Limited, our Group will repay the 3 term loans (of which Cheong Chee Son is a personal guarantor) using our IPO proceeds, further details of which are set out in Section 4.9.1(d).

**(c) Financial assistance provided for the benefit of a related party**

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

**10.2.3 Promotions of any material assets acquired/to be acquired within 3 financial years preceding the date of this Prospectus**

None of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2019 to 2022 and FPE 2023, acquired, disposed or leased or proposed to be acquired, disposed or leased to/by us.

**10.2.4 Transactions entered into with M&A Securities**

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (a) Agreement dated 25 January 2022 between MST MY and M&A Securities for the appointment of M&A Securities as Adviser, Placement Agent and Sponsor for our Listing; and
- (b) Underwriting Agreement dated 23 August 2023 entered into between our Company and M&A Securities for the underwriting of 28,800,000 Issue Shares.

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## **11. CONFLICT OF INTEREST**

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### **11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS**

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in:

- (a) other businesses and corporations which are carrying on a similar trade as our Group; and
- (b) the business of our customers and/or suppliers.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nomination Committee and our Board 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 first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nomination Committee will then:

- (a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;
- (b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:
  - (i) withdraw from all his 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
  - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director and persons connected to him (if applicable) 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 our Board, be present at our 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 fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

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

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**11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS**

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Placement Agent and Underwriter for our Listing;
- (b) Rosli Dahlan Saravana Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;
- (c) Grant Thornton Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) Protégé Associates Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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**12. FINANCIAL INFORMATION****12.1 HISTORICAL FINANCIAL INFORMATION**

Our historical audited financial statements for FYE 2019 to 2022 and FPE 2023 were prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. The historical financial information of our Group for FPE 2022 is prepared based on the historical combined unaudited financial statements of our Group.

It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

**12.1.1 Combined statements of profit or loss and other comprehensive income**

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2019 to 2022 and FPE 2022 to 2023, which have been extracted from the Accountants' Report.

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	40,195	38,804	34,359	45,020	13,471	16,429
Cost of sales	(19,418)	(20,257)	(11,529)	(18,422)	(6,405)	(7,885)
<b>GP</b>	<b>20,777</b>	<b>18,547</b>	<b>22,830</b>	26,598	7,066	8,544
Other income	4,034	1,380	1,762	4,106	492	630
Selling and marketing expenses	(1,940)	(1,515)	(1,384)	(2,081)	(564)	(697)
Administrative expenses	(11,537)	(11,870)	(11,482)	(14,108)	(4,630)	(5,767)
<b>Profit from operations</b>	<b>11,334</b>	<b>6,542</b>	<b>11,726</b>	<b>14,515</b>	<b>2,364</b>	<b>2,710</b>
Finance income	43	23	23	76	14	37
Finance costs	(1,129)	(997)	(993)	(1,098)	(318)	(475)
<b>PBT</b>	<b>10,248</b>	<b>5,568</b>	<b>10,756</b>	<b>13,493</b>	<b>2,060</b>	<b>2,272</b>
Tax expenses	(2,060)	(1,381)	(2,418)	(2,944)	(505)	(361)
<b>PAT</b>	<b>8,188</b>	<b>4,187</b>	<b>8,338</b>	<b>10,549</b>	<b>1,555</b>	<b>1,911</b>
Other comprehensive income/(loss)	484	(335)	(156)	(230)	511	1,449
<b>Total comprehensive income for the financial year/period</b>	<b>8,672</b>	<b>3,852</b>	<b>8,182</b>	<b>10,319</b>	<b>2,066</b>	<b>3,360</b>
<b>PAT attributable to:</b>						
- Owners of our Company	7,505	3,552	7,915	10,304	1,480	1,861
- Non-controlling interest	683	635	423	245	75	50
	<b>8,188</b>	<b>4,187</b>	<b>8,338</b>	<b>10,549</b>	<b>1,555</b>	<b>1,911</b>

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

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Total comprehensive income attributable to:</b>						
- Owners of our Company	7,813	3,268	7,953	10,018	1,940	3,229
- Non-controlling interest	859	584	229	301	126	131
	<b>8,672</b>	<b>3,852</b>	<b>8,182</b>	<b>10,319</b>	<b>2,066</b>	<b>3,360</b>
EBIT (RM'000) <sup>(1)</sup>	11,334	6,542	11,726	14,515	2,364	2,710
EBITDA (RM'000) <sup>(1)</sup>	12,858	8,354	13,462	16,316	2,837	3,431
GP margin (%) <sup>(2)</sup>	51.7	47.8	66.4	59.1	52.5	52.0
PBT margin (%) <sup>(3)</sup>	25.5	14.3	31.3	30.0	15.3	13.8
PAT margin (%) <sup>(4)</sup>	18.7	9.2	23.0	22.9	11.0	11.3
Basic EPS (sen) <sup>(5)</sup>	2.8	1.3	2.9	3.8	0.5	0.7
Diluted EPS (sen) <sup>(6)</sup>	2.1	1.0	2.2	2.9	0.4	0.5

**Notes:**

(1) EBIT and EBITDA are calculated as follows:

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT	8,188	4,187	8,338	10,549	1,555	1,911
Less:						
Finance income	(43)	(23)	(23)	(76)	(14)	(37)
Add:						
Finance cost	1,129	997	993	1,098	318	475
Taxation	2,060	1,381	2,418	2,944	505	361
<b>EBIT</b>	<b>11,334</b>	<b>6,542</b>	<b>11,726</b>	<b>14,515</b>	<b>2,364</b>	<b>2,710</b>
Add:						
Depreciation	1,524	1,812	1,736	1,801	473	721
<b>EBITDA</b>	<b>12,858</b>	<b>8,354</b>	<b>13,462</b>	<b>16,316</b>	<b>2,837</b>	<b>3,431</b>

(2) Calculated based on GP divided by revenue.

(3) Calculated based on PBT divided by revenue.

(4) Calculated based on PAT attributable to owners of our Company divided by revenue.

(5) Calculated based on PAT attributable to owners of our Company divided by our share capital of 270,000,000 Shares before Public Issue.

(6) Calculated based on PAT attributable to owners of our Company divided by our enlarged share capital of 360,000,000 Shares after Public Issue.



**12. FINANCIAL INFORMATION (Cont'd)****12.1.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 December 2019, 2020, 2021 and 2022 as well as 30 April 2023 which have been extracted from the Accountants' Report.

	<b>Audited</b>				<b>As at 30 April 2023</b>
	<b>As at 31 December</b>				
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
	<b>RM'000</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	15,679	15,051	14,083	10,667	(2)22,215
Right-of-use assets	9,412	8,718	6,933	8,117	8,656
Investment properties	9,500	9,500	9,500	9,500	9,500
Other investments	1,032	998	979	958	976
Deferred tax assets	1,098	1,340	1,414	1,637	1,915
<b>Total non-current assets</b>	<b>36,721</b>	<b>35,607</b>	<b>32,909</b>	<b>30,879</b>	<b>43,262</b>
<b>Current assets</b>					
Inventories	13,694	17,501	19,171	23,624	27,304
Trade receivables	9,057	8,913	7,146	9,026	10,175
Other receivables	790	690	1,014	3,638	2,687
Other investments	1,485	1,485	1,485	-	-
Amount due from related parties	1,839	2,862	3,471	-	-
Tax recoverable	61	93	7	33	195
Cash and bank balances	4,819	4,867	7,659	12,541	9,193
<b>Total current assets</b>	<b>31,745</b>	<b>36,411</b>	<b>39,953</b>	<b>48,862</b>	<b>49,554</b>
<b>TOTAL ASSETS</b>	<b>68,466</b>	<b>72,018</b>	<b>72,862</b>	<b>79,741</b>	<b>92,816</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of our Company</b>					
Share capital	2,741	2,741	2,741	5,891	5,891
Legal reserves <sup>(1)</sup>	12	12	12	12	12
Foreign exchange translation reserves	322	38	138	(253)	1,114
Retained earnings	26,750	29,511	34,287	40,872	42,734
	<b>29,825</b>	<b>32,302</b>	<b>37,178</b>	<b>46,522</b>	<b>49,751</b>
Non-controlling interest	2,531	2,704	2,603	2,904	3,035
<b>TOTAL EQUITY</b>	<b>32,356</b>	<b>35,006</b>	<b>39,781</b>	<b>49,426</b>	<b>52,786</b>

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

	<b>Audited</b>				
	<b>As at 31 December</b>				<b>As at 30 April</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>					
Employee benefits obligation	144	127	122	103	152
Deferred tax liabilities	324	302	281	282	282
Borrowings	20,327	20,674	18,562	17,669	25,396
Lease liabilities	824	485	270	799	1,172
Amount due to a Director	280	274	255	-	-
<b>Total non-current liabilities</b>	<b>21,899</b>	<b>21,862</b>	<b>19,490</b>	<b>18,853</b>	<b>27,002</b>
<b>Current liabilities</b>					
Trade payables	6,044	8,202	5,705	2,756	4,200
Other payables	1,165	696	580	1,492	1,179
Amount due to related parties	549	707	490	-	-
Amount due to a Director	902	823	21	-	-
Borrowings	4,606	3,989	5,206	4,515	5,319
Lease liabilities	397	333	321	633	736
Tax payable	548	400	1,268	2,066	1,594
<b>Total current liabilities</b>	<b>14,211</b>	<b>15,150</b>	<b>13,591</b>	<b>11,462</b>	<b>13,028</b>
<b>TOTAL LIABILITIES</b>	<b>36,110</b>	<b>37,012</b>	<b>33,081</b>	<b>30,315</b>	<b>40,030</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>68,466</b>	<b>72,018</b>	<b>72,862</b>	<b>79,741</b>	<b>92,816</b>

**Notes:**

- (1) Pursuant to the Thai Civil and Commercial Code, Minox TH must appropriate a reserve fund ("**Legal Reserve**") at each distribution of dividend, of at least 5.0% of the profits of Minox TH until the Legal Reserve reaches 10.0% of its share capital or such higher proportion as may be stipulated in its constitution. The Legal Reserve is not available for distribution to the shareholders of Minox TH and can only be distributed upon or after liquidation of Minox TH (subject to applicable taxes).
- (2) The increase of RM11.55 million or 108.3% from RM10.67 million as at 31 December 2022 was mainly due to the inclusion of a vacant land earmarked for Warehouse 4, as the acquisition completed in March 2023.

**12. FINANCIAL INFORMATION (Cont'd)**
**12.1.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for FYE 2019 to 2022 and FPE 2023 which has been extracted from the Accountants' Report.

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>					
PBT	10,248	5,568	10,756	13,493	2,272
Adjustments for:					
Bad debt written off	18	6	-	12	-
Depreciation of:					
- property, plant and equipment	832	1,056	1,076	988	321
- right-of-use assets	692	756	660	813	400
Employee benefits obligation	51	(14)	(58)	(40)	46
Fair value gain on investment property	(1,283)	-	-	-	-
Gain on disposal of:					
- property, plant and equipment	-	-	(601)	(2,063)	-
- right-of-use assets	(105)	-	-	-	(135)
- early termination of lease contract	(30)	-	-	-	-
- an associate	(1,800)	-	-	-	-
Inventories written down	1,839	-	90	431	154
Interest expenses	1,129	997	993	1,098	475
Impairment loss on trade receivables	-	-	-	26	(1)
Interest income	(43)	(23)	(23)	(76)	(37)
Property, plant and equipment written off	-	10	4	7	-
Reversal of inventories written down	-	(2,237)	(2,301)	(19)	(21)
Unrealised foreign exchange loss/(gain)	472	147	4	(101)	(24)
<b>Operating profit before changes in working capital</b>	<b>12,020</b>	<b>6,266</b>	<b>10,600</b>	<b>14,569</b>	<b>3,450</b>
Change in inventories	(3,550)	(1,814)	538	(4,979)	(2,871)
Change in receivables	2,728	220	1,277	(4,664)	59
Change in payables	(3,453)	2,054	(2,846)	(1,953)	1,117
Change in related parties	(855)	(1,087)	(409)	2,798	-
<b>Cash generated from operations</b>	<b>6,890</b>	<b>5,639</b>	<b>9,160</b>	<b>5,771</b>	<b>1,755</b>
Interest paid	(182)	(221)	(172)	(141)	(59)
Tax paid	(2,048)	(1,817)	(1,554)	(2,379)	(1,284)
<b>Net cash from operating activities</b>	<b>4,660</b>	<b>3,601</b>	<b>7,434</b>	<b>3,251</b>	<b>412</b>

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

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>					
Proceeds from disposal of:					
- an associate	2,250	-	-	-	-
- other investment	-	-	-	1,634	-
- property, plant and equipment	-	-	2,045	4,784	-
- right-of-use assets	175	-	-	-	219
Purchase of:					
- other investments	(1,971)	-	-	-	-
- property, plant and equipment	(2,436)	(485)	(236)	(279)	(11,790)
- right-of-use assets	(439)	(67)	(62)	(327)	(36)
<b>Net cash (used in)/ from investing activities</b>	<b>(2,421)</b>	<b>(552)</b>	<b>1,747</b>	<b>5,812</b>	<b>(11,607)</b>
<b>Cash flows from financing activities</b>					
Interest paid	(947)	(776)	(821)	(957)	(416)
Interest received	43	23	23	76	37
Issuance of share capital	-	-	-	827	-
Drawdown/(Withdrawal) of term loan	353	2,000	(712)	3,500	8,500
Dividends paid	(1,372)	(1,202)	(3,408)	(1,500)	-
Repayment of term loan	(1,262)	(916)	(1,527)	(3,677)	(697)
Repayment of lease liabilities	(558)	(402)	(347)	(447)	(387)
Repayment to a Director	(463)	(79)	(804)	(279)	-
Withdrawal of fixed deposits pledged	698	-	-	-	-
<b>Net cash (used in)/ from financing activities</b>	<b>(3,508)</b>	<b>(1,352)</b>	<b>(7,596)</b>	<b>(2,457)</b>	<b>7,037</b>
Net (decrease)/increase in cash and cash equivalents	(1,269)	1,697	1,585	6,606	(4,158)
<b>Cash and cash equivalents at beginning of the financial year/period</b>	<b>2,419</b>	<b>1,097</b>	<b>2,483</b>	3,990	10,594
Effect of foreign exchange translation	(53)	(311)	(78)	(2)	184
<b>Cash and cash equivalents at end of the financial year/period<sup>(1)</sup></b>	<b>1,097</b>	<b>2,483</b>	<b>3,990</b>	<b>10,594</b>	<b>6,620</b>

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

**Note:**

- (1) Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	4,819	4,867	7,659	12,541	9,193
Less: Bank overdraft	(3,722)	(2,384)	(3,669)	(1,947)	(2,573)
<b>Total cash and cash equivalent</b>	<b>1,097</b>	<b>2,483</b>	<b>3,990</b>	<b>10,594</b>	<b>6,620</b>

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

### **12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The following discussion and segmental analysis of our combined financial statements for FYE 2019 to 2022 and FPE 2023 should be read with the Accountants' Report included in Section 13.

#### **12.2.1 Overview of our operations**

##### **(a) Principal activities**

Our Group is principally involved in the distribution of stainless steel sanitary valves, tubes & fittings, installation components & equipment, rubber hoses under our "MINOX®" brand and other related products.

Please refer to Section 7 for our Group's detailed business overview.

##### **(b) Revenue**

Our Group's revenue for the financial years/period under review was derived from our distribution of stainless steel sanitary valves, tubes & fittings, installation components & equipment, rubber hoses under our "MINOX®" brand and other related products.

Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises.

In general, the products supplied from Malaysia operations comprise mainly smaller part products with lower unit selling price as compared to product supplied from Indonesia and Singapore operations, due to the following reasons:

- (a) Malaysia operations have a larger customer base with longer years of business relationship, cumulated throughout the years as Malaysia operations have a longer business history as compared to Indonesia and Singapore operations. As such, there were more maintenance works carried out which required replacement parts of smaller value for such customers' existing plants;
- (b) Malaysia operations cover more diverse range of customers which include mainly customers with smaller scale plants which requires replacement parts of smaller value, whereas the plant size and production lines of the customers in Indonesia are generally larger which requires larger replacement parts, which are of higher unit selling price; and
- (c) Our Group's products purchased by our Singapore customers are mainly higher specification products with higher unit selling price.

MST MY, is our subsidiary which imports our stainless steel sanitary products from our third-party manufacturers/supplier for onward distribution to our other subsidiaries (i.e. Minox MY, Minox ID, Minox TH, Minox SG and MST SG). MST MY first recognises the cost of sales upon the delivery of products from our suppliers. Subsequently, MST MY sells and distributes the products to our other subsidiaries based on the respective sales orders received from them, where sales of products are conducted on an arm's length basis and on normal commercial terms. On company level, MST MY will record such sales as its revenue and our other subsidiaries will capture such purchase as their cost of sales.

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

The revenue derived from the sales of products by MST MY to our other subsidiaries are eliminated whereby all intra-group balances, income and expenses as well as unrealised gain and losses resulting from intra-group transactions are eliminated, details of which are as follows:

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross revenue	63,059	64,319	51,697	71,135	22,481	26,270
Elimination	(22,864)	(25,515)	(17,338)	(26,115)	(9,010)	(9,841)
<b>Net revenue</b>	<b>40,195</b>	<b>38,804</b>	<b>34,359</b>	<b>45,020</b>	<b>13,471</b>	<b>16,429</b>

**(c) Cost of sales**

Our cost of sales comprise purchases from our third-party manufacturers/supplier, custom duties, rental and maintenance of warehouses and transportation costs.

In relation to the purchases made by our other subsidiaries (i.e. Minox MY, Minox ID, Minox TH, Minox SG and MST SG) from MST MY, these subsidiaries record such purchases and inventories in their respective journal entries upon acceptance of the products from MST MY. The cost of sales derived from the purchase of products from MST MY are eliminated whereby all intra-group balances, income and expenses as well as unrealised gain and losses resulting from intra-group transactions are eliminated. In the event inventories remain unsold, such inventories will remain recorded in the respective subsidiaries' accounts. As a result of transactions within our Group, any unrealised profit on unsold inventories purchased from MST MY are adjusted for.

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross cost of sales	41,618	44,741	28,673	43,616	14,893	16,723
Elimination	(22,864)	(25,515)	(17,338)	(26,115)	(9,010)	(9,841)
Net unrealised profits	664	1,031	194	921	522	1,003
<b>Net cost of sales</b>	<b>19,418</b>	<b>20,257</b>	<b>11,529</b>	<b>18,422</b>	<b>6,405</b>	<b>7,885</b>

**(d) Other income**

Other income mainly comprise gain on fair value change of investment property, gain on disposal of an associate, gain in foreign exchange, government grant and rental income.

**(e) Selling and marketing expenses**

Selling and marketing expenses comprise travelling and accommodation expenses, marketing and promotional expenses and sales commissions.

We pay commissions based on collections of our receivables to relevant employees involved in our supply chain and collections of receivables (e.g. sales & marketing team; warehousing team and finance and accounting team).



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

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**(f) Administrative expenses**

Administrative expenses mainly comprise overheads incurred to maintain our operations such as staff costs, directors' remuneration, depreciation expenses, professional fees, rental expenses, insurance, repair & maintenance and loss in foreign exchange.

**(g) Finance income**

Finance income comprise interests from fixed deposits placed with licensed banks.

**(h) Finance cost**

Finance cost comprise bank overdraft interests, term loan interests and lease liabilities interests.

**(i) Recent developments**

Save for the Acquisitions which were completed on 8 June 2023 (MST MY, Minox MY and Minox TH), 15 June 2023 (MST SG and Minox SG) and 24 July 2023 (Minox ID), there were no other significant events subsequent to our audited combined financial statements for FPE 2023.

**(j) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during FYE 2019 to 2022 and FPE 2023. In addition, our audited combined financial statements for the financial years/period under review were not subject to any audit qualifications.

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

**12.2.2 Review of our results of operations**

**(a) Revenue**

**Analysis of revenue by geographical markets**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	FPE 2022	%	FPE 2023	%
Malaysia	11,925	29.7	10,557	27.2	11,174	32.5	16,231	36.1	4,412	32.8	4,441	27.0
<b>Overseas market:</b>												
Singapore	7,304	18.2	8,728	22.5	5,166	15.0	7,735	17.2	2,011	14.9	4,244	25.9
Thailand	6,141	15.3	6,533	16.9	3,989	11.6	4,224	9.4	1,166	8.6	1,289	7.8
Indonesia	10,428	25.9	10,057	25.9	11,123	32.4	14,592	32.4	5,452	40.5	5,689	34.6
Others <sup>(1)</sup>	4,397	10.9	2,929	7.5	2,907	8.5	2,238	4.9	430	3.2	766	4.7
	28,270	70.3	28,247	72.8	23,185	67.5	28,789	63.9	9,059	67.2	11,988	73.0
	<b>40,195</b>	<b>100.0</b>	<b>38,804</b>	<b>100.0</b>	<b>34,359</b>	<b>100.0</b>	<b>45,020</b>	<b>100.0</b>	<b>13,471</b>	<b>100.0</b>	<b>16,429</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> Comprises mainly Bahrain, Cambodia, Denmark, Germany, India, Japan, South Korea, Myanmar, Sri Lanka, Spain, Taiwan, the Philippines, United Arab Emirates and Vietnam.

Our revenue for FYE 2019 to 2022 and FPE 2023 was mainly derived from Malaysia, Indonesia, Singapore and Thailand, which accounted for more than 89.0% of our total revenue.

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

**Analysis of revenue by product segments**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Tubes & fittings	29,055	72.3	29,325	75.6	24,820	72.2	32,939	73.1	9,478	70.4	10,058	61.2
Valves	5,788	14.4	4,968	12.8	4,853	14.1	6,342	14.1	2,005	14.9	2,201	13.4
Installation components & equipment	2,144	5.3	2,227	5.7	2,293	6.7	2,508	5.6	926	6.9	731	4.4
Rubber hoses	1,879	4.7	1,671	4.3	1,702	5.0	2,057	4.6	611	4.5	732	4.5
Other related products <sup>(1)</sup>	1,329	3.3	613	1.6	691	2.0	1,174	2.6	451	3.3	2,707	16.5
	<b>40,195</b>	<b>100.0</b>	<b>38,804</b>	<b>100.0</b>	<b>34,359</b>	<b>100.0</b>	<b>45,020</b>	<b>100.0</b>	<b>13,471</b>	<b>100.0</b>	<b>16,429</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

Our revenue for FYE 2019 to 2022 and FPE 2023 was mainly derived from the distribution of tubes & fittings and valves product segments, which accounted for more than 74.0% of our total revenue.

**Analysis of revenue by industries**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM	%
F&B	38,015	94.5	36,557	94.2	31,346	91.2	39,996	88.8	12,003	89.1	15,261	92.9
Pharmaceutical	1,111	2.8	1,647	4.2	1,576	4.6	2,037	4.5	841	6.2	756	4.6
Semiconductor	1,069	2.7	600	1.6	1,437	4.2	2,987	6.7	627	4.7	412	2.5
	<b>40,195</b>	<b>100.0</b>	<b>38,804</b>	<b>100.0</b>	<b>34,359</b>	<b>100.0</b>	<b>45,020</b>	<b>100.0</b>	<b>13,471</b>	<b>100.0</b>	<b>16,429</b>	<b>100.0</b>

Our revenue for FYE 2019 to 2022 and FPE 2023 was mainly derived from F&B industry, which accounted for more than 88.0% of our total revenue.

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

**Comparison between FYE 2019 and FYE 2020**

Our Group's total revenue decreased by RM1.40 million or 3.5% from RM40.20 million in FYE 2019 to RM38.80 million in FYE 2020. The decrease in revenue was mainly attributed to:

- (i) lower revenue contribution from Malaysia by RM1.37 million or 11.5% from RM11.93 million in FYE 2019 to RM10.56 million in FYE 2020 mainly driven by lower sales volume of tubes & fittings and valves by approximately 33,000 units from approximately 222,000 units in FYE 2019 to approximately 189,000 units in FYE 2020. This was mainly due to reduced orders from our existing customers (i.e. APEQ Process Sdn Bhd, INOX Engineering Sdn Bhd and EngMech Sdn Bhd, all of which are project consultants), arising from the MCO imposed by the Government which had resulted in the delay of installation of production lines for our industrial end-customers' F&B plants. In addition, there was a slowdown in manufacturing activities during this period, which also resulted in delayed replacement of consumables by our industrial end-customers;
- (ii) lower revenue contribution from other regions by RM1.47 million or 33.4% from RM4.40 million in FYE 2019 to RM2.93 million in FYE 2020 mainly driven by lower sales volume of tubes & fittings by approximately 30,000 units from approximately 110,000 units in FYE 2019 to approximately 80,000 units in FYE 2020. This was mainly due to lower orders from Minox PH, as our industrial end-customers' installation of production lines for F&B plants have completed in FYE 2019; and
- (iii) lower revenue contribution from Indonesia by RM0.37 million or 3.5% from RM10.43 million in FYE 2019 to RM10.06 million in FYE 2020 mainly driven by lower sales volume of tubes & fittings and other related products by approximately 2,000 units from approximately 162,000 units in FYE 2019 to approximately 160,000 units in FYE 2020. This was mainly due to reduced orders from our existing customer (i.e. GEA Group) as our industrial end-customer has reached the final installation stage of its F&B plant's production line.

The decrease in revenue from the abovementioned regions was partially offset by the following:

- (i) higher revenue contribution from Singapore by RM1.43 million or 19.6% from RM7.30 million in FYE 2019 to RM8.73 million in FYE 2020 mainly driven by sales of higher specification tubes & fittings (better corrosion resistance) to our existing customers (i.e. Krones-Izumi Processing Pte Ltd and GEA Group) for the installation of production lines for our industrial end-customers' F&B plants which demands higher selling prices; and
- (ii) higher revenue contribution from Thailand by RM0.39 million or 6.4% from RM6.14 million in FYE 2019 to RM6.53 million in FYE 2020 mainly driven by higher sales volume of tubes & fittings by approximately 49,000 units from approximately 55,000 units in FYE 2019 to approximately 104,000 units in FYE 2020. This was mainly due to new projects orders from our existing customers (i.e. GEA Group and SOAGE Engineering Co., Ltd, all of which are project consultants) for the installation of production lines for 2 F&B plants.

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

Our approximate average selling prices and sales volume by product segments are illustrated below:

Product segments	FYE 2019	FYE 2020	FYE 2019	FYE 2020
	Approximate average selling price per unit <sup>(1)</sup> (RM)	Approximate average selling price per unit <sup>(1)</sup> (RM)	Approximate sales volume (units) <sup>(2)</sup>	Approximate sales volume (units) <sup>(2)</sup>
			% change	% change
Tubes & fittings	44.50	47.10	652,800	622,000
Valves	174.80	167.40	33,100	29,700
Installation components & equipment	414.40	475.30	5,200	4,700
Rubber hoses	281.30	456.00	6,700	3,700
Other related products <sup>(3)</sup>	193.90	136.70	6,900	4,500
			5.8	(4.7)
			(4.2)	(10.3)
			14.7	(9.6)
			62.1	(44.8)
			(29.5)	(34.8)

**Notes:**

- (1) Calculated based on total sales for each product segment divided by total sales volume for each product category, and subsequently rounded to the nearest ten cents.
- (2) Rounded to the nearest hundred.
- (3) Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

**Comparison between FYE 2020 and FYE 2021**

Our Group's total revenue decreased by RM4.44 million or 11.4% from RM38.80 million in FYE 2020 to RM34.36 million in FYE 2021. The decrease in revenue was mainly attributed to:

- (i) lower revenue contribution from Singapore by RM3.56 million or 40.8% from RM8.73 million in FYE 2020 to RM5.17 million in FYE 2021, mainly driven by lower sales volume of tubes & fittings by approximately 46,000 units from approximately 104,000 units in FYE 2020 to approximately 58,000 units in FYE 2021. This was mainly due to reduced orders by our existing customers (i.e. Krones-Izumi Processing Pte Ltd and GEA Group, all of which are project consultants) as a result of the completion of installation of production lines for 2 F&B plants in FYE 2020. In addition, there was a delay in the construction of new plants arising from travel restrictions due to the Circuit Breaker Period;

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

- (ii) lower revenue contribution from Thailand by RM2.54 million or 38.9% from RM6.53 million in FYE 2020 to RM3.99 million in FYE 2021 mainly driven by lower sales volume of tubes & fittings by approximately 54,000 units from approximately 104,000 units in FYE 2020 to 50,000 units in FYE 2021, mainly due to completion of installation of production lines for 2 F&B plants from our existing customers (i.e. Ichita Co., Ltd and Linemaker Engineering Co., Ltd) in FYE 2020; and
- (iii) lower revenue contribution from other regions by RM0.02 million or 0.68% from RM2.93 million in FYE 2020 to RM2.91 million in FYE 2021 mainly driven by lower sales volume of valves by approximately 1,850 units from approximately 5,160 units in FYE 2020 to 3,310 units in FYE 2021 coupled with different specification valves sold in FYE 2021 which fetches a lower average selling price per unit. This was mainly due to lower orders from MST VN as our industrial end-customer's installation of production line for its F&B plant has completed in FYE 2020.

The decrease in revenue from the abovementioned regions was partially offset by the following:

- (i) higher revenue contribution from Malaysia by RM0.61 million or 5.8% from RM10.56 million in FYE 2020 to RM11.17 million in FYE 2021 mainly driven by the increase in sales volume of tubes & fittings and valves by approximately 12,000 units from approximately 189,000 units in FYE 2020 to approximately 201,000 units in FYE 2021. This was mainly due to new project orders from a new customer (i.e. T.T.E. Engineering (M) Sdn Bhd) for the installation of production line for our industrial end-customer's new F&B plant and an existing customer (i.e. Omori Innovation (M) Sdn Bhd) for the installation of production lines for 3 of our industrial end-customers' F&B plants, after the easing of the travel restrictions; and
- (ii) higher revenue contribution from Indonesia by RM1.06 million or 10.5% from RM10.06 million in FYE 2020 to RM11.12 million in FYE 2021 driven by higher average selling price per unit of tubes & fittings and installation components & equipment by approximately RM5.50 per unit for tubes & fittings from approximately RM45.50 per unit in FYE 2020 to RM51.00 per unit in FYE 2021 and RM36.20 per unit for installation components & equipment from approximately RM936.10 per unit in FYE 2020 to RM972.30 per unit in FYE 2021 respectively, driven by sales of higher specification tubes and installation components & equipment. This was mainly due to new project orders from a new customer (i.e. PT Desain Terminal Indonesia) and an existing customer (i.e. PT Mecco Inoxprima) for the installation of production lines for our industrial end-customers' new F&B plants.

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

Our approximate average selling prices and sales volume by product segments are illustrated below:

Product segments	Approximate average selling price per unit <sup>(1)</sup>		Approximate sales volume (units) <sup>(2)</sup>		% change
	FYE 2020 (RM)	FYE 2021 (RM)	FYE 2020	FYE 2021	
Tubes & fittings	47.10	42.90	622,000	578,300	(7.0)
Valves	167.40	162.70	29,700	29,800	0.3
Installation components & equipment	475.30	503.20	4,700	4,600	(2.1)
Rubber hoses	456.00	391.80	3,700	4,300	16.2
Other related products <sup>(3)</sup>	136.70	76.10	4,500	9,100	102.2

**Notes:**

- (1) Calculated based on total sales for each product segment divided by total sales volume for each product segment, and subsequently rounded to the nearest ten cents.
- (2) Rounded to the nearest hundred.
- (3) Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

**Comparison between FYE 2021 and FYE 2022**

Our Group's total revenue increased by RM10.66 million or 31.0% from RM34.36 million in FYE 2021 to RM45.02 million in FYE 2022. The increase in revenue was mainly attributed to:

- (i) higher revenue contribution from Malaysia by RM5.06 million or 45.3% from RM11.17 million in FYE 2021 to RM16.23 million in FYE 2022, mainly driven by higher sales volume in tubes & fittings, sales of higher specification valves as well as higher average selling price per unit of tubes & fittings and valves. The sales volume of tubes & fittings increased by approximately 6,000 units from approximately 185,000 units in FYE 2021 to 191,000 units in FYE 2022 after easing of travel restrictions. This has resulted in new project orders mainly from several existing customers (i.e. Gases System Engineering Services Sdn Bhd, Dynalon Engineering Sdn Bhd and Dterm (M) Sdn Bhd, all of which are project consultants) for the installation of production line for our industrial end-customer's new semiconductor plant and F&B plants. The average selling price per unit of tubes & fittings and valves increased by approximately RM17.20 per unit for tubes & fittings from RM41.80 per unit in FYE 2021 to RM59.00 per unit in FYE 2022 and RM104.30 per unit for valves from RM93.50 per unit in FYE 2021 to RM197.80 per unit in FYE 2022 respectively, due to price hike in stainless steel and sales of higher specification products;



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

- (i) higher revenue contribution from Indonesia by RM3.47 million or 31.2% from RM11.12 million in FYE 2021 to RM14.59 million in FYE 2022, mainly driven by sales of higher specification valves, higher average selling price per unit of tubes & fittings and valves by approximately RM36.20 per unit for tubes & fittings from RM51.00 per unit in FYE 2021 to RM87.20 per unit in FYE 2022 and RM196.10 per unit for valves from 246.70 per unit in FYE 2021 to RM442.80 per unit in FYE 2022 respectively, due to price hike in stainless steel and sales of higher specification products. In addition, there were several new project orders from 3 existing customers (i.e. GEA Group, PT Inmas Surya Makmur and PT Asahi Synchrotech Indonesia) for the installation of production lines for our industrial end -customers' F&B plants;
- (ii) higher revenue contribution from Singapore by RM2.57 million or 49.7% from RM5.17 million in FYE 2021 to RM7.74 million in FYE 2022 mainly driven by higher average selling price per unit of tubes & fittings and new projects secured by our existing customers. The average selling price per unit increased by approximately RM43.50 per unit from RM76.60 per unit in FYE 2021 to RM120.10 per unit in FYE 2022 due to price hike in stainless steel. The new project orders which contributed to the higher revenue were from 4 existing customers (i.e. Siccadania (Sea) Pte Ltd, GEA Group, T.O.P. Design & Engineering Pte Ltd and G&C Piping Pte Ltd, all of which are project consultants) for the installation of production line for our industrial end-customers' new F&B plants, pharmaceutical plant and semiconductor plant; and
- (iv) higher revenue contribution from Thailand by RM0.23 million or 5.8% from RM3.99 million in FYE 2021 to RM4.22 million in FYE 2022 mainly driven by higher average selling price per unit of tubes & fittings by approximately RM7.50 per unit from RM52.90 per unit in FYE 2021 to RM60.40 per unit in FYE 2022 due to price hike in stainless steel. The higher revenue was mainly due to a new project order from our existing customer (i.e. Linemaker Engineering Co., Ltd, a project consultant) for the installation of production line for our industrial end customers' new F&B plant.

The increase in revenue from the abovementioned regions was partially offset by lower revenue contribution from other regions by RM0.67 million or 23.0% from RM2.91 million in FYE 2021 to RM2.24 million in FYE 2022 mainly driven by lower sales volume of tubes & fittings from Minox PH by approximately 50,000 units from approximately 128,000 units in FYE 2021 to 78,000 units in FYE 2022, as our industrial end-customers' installation of production line for F&B plants have completed in FYE 2021.

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

Our approximate average selling prices and sales volume by product segments are illustrated below:

Product segments	Approximate average selling price per unit <sup>(1)</sup>		Approximate sales volume (units) <sup>(2)</sup>		% change
	FYE 2021 (RM)	FYE 2022	FYE 2021	FYE 2022	
Tubes & fittings	42.90	66.60	578,300	494,600	(14.5)
Valves	162.70	260.20	29,800	24,400	(18.1)
Installation components & equipment	503.20	505.50	4,600	5,000	8.7
Rubber hoses	391.80	355.60	4,300	5,800	34.9
Other related products <sup>(3)</sup>	76.10	71.60	9,100	16,400	80.2

**Notes:**

- (1) Calculated based on total sales for each product segment divided by total sales volume for each product segment, and subsequently rounded to the nearest ten cents.
- (2) Rounded to the nearest hundred.
- (3) Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

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

**Comparison between FPE 2022 and FPE 2023**

Our Group's total revenue increased by RM2.96 million or 22.0% from RM13.47 million in FPE 2022 to RM16.43 million in FPE 2023. The increase in revenue was mainly attributed to:

- (i) higher revenue contribution from Singapore by RM2.23 million or 110.9% from RM2.01 million in FPE 2022 to RM4.24 million in FPE 2023, mainly driven by higher sales volume in tubes & fittings, sales of higher specification tube & fittings as well as higher average selling price per unit of tubes & fittings. The sales volume of tubes & fittings increased by approximately 16,000 units from approximately 19,000 units in FPE 2022 to 35,000 units in FPE 2023 due to 2 new projects orders from our existing customers (i.e. Siccadania (Sea) Pte Ltd and GEA Group, all of which are project consultants) for the installation of production lines for our industrial end-customers' new F&B production plants. The average selling price per unit of tubes & fittings increased by approximately RM25.70 per unit from RM84.20 per unit in FPE 2022 to RM109.90 per unit in FPE 2023 mainly due to sale of inventories purchased in FYE 2022. Although there was a decrease in stainless steel price in FPE 2023, we maintain our selling price of tubes & fittings for FYE 2022;
- (ii) higher revenue contribution from other regions by RM0.34 million or 79.1% from RM0.43 million in FPE 2022 to RM0.77 million in FPE 2023, mainly driven by higher average selling price per unit of tube & fittings for the sales orders to MST VN. The average selling price per unit of tubes & fittings increased by approximately RM21.20 per unit from RM10.40 per unit in FPE 2022 to RM31.60 per unit in FPE 2023 was mainly due to sale of inventories purchased in FYE 2022. Although there was a decrease in stainless steel price in FPE 2023, we maintain our selling price of tubes & fittings for FYE 2022;
- (iii) higher revenue contribution from Indonesia by RM0.24 million or 4.4% from RM5.45 million in FPE 2022 to RM5.69 million in FPE 2023, mainly driven by higher sales volume in non-sanitary stainless steel products. The sales volume of non-sanitary stainless steel products increased by approximately 30,500 units from approximately 2,500 units in FPE 2022 to 33,000 units in FPE 2023, mainly due to a new order from Tetra Pak Group for non-sanitary stainless steel products such as square hollow sections and pipes & fittings for the installation of supporting lines and supporting structures for our industrial end-customers' F&B plants. The increase in revenue was partially offset by lower revenue incurred from the tubes & fittings segment, attributed to lower sales volume by 7,900 units from 43,400 units to 35,500 units as we completed the installation of production lines for 3 of our existing customers' (i.e. GEA Group, PT Asahi Synchrotech Indonesia and PT Mecco Inoxprima, all of which are project consultants) industrial end-customers' F&B plants in FYE 2022;

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

- (iv) higher revenue contribution from Thailand by RM0.12 million or 10.3% from RM1.17 million in FPE 2022 to RM1.29 million in FPE 2023, mainly driven by higher sales volume and average selling price per unit in valves and installation components & equipment. The sales volume of valves and installation components & equipment increased by approximately 300 units from approximately 1,000 units in FPE 2022 to 1,300 units in FPE 2023. This was mainly due to a new project order from our existing customer (i.e. Plastmat Co., Ltd, a project consultant) for the installation of a production line for a F&B plant in FPE 2023. The average selling price per unit of valves and installation components & equipment increased by approximately RM4.90 per unit of valves from RM232.30 per unit in FPE 2022 to RM237.20 per unit in FPE 2023 and RM139.60 per unit of installation components & equipment from RM679.10 per unit in FPE 2022 to RM818.70 per unit in FPE 2023 respectively, mainly due to sale of inventories purchased in FYE 2022. Although there was a decrease in stainless steel price in FPE 2023, we maintain our selling price of valves and installation components & equipment for FYE 2022; and
- (v) higher revenue contribution from Malaysia by RM0.03 million or 0.7% from RM4.41 million in FPE 2022 to RM4.44 million in FPE 2023, mainly driven by sale of higher specification valves. The average selling price per unit of valves increased by approximately RM237.90 per unit from RM153.60 per unit in FPE 2022 to RM391.50 per unit in FPE 2023. The increase in revenue was partially offset by the lower revenue in tubes & fittings, attributed to lower sales volume by 17,500 units from 62,300 units in FPE 2022 to 44,800 units in FPE 2023, as a result of completion of installation of production lines for 2 of our existing customers' (i.e. DTerm (M) Sdn Bhd and GL Fabrication Works Sdn Bhd, all of which are project consultants) industrial end-customers' F&B plants in FYE 2022.

Our approximate average selling prices and sales volume by product segments are illustrated below:

Product segments	FPE 2022	FPE 2023	FPE 2022		FPE 2023	
	Approximate average selling price per unit <sup>(1)</sup> (RM)	Approximate average selling price per unit <sup>(1)</sup> (RM)	% change	Approximate sales volume (units) <sup>(2)</sup>	% change	Approximate sales volume (units) <sup>(2)</sup>
Tubes & fittings	57.60	65.00	12.8	164,700	(6.1)	154,600
Valves	252.40	332.20	31.6	7,900	(16.5)	6,600
Installation components & equipment	497.00	128.40	(74.2)	1,900	200.0	5,700
Rubber hoses	353.50	496.10	40.3	1,700	(11.8)	1,500
Other related products <sup>(3)</sup>	148.60	80.90	(45.6)	3,000	1,016.7	33,500

**Notes:**

- (1) Calculated based on total sales for each product segment divided by total sales volume for each product segment, and subsequently rounded to the nearest ten cents.
- (2) Rounded to the nearest hundred.

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

<sup>(3)</sup> Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

**(b) Cost of sales, GP and GP margin**

**Analysis of cost of sales by product segments**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	FPE 2022	%	FPE 2023	%
Tubes & fittings	14,744	75.9	16,044	79.2	8,770	76.1	13,603	73.9	4,530	70.7	4,490	56.9
Valves	3,019	15.6	2,345	11.6	1,193	10.3	2,449	13.3	922	14.4	871	11.1
Installation components & equipment	682	3.5	1,184	5.8	802	7.0	1,007	5.5	460	7.2	299	3.8
Rubber hoses	398	2.0	361	1.8	350	3.0	525	2.8	185	2.9	221	2.8
Other related products <sup>(1)</sup>	575	3.0	323	1.6	414	3.6	838	4.5	308	4.8	2,004	25.4
	<b>19,418</b>	<b>100.0</b>	<b>20,257</b>	<b>100.0</b>	<b>11,529</b>	<b>100.0</b>	<b>18,422</b>	<b>100.0</b>	<b>6,405</b>	<b>100.0</b>	<b>7,885</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

Our cost of sales comprise purchases from our third-party manufacturers/supplier, custom duties, rental and maintenance of warehouses and transportation costs, the breakdown of which are set out below:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	FPE 2022	%	FPE 2023	%
Purchases	17,346	89.3	18,151	89.6	10,060	87.3	15,657	85.0	5,537	86.5	7,257	92.0
Custom duties	728	3.8	675	3.3	418	3.6	758	4.1	207	3.2	89	1.1
Rental and maintenance of warehouses	78	0.4	24	0.1	15	0.1	206	1.1	7	0.1	78	1.0
Transportation costs	1,266	6.5	1,407	7.0	1,036	9.0	1,801	9.8	654	10.2	461	5.9
	<b>19,418</b>	<b>100.0</b>	<b>20,257</b>	<b>100.0</b>	<b>11,529</b>	<b>100.0</b>	<b>18,422</b>	<b>100.0</b>	<b>6,405</b>	<b>100.0</b>	<b>7,885</b>	<b>100.0</b>

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

We generally fix our products pricing to our end-customers after taking into consideration, amongst others, price referencing with other market players, price negotiations with our customers, retention of our existing customers as well as the value of quotation orders to be secured. We also generally quote our products with competitive pricing in the event the quantum of the quotation order is large. We may not fully pass on any fluctuation in purchase cost to our customers to remain competitive.

**Analysis of GP and GP margin by product segments**

	Audited						Unaudited					
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023			
	GP margin RM'000	%	GP RM'000	margin %	GP RM'000	margin %	GP RM'000	margin %	GP RM'000	margin %		
Tubes & fittings	14,311	49.3	13,281	45.3	16,050	64.7	19,336	58.7	4,948	52.2	5,568	55.4
Valves	2,769	47.8	2,623	52.8	3,660	75.4	3,893	61.4	1,083	54.0	1,330	60.4
Installation components & equipment	1,462	68.2	1,043	46.8	1,491	65.0	1,501	59.8	466	50.3	432	59.1
Rubber hoses	1,481	78.8	1,310	78.4	1,352	79.4	1,532	74.5	426	69.7	511	69.8
Other related products <sup>(1)</sup>	754	56.7	290	47.3	277	40.1	336	28.6	143	31.7	703	26.0
	<b>20,777</b>	<b>51.7</b>	<b>18,547</b>	<b>47.8</b>	<b>22,830</b>	<b>66.4</b>	<b>26,598</b>	<b>59.1</b>	<b>7,066</b>	<b>52.5</b>	<b>8,544</b>	<b>52.0</b>

**Note:**

<sup>(1)</sup> Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

**Comparison between FYE 2019 and FYE 2020**

Although our Group's revenue decreased by RM1.40 million or 3.5% from RM40.20 million for FYE 2019 to RM38.80 million in FYE 2020, our Group's total cost of sales increased by RM0.84 million or 4.3% from RM19.42 million in FYE 2019 to RM20.26 million in FYE 2020. This was mainly attributable to the following:

- (i) cost of sales for tubes & fittings increased by RM1.30 million or 8.8% from RM14.74 million in FYE 2019 to RM16.04 million in FYE 2020. The increase in the cost of sales was mainly driven by purchases of higher specification tubes & fittings (better corrosion resistance) for our Singapore customers, which has an average cost of sale per unit by RM3.20 per unit or 14.2% from RM22.60 per unit in FYE 2019 to RM25.80 per unit in FYE 2020.



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

Our GP contribution for tubes & fittings decreased by RM1.03 million or 7.2% from RM14.31 million in FYE 2019 to RM13.28 million in FYE 2020 mainly due to more competitive pricing to secure the project orders from the abovementioned Singapore customers for the installation of production lines for 2 F&B plants. This has also led to an overall decrease in GP margin for tubes & fittings by 4.0% from 49.3% in FYE 2019 to 45.3% in FYE 2020;

- (ii) cost of sales for valves decreased by RM0.67 million or 22.2% from RM3.02 million in FYE 2019 to RM2.35 million in FYE 2020 mainly driven by the decrease in revenue contribution from valves.  
  
Our GP contribution for valves decreased by RM0.15 million or 5.4% from RM2.77 million in FYE 2019 to RM2.62 million in FYE 2020 mainly due to the decrease in revenue contribution from valves. However, our GP margin for valves has increased by 5.0% from 47.8% in FYE 2019 to 52.8% in FYE 2020 mainly due to lower average cost of sale per unit by RM12.20 per unit or 13.4% from RM91.20 per unit in FYE 2019 to RM79.00 per unit in FYE 2020 due to purchases of valves from MVFM TW (a subsidiary of MST MY at that point of time) who offered competitive pricing;
- (iii) cost of sales for installation components & equipment increased by RM0.50 million or 73.5% from RM0.68 million in FYE 2019 to RM1.18 million in FYE 2020. The increase in the cost of sales was due to increase in purchases of installation components & equipment with higher specification from our overseas suppliers.  
  
Our GP contribution for installation components & equipment decreased by RM0.42 million or 28.8% from RM1.46 million in FYE 2019 to RM1.04 million in FYE 2020, mainly due to increase in purchase cost as the average cost of sale per unit increased by RM121.00 per unit or 91.8% from RM131.80 per unit in FYE 2019 to RM252.80 per unit in FYE 2020. As such, our GP margin decreased by 21.4% from 68.2% in FYE 2019 to 46.8% in FYE 2020;
- (iv) cost of sales for rubber hoses decreased marginally by RM0.04 million or 10.0% from RM0.40 million in FYE 2019 to RM0.36 million in FYE 2020 mainly driven by the decrease in revenue contribution from rubber hoses. There was no major fluctuation in GP margin for rubber hoses for FYE 2019 and FYE 2020; and
- (v) cost of sales for non-sanitary stainless steel products decreased by RM0.26 million or 44.8% from RM0.58 million in FYE 2019 to RM0.32 million in FYE 2020 mainly driven by the decrease in revenue contribution from non-sanitary stainless steel products. We generally supply such products to our existing customers as part of a value-added service to assist them in sourcing for various non-sanitary stainless steel products as and when requested.  
  
Our GP contribution for non-sanitary stainless steel products decreased by RM0.46 million or 61.3% from RM0.75 million in FYE 2019 to RM0.29 million in FYE 2020 mainly driven by lower sales. Our GP margin for non-sanitary stainless steel products decreased by 9.4% from 56.7% in FYE 2019 to 47.3% in FYE 2020 mainly driven by sales according to our existing customers' requirement of lower value product mix such as non-sanitary products (i.e. cable tray, flat bar, angle bar) and industrial hardware (i.e. nuts and bolts).



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

Our approximate average cost of sales by product segments are illustrated below:

Product segments	FYE 2019	FYE 2020	% change
	Approximate average cost of sales per unit <sup>(1)</sup> (RM)		
Tubes & fittings	22.60	25.80	14.2
Valves	91.20	79.00	(13.4)
Installation components & equipment	131.80	252.80	91.8
Rubber hoses	59.50	98.60	65.7
Other related products <sup>(1)</sup>	84.00	72.00	(14.3)

**Notes:**

- (1) Calculated based on total cost of sales for each product segment divided by total sales volume for each product segment.
- (2) Comprises non-sanitary stainless steel products such as square hollow sections, plates and industrial hardware.

**Comparison between FYE 2020 and FYE 2021**

Our Group's total cost of sales decreased by RM8.73 million or 43.1% from RM20.26 million in FYE 2020 to RM11.53 million in FYE 2021, mainly attributable to:

- (i) cost of sales for tubes & fittings decreased by RM7.27 million or 45.3% from RM16.04 million in FYE 2020 to RM8.77 million in FYE 2021. The decrease in cost of sales was due to lower revenue contribution from tubes & fittings coupled with the decrease in average cost of sale per unit by RM10.60 per unit or 41.1% from RM25.80 per unit in FYE 2020 to RM15.20 per unit in FYE 2021 as a result of inventories which was sourced prior to the increase in stainless steel price.
- Our GP contribution for tubes & fittings increased by RM2.77 million or 20.9% from RM13.28 million in FYE 2020 to RM16.05 million in FYE 2021 mainly driven by the lower cost of sales as mentioned above. As such, our GP margin increased by 19.4% from 45.3% in FYE 2020 to 64.7% in FYE 2021;
- (ii) cost of sales for valves decreased by RM1.16 million or 49.4% from RM2.35 million in FYE 2020 to RM1.19 million in FYE 2021. The decrease in cost of sales was due to lower revenue contribution from valves coupled with the decrease in average cost of sale per unit by RM39.00 per unit or 49.4% from RM79.00 per unit in FYE 2020 to RM40.00 per unit in FYE 2021 as a result of inventories which was sourced prior to the increase in stainless steel price.

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

Our GP contribution for valves increased by RM1.04 million or 39.7% from RM2.62 million in FYE 2020 to RM3.66 million in FYE 2021 mainly driven by the lower cost of sales as mentioned above. As such, our GP margin increased by 22.6% from 52.8% in FYE 2020 to 75.4% in FYE 2021;

(iii) cost of sales for installation components & equipment decreased by RM0.38 million or 32.2% from RM1.18 million in FYE 2020 to RM0.80 million in FYE 2021. The decrease in the cost of sales was mainly due to decrease in average cost of sale per unit by RM76.70 per unit or 30.3% from RM252.80 per unit in FYE 2020 to RM176.10 per unit in FYE 2021 as a result of inventories which was sourced prior to the increase in stainless steel price.

Our GP contribution for installation components & equipment increased by RM0.45 million or 43.3% from RM1.04 million in FYE 2020 to RM1.49 million in FYE 2021 mainly driven by the increase in revenue contribution from installation components & equipment. We were able to increase our selling price for installation components & equipment with higher specifications sold to our Indonesian customers, (i.e. PT Desain Terminal Indonesia and PT Mecco Inoxprima). The increase in our selling price coupled with lower average cost of sale per unit resulted in our GP margin to increase by 18.2% from 46.8% in FYE 2020 to 65.0% in FYE 2021;

(iv) cost of sales for rubber hoses marginally decreased by RM0.01 million or 2.8% from RM0.36 million in FYE 2020 to RM0.35 million in FYE 2021. The decrease in cost of sales was mainly due to decrease in average cost of sale per unit as we were able to secure the rubber hoses from our local suppliers at competitive prices. There was no major fluctuation in GP and GP margin for rubber hoses for FYE 2020 and FYE 2021; and

(v) cost of sales for non-sanitary stainless steel products increased marginally by RM0.09 million or 28.1% from RM0.32 million in FYE 2020 to RM0.41 million in FYE 2021 mainly driven by the higher revenue contribution from non-sanitary stainless steel products. Our GP margin for non-sanitary stainless steel products decreased by 7.2% from 47.3% in FYE 2020 to 40.1% in FYE 2021 mainly driven by the sales according to our existing customers' requirement of lower value product mix (i.e., nuts, bolts, socket and flat washers). Such products have a lower average selling price per unit by RM60.60 or 44.3% from RM136.70 in FYE 2020 to RM76.10 in FYE 2021.

Our approximate average cost of sales by product segments are illustrated below:

Product segments	FYE 2020	FYE 2021	% change
	Approximate average cost of sales per unit <sup>(1)</sup> (RM)		
Tubes & fittings	25.80	15.20	(41.1)
Valves	79.00	40.00	(49.4)
Installation components & equipment	252.80	176.00	(30.3)
Rubber hoses	98.60	80.50	(18.4)
Other related products <sup>(1)</sup>	72.00	45.70	(36.5)

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

**Notes:**

- (1) Calculated based on total cost of sales for each product segment divided by total sales volume for each product segment.
- (2) Comprises non-sanitary stainless steel products such as square hollow sections, plates and industrial hardware.

**Comparison between FYE 2021 and FYE 2022**

Our Group's total cost of sales increased by RM6.89 million or 59.8% from RM11.53 million in FYE 2021 to RM18.42 million in FYE 2022. The increase in the cost of sales was mainly attributable to:

(i) cost of sales for tubes & fittings increased by RM4.83 million or 55.1% from RM8.77 million in FYE 2021 to RM13.60 million in FYE 2022. The increase in the cost of sales was mainly driven by higher revenue contribution of tubes & fittings coupled with an increase in stainless steel price and price adjustment by our overseas suppliers, particularly those from China due to the withdrawal of export rebate by the Chinese government effective from 1 May 2021 (which in turn increased the average cost of sale per unit by RM12.30 per unit or 80.9% from RM15.20 per unit in FYE 2021 to RM27.50 per unit in FYE 2022). The price adjustment by our other overseas suppliers was mainly due to the price hike in stainless steel.

Our GP contribution from tubes & fittings increased by RM3.29 million or 20.5% from RM16.05 million in FYE 2021 to RM19.34 million in FYE 2022 mainly driven by the increase in revenue contribution of tubes & fittings. Our GP margin decreased by 6.0% from 64.7% in FYE 2021 to 58.7% in FYE 2022 due to higher cost of sales as mentioned above;

(ii) cost of sales for valves increased by RM1.26 million or 105.9% from RM1.19 million in FYE 2021 to RM2.45 million in FYE 2022. This was mainly driven by higher revenue contribution from valves coupled with higher purchase cost for valves with higher specification (which in turn increased the average cost of sale per unit by RM60.50 per unit or 151.3% from RM40.00 per unit in FYE 2021 to RM100.50 per unit in FYE 2022).

Our GP contribution from valves increased by RM0.23 million or 6.3% from RM3.66 million in FYE 2021 to RM3.89 million in FYE 2022 mainly driven by the increase in revenue contribution of valves. Our GP margin decreased by 14.0% from 75.4% in FYE 2021 to 61.4% in FYE 2022 mainly due to higher purchase cost of valves with different specification for FYE 2022 as compared to FYE 2021. However, we did not fully pass on the purchase cost fluctuation to our customers to remain competitive;

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

- (iii) cost of sales for installation components & equipment increased by RM0.21 million or 26.3% from RM0.80 million in FYE 2021 to RM1.01 million in FYE 2022. The increase in cost of sales was mainly driven by higher purchase cost for installation components & equipment due to the global increase in stainless steel price coupled with a price adjustment by our overseas suppliers, particularly those from China due to the withdrawal of export rebate by the Chinese government effective from 1 May 2021 (which in turn increased the average cost of sale per unit by RM26.90 per unit or 15.3% from RM176.10 per unit in FYE 2021 to RM203.00 per unit in FYE 2022). The price adjustment by our other overseas suppliers was mainly due to the price hike in stainless steel.
- Our GP contribution from installation components & equipment increased by RM0.01 million or 0.7% from RM1.49 million in FYE 2021 to RM1.50 million in FYE 2022, mainly driven by the increase in revenue contribution of installation components & equipment. As we did not fully pass on the purchase cost fluctuation to our customers to remain competitive, our GP margin decreased by 5.2% from 65.0% in FYE 2021 to 59.8% in FYE 2022;
- (iv) cost of sales for rubber hoses increased by RM0.18 million or 51.4% from RM0.35 million in FYE 2021 to RM0.53 million in FYE 2022. The increase in cost of sales was mainly due to higher purchase cost for rubber hoses as a result of increase in cost of synthetic rubber (which in turn increased the average cost of sale per unit by RM10.30 per unit or 12.8% from RM80.50 per unit in FYE 2021 to RM90.80 per unit in FYE 2022).
- Our GP contribution from rubber hoses increased by RM0.18 million or 13.3% from RM1.35 million in FYE 2021 to RM1.53 million in FYE 2022 mainly due to the mainly driven by the increase in revenue contribution of rubber hoses. Our GP margin decreased by 4.9% from 79.4% in FYE 2021 to 74.5% in FYE 2022 mainly due to the higher purchase cost for rubber hoses which we did not pass on to our customers; and
- (v) cost of sales for non-sanitary stainless steel products increased by RM0.43 million or 104.9% from RM0.41 million in FYE 2021 to RM0.84 million in FYE 2022 mainly driven by the higher revenue contribution from non-sanitary stainless steel products. Our GP margin for non-sanitary stainless steel products decreased by 11.5% from 40.1% in FYE 2021 to 28.6% in FYE 2022 mainly driven by the sales of higher value product mix in accordance to our customers' requirements (i.e. square hollow and plates). Such products sold in FYE 2022 has a higher average cost of sale per unit by RM5.40 or 11.8% from RM45.70 in FYE 2021 to RM51.10 in FYE 2022.

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

Our approximate average cost of sales by product segments are illustrated below:

Product segments	FYE 2021	FYE 2022	% change
	Approximate average cost of sales per unit (RM)		
Tubes & fittings	15.20	27.50	80.9
Valves	40.00	100.50	151.3
Installation components & equipment	176.10	203.00	15.3
Rubber hoses	80.50	90.80	12.8
Other related products <sup>(1)</sup>	45.70	51.10	11.8

**Notes:**

- (1) Calculated based on total cost of sales for each product segment divided by total sales volume for each product segment.
- (2) Comprises non-sanitary stainless steel products such as square hollow sections, plates and industrial hardware.

**Comparison between FPE 2022 and FPE 2023**

Our Group's total cost of sales increased by RM1.48 million or 23.1% from RM6.41 million in FPE 2022 to RM7.89 million in FPE 2023. The increase in the cost of sales was mainly attributable to:

- (i) cost of sales for tubes & fittings decreased by RM0.04 million or 0.9% from RM4.53 million in FPE 2022 to RM4.49 million in FPE 2023. The decrease in the cost of sales was mainly due to lower sales volume of tubes & fittings in Indonesia and Malaysia as a result of completion of installation of production lines for our industrial end-customers' F&B plants in FYE 2022, coupled with shorter working days arising from Hari Raya Aidilfitri festive season which fell in May 2022 (not within FPE 2022) and April 2023 (within FPE 2023).

Our GP contribution from tubes & fittings increased by RM0.62 million or 12.5% from RM4.95 million in FPE 2022 to RM5.57 million in FPE 2023 mainly driven by the overall increase in revenue contribution of tubes & fittings. Our GP margin increased by 3.2% from 52.2% in FPE 2022 to 55.4% in FPE 2023 mainly due to higher selling price arising from sale of inventories purchased in FYE 2022;

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

- (ii) cost of sales for valves decreased by RM0.05 million or 5.4% from RM0.92 million in FPE 2022 to RM0.87 million in FPE 2023. The decrease in the cost of sales was mainly driven by lower sales volume of valves in Malaysia as a result of completion of installation of production lines for our industrial end-customers' F&B plants in FPE 2022, coupled with shorter working days arising from Hari Raya Aidilfitri festive season which fell in May 2022 (not within FPE 2022) and April 2023 (within FPE 2023).
- Our GP contribution from valves increased by RM0.25 million or 23.1% from RM1.08 million in FPE 2022 to RM1.33 million in FPE 2023 mainly driven by the increase in revenue contribution of valves. Our GP margin increased by 6.4% from 54.0% in FPE 2022 to 60.4% in FPE 2023 mainly due to higher selling price arising from sale of inventories purchased in FYE 2022;
- (iii) cost of sales for installation components & equipment decreased by RM0.16 million or 34.8% from RM0.46 million in FPE 2022 to RM0.30 million in FPE 2023 mainly due to lower revenue contribution coupled with purchases of installation components & equipment with lower value product mix from our overseas suppliers.
- Our GP contribution from installation components & equipment decreased by RM0.04 million or 8.5% from RM0.47 million in FPE 2022 to RM0.43 million in FPE 2023 as a result of lower revenue contribution of installation components & equipment. Our GP margin increased by 8.8% from 50.3% in FPE 2022 to 59.1% in FPE 2023 mainly due to sales of lower value products such as filtration equipment accessories which lowered our average cost of sales per unit by RM194.70 from RM247.20 per unit in FPE 2022 to RM52.50 per unit in FPE 2023;
- (iv) cost of sales for rubber hoses increased marginally by RM0.03 million or 15.9% from RM0.19 million in FPE 2022 to RM0.22 million in FPE 2023 mainly driven by the increase in revenue contribution from rubber hoses. There was no major fluctuation in GP margin for rubber hoses for FPE 2022 and FPE 2023; and
- (v) cost of sales for non-sanitary stainless steel products increased by RM1.69 million or 545.2% from RM0.31 million in FPE 2022 to RM2.00 million in FPE 2023 mainly driven by the higher revenue contribution from non-sanitary stainless steel products such as square hollow sections and pipes & fittings (high value product mix) and bolts, nuts and sockets (low value product mix) for an Indonesian customer (i.e. Tetra Pak Group).
- Our GP margin for non-sanitary stainless steel products decreased by 5.7% from 31.7% in FPE 2022 to 26.0% in FPE 2023 mainly driven by larger sales volume of non-sanitary stainless steel products sold which we have offered competitive pricing for bulk purchase by Tetra Pak Group. Such products have a lower average selling price per unit by RM67.70 from RM148.60 in FPE 2022 to RM80.90 in FPE 2023.



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

Our approximate average cost of sales by product segments are illustrated below:

Product segments	FPE 2022	FPE 2023	% change
	Approximate average cost of sales per unit (RM)		
Tubes & fittings	27.50	29.00	5.5
Valves	116.10	131.50	13.3
Installation components & equipment	247.20	52.50	(78.8)
Rubber hoses	106.80	149.80	40.3
Other related products <sup>(1)</sup>	101.30	59.90	(40.9)

**Notes:**

- (1) Calculated based on total cost of sales for each product segment divided by total sales volume for each product segment.
- (2) Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

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

**(c) Other income**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	FPE '000	%	RM'000	%
Gain on disposal of property, plant and equipment	-	-	-	-	601	34.1	2,063	50.3	69	14.0	135	21.4
Gain on disposal of right-of-use assets	105	2.6	-	-	-	-	-	-	-	-	-	-
Gain on fair value change of investment property <sup>(1)</sup>	1,283	31.8	-	-	-	-	-	-	-	-	-	-
Gain on disposal of an associate company <sup>(2)</sup>	1,800	44.6	-	-	-	-	-	-	-	-	-	-
Reversal of overprovision of employee benefits	-	-	-	-	116	6.6	56	1.4	44	8.9	-	-
Gain in foreign exchange - realised	347	8.6	414	30.0	135	7.7	936	22.8	198	40.3	301	47.8
- unrealised	63	1.6	381	27.6	371	21.0	168	4.1	46	9.3	64	10.2
Government grant <sup>(3)</sup>	4	0.1	263	19.1	107	6.1	2	<0.1	2	0.4	-	-
Rental income	368	9.1	265	19.2	388	22.0	387	9.4	129	26.3	129	20.5
Gain on disposal of scraps	5	0.1	-	-	-	-	300	7.3	-	-	-	-
Insurance claims <sup>(4)</sup>	-	-	-	-	10	0.6	121	2.9	-	-	-	-
Others <sup>(5)</sup>	59	1.5	57	4.1	34	1.9	73	1.8	4	0.8	1	0.1
	<b>4,034</b>	<b>100.0</b>	<b>1,380</b>	<b>100.0</b>	<b>1,762</b>	<b>100.0</b>	<b>4,106</b>	<b>100.0</b>	<b>492</b>	<b>100.0</b>	<b>630</b>	<b>100.0</b>

**Notes:**

- (1) Relates to gain of change in fair value of investment property from evaluation of an investment property in The Cube, Puchong, Selangor.
- (2) Relates to gain of disposal of an associate company, Everich Group Limited which was principally involved in trading of stainless steel tubes and valves.
- (3) Relates to wages subsidy from the Government and Singaporean government, which provides financial assistance to small and medium sized enterprises during the COVID-19 pandemic.

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

- (4) Comprise of insurance claims in respect of a break-in incident and defect for goods in transit.
- (5) Comprise mainly of discount received, rental concessions and rebates, order cancellation charges and gain on early termination of hire purchase facility.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, our other income decreased by RM2.65 million or 65.8% to RM1.38 million (FYE 2019: RM4.03 million). The decrease was mainly due to:

- (i) one-off gain on fair value change of investment property in The Cube, Puchong, Selangor of RM1.28 million in FYE 2019; and
- (ii) one-off gain in disposal of investment in an associate company, Everich Group Limited of RM1.80 million in FYE 2019.

However, the decrease was partially offset by realised and unrealised gain in foreign exchange of RM0.39 million mainly due to the depreciation of USD against RM in FYE 2020 arising from translation of USD denominated payables as at FYE 2020 increase of government grant of RM0.26 million.

**Comparison between FYE 2020 and FYE 2021**

For FYE 2021, our other income increased by RM0.38 million or 27.5% to RM1.76 million (FYE 2020: RM1.38 million). The increase was mainly due to:

- (i) one-off gain on disposal of a leasehold property on Old Toh Tuck Road, Singapore of RM0.54 million in FYE 2021;
- (ii) increase in rental income by RM0.12 million as the investment property in The Cube, Puchong, Selangor was occupied for the full year in FYE 2021, as opposed to 6 months in FYE 2020; and
- (iii) a reversal of overprovision of employee benefits in Minox ID by RM0.12 million.

However, the increase was partially mitigated by decrease in realised gain in foreign exchange of RM0.30 million mainly due to the appreciation of USD against RM in FYE 2021 arising from our purchases transacted in USD and decrease in government grant of RM0.16 million.

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

**Comparison between FYE 2021 and FYE 2022**

For FYE 2022, our other income increased by RM2.35 million or 133.5% to RM4.11 million (FYE 2021: RM1.76 million). The increase was mainly due to:

- (i) increase in gain on disposal of property, plant and equipment of RM1.46 million mainly due to one-off gain on disposal of our previous warehouse erected on 2 pieces of freehold land in Melaka. Further details are as set out in Section 6.5(c);
- (ii) increase in realised and unrealised gain in foreign exchange of RM0.60 million mainly due to the appreciation of USD against RM in FYE 2022 arising from our sales transacted in USD and disposal of investment in MVFM TW;
- (iii) one-off gain on disposal of scraps of RM0.30 million; and
- (iv) increase in insurance claim of RM0.11 million mainly due to compensation received for the break-in incident in Warehouse 2.

**Comparison between FPE 2022 and FPE 2023**

For FPE 2023, our other income increased by RM0.14 million or 28.6% to RM0.63 million (FPE 2022: RM0.49 million). The increase was mainly due to:

- (i) increase in realised and unrealised gain in foreign exchange of RM0.12 million mainly due to the appreciation of USD against RM in FPE 2023 arising from our sales transacted in USD; and
- (ii) increase in gain on disposal of property, plant and equipment of RM0.07 million mainly due to disposal of a motor vehicle.

However, the increase was partially offset by a reversal of overprovision of employee benefits in Minox TH by RM0.04 million which occurred in FPE 2022, but did not recur in FPE 2023.

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

**(d) Selling and marketing expenses**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Travelling and accommodation expenses	810	41.8	547	36.1	445	32.2	699	33.6	200	35.4	231	33.2
Marketing and promotional expenses	167	8.6	158	10.4	17	1.2	146	7.0	11	2.0	21	3.0
Sales commissions <sup>(1)</sup>	963	49.6	810	53.5	922	66.6	1,236	59.4	353	62.6	445	63.8
	<b>1,940</b>	<b>100.0</b>	<b>1,515</b>	<b>100.0</b>	<b>1,384</b>	<b>100.0</b>	<b>2,081</b>	<b>100.0</b>	<b>564</b>	<b>100.0</b>	<b>697</b>	<b>100.0</b>

**Note:**

(1) Relates to payment of sales commissions as incentives to our employees which are involved in our supply chain and collections of our trade receivables (e.g. sales & marketing team; warehousing team and finance & accounting team).

**Comparison between FYE 2019 and FYE 2020**

Our selling and marketing expenses decreased by RM0.42 million or 21.6% from RM1.94 million in FYE 2019 to RM1.52 million in FYE 2020. Such decrease was mainly due to travel restrictions during the COVID-19 pandemic, as follows:

- (i) decrease in travelling and accommodation expenses of RM0.26 million due to reduced sales activities; and
- (ii) decrease in sales commissions of RM0.15 million due to delay in collection of receivables.

**Comparison between FYE 2020 and FYE 2021**

Our selling and marketing expenses decreased marginally by RM0.14 million or 9.2% from RM1.52 million in FYE 2020 to RM1.38 million in FYE 2021. Such decrease was mainly due to:

- (i) decrease in travelling and accommodation expenses of RM0.10 million as a result of restriction of physical meetings with customers; and

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

- (ii) decrease in marketing and promotional expenses of RM0.14 million mainly due to lesser marketing activities such as attending trade exhibitions.

However, such decrease was partially offset by increase in sales commissions of RM0.11 million, due to better collection of receivables during the year.

**Comparison between FYE 2021 and FYE 2022**

Our selling and marketing expenses increased by RM0.70 million or 50.7% from RM1.38 million in FYE 2021 to RM2.08 million in FYE 2022. Such increase was mainly due to:

- (i) increase in travelling and accommodation expenses and marketing and promotional expenses of RM0.38 million arising from the upliftment of travel restrictions which allowed us to re-participate in physical trade exhibitions; and
- (ii) increase in sales commissions of RM0.31 million due to better collection of receivables during the year.

**Comparison between FPE 2022 and FPE 2023**

Our selling and marketing expenses increased by RM0.14 million or 25.0% from RM0.56 million in FPE 2022 to RM0.70 million in FPE 2023. Such increase was mainly due to:

- (i) increase in sales commission of RM0.09 million due to better collection of receivables during FPE 2023; and
- (ii) increase in travelling and accommodation expenses and marketing and promotional expenses of RM0.04 million mainly arising from increased number of physical meetings with overseas customers and more marketing activities such as attending trade exhibitions.

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

**(e) Administrative expenses**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts written off	18	0.2	6	<0.1	-	-	12	0.1	-	-	8	0.1
Depreciation expenses	1,524	13.2	1,812	15.3	1,725	15.0	1,801	12.8	473	10.2	721	12.5
Insurance	348	3.0	284	2.4	321	2.8	270	1.9	101	2.2	174	3.0
Rental expenses	144	1.2	72	0.6	20	0.2	10	0.1	3	0.1	3	0.1
Office and upkeep expenses	100	0.9	95	0.8	68	0.6	74	0.5	20	0.4	30	0.5
Security charges	23	0.2	66	0.6	71	0.6	111	0.8	28	0.6	77	1.3
Real property gain tax <sup>(1)</sup>	-	-	-	-	-	-	140	1.0	-	-	-	-
Professional fees	149	1.3	196	1.7	285	2.5	983	7.0	239	5.2	61	1.1
Licensing fees	69	0.6	35	0.3	28	0.2	66	0.5	8	0.2	13	0.2
Staff costs	4,314	37.4	4,485	37.8	4,190	36.5	5,214	37.0	1,941	41.9	2,412	41.8
Directors' remuneration	2,721	23.6	2,985	25.1	2,815	24.5	3,405	24.0	1,193	25.8	1,545	26.8
Utilities	94	0.8	83	0.7	83	0.7	96	0.7	26	0.6	28	0.5
Repair and maintenance	216	1.9	239	2.0	290	2.5	418	3.0	163	3.5	114	2.0
Loss in foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-
- realised	730	6.3	501	4.2	627	5.4	710	5.0	180	3.9	250	4.3
- unrealised	535	4.7	528	4.4	375	3.3	67	0.5	60	1.3	134	2.3
Others <sup>(2)</sup>	552	4.7	483	4.1	584	5.2	731	5.1	195	4.1	197	3.5
	<b>11,537</b>	<b>100.0</b>	<b>11,870</b>	<b>100.0</b>	<b>11,482</b>	<b>100.0</b>	<b>14,108</b>	<b>100.0</b>	<b>4,630</b>	<b>100.0</b>	<b>5,767</b>	<b>100.0</b>

**Notes:**

(1) Relates to disposal of our previous warehouse located in Melaka.

(2) Comprise mainly of bank charges, assessment and quit rent, telephone and fax charges as well as internet expenses.

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

**Comparison between FYE 2019 and FYE 2020**

Our administrative expenses increased by RM0.33 million or 2.9% from RM11.54 million in FYE 2019 to RM11.87 million in FYE 2020, mainly due to:

- (i) increase in staff costs and directors' remuneration by RM0.17 million and RM0.26 million respectively, mainly attributable to annual increment of salaries; and
- (ii) increase in depreciation expenses by RM0.29 million, mainly resulting from additional renovation for our Headquarters cum Warehouse 1.

Such increase was partially offset by the decrease of realised and unrealised loss in foreign exchange of RM0.24 million mainly due to depreciation of USD against RM arising from our purchases transacted in USD.

**Comparison between FYE 2020 and FYE 2021**

Our administrative expenses decreased by RM0.39 million or 3.3% from RM11.87 million in FYE 2020 to RM11.48 million in FYE 2021, mainly due to:

- (i) decrease in staff costs by RM0.30 million, mainly attributable to lower bonus given in FYE 2021 to existing employees and revision to employment terms for certain employees where employees work for a shorter period during the week with lower salaries. The revision of employment terms arose as part of the management's cost control measure arising from the COVID-19 pandemic. In May 2022, such employment terms have been revised back to its original terms;
- (ii) decrease in directors' remuneration by RM0.17 million, mainly attributable to lower bonus given in FYE 2021; and
- (iii) decrease in depreciation expenses by RM0.08 million mainly due to disposal of a leasehold property on Old Toh Tuck Road, Singapore in FYE 2021.

Such decrease was partially offset by the increase in professional fees of RM0.09 million mainly due to increase in accounting fees and audit fees.



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

**Comparison between FYE 2021 and FYE 2022**

Our administrative expenses increased by RM2.63 million or 22.9% from RM11.48 million in FYE 2021 to RM14.11 million in FYE 2022, mainly due to:

- (i) increase in staff costs by RM1.02 million, mainly attributable to annual increment and higher bonus given to existing employees in FYE 2022;
- (ii) increase in directors' remuneration by RM0.59 million, mainly attributable to annual increment and higher bonus given in FYE 2022; and
- (iii) increase in professional fees by RM0.70 million mainly due to increase in audit fees, legal fees incurred for banking facilities, sale and purchase agreements and agent fees for disposal of our previous warehouse located in Melaka.

**Comparison between FPE 2022 and FPE 2023**

Our administrative expenses increased by RM1.14 million or 24.6% from RM4.63 million in FPE 2022 to RM5.77 million in FPE 2023, mainly due to:

- (i) increase in staff cost by RM0.47 million, mainly attributable to recruitment of 13 additional employees since 2<sup>nd</sup> quarter of 2022 (7 for our sales & marketing department, 3 for our warehousing department, 2 for our finance & accounting department and 1 for our purchasing & logistic department), annual increment and higher bonus given to employees in FPE 2023;
- (ii) increase in director's remuneration by RM0.35 million, mainly attributable to annual increment and higher bonus given in FPE 2023 and appointment of 4 of our independent non-executive directors on 1 November 2022;
- (iii) increase in depreciation expenses by RM0.25 million, mainly resulting from additional leasing of Warehouse 3 (distribution centre) and motor vehicles; and
- (iv) increase in realised and unrealised loss in foreign exchange by RM0.14 million mainly due to appreciation of USD against RM due to translation of USD denominated payables and from our purchase transacted in USD.

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

**(f) Finance income**

	Audited				Unaudited		Audited	
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023	FPE 2022	FPE 2023
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank interest	43	100.0	23	100.0	76	100.0	14	100.0
							37	100.0

**Comparison between FYE 2019 and FYE 2020**

Our finance income decreased slightly by RM0.02 million or 50.0% from RM0.04 million in FYE 2019 to RM0.02 million in FYE 2020, mainly due to lower interest rate in FYE 2020.

**Comparison between FYE 2020 and FYE 2021**

Our finance income remained constant at RM0.02 million for FYE 2020 and 2021 as there were no major changes in interest rate.

**Comparison between FYE 2021 and FYE 2022**

Our finance income increased slightly by RM0.06 million or 300.0% from RM0.02 million in FYE 2021 to RM0.08 million in FYE 2022, mainly due to higher interest received on higher bank balances in FYE 2022.

**Comparison between FPE 2022 and FPE 2023**

Our finance income increased slightly by RM0.03 million or 300.0% from RM0.01 million in FPE 2022 to RM0.04 million in FPE 2023, mainly due to higher interest rate in FPE 2023.

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

	FYE 2019		Audited				Unaudited		Audited			
			FYE 2020		FYE 2021		FYE 2022		FPE 2023			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Bank overdrafts	182	16.1	221	22.2	172	17.3	141	12.8	53	16.7	59	12.4
Term loan	867	76.8	705	70.7	778	78.4	902	82.2	252	79.2	384	80.9
Lease liabilities	80	7.1	71	7.1	43	4.3	55	5.0	13	4.1	32	6.7
	<b>1,129</b>	<b>100.0</b>	<b>997</b>	<b>100.0</b>	<b>993</b>	<b>100.0</b>	<b>1,098</b>	<b>100.0</b>	<b>318</b>	<b>100.0</b>	<b>475</b>	<b>100.0</b>

**Comparison between FYE 2019 and FYE 2020**

Our finance costs decreased by RM0.13 million or 11.5% from RM1.13 million in FYE 2019 to RM1.00 million in FYE 2020, mainly due to decrease in term loan interest by RM0.16 million arising from scheduled term loan repayment and decrease in interest rate. However, such decrease was partially offset by an increase in bank overdraft interest due to higher overdraft utilised to finance our working capital requirements.

**Comparison between FYE 2020 and FYE 2021**

Our finance costs decreased slightly by RM0.01 million or 1.0% from RM1.00 million in FYE 2020 to RM0.99 million in FYE 2021, mainly due to decrease in bank overdraft interest and lease liabilities interest arising from scheduled repayment. However, such decrease was partially offset by an increase in term loan interest by RM0.07 million mainly due to the drawdown of 2 additional term loans in May 2020 (of which repayment commenced in December 2020) to finance our working capital requirements.

**Comparison between FYE 2021 and FYE 2022**

Our finance cost increased by RM0.11 million or 11.1% from RM0.99 million in FYE 2021 to RM1.10 million in FYE 2022, mainly due to higher interest paid for term loan and lease liabilities due to increased interest rate and additional drawdown of term loan for working capital requirement and lease liabilities. The increase was offset by lower bank overdraft interest as lesser overdraft were utilised during FYE 2022.

**Comparison between FPE 2022 and FPE 2023**

Our finance cost increased by RM0.16 million or 50.0% from RM0.32 million in FPE 2022 to RM0.48 million in FPE 2023, mainly due to higher interest paid for term loan and lease liabilities due to increased interest rate and additional drawdown of term loan for acquisition of a vacant land earmarked for Warehouse 4 and lease liabilities.

**12. FINANCIAL INFORMATION (Cont'd)****(h) PBT, PAT and PBT, PAT margins**

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
PBT (RM'000)	10,248	5,568	10,756	13,493	2,060	2,272
PBT margin (%)	25.5	14.3	31.3	30.0	15.3	13.8
PAT attributable to owners of our Company (RM'000)	7,505	3,552	7,915	10,304	1,480	1,861
PAT margin (%)	18.7	9.2	23.0	22.9	11.0	11.3

**Comparison between FYE 2019 and FYE 2020**

We recorded a decrease in PBT of RM4.68 million or 45.7% for FYE 2020. Our PBT margin also decreased from 25.5% in FYE 2019 to 14.3% in FYE 2020. The decrease in PBT and PBT margin was mainly due to lower GP and GP margin as well as lower other income for FYE 2020, as explained in Sections 12.2.2(b) and 12.2.2(c) above.

Correspondingly, our PAT margin decreased from 18.7% in FYE 2019 to 9.2% in FYE 2020, while our PAT decreased by RM4.00 million from RM8.19 million in FYE 2019 to RM4.19 million in FYE 2020.

**Comparison between FYE 2020 and FYE 2021**

We recorded an increase in PBT by RM5.19 million or 93.2% for FYE 2021. Our PBT margin improved to 31.3% in FYE 2021 from 14.3% in FYE 2020. The improvement was also due higher GP and GP margin as well as higher other income for FYE 2021, as explained in Sections 12.2.2(b) and 12.2.2(c) above.

Correspondingly, our PAT margin increased from 9.2% in FYE 2020 to 23.0% in FYE 2021, while our PAT increased by RM4.15 million from RM4.19 million in FYE 2020 to RM8.34 million in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

We recorded an increase in PBT by RM2.73 million or 25.4% for FYE 2022. However, our PBT margin decreased from 31.3% in FYE 2021 to 30.0% in FYE 2022. The decrease in PBT margin was mainly due to lower GP margin from 66.4% in FYE 2021 to 59.1% in FYE 2022, as explained in Section 12.2.2(b) above.

Correspondingly, our PAT margin decreased from 23.0% in FYE 2021 to 22.9% in FYE 2022, while our PAT increased by RM2.21 million from RM8.34 million in FYE 2021 to RM10.55 million in FYE 2022.

**Comparison between FPE 2022 and FPE 2023**

We recorded an increased in PBT by RM0.21 million or 10.3% for FPE 2023. However, our PBT margin decreased from 15.3% in FPE 2022 to 13.8% in FPE 2023. The decrease in PBT margin was mainly due to higher administrative expenses incurred in FPE 2023, as explained in Section 12.2.2(e) above.

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

Correspondingly, our PAT margin increased marginally from 11.0% in FPE 2022 to 11.3% in FPE 2023, while our PAT increased by RM0.35 million from RM1.56 million in FPE 2022 to RM1.91 million in FPE 2023 mainly due to lower effective tax rate of 15.9% in FPE 2023 as compared to 24.5% in FPE 2022.

**(i) Taxation**

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
Taxation (RM'000)	2,060	1,381	2,418	2,944	505	361
Statutory tax rate (%) <sup>(1)</sup>	24.0	24.0	24.0	24.0	24.0	24.0
Effective tax rate (%) <sup>(2)</sup>	20.1	24.8	22.5	21.8	24.5	15.9

**Notes:**

(1) MST MY and Minox MY qualified for a preferential tax rate of (a) 17.0% on the first chargeable income of RM0.50 million for FYE 2019 and FYE 2020; (b) RM0.60 million for FYE 2021 and FYE 2022; and (c) 15.0% on the first chargeable income of RM0.15 million and 17.0% on the next chargeable income of RM0.45 million for FPE 2023, as its share capital was below RM2.50 million. For chargeable income in excess of RM0.50 million (FYE 2019 and FYE 2020)/ RM0.60 million (FYE 2021 to FPE 2023), the statutory income tax rate of 24.0%, is still applicable.

(2) Calculated based on taxation over PBT for each financial year/period.

**FYE 2019**

Our effective tax rate for FYE 2019 was lower than the statutory tax rate mainly due to income not subject to tax of RM0.49 million mainly arising from the gain of disposal of an associate company, Everich Group Limited of RM0.43 million and change in fair value of investment property in The Cube, Puchong, Selangor of RM0.31 million. This was offset by higher non-deductible expenses of RM0.30 million such as depreciation charges on non-qualifying assets, professional fees and unrealised loss on foreign exchange.

**FYE 2020**

Our effective tax rate for FYE 2020 was higher than the statutory tax rate due to non-deductible expenses of RM0.38 million such as depreciation charges on non-qualifying assets, professional fees and unrealised loss on foreign exchange. This was offset by the income not subject to tax of RM0.12 million mainly arising from the unrealised gain on foreign exchange as well as effect of differential tax rate in Singapore (17.0%), Thailand (20.0%) and Indonesia (22.0%) of RM0.09 million.

**FYE 2021**

Our effective tax rate for FYE 2021 was lower than the statutory tax rate due to income not subject to tax of RM0.33 million mainly arising from the unrealised gain on foreign exchange as well as effect of differential tax rate in Singapore (17.0%), Thailand (20.0%) and Indonesia (22.0%) of RM0.15 million. This was offset by non-deductible expenses of RM0.49 million such as depreciation charges on non-qualifying assets, professional fees and unrealised loss on foreign exchange.

**12. FINANCIAL INFORMATION (Cont'd)****FYE 2022**

Our effective tax rate for FYE 2022 was lower than the statutory tax rate due to income not subject to tax of RM0.61 million mainly arising from the gain on disposal of our previous warehouse erected on 2 pieces of freehold land in Melaka of RM0.45 million and unrealised gain on foreign exchange as well as effect of differential tax rate in Singapore (17.0%), Thailand (20.0%) and Indonesia (22.0%) of RM0.11 million. This was offset by non-deductible expenses of RM0.74 million such as depreciation charges on non-qualifying assets, professional fees and unrealised loss on foreign exchange.

**FPE 2023**

Our effective tax rate for FPE 2023 was lower than the statutory tax rate due to differential tax rate in Singapore (17.0% and income tax exemption), Thailand (20.0%) and Indonesia (22.0%) of RM0.12 million and change in tax rate for the first tranche of chargeable income of RM0.09 million for our Malaysian subsidiaries, as explained in Note (1) above. This was offset by non-deductible expenses of RM0.13 million such as depreciation charges on non-qualifying assets, professional fees and unrealised loss on foreign exchange.

**12.2.3 Review of financial position****(a) Assets**

	<b>Audited</b>				
	<b>As at 31 December</b>				<b>As at 30 April</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>					
Property, plant and equipment	15,679	15,051	14,083	10,667	22,215
Right-of-use assets	9,412	8,718	6,933	8,117	8,656
Investment properties	9,500	9,500	9,500	9,500	9,500
Other investments	1,032	998	979	958	976
Deferred tax assets	1,098	1,340	1,414	1,637	1,915
<b>Total non-current assets</b>	<b>36,721</b>	<b>35,607</b>	<b>32,909</b>	<b>30,879</b>	<b>43,262</b>
<b>Current assets</b>					
Inventories	13,694	17,501	19,171	23,624	27,304
Trade receivables	9,057	8,913	7,146	9,026	10,175
Other receivables	790	690	1,014	3,638	2,687
Other investments	1,485	1,485	1,485	-	-
Amount due from related parties	1,839	2,862	3,471	-	-
Tax recoverable	61	93	7	33	195
Cash and bank balances	4,819	4,867	7,659	12,541	9,193
<b>Total current assets</b>	<b>31,745</b>	<b>36,411</b>	<b>39,953</b>	<b>48,862</b>	<b>49,554</b>
<b>Total assets</b>	<b>68,466</b>	<b>72,018</b>	<b>72,862</b>	<b>79,741</b>	<b>92,816</b>

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between 31 December 2019 and 31 December 2020**

Our total assets increased by RM3.55 million or 5.2% to RM72.02 million as at 31 December 2020 (31 December 2019: RM68.47 million), mainly due to the increase in current assets by RM4.66 million as at 31 December 2020. The increase in current assets was primarily due to the following:

- (i) increase in inventories of RM3.81 million as at 31 December 2020, due to replenishment of our inventories in line with our business model and an anticipation of future increase in stainless steel price. This was coupled with a reversal of inventories written down to its net realisable value; and
- (ii) increase in amount due from related parties of RM1.02 million as at 31 December 2020, due to slower collection from MST VN for trade supplies after negotiations with MST VN as their business operations and trade collections were adversely impacted due to lockdown policies imposed globally to curb the COVID-19 pandemic.

Such increase was partially offset by a decrease in non-current assets of RM1.11 million mainly due the following:

- (i) decrease in property, plant and equipment of RM0.63 million mainly attributable to additional costs incurred for renovation of our Headquarters cum Warehouse 1 and 2 rented warehouses in West Java, Indonesia after netting of depreciation charges of RM1.06 million; and
- (ii) decrease in rights-of-use assets by RM0.69 million mainly attributable to depreciation during the year.

**Comparison between 31 December 2020 and 31 December 2021**

Our total assets increased by RM0.84 million or 1.2% to RM72.86 million as at 31 December 2021 (31 December 2020: RM72.02 million), mainly due to the increase in current assets by RM3.53 million as at 31 December 2021. The increase in current assets was primarily due to the following:

- (i) increase in inventories of RM1.67 million as at 31 December 2021, mainly due to a delay in our industrial end-customers' projects arising from the COVID-19 pandemic coupled with reversal of inventories written down to its net realisable value;
- (ii) increase in cash and bank balances of RM2.79 million as at 31 December 2021 mainly due to the proceeds from the disposal of a leasehold property on Old Toh Tuck Road, Singapore of RM1.97 million and drawdown of overdraft facility for working capital requirements; and
- (iii) increase in amount due from related parties of RM0.61 million as at 31 December 2021 mainly due to sales to MST VN and slower collection from them after negotiations with MST VN as their business operations and trade collections were adversely impacted due to lockdown policies imposed globally to curb the COVID-19 pandemic.

The above was offset by decrease in current assets (i.e. trade receivables of RM1.76 million as at 31 December 2021) mainly due to repayment by our previous representative agent in Vietnam amounting to RM1.72 million.



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

In addition, the increase in current assets was partially offset by decrease in non-current assets of RM2.70 million mainly due the following:

- (i) decrease in property, plant and equipment of RM0.97 million mainly attributable to additional costs incurred for renovation of our Headquarters cum Warehouse 1 after netting of depreciation charges during the year of RM1.08 million; and
- (ii) decrease in rights-of-use assets by RM1.79 million mainly attributable to disposal of a leasehold property on Old Toh Tuck Road, Singapore of RM1.43 million and depreciation charges during the year.

**Comparison between 31 December 2021 and 31 December 2022**

Our total assets increased by RM6.88 million or 9.4% to RM79.74 million as at 31 December 2022 (31 December 2021: RM72.86 million), mainly due to the increase in current assets by RM8.91 million as at 31 December 2022. The increase in current assets was primarily due to the following:

- (i) increase in cash and bank balances of RM4.88 million mainly due to cash generated from operations, proceeds from the disposal of our previous warehouse erected on 2 pieces of freehold land in Melaka and drawdown of term loan for working capital requirements;
- (ii) increase in inventories of RM4.45 million, mainly due to purchase of inventories in tandem with our increase in sales;
- (iii) increase in other receivables of RM2.63 million mainly due to increase in deposit paid to acquire a vacant land located at Puchong, Selangor, earmarked for Warehouse 4 and prepaid expenses in relation to our Listing; and
- (iv) increase in trade receivables of RM1.88 million which was in tandem with our increase in sales.

Such increase was partially offset by decrease in current assets (i.e. amount due from related parties of RM3.47 million as at 31 December 2022) mainly due to full settlement of amount owed to us from MST VN, Minox PH and MVFM TW as at 31 December 2022.

In addition, the increase in current assets was partially offset by decrease in non-current assets of RM2.03 million mainly due to the following:

- (i) decrease in property, plant and equipment of RM3.41 million mainly attributable to the disposal of our previous warehouse erected on 2 pieces of freehold land in Melaka of RM2.71 million and depreciation charges during the year of RM0.99 million. Such decrease was partially offset by renovation of our Warehouse 3 (distribution centre) and warehouse in East Java, Indonesia and purchase of office equipment, computer as well as furniture and fittings of RM0.28 million; and
- (ii) increase in rights-of-use assets by RM1.19 million mainly attributable to purchase of motor vehicles of RM0.91 million and lease of Warehouse 3 (distribution centre) of RM0.63 million after netting of depreciation charges during the year of RM0.81 million.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between 31 December 2022 and 30 April 2023**

Our total assets increased by RM13.08 million or 16.4% to RM92.82 million as at 30 April 2023 (31 December 2022: RM79.74 million), mainly due to increase in non-current assets and current assets by RM12.38 million and RM0.69 million respectively as at 30 April 2023. The increase in non-current assets was primarily due to the following:

- (i) increase in property, plant and equipment of RM11.55 million mainly attributable for acquisition of a vacant land earmarked for Warehouse 4 of RM11.51 million and racking system for Warehouse 3 (distribution centre) of RM0.19 million after netting depreciation charges during the years of RM0.32 million;
- (ii) increase in right-of-use assets of RM0.54 million, mainly due to purchase of motor vehicles of RM0.43 million and lease of Warehouse 2 of RM0.47 million after netting depreciation charges during the year of RM0.40 million;

The increase in current assets was mainly due to the following:

- (i) increase in inventories of RM3.68 million mainly due to purchase of inventories by Minox ID to replenish its inventories and fully utilise the import quota given for the import license towards end of FPE 2023. Such import licence has expired on 13 April 2023 and renewal application has been submitted on 18 April 2023. Further details are set out in Note (1) of Section 6.7; and
- (ii) increase in trade receivables of RM1.15 million which was in tandem with our increase in sales.

Such increase was partially offset by the following:

- (i) decrease in cash and bank balance of RM3.35 million mainly due to purchase of inventories and down payment paid for acquisition of a vacant land earmarked for Warehouse 4; and
- (ii) decrease in other receivables of RM0.95 million mainly due to capitalisation of down payment paid for acquisition of a vacant land earmarked for Warehouse 4 to property, plant and equipment of RM1.50 million, being offset by the addition payment in relation to our Listing of RM0.56 million.

**(b) Liabilities**

	<b>Audited</b>				
	<b>As at 31 December</b>				<b>As at 30 April</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>					
Employee benefits obligation	144	127	122	103	152
Deferred tax liabilities	324	302	281	282	282
Borrowings	20,327	20,674	18,562	17,669	25,396
Lease liabilities	824	485	270	799	1,172
Amount due to a Director	280	274	255	-	-
<b>Total non-current liabilities</b>	<b>21,899</b>	<b>21,862</b>	<b>19,490</b>	<b>18,853</b>	<b>27,002</b>

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

	<b>Audited</b>				
	<b>As at 31 December</b>				<b>As at 30 April</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current liabilities</b>					
Trade payables	6,044	8,202	5,705	2,756	4,200
Other payables	1,165	696	580	1,492	1,179
Amount due to related parties	549	707	490	-	-
Amount due to a Director	902	823	21	-	-
Borrowings	4,606	3,989	5,206	4,515	5,319
Lease liabilities	397	333	321	633	736
Tax payable	548	400	1,268	2,066	1,594
<b>Total current liabilities</b>	<b>14,211</b>	<b>15,150</b>	<b>13,591</b>	<b>11,462</b>	<b>13,028</b>
<b>Total liabilities</b>	<b>36,110</b>	<b>37,012</b>	<b>33,081</b>	<b>30,315</b>	<b>40,030</b>

**Comparison between 31 December 2019 and 31 December 2020**

Our total liabilities increased by RM0.90 million or 2.5% to RM37.01 million as at 31 December 2020 (as at 31 December 2019: RM36.11 million) mainly due to the increase in current liabilities of RM0.94 million. The increase in current liabilities was primarily due to the following:

- (i) increase in trade payables by RM2.16 million, which was largely driven by cash conservation to weather through the COVID-19 pandemic situation; and
- (ii) increase in amount due to related parties by RM0.16 million, mainly due to slower payment made to MST VN where MST VN provided local support to MST SG upon our customer's (i.e. GEA Group) request for products to be delivered to our industrial end-customer's project site in Vietnam.

Such increase was partially offset by a decrease in the following:

- (i) decrease in borrowings by RM0.62 million arising from scheduled repayment of term loans; and
- (ii) decrease in other payables by RM0.47 million mainly relating to decrease in down payment paid by our customers of RM0.40 million.

**Comparison between 31 December 2020 and 31 December 2021**

Our total liabilities decreased by RM3.93 million or 10.6% to RM33.08 million as at 31 December 2021 (as at 31 December 2020: RM37.01 million) mainly due to the decrease in non-current liabilities and current liabilities of RM2.37 million and RM1.56 million respectively.

The decrease in non-current liabilities was primarily due to decrease in borrowings by RM2.11 million arising from scheduled repayment of term loan of RM1.53 million and early settlement of term loan of RM0.71 million for the disposal of a leasehold property on Old Toh Tuck Road, Singapore.

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

Separately, the decrease in current liabilities was primarily due to the following:

- (i) decrease in trade payables of RM2.49 million, mainly due to repayment to our major supplier in FYE 2021; and
- (ii) decrease in amount due to director of RM0.80 million, mainly due to repayment of advances from director for working capital requirements.

The above-mentioned decrease was partially offset by the following:

- (i) increase in borrowings by RM1.22 million, mainly due to additional drawdown of overdrafts facility to finance our working capital requirements; and
- (ii) increase in tax payable by RM0.87 million, mainly due to higher taxable income.

**Comparison between 31 December 2021 and 31 December 2022**

Our total liabilities decreased by RM2.76 million or 8.3% to RM30.32 million as at 31 December 2022 (as at 31 December 2021: RM33.08 million) mainly due to the decrease in current liabilities and non-current liabilities of RM2.13 million and RM0.64 million respectively. The decrease in current liabilities was mainly due to the following:

- (i) decrease in trade payables of RM2.95 million, arising from payment to suppliers in FYE 2022;
- (ii) decrease in borrowings by RM0.69 million mainly arising from scheduled repayment and early settlement of term loans and bank overdrafts;
- (iii) decrease in amount due to related parties of RM0.49 million due to settlement of amount owned to MVFM TW in FYE 2022;

In addition, the decrease in non-current liabilities was mainly due to decrease in borrowings of RM0.89 million due to early settlement of term loan for our disposed previous warehouse located in Melaka.

The above-mentioned decrease was partially offset by the following:

- (i) increase in tax payable of RM0.80 million, mainly due to higher taxable income;
- (ii) increase in other payables of RM0.91 million mainly due to accrued expenses of RM0.62 million (i.e. staff cost related expenses and audit fee) and increase in down payment paid by our customers of RM0.12 million.

**Comparison between 31 December 2022 and 30 April 2023**

Our total liabilities increased by RM9.71 million or 32.0% to RM40.03 million as at 30 April 2023 (as at 31 December 2022: RM30.32 million) mainly due to the increase in non-current liabilities and current liabilities of RM8.15 million and RM1.57 million respectively. The increase in non-current liabilities was mainly due to the following:

- (i) increase in borrowings of RM7.73 million, arising from drawdown of term loan of RM8.50 million for acquisition of a vacant land earmarked for Warehouse 4; and
- (ii) increase in lease liabilities by RM0.37 million mainly arising from drawdown of lease liabilities for the purchase of motor vehicle.

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

In addition, the increase in current liabilities was mainly due to the following:

- (i) increase in trade payables of RM1.44 million, arising from increased purchase of inventories;
- (ii) increase in borrowings of RM0.80 million mainly arising from drawdown of term loan of RM8.50 million for acquisition of a vacant land earmarked for Warehouse 4; and

Such increase was partially offset by the decrease of the following:

- (i) decrease in tax payable of RM0.48 million mainly due to lower taxable income for FPE April 2023 (4 months) compared to FYE 2022 (full 12 months); and
- (ii) decrease in other payables of RM0.31 million mainly due to decrease in accrued expenses (i.e. staff cost related expenses and audit fee).

**12.2.4 Review of cash flows**

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	4,660	3,601	7,434	3,251	412
Net cash (used in)/ from investing activities	(2,421)	(552)	1,747	5,812	(11,607)
Net cash (used in)/ from financing activities	(3,508)	(1,352)	(7,596)	(2,457)	7,037
Net (decrease)/ increase in cash and cash equivalents	(1,269)	1,697	1,585	6,606	(4,158)
Effect of foreign exchange translation	(53)	(311)	(78)	(2)	184
Cash and cash equivalents at the beginning of financial year/period	2,419	1,097	2,483	3,990	10,594
<b>Cash and cash equivalents at end of financial year/period</b>	<b>1,097</b>	<b>2,483</b>	<b>3,990</b>	<b>10,594</b>	<b>6,620</b>
<b>Cash and cash equivalents at the end of the financial year comprise:</b>					
Cash and bank balances	4,819	4,867	7,659	12,541	9,193
Less: Bank overdrafts	(3,722)	(2,384)	(3,669)	(1,947)	(2,573)
	<b>1,097</b>	<b>2,483</b>	<b>3,990</b>	<b>10,594</b>	<b>6,620</b>

**FYE 2019****Net cash from operating activities**

For FYE 2019, we recorded net cash from operating activities of RM4.66 million. Our operating profit before working capital changes of RM12.02 million was adjusted for the negative changes in working capital of RM5.13 million which comprised the following:

- (i) increase in inventories of RM3.55 million mainly due to replenishment of our inventories to be supplied to MST VN upon its incorporation in July 2018;

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

- (ii) decrease in trade and other receivables of RM2.73 million mainly due to decrease in other receivables of RM3.20 million arising from the disposal of 2 units of factories located in Puchong, Selangor in FYE 2018 due to relocation of warehouse to our Headquarters cum Warehouse 1;
- (iii) decrease in trade and other payables of RM3.45 million mainly due to decrease in trade payables of RM3.76 million arising from higher payment to our suppliers during the last quarter of 2019; and
- (iv) increase in amount due from related parties of RM0.86 million mainly from MST VN of RM1.38 million for the sale of our products, which was partially offset with purchases from MVFM TW of RM0.56 million.

### **Net cash for investing activities**

For FYE 2019, we recorded a net cash outflow of RM2.42 million from our investing activities, mainly attributable to the following:

- (i) cash payment of RM2.44 million for additional property, plant and equipment mainly comprising renovation of our Headquarters cum Warehouse 1 and rented warehouses in West Java, Indonesia of RM1.38 million and various property, plant and equipment for our Headquarters cum Warehouse 1 of RM1.00 million such as computer and software, office equipment, furniture, heavy duty warehouse racking system and lift system;
- (ii) investment in MVFM TW of RM1.49 million; and
- (iii) purchase of keyman insurance of RM0.48 million for Liew Siang Ji pursuant to property loan (a requirement imposed by the bank to secure said property loan), a director of MST SG and our shareholder, being the personal guarantor of the property loan.

The abovementioned increase was offset by proceeds from disposal of an associate company, Everich Group Limited amounting to RM2.25 million.

### **Net cash for financing activities**

For FYE 2019, we recorded a net cash outflow of RM3.51 million for our financing activities, mainly attributable to the following:

- (i) scheduled repayment of term loans of RM1.26 million for our working capital requirements, keyman insurance and property loans;
- (ii) drawdown of a term loan of RM0.35 million for the purchase of keyman insurance for Liew Siang Ji, a director of MST SG and our shareholder;
- (iii) dividend paid by Minox TH and Minox SG of RM1.37 million in respect of FYE 2019;
- (iv) interest paid of RM0.95 million for bank overdraft facilities, lease liabilities and term loans;
- (v) repayment of lease liabilities of RM0.56 million which was mainly used to finance the purchase of motor vehicles and Warehouse 2; and
- (vi) withdrawal of fixed deposits pledged of RM0.70 million.

**12. FINANCIAL INFORMATION (Cont'd)****FYE 2020****Net cash for operating activities**

For FYE 2020, we recorded net cash from operating activities of RM3.60 million. Our operating profit before working capital changes of RM6.27 million was adjusted for the negative changes in working capital of RM0.63 million which mainly comprised the following:

- (i) increase in inventories of RM1.81 million mainly due to replenishment of inventories in line with our business model coupled with an anticipation of future increase of stainless steel price;
- (ii) increase in amount due from related parties of RM1.09 million mainly from MST VN of RM1.08 million for the sale of our products as their business operations and trade collections were adversely impacted due to lockdown policies imposed globally to curb the COVID-19 pandemic as well as repayment to MVFM TW of RM0.45 million for our purchase of inventories after taking into account the net movement of the amount due from or to related parties. This was partially offset with purchases made from MST VN and Minox PH of RM0.61 million where they provided local support to MST SG and Minox MY upon our customer's (i.e. GEA Group) request for additional products to be delivered to our industrial end-customers' project sites in Vietnam and the Philippines;
- (iii) decrease in trade and other receivables of RM0.22 million mainly due to lower sales in FYE 2020 and decrease in other receivables of RM0.10 million mainly due to prepayment expenses for keyman insurance and software subscriptions of RM0.05 million and decrease in down payment paid to our supplier of RM0.03 million; and
- (iv) increase in trade and other payables of RM2.05 million, mainly due to increase in trade payables of RM2.52 million for the purchase of inventories, which was partially offset from decrease in down payment paid by our customers of RM0.40 million.

**Net cash for investing activities**

For FYE 2020, we recorded a net cash outflow of RM0.55 million from our investing activities, mainly attributable to the cash payment of RM0.49 million for additional property, plant and equipment mainly comprising additional costs incurred for the renovation of our Headquarters cum Warehouse 1 and 2 rented warehouses in West Java, Indonesia.

**Net cash for financing activities**

For FYE 2020, we recorded a net cash outflow of RM1.35 million for our financing activities mainly attributable to:

- (i) drawdown and scheduled repayment of term loans of RM2.00 million and RM0.92 million respectively for our working capital requirements, keyman insurance and property loans;
- (ii) dividend paid by Minox SG and Minox TH of RM1.20 million in respect of FYE 2019 and FYE 2020;
- (iii) interest paid of RM0.78 million for bank overdraft facilities, lease liabilities and term loans; and
- (iv) repayment of lease liabilities of RM0.40 million which was mainly used to finance the purchase of motor vehicles and rental of our Warehouse 2.



**12. FINANCIAL INFORMATION (Cont'd)****FYE 2021****Net cash for operating activities**

For FYE 2021, we recorded net cash generated from operating activities amounted to RM7.43 million. Our operating profit before working capital changes of RM10.60 million was adjusted for the negative changes in working capital of RM1.44 million which comprised of the following:

- (i) decrease in inventories of RM0.54 million mainly due to higher sales towards the end of the year;
- (ii) decrease in trade and other receivables of RM1.28 million mainly due to repayment by our previous representative agent in Vietnam amounting to RM1.72 million, which was mainly offset by the increase in other receivables of RM0.40 million for down payment paid to suppliers;
- (iii) decrease in trade and other payables of RM2.85 million mainly due to decrease in trade payables of RM2.74 million arising from payment to our suppliers; and
- (iv) increase in amount due from related parties of RM0.41 million mainly from MST VN and MVFM TW of RM0.36 million and RM0.08 million respectively for the sale of our products.

**Net cash for investing activities**

For FYE 2021, we recorded a net cash inflow of RM1.75 million from our investing activities mainly attributable to proceeds from disposal of property, plant and equipment of RM2.05 million which mainly relates to disposal of a leasehold property on Old Toh Tuck Road, Singapore. Such increase was offset by:

- (i) cash payment for renovation costs for our Headquarters cum Warehouse 1 of RM0.18 million; and
- (ii) down payment for purchase of motor vehicles of RM0.03 million.

**Net cash for financing activities**

For FYE 2021, we recorded a net cash outflow of RM7.60 million for our financing activities mainly attributable to:

- (i) dividend paid by MST MY, Minox SG and Minox TH of RM3.41 million in respect of FYE 2020 and FYE 2021;
- (ii) settlement of term loan of RM0.71 million arising from the disposal of a leasehold property on Old Toh Tuck Road, Singapore;
- (iii) scheduled repayment of term loan of RM1.53 million for our working capital requirements, keyman insurance and property loans;
- (iv) interest paid of RM0.82 million for bank overdraft facilities, lease liabilities and term loans; and
- (v) repayment of amount due to Cheong Chee Son, our Managing Director of RM0.80 million.

**12. FINANCIAL INFORMATION (Cont'd)****FYE 2022****Net cash for operating activities**

For FYE 2022, we recorded net cash from operating activities of RM3.25 million. Our operating profit before working capital changes of RM14.57 million was adjusted for the negative changes in working capital of RM8.80 million which comprised the following:

- (i) increase in inventories of RM4.98 million mainly due to purchase of inventories in tandem with our increase in sales;
- (ii) increase in trade and other receivables of RM4.66 million mainly due to higher sales and increase in deposit paid for the acquisition of a vacant land earmarked for Warehouse 4 and prepaid expenses in relation to our Listing of RM2.66 million;
- (iii) decrease in trade and other payables of RM1.95 million mainly due to payment to our suppliers and higher down payment paid by our customers and accrued expenses (i.e. staff cost related expenses and audit fee); and
- (iv) decrease in amount due from related parties of RM2.80 million mainly due to full settlement from MST VN, Minox PH and MVFM TW.

**Net cash for investing activities**

For FYE 2022, we recorded a net cash inflow of RM5.81 million from our investing activities mainly attributable to proceeds from disposal of property, plant and equipment of RM4.78 million which mainly relates to disposal of our previous warehouse erected on 2 pieces of freehold land in Melaka as well as proceeds from disposal of MVFM TW for RM1.63 million. Such increase was offset by:

- (i) cash payment for renovation of our Warehouse 3 and 1 rented warehouse in East Java, Indonesia of RM0.12 million and purchase of computer, office equipment and furniture & fittings of RM0.16 million; and
- (ii) down payment for purchase of motor vehicles of RM0.26 million and payment for leased warehouse in Indonesia of RM0.07 million.

**Net cash for financing activities**

For FYE 2022, we recorded a net cash outflow of RM2.46 million for our financing activities mainly attributable to:

- (i) drawdown of term loan of RM3.50 million for working capital requirements;
- (ii) settlement of term loan of RM1.82 million arising from the disposal of our previous warehouse erected on 2 pieces of freehold land in Melaka as well as scheduled repayment of term loans of RM1.86 million for our working capital requirements, keyman insurance and property loans;
- (iii) dividend paid by MST MY of RM1.50 million in respect of FYE 2022;
- (iv) interest paid of RM0.96 million for bank overdraft facilities, lease liabilities and term loans;
- (v) proceeds from the issuance of share capital of RM0.83 million to Ng Kwang Hwa, our pre-listing investor;

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

- (vi) scheduled repayment of lease liabilities of RM0.45 million to finance our motor vehicles, Warehouse 2 and Warehouse 3; and
- (vii) repayment of amount due to Cheong Chee Son (our Managing Director and substantial shareholder) and Liew Siang Ji, (a director of MST SG and our shareholder) of RM0.28 million.

**FPE 2023****Net cash for operating activities**

For FPE 2023, we recorded net cash from operating activities of RM0.41 million. Our operating profit before working capital changes of RM3.45 million was adjusted for the negative changes in working capital of RM1.70 million which comprised of the following:

- (i) increase in inventories of RM2.87 million mainly due to purchase of inventories in Minox ID to replenish and fully utilise the import quota given for the import licence towards end of FPE 2023;
- (ii) increase in trade and other receivables of RM0.06 million mainly due to higher sales in FPE 2023 offset by the capitalisation of down payment paid for the acquisition of a vacant land earmarked for Warehouse 4 to property, plant and equipment;
- (iii) increase in trade and other payables of RM1.12 million mainly due to purchase of inventories in Minox ID.

**Net cash for investing activities**

For FPE 2023, we recorded a net cash outflow of RM11.61 million from our investing activities mainly attributable to:

- (i) acquisition of a vacant land earmarked for Warehouse 4 of RM11.51 million;
- (ii) purchase of racking system for Warehouse 3 (distribution centre) of RM0.19 million; and
- (iii) installation of mezzanine racking system of RM0.05 million for our warehouse in West Java, Indonesia (Lot No. II-D).

Such increase was offset by proceeds from disposal of motor vehicle of RM0.22 million.

**Net cash for financing activities**

For FPE 2023, we recorded a net cash inflow of RM7.04 million for our financing activities mainly attributable to drawdown of term loan of RM8.50 million for the acquisition of a vacant land earmarked for Warehouse 4. Such increase was partially offset by:

- (i) scheduled repayment of RM0.70 million for our working capital requirements, keyman insurance and property loans;
- (ii) scheduled repayment of lease liabilities of RM0.39 million to finance our motor vehicles, Warehouse 2 and Warehouse 3; and
- (iii) interest paid of RM0.42 million for bank overdraft facilities, lease liabilities and term loans.

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

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**12.3 LIQUIDITY AND CAPITAL RESOURCES****12.3.1 Working capital**

We finance our operations with cash generated from operations, supplier's credit, various credit facilities extended by financial institutions as well as existing cash and bank balances. Our credit facilities from financial institutions comprise term loans, bank overdrafts and lease liabilities.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board confirms that our working capital is sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

- (a) our cash and cash equivalent of approximately RM11.42 million as at LPD;
- (b) our expected future cash flows from operations;
- (c) our total banking facilities limit as at LPD of RM33.52 million (excluding lease liabilities), of which RM30.40 million have been utilised; and
- (d) our pro forma gearing level of 0.4 times, computed based on our pro forma statements of financial position as at 30 April 2023 after the Acquisitions, IPO and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance and accounting team work closely with our sales and marketing team for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

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

**12.4 BORROWINGS AND INDEBTEDNESS**

As at 30 April 2023, our Group's total outstanding borrowings and indebtedness stood at RM31.75 million (excluding lease liabilities for our warehouse of approximately RM0.87 million), details of which are set out below:

	Purpose	Tenure of facility	Security	Effective interest rate %	As at 30 April 2023		
					RM'000	SGD'000	THB'000
<b>Interest bearing short-term borrowings, payable within 1 year:</b>							
<b>Lease liabilities</b>							
- Malaysia	Purchase of motor vehicles	5 years	Personal guarantee by our Directors	4.5 to 6.6	174	-	-
- Thailand	Purchase of motor vehicle	5 years	Personal guarantee by our Directors	4.1	( <sup>3</sup> )13	-	99
<b>Term loans</b>							
- Malaysia	Purchase of properties, and working capital	5 to 25 years	Properties owned by the Group and personal guarantee by our Directors	3.3 to 7.3	1,708	-	-
- Singapore	Purchase of properties, keyman insurance and working capital	7 to 20 years	Properties owned by the Group and personal guarantee by our Directors	0.9 to 6.9	( <sup>3</sup> )898	269	-
- Thailand	Purchase of property	10 years	Properties owned by the Group and personal guarantee by our Directors	7.0 to 7.8	( <sup>3</sup> )140	-	1,070
<b>Bank overdraft</b>							
- Malaysia	Working capital	-	Properties owned by the Group and personal guarantee by our Directors	6.4	2,573	-	-
					<b>5,506</b>	<b>269</b>	<b>1,169</b>

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

	Purpose	Tenure of facility	Security	Effective interest rate %	As at 30 April 2023	
					RM'000	THB'000
<b>Interest bearing long-term borrowings, payable after 1 year:</b>						
<b>Lease liabilities</b>						
- Malaysia	Purchase of motor vehicles	5 years	Personal guarantee by our Directors	4.5 to 6.6	814	-
-Thailand	Purchase of motor vehicle	5 years	Personal guarantee by our Directors	4.1	(3)32	247
<b>Term loans</b>						
- Malaysia	Purchase of properties, and working capital	5 to 25 years	Properties owned by the Group and personal guarantee by our Directors	3.3 to 7.3	21,151	-
- Singapore	Purchase of properties, keyman insurance and working capital	7 to 20 years	Properties owned by the Group and personal guarantee by our Directors	0.9 to 6.9	(3)4,105	1,231
- Thailand	Purchase of property	10 years	Properties owned by the Group and personal guarantee by our Directors	7.0 to 7.8	(3)140	1,075
					<b>26,242</b>	<b>1,231</b>
					<b>31,748</b>	<b>2,491</b>
					<b>Total non-current borrowings</b>	
					<b>26,242</b>	<b>1,322</b>
					<b>31,748</b>	<b>2,491</b>

**Gearing (times)**

After Acquisitions but before Public Issue and utilisation of proceeds<sup>(1)</sup>

After Acquisitions and utilisation of proceeds<sup>(2)</sup>

**0.64**

**0.40**

**Notes:**

<sup>(1)</sup> Computed based on our pro forma equity attributable to the owners of our Company of RM49.75 million in the pro forma combined statements of financial position before Public Issue and utilisation of proceeds.

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

- (2) Computed based on our pro forma equity attributable to the owners of our Company of RM68.85 million in the pro forma combined statements of financial position after the Public Issue and utilisation of proceeds.
- (3) Being the RM equivalent of these borrowings, which are denominated in SGD or THB, as the case may be.

The maturity profile of our total outstanding borrowings as at 30 April 2023 is as follows:

	<b>RM'000</b>
Within 1 year	5,506
1 to 5 years	7,932
More than 5 years	18,310
<b>Total</b>	<b>31,748</b>

Separately, we have also recognised the following lease liabilities:

<b>Purpose</b>	<b>Tenure</b>	<b>As at 30 April 2023</b>
		<b>RM'000</b>
Lease liabilities payable within 1 year	2 years	549
Lease liabilities payable after 1 year	2 years	326
		<b>875</b>

As at LPD, all our Group's bank borrowings are secured. All our borrowings are interest bearing and denominated in RM, SGD or THB. The RM denominated borrowings are for our Malaysian operations while SGD denominated borrowings are for our Singapore operations and THB denominated borrowings are for our Thailand operations. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout FYE 2019 to 2022, FPE 2023 and up to LPD. We fund Minox ID's business operations via internally-generated funds. As at LPD, neither our Company nor our subsidiaries are in breach of any terms, conditions or covenants associated with credit arrangements or bank loans which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2019 to 2022 and FPE 2023, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.



**12. FINANCIAL INFORMATION (Cont'd)****12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

Save as disclosed in Section 12.4, we do not utilise any other financial instruments. We receive proceeds in THB, IDR, USD, SGD in respect of our foreign sales and pay for purchases denominated in THB, IDR, USD, EUR, SGD from our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for lease liabilities, which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

**12.6 MATERIAL CAPITAL COMMITMENTS**

As at LPD, save as disclosed below, we do not have any other material capital commitments:

	<b>To be funded internally or with borrowings</b>	<b>To be funded from proceeds of our IPO</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for</b>		
- installation of mezzanine floor racking system for our warehouse in West Java, Indonesia (Lot No. II-D)	108	-
<b>Approved but not contracted for<sup>(1)</sup></b>		
- purchase of machineries and software for the development of new vacuum fittings and valves for the semiconductor industry	-	463
- construction of Warehouse 4	845	4,000
- renovation costs and purchase of various property, plant and equipment for our new warehouse in Singapore <sup>(2)</sup>	-	1,300
	<b>953</b>	<b>5,763</b>

**Notes:**

(1) Further details are set out in Sections 4.9.1(a) to (c).

(2) Comprises office furniture, spectrometer, material inspection and test certificate software, accounting software, overhead crane and lorry.

**12. FINANCIAL INFORMATION (Cont'd)****12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES****(a) Material litigation**

As at LPD, we have not been engaged in any government, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on the financial position or profitability of our Group.

**(b) Contingent liabilities**

As at LPD, there are no contingent liabilities incurred by us, our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries' financial position.

**12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 2019 to 2022 and FPE 2023 are as follows:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Trade receivables turnover (days) <sup>(1)</sup>	78	85	85	66	70
Trade payables turnover (days) <sup>(2)</sup>	149	128	220	84	53
Inventory turnover (days) <sup>(3)</sup>	238	281	581	424	388
Current ratio (times) <sup>(4)</sup>	2.2	2.4	2.9	4.3	3.8
Gearing ratio (times) <sup>(5)</sup>	0.8	0.7	0.6	0.5	0.6

**Notes:**

(1) Computed based on average trade receivables multiplied by 365 days/120 days for the respective financial years/period, and divided by total revenue:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade receivables	8,154	9,057	8,913	7,146	9,026
Closing trade receivables	9,057	8,913	7,146	9,026	10,175
Revenue	40,195	38,804	34,359	45,020	16,429

(2) Computed based on average trade payables multiplied by 365 days/120 days for the respective financial years/period, and divided by cost of sales:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade payable	9,799	6,044	8,202	5,705	2,756
Closing trade payable	6,044	8,202	5,705	2,756	4,200
Cost of sales	19,418	20,257	11,529	18,422	7,885

(3) Computed based on average opening and closing inventory over cost of sales for each financial year/period multiplied by 365 days/120 days for the respective financial years/period:

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

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening inventory	11,672	13,694	17,501	19,171	23,624
Closing inventory	13,694	17,501	19,171	23,624	27,304
Cost of sales	19,418	20,257	11,529	18,422	7,885

(4) Computed based on current assets over current liabilities as at each financial year end/period.

(5) Computed based on total borrowings over total equity as at each financial year end/period.

**12.8.1 Trade receivables turnover**

The normal credit period granted by our Group to our customers is cash term or up to 90 days from the date of invoice.

Our trade receivables turnover days were within the credit terms for the financial years/period under review and has increased from 78 days in FYE 2019 to 85 days in FYE 2020 due to slower collection arising from the onset of travel restrictions arising from the COVID-19 pandemic. Please refer to Section 7.8 for further details of the interruptions in our operations.

Our trade receivables turnover days maintained at 85 days in FYE 2020 to 2021 and subsequently decreased to 66 days in FYE 2022, mainly due to better collection of receivables during the year as a result of the resumption of our customers' businesses in April 2022 under the "transition to endemic" phase. Our trade receivables turnover days then increased marginally to 70 days in FPE 2023 mainly due to slower collection of receivables arising from both the Chinese New Year and Hari Raya Aidilfitri festive seasons in FPE 2023.

The ageing analysis of our trade receivables as at 30 April 2023 is as follows:

	<b>Trade receivables as at 30 April 2023</b>		<b>Collection from 1 May 2023 up to LPD</b>	<b>Balance as at LPD</b>
	<b>RM'000</b>	<b>Percentage of trade receivables (a)/total of (a)</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>(a)</b>	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a)-(b)</b>
Neither past due nor impaired	6,248	61.4	6,129	119
Past due but not impaired:				
- less than 30 days	2,366	23.3	2,366	-
- 31 to 60 days	1,120	11.0	1,118	2
- 61 to 90 days	156	1.5	147	9
- over 90 days	285	2.8	275	10
	3,927	38.6	3,906	21
<b>Total</b>	<b>10,175</b>	<b>100.0</b>	<b>10,035</b>	<b>140</b>

As at LPD, we have collected 98.6% of our total outstanding trade receivables as at 30 April 2023.

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

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Our Group has in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and ongoing basis. Credit evaluations are performed on all customers requiring credit. We use suppliers' reference and external information services to evaluate our customers' credit standing and financial health. Based on these evaluations, approvals are sought from designated authorised management personnel, depending on the credit limit. For existing customers, we also review their payment record and current credit standing with us before accepting any new orders, where we will evaluate the projects that are being undertaken as well as any peculiar circumstances that affects these customers, such as restrictions by pandemic, if any.

All our outstanding debts are closely monitored by our management personnel and reported to authorised management personnel on a periodic basis. We also conduct periodic credit control meetings with our sales and marketing team to monitor collections and recoverability of our debts.

**12.8.2 Trade payables turnover**

The normal credit term granted to us by our suppliers ranges from 30 to 90 days.

In FYE 2019, our trade payables turnover days was 149 days due to bulk purchases of inventories during the end of the year. As we have been in continuous communication with our suppliers and have not defaulted in payment throughout our relationship with them, our suppliers were acceptable with us settling our payments later and did not stop supplying us with our inventories. Our trade payables turnover days decreased from 149 days in FYE 2019 to 128 days in FYE 2020 due to faster repayment to our suppliers in FYE 2020.

Our trade payables turnover days increased from 128 days in FYE 2020 to 220 days in FYE 2021. This was mainly due to slower payment to one of our major suppliers, namely Top Steels as the tubes & fittings supplied by them in July to December 2020 amounting to RM1.58 million did not meet our quality checks standard on internal finishing. We raised our dispute with Top Steels on the quality of such batch of products between January to March 2021. However, Top Steels opposed our dispute and was unable to travel to Malaysia between April to November 2021 due to travel restrictions to inspect the disputed batch of tubes & fittings. Save for the above, there was no other slower payment made to Top Steels arising from quality issues on products supplied in the past.

As a result of the above dispute, we did not settle our total trade payables owed to Top Steels amounting to RM5.22 million in FYE 2021 based on our management's decision after assessing the quantum of the disputed batch. We generally assess any disputes on a case-by-case basis based on factors including but not limited to quantum of the dispute and business and length of relationship with our supplier. Nevertheless, we did not experience any halt in supplies from said supplier despite withholding payment to them. In December 2021, Top Steels traveled to our local warehouse to inspect the disputed batch of tubes & fittings and completed negotiations with us, where it was mutually agreed for Top Steels to rework the disputed batch. In January 2022, Top Steels engaged its local contractors which used equipment and tools such as computerised numerical control machines, polishing tools and cutting equipment to readjust the roughness, roundness and thickness of the disputed batch to be in compliance with our specifications. Upon receiving the reworked batch and being satisfied with the quality of the internal finishing, we repaid the outstanding amount of RM5.22 million to Top Steels during the first half of 2022. This led to the decrease of our trade payables turnover days to 84 days in FYE 2022.

Our trade payables turnover days further decreased to 53 days in FPE 2023, mainly due to improvement in repayment to our suppliers.

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

The ageing analysis of our trade payables as at 30 April 2023 is as follows:

	Trade payables as at 30 April 2023		Payment from 1 May 2023 up to LPD	Balance as at LPD
	RM'000	Percentage of trade payables (a)/total of (a)	RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Within credit period	2,935	69.9	2,935	-
Exceeding credit period:				
- 1 to 30 days	644	15.3	644	-
- 31 to 60 days	621	14.8	599	22
- 61 to 90 days	-	0.0	-	-
- More than 90 days	-	0.0	-	-
	1,265	30.10	1,243	22
<b>Total</b>	<b>4,200</b>	<b>100.0</b>	<b>4,178</b>	<b>22</b>

As at LPD, we have settled all 99.5% of our total outstanding trade payables as at 30 April 2023. As at LPD, there are no outstanding disputes in respect of our trade payables and we are not aware of any legal action initiated by our suppliers to demand for payment from us.

**12.8.3 Inventory turnover**

Our Group's inventories mainly comprise stainless steel sanitary tubes & fittings, valves and installation components & equipment, representing 96.0%, 97.0%, 96.3%, 95.5% and 95.5% of our total inventories for FYE 2019 to 2022 and FPE 2023 respectively. Our usual level of inventory turnover period ranges from 250 to 350 days, taking into consideration amongst others, our Group's expansion requirements (e.g. new product SKUs and new customer base) and/or additional inventories purchased to buffer for shortages or in anticipation of future increase in stainless steel price.

The breakdown of our inventories by product segments for FYE 2019 to 2022 and FPE 2023 are as follows:

	Audited									
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Tubes & fittings	9,535	69.6	11,748	67.2	12,703	66.3	16,395	69.4	19,504	71.5
Valves	2,958	21.6	4,071	23.3	4,369	22.8	4,384	18.6	4,567	16.7
Installation components & equipment	657	4.8	1,143	6.5	1,383	7.2	1,774	7.5	2,002	7.3
Rubber hoses	425	3.1	513	2.9	702	3.6	861	3.6	849	3.1
Other related products <sup>(1)</sup>	119	0.9	26	0.1	14	0.1	210	0.9	382	1.4
	<b>13,694</b>	<b>100.0</b>	<b>17,501</b>	<b>100.0</b>	<b>19,171</b>	<b>100.0</b>	<b>23,624</b>	<b>100.0</b>	<b>27,304</b>	<b>100.0</b>

**Note:**

- (1) Comprises non-sanitary stainless steel products such as square hollow sections, pipes & fittings, plates and industrial hardware.

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

We take a proactive approach in inventory management and generally maintain a minimum inventory level of 6 months in particular for products which are commonly requested by our customers. This is because our third-party manufacturers/supplier will require approximately up to 6 months to deliver our products (depending on the quantum and specification of our orders, where (a) for existing product range, our Group's third-party manufacturers/supplier will take approximately 2 to 5 months for delivery and (b) for new product range, our Group's third-party manufacturers/supplier will take approximately 3 to 6 months for delivery), whereas we generally practise a delivery period of 1 day to 2 months upon receipt of purchase orders from our customers (depending on the quantum and specification of products ordered) as part of our commitment to minimise disruption to our industrial end-customers' project implementation or production activities. Generally, the industrial end-customers with their own team of project engineers will place their orders directly from us. Otherwise, they will place their orders through project consultants or contractors who are responsible for the design, development and installation of the production lines.

For new project implementation, upon delivery of product to customers, we will ensure that there is a 15.0% to 20.0% inventory level of the same products for the duration of the project (generally up to a year) as part of our commitment to minimise disruption to our industrial end-customers' project. In the event that the inventories are not utilised in our industrial end-customers' project, these inventories will be sold to other customers of the same industry as our products are manufactured based on several requirements from the respective industries.

Post project implementation, it is vital for us to continue to maintain sufficient inventory level to ensure availability of different SKUs of our sanitary products post project implementation and/or to support our industrial end-customers' continuous replacement/maintenance of their manufacturing facilities. This is because our industrial end-customers are manufacturing facilities in the F&B, semiconductor and pharmaceutical industries and they cannot afford major downtime in their production activities. As such, they rely on us for timely replacement of our sanitary products in the event there is a production line malfunction. In the event that our Group does not have the inventories readily available for our industrial end-customers' replacement/maintenance of their manufacturing facilities, our industrial end-customers may engage other suppliers to procure such inventories.

Furthermore, bulk of our inventories are delivered to Warehouse 3 (distribution centre). Upon completion of quality checks, such inventories will only be distributed to our respective regional warehouses in Singapore, Thailand, Indonesia and to our representative agents in the Philippines, Vietnam and Taiwan.

For FYE 2019, our inventory turnover days was 238 days due to increase in our closing inventory level as a result of additional inventories purchased at the end of the financial year (prior to festive season i.e. Chinese New Year in January 2020) in anticipation of increase in lead time by (a) our third-party manufacturers in Taiwan and South Korea; and (b) our supplier which sources our products from its third-party manufacturers based in China. Such purchases were made to ensure that we are able to fulfil our purchase orders and to minimise disruption to our industrial end-customers' project during and after the festive season.

Arising from up to 2 months delay in the delivery schedule from our third-party manufacturers/supplier during the COVID-19 pandemic, our Group decided to further increase our inventory level to avoid any shortage. This led to an increase in inventory turnover days from 238 days for FYE 2019 to 281 days for FYE 2020. In addition, we also purchase additional inventories in FYE 2020 after taking into account the financial position of our Group and in anticipation of future increase of stainless steel price. We are able to maintain a high stockholding level as stainless steel is non-perishable in nature.

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

The table below displays the average price of stainless steel for the FYE 2019 to 2022 and FPE 2023.

	<b>Average price (RM/ton)</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Stainless steel	10,395	9,318	11,328	12,276	11,154

In terms of value, our closing inventory level only increased by RM1.67 million as at 31 December 2021 as compared to 31 December 2020. However, our inventory turnover days increased from 281 days in FYE 2020 to 581 days in FYE 2021 mainly due to:

- (a) our decision to increase our inventory in FYE 2021 before the anticipated upward price adjustment from our third-party manufacturers/supplier in China due to the withdrawal of export rebate for tubes & fittings and installation components & equipment of 13.0% by the Chinese government effective from 1 May 2021;
- (b) delays in our industrial end-customers' projects such as installation of production lines for their F&B plants arising from the COVID-19 pandemic. As such, our customers with quotation orders amounting to RM4.82 million were not able to issue their purchase orders. As we anticipate the demand of our products to increase post pandemic due to resumption in our industrial end-customers' projects, we increased our inventory levels to cater for such demand. Subsequently in FYE 2022, their customers issued their purchase orders which led to the increase in our total revenue of RM10.66 million or 31.0% from RM34.36 million in FYE 2021 as compared to RM45.02 million in FYE 2022;
- (c) increase in Minox ID's inventory level in Indonesia by RM0.58 million mainly to cater for its 2 new warehouses in West Java, Indonesia and East Java, Indonesia; and
- (d) lower total cost of sales in FYE 2021 due to lower revenue as mentioned in Section 12.2.2(a) above coupled with lower average cost of sales per unit as our Group utilised the inventories purchased in prior years (sourced prior to the increase in stainless steel price in FYE 2021) to fulfil our purchase orders in FYE 2021. This also led to an increase in GP margin during the year.

Despite the minimal increase in inventories value by RM1.67 million as at 31 December 2021 as compared to 31 December 2020 as mentioned in (a) to (c) above (numerator), our cost of sales decreased substantially by RM8.73 million or 43.1% from RM20.26 million as at 31 December 2020 to RM11.53 million as mentioned in (d) above (denominator). This has resulted in an increase in our Group's inventory turnover days from 281 days in FYE 2020 to 581 days in FYE 2021.

Our inventory turnover days improved from 581 days for FYE 2021 to 424 days for FYE 2022 mainly attributable to faster utilisation of inventories as mentioned in (b) above to cater for the resumption of our industrial end-customers' projects. In FPE 2023, our inventory turnover days further improved to 388 days mainly attributable to faster utilisation of inventories in tandem with our increased sales, coupled with our Company's decision to revert to pre-COVID-19 inventory management practices, as lead time for deliveries from suppliers have shorten arising from the "transition to endemic phase" in FYE 2022, i.e. up to 6 months.

We assess whether inventories should be impaired by identifying damaged, obsolete and slow-moving inventories during semi-annual stock count in all our warehouses to identify any discrepancies in terms of physical quantities compared to our inventory systems and slow-moving inventories. Slow-moving inventories are those more than 36 months from the date of purchase. Damaged inventories will be written off while obsolete and slow-moving inventories will be impaired to their net realisable value. As at LPD, we have yet to experience any damaged inventories arising from corrosion in our stainless steel products as our inventories are stored in clean, dry and well-ventilated warehouses.



## 12. FINANCIAL INFORMATION (Cont'd)

Additionally, we also conduct annual assessments of our inventory value and will impair if the net realisable value of the inventories are below their cost in accordance with our inventory management policy. However, despite such provision, our inventories are generally not perishable and may still be sold. During the FYE 2019 to 2022 and FPE 2023, our Group had written down inventories as follows:

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Inventories written down <sup>(1)</sup>	1,839	-	90	431	154
Reversal of inventories written down	-	(2)(2,237)	(2)(2,301)	(19)	(21)
	<b>1,839</b>	<b>(2,237)</b>	<b>(2,211)</b>	<b>412</b>	<b>133</b>

### Notes:

- (1) For FYE 2019, impairment was made on our inventories with short shelf life, change in product design to cater for customers' requests, and in compliance with ASME BPE Standard and 3-A Sanitary Standards, according to MFRS accounting standards to reflect the lower of cost and net realisable value due to reduction in selling price in view of uncertainties during MCO period.
- (2) Inventories that were reversed out were sold above their carrying amount in the respective financial year/period.

As at 30 April 2023, our inventories amounted to RM27.30 million and can be analysed as follows:

	<b>Inventory holding period</b>				
	<b>Less than 12 months</b>	<b>12 to 24 months</b>	<b>24 to 36 months</b>	<b>36 months and above</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Products	19,224	3,825	3,597	962	27,608
Less: Impairment	-	-	-	(304)	(304)
	<b>19,224</b>	<b>3,825</b>	<b>3,597</b>	<b>658</b>	<b>27,304</b>
Sold from 1 May 2023 to LPD	(3,546)	(777)	(447)	(91)	(4,861)
Balance inventories as at LPD	<b>15,678</b>	<b>3,048</b>	<b>3,150</b>	<b>567</b>	<b>22,443</b>

As at LPD, RM4.86 million or 17.8% of our inventories as at 30 April 2023 have been sold. The balance of the inventories of RM22.44 million or 82.2% remained unsold as at LPD, of which RM0.57 million exceeds 36 months, which will be assessed and impaired if remain unsold as at 31 December 2023.

**12. FINANCIAL INFORMATION (Cont'd)****12.8.4 Current ratio**

Our current ratio throughout the FYE 2019 to 2022 and FPE 2023 is as follows:

	As at 31 December				As at 30 April
	2019	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	31,745	36,411	39,953	48,862	49,554
Current liabilities	(14,211)	(15,150)	(13,591)	(11,462)	(13,028)
<b>Net current assets</b>	<b>17,534</b>	<b>21,261</b>	<b>26,362</b>	<b>37,400</b>	<b>36,526</b>
Current ratio (times)	2.2	2.4	2.9	4.3	3.8

Our current ratios range between 2.2 times to 4.3 times for FYE 2019 to 2022 and FPE 2023. This indicates that our Group is capable of meeting short term obligations as our current assets, such as trade receivables and inventories, which can be readily converted to cash, together with our cash in bank, are enough to meet our current liabilities.

The increase in current ratio for FYE 2020 was mainly due to increase in current asset arising from the increase in inventories in FYE 2020. The increase in current ratio for FYE 2021 was mainly due to:

- (a) increase in cash and bank balances arising from proceeds from disposal of a leasehold property on Old Toh Tuck Road, Singapore and drawdown of overdraft facility for working capital requirements; and
- (b) increase in inventories of RM1.67 million, mainly due to a delay in our industrial end-customers' projects arising from the COVID-19 pandemic.

The increase in current ratio for FYE 2022 was mainly due to:

- (a) increase in cash and bank balances mainly due to cash generated from operations, proceeds from the disposal of our previous warehouse erected on 2 pieces of freehold land in Melaka and drawdown of term loan for working capital requirements;
- (b) increase in inventories in tandem with our increase in sales for FYE 2022;
- (c) increase in trade receivables and other receivables mainly due to increase in sales, increase in deposit paid to acquire a vacant land located in Puchong, Selangor, earmarked for Warehouse 4 and prepaid expenses in relation to our Listing; and
- (d) decrease in trade payables arising from repayment to suppliers.

The decrease in current ratio for FPE 2023 was mainly due to:

- (a) decrease in cash and bank balances mainly due to purchase of inventories and down payment paid for acquisition of a vacant land earmarked for Warehouse 4;
- (b) increase in trade payables in tandem with our increase in purchases for FPE 2023; and
- (c) increase in borrowings due to drawdown of term loan of RM8.50 million for the acquisition of a vacant land earmarked for Warehouse 4.

**12. FINANCIAL INFORMATION (Cont'd)****12.8.5 Gearing ratio**

Our gearing ratio throughout the FYE 2019 to 2022 and FPE 2023 is as follows:

	<b>As at 31 December</b>				<b>As at 30 April</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings <sup>(1)</sup>	25,457	25,005	24,115	23,046	31,748
Total equity	32,356	35,006	39,781	49,426	52,786
Gearing ratio (times)	0.8	0.7	0.6	0.5	0.6

**Note:**

- (1) Based on total borrowings and lease liabilities excluding lease liabilities arising from the lease arrangement of warehouse of RM0.70 million as at 31 December 2019, RM0.48 million as at 31 December 2020, RM0.24 million as at 31 December 2021, RM0.57 million as at 31 December 2022 and RM0.87 million as at 30 April 2023.

Our gearing ratio decreased from 0.8 times in FYE 2019 to 0.7 times in FYE 2020, mainly due to increase in total equity as a result of our profits generated in FYE 2020. We recorded a lower gearing ratio of 0.6 times in FYE 2021 compared to 0.7 times in FYE 2020 mainly due to our profits generated for the year.

Our gearing ratio decreased from 0.6 times in FYE 2021 to 0.5 times in FYE 2022, mainly due to increase in total equity as a result of our profits generated and decrease in borrowings in FYE 2022. Our gearing ratio increased back to 0.6 times in FPE 2023, mainly due to drawdown of term loan of RM8.50 million for the acquisition of a vacant land earmarked for Warehouse 4.

**12.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE**

Section 9 details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenue and profit include but not limited to the following:

**(a) High dependency on our third-party manufacturers/supplier for our products and we do not have long-term agreements with them**

We are highly dependent on our third-party manufacturers/supplier to supply our products. Moreover, as our third-party manufacturers/supplier are also responsible for the raw material (i.e. stainless steel) sourcing and purchasing, any significant increase in manufacturing cost charged by them due to the increase in raw material prices will lead to an increase in our cost of purchases. This may in turn negatively impact our financial performance. If we are unable to pass on the increased cost to our customers, our revenue and margins may be adversely affected, and may lead to a decrease in overall profitability.

We do not enter into any formal long-term agreements with our third-party manufacturers/supplier. In the event that we lose several of them simultaneously and are not replaced with alternative third-party manufacturers/supplier in a timely manner, our business operations and financial performance may be adversely affected.

**12. FINANCIAL INFORMATION (Cont'd)****(b) Risk of infringement of intellectual property rights**

Our "MINOX®" trademark is registered with the relevant intellectual property offices in Malaysia, Singapore, Thailand, the Philippines, Indonesia, Taiwan and Vietnam, further details of which are set out in Section 6.8. The revenue contribution from the distribution of our "MINOX®" brand of sanitary products was 95.9%, 97.8%, 97.4%, 96.4% and 82.8% of our Group's total revenue for FYE 2019 to 2022 and FPE 2023 respectively. Any unauthorised use of our brand name by third-parties may adversely affect our business and reputation, including the perceived quality and reliability of our products.

**(c) Dependency on our industrial end-customer from the F&B industry**

Our business is dependent on our industrial end-customers from the F&B industry. The performance of the industrial end-customers from the F&B industry may be affected by factors as disclosed in Section 9.1.5. A negative performance from the industrial end-customers in F&B industry may affect their production activities (lower production activities), which in turn will result in lower demand for our products due to reduction in maintenance activities such as replacement of wear and tear parts. Consequently, this may adversely affect our business operations and financial performance.

**(d) Operate in a competitive environment**

We face competition from existing players in the sanitary valves and fittings industry both locally and overseas. We mainly compete on product quality and price, company recognition and loyalty, as well as the ability to identify and fulfil the latest needs of the manufacturing processing systems. In SEA, the competition we face from competitors may vary from country to country. For example, in Malaysia, the sanitary valves and fittings industry consists predominantly of suppliers and traders of sanitary products. As such, the barriers to entry are generally low for the local sanitary valves and fittings industry as most of these products can be easily sourced in the market and the upfront cost required by a new industry player can be low if they start with a small range of products. As such, we potentially face competition from new entrants into this industry. We could lose market share due to competitive pressure or other factors, and this may necessitate us to lower the prices of our products or increase our marketing expenses. Such measures could adversely affect our margins which may have an impact on our operating results and profitability.

**12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during FYE 2019 to 2022 and FPE 2023.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9.

**12. FINANCIAL INFORMATION (Cont'd)****12.11 IMPACT OF INFLATION**

During FYE 2019 to 2022 and FPE 2023, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

**12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS****(a) Impact of foreign exchange rates**

Our Group's gain or loss from foreign exchange fluctuations for the FYE 2019 to 2022 and FPE 2023 are as follows:

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gain in foreign exchange	410	795	506	1,104	244	365
Loss in foreign exchange	(1,265)	(1,029)	(1,002)	(777)	(240)	(384)
<b>Net (loss)/gain</b>	<b>(855)</b>	<b>(234)</b>	<b>(496)</b>	<b>327</b>	<b>4</b>	<b>(19)</b>
Net (loss)/gain in foreign exchange as a percentage of revenue (%)	(2.1)	(0.6)	(1.4)	0.7	<0.1	(0.1)

Based on the table above, our Group has not been materially impacted by the foreign exchange fluctuations.

Impact of foreign exchange rates to our Group as at 30 April 2023 is as follows:

	<b>RM'000 equivalent of balances denominated in USD</b>
<b>Financial assets</b>	
Trade and other receivables	886
Amount due from related parties	-
Cash and bank balances	1,586
<b>Financial liabilities</b>	
Trade and other payables	4,139

Based on the table above:

- (i) Our foreign currency cash and bank balances represent only 17.3% of our total cash and bank balances of RM9.19 million as at 30 April 2023; and
- (ii) Our trade and other payables represent 76.9% of our total trade and other payables of RM5.38 million as at 30 April 2023.

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

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A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 April 2023 indicates that our PAT for FPE 2023 would increase or decrease by approximately RM0.02, as a result of a 1.0% strengthening or weakening of RM against USD.

### **(b) Impact of interest rates**

Our exposure to changes in interest rate risk relates primarily to our bank borrowings.

A sensitivity analysis performed on our Group based on the outstanding floating rate of our bank borrowings as at 30 April 2023 indicates that our PBT for FPE 2023 would increase or decrease by approximately RM0.15 million, as a result of increase or decrease in interest rates by 50 basis points on these borrowings.

Our financial results for FYE 2019 to 2022 and FPE 2023 were not materially affected by fluctuations in interest rates.

### **(c) Impact of commodity prices**

Our products' main raw material is stainless steel. Our financial performance was not materially affected by fluctuations in commodity prices for FYE 2019 to 2022 and FPE 2023. Any adverse changes in such commodity prices will raise our cost of sales and may have adverse effect on us. However, any such price increase will affect the entire sanitary valves and fittings industry. We will generally pass on such price increase to our customers, wherever possible, to minimise the impact on financial performance.

## **12.13 SIGNIFICANT CHANGES**

There are no significant changes which may have a material effect on the financial position and results of our Group subsequent to FPE 2023 and up to LPD.

## **12.14 ORDER BOOK**

We do not maintain an order book as our sales are based on purchase orders received from customers with quantum and specifications required on an on-going basis.

## **12.15 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE**

Our Board is of the opinion that:

- (a) our Group's revenue will remain sustainable with an upward growth trend, in line with positive outlook of the sanitary valves and fittings industry as set out in the IMR Report in Section 8;
- (b) our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our business strategies as stated in Section 7.16; and
- (c) our capital resources will strengthen, considering the proceeds to be raised from the Public Issue as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

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

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

### **12.16 TREND INFORMATION**

Based on our track record for FYE 2019 to 2022 and FPE 2023, the following trends may continue to affect our business:

- (a) our revenue was derived from our distribution of stainless steel sanitary valves, tubes & fittings, installation components & equipment, rubber hoses under our "MINOX®" brand and other related products. We expect these products to continue contributing significantly to our revenue of the Group in the future;
- (b) the main components of our cost of sales are tubes & fittings, valves, installation components & equipment and rubber hoses. Moving forward, our cost of sales is expected to fluctuate in tandem with our revenue segmentation. Our cost of sales is dependent on amongst others, the availability and price fluctuation of stainless steel; and
- (c) we achieved a GP margin of 51.7%, 47.8%, 66.4%, 59.1% and 52.0% for FYE 2019 to 2022 and FPE 2023 respectively. We hope to maintain our GP margin within the same range in the future. This would depend on, amongst others, our continued ability to manage our costs efficiently and our revenue segmentation in the future.

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and will not be affected by any of the following:

- (a) 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 Group's financial performance, position and operations other than those discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12;
- (b) material commitments for capital expenditure save as disclosed in Section 12.6;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12; and
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12.

Based on the above, our Board is optimistic about the future prospects of our Group given the long term positive outlook of the sanitary valves and fittings industry in Malaysia as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.15 and our Group's intention to implement the business strategies as set out in Section 7.16.



**12. FINANCIAL INFORMATION (Cont'd)****12.17 DIVIDEND POLICY**

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

During FYE 2019 to 2022, we declared and paid the following dividends:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend declared and paid	1,372	1,202	3,408	1,500

Subsequent to FYE 2022 and up to LPD, there were no further dividends declared and paid by our Group. Further to the above, we do not intend to declare and pay any dividends from LPD up to our Listing.

Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to approval of our shareholders at our AGM.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

- (a) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;
- (b) our operating cash flow requirements and financing commitments;
- (c) our expected financial performance including return on equity and retained earnings;
- (d) any restrictive covenants contained in our current and future financing arrangements;
- (e) the availability of adequate reserves and cash flows; and
- (f) any material impact of tax laws and regulatory requirements.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.18 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

- (a) Based on latest unaudited combined financial information of our Group as at 31 July 2023; and
- (b) After adjusting for the effects of Acquisitions, the Public Issue and utilisation of proceeds.

	<b>As at 31 July 2023</b>	<b>I After Acquisitions</b>	<b>II After I and Public Issue</b>	<b>III After Public Issue and use of proceeds</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Capitalisation</b>				
Shareholders' equity	*	51,790	74,290	70,890
<b>Total capitalisation</b>	<b>*</b>	<b>51,790</b>	<b>74,290</b>	<b>70,890</b>
<b>Indebtedness<sup>(1)</sup></b>				
<b>Current</b>				
<i>Secured</i>				
Term loans	-	2,305	2,305	1,782
Bank overdraft	-	3,429	3,429	3,429
Lease liabilities	-	248	248	248
<b>Non-current</b>				
<i>Secured</i>				
Term loans	-	24,894	24,894	20,917
Lease liabilities	-	1,032	1,032	1,032
<b>Total indebtedness:</b>	<b>-</b>	<b>31,908</b>	<b>31,908</b>	<b>27,408</b>
<b>Total capitalisation and indebtedness</b>	<b>-</b>	<b>83,698</b>	<b>106,198</b>	<b>98,298</b>
Gearing ratio (times) <sup>(2)</sup>	-	0.6	0.4	0.4

**Notes:**

\* Being the subscriber share of RM1.

(1) All of our indebtedness are secured and guaranteed.

(2) Computed based on total indebtedness divided by total capitalisation.