



MINOX INTERNATIONAL GROUP BERHAD

(202201025834 (1471531-H))

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED
30 JUNE 2023**

MINOX INTERNATIONAL GROUP BERHAD

Registration No.: 202201025834 (1471531-H)
(Incorporated in Malaysia)



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME⁽¹⁾⁽²⁾
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

	Individual Quarter 3-Month Ended		Cumulative Quarter 6-Month Ended		
	Current Year Quarter 30.06.2023	Preceding Year Quarter 30.06.2022	Current Year Quarter 30.06.2023	Preceding Year Quarter 30.06.2022	
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	
Revenue	14,194	N/A	26,082	N/A	
Cost of sales	(6,206)	N/A	(12,055)	N/A	
Gross profit	7,988	N/A	14,027	N/A	
Other income	452	N/A	661	N/A	
Selling and marketing expense	(791)	N/A	(1,296)	N/A	
Administrative expenses	(3,065)	N/A	(7,577)	N/A	
Profit from operations	4,584	N/A	5,815	N/A	
Finance income	28	N/A	56	N/A	
Finance costs	(407)	N/A	(748)	N/A	
Profit before tax	4,205	N/A	5,123	N/A	
Tax expense	(899)	N/A	(1,071)	N/A	
Profit after tax	3,306	N/A	4,052	N/A	
Other comprehensive income	1,191	N/A	2,110	N/A	
Total comprehensive income for the financial period	4,497	N/A	6,162	N/A	
Profit for the period attributable to:					
- Owners of the Company	3,310	N/A	4,006	N/A	
- Non-controlling interest	(4)	N/A	46	N/A	
	3,306	N/A	4,052	N/A	
Total comprehensive income for the period attributable to:					
- Owners of the Company	4,455	N/A	6,019	N/A	
- Non-controlling interest	42	N/A	143	N/A	
	4,497	N/A	6,162	N/A	
Earnings per share ("EPS")					
- Basic/Diluted (sen) ⁽³⁾	B11	1.2	N/A	1.5	N/A

Notes:

- (1) The basis of preparation of the above Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company in relation to its initial public offering ("IPO") dated 20 September 2023 and the accompanying explanatory notes attached to this interim financial report.

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- (2) This is the first interim financial report announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). There are no comparative figures for the preceding corresponding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.
- (3) Basic/Diluted EPS is calculated based on the Company's enlarged share capital of 270,000,000 shares after the Proposed Acquisitions before the IPO of the Company. The diluted EPS is equivalent to the basic EPS as the Company does not have any convertible options as at the end of the current quarter and financial period under review.

N/A Not Applicable.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾
AS AT 30 JUNE 2023**

	Unaudited As at 30.06.2023 RM'000	Audited As at 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,214	10,667
Right-of-use assets	8,657	8,117
Investment properties	9,500	9,500
Other investments	1,006	958
Deferred tax assets	1,831	1,637
Total non-current assets	43,208	30,879
Current assets		
Inventories	27,982	23,624
Trade receivables	10,444	9,026
Other receivables	2,564	3,638
Tax recoverable	151	33
Cash and bank balances	9,259	12,541
Total current assets	50,400	48,862
TOTAL ASSETS	93,608	79,741
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	34,166	5,891
Legal reserve	12	12
Exchange reserve	1,760	(253)
Merger deficit	(28,275)	-
Retained earnings	44,878	40,872
	52,541	46,522
Non-controlling interest	3,047	2,904
TOTAL EQUITY	55,588	49,426
Non-current liabilities		
Employee benefits obligation	153	103
Deferred tax liabilities	289	282
Borrowings	25,146	17,669
Lease liabilities	1,042	799
Total non-current liabilities	26,630	18,853
Current liabilities		
Trade payables	3,426	2,756
Other payables	723	1,492
Borrowings	4,735	4,515
Lease liabilities	749	633
Tax payable	1,757	2,066
Total current liabilities	11,390	11,462
TOTAL LIABILITIES	38,020	30,315
TOTAL EQUITY AND LIABILITIES	93,608	79,741

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾
AS AT 30 JUNE 2023**

	Unaudited As at 30.06.2023 RM'000	Audited As at 31.12.2022 RM'000
Net assets per ordinary share attributable to owners of the Company (RM) ⁽²⁾	<u>0.21</u>	<u>0.18</u>

Notes:

(1) The basis of preparation of the above Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 20 September 2023 and the accompanying explanatory notes attached to this interim financial report.

(2) Net assets per ordinary share is calculated based on the Company's enlarged share capital of 270,000,000 ordinary shares after the Proposed Acquisitions but before the IPO of the Company.

N/A Not Applicable.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾⁽²⁾ FOR THE PERIOD ENDED 30 JUNE 2023

	← Non-distributable →			Distributable		Sub-Total RM'000	Non-Controlling Interest RM'000	Total RM'000
	Share Capital RM'000	Legal Reserve RM'000	Exchange Reserve RM'000	Merger deficit RM'000	Retained Earnings RM'000			
At 1 January 2023 (Audited)	5,891	12	(253)	-	40,872	46,522	2,904	49,426
Profit for the period	-	-	-	-	4,006	4,006	46	4,052
Other comprehensive income for the period	-	-	2,013	-	-	2,013	97	2,110
Total comprehensive income for the period	5,891	12	1,760	-	44,878	52,541	3,047	55,588
Transactions with owners								
Share issue for acquisition of subsidiaries	33,432	-	-	-	-	33,432	-	33,432
Merger deficit	-	-	-	(28,275)	-	(28,275)	-	(28,275)
Invested equity	(5,157)	-	-	-	-	(5,157)	-	(5,157)
	28,275	-	-	(28,275)	-	-	-	-
At 30 June 2023 (Unaudited)	34,166	12	1,760	(28,275)	44,878	52,541	3,047	55,588

Notes:

- (1) The basis of preparation of the above Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company in relation to the IPO dated 20 September 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾⁽²⁾
FOR THE PERIOD ENDED 30 JUNE 2023**

	CURRENT YEAR-TO-DATE 30.06.2023 RM'000	PRECEDING YEAR-TO-DATE 30.06.2022⁽²⁾ RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,123	N/A
Adjustments for:		
Bad debts written off	8	N/A
Depreciation of plant and equipment	489	N/A
Depreciation of right-of-use assets	601	N/A
Employee benefits obligation	46	N/A
Finance cost	748	N/A
Finance income	(56)	N/A
Gain on disposal of right-of-use assets	(135)	N/A
Inventories written down	154	N/A
Impairment loss on trade receivables	1	N/A
Reversal of inventories written down	(21)	N/A
Unrealised gain on foreign exchange	(139)	N/A
Operating profit before changes in working capital	6,819	N/A
Changes in working capital:		
Trade and other receivables	(233)	N/A
Trade and other payables	189	N/A
Inventories	(3,269)	N/A
Net cash generated from operations	3,506	N/A
Income tax paid	(1,728)	N/A
Interest paid	(92)	N/A
Net cash from operating activities	1,686	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of right-of-use assets	219	N/A
Purchase of plant and equipment	(11,942)	N/A
Purchase of right-of-use assets	(26)	N/A
Net cash used in investing activities	(11,749)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	8,500	N/A
Repayment of term loan	(1,538)	N/A
Payment of lease liabilities	(514)	N/A
Interest paid	(656)	N/A
Interest received	56	N/A
Net cash from financing activities	5,848	N/A
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,215)	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	10,594	N/A
EFFECT OF FOREIGN EXCHANGE CHANGES	442	N/A
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	6,821	N/A

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾⁽²⁾
FOR THE PERIOD ENDED 30 JUNE 2023(CONTINUED)**

	CURRENT YEAR-TO- DATE 30.06.2023 RM'000	PRECEDING YEAR-TO- DATE 30.06.2022⁽²⁾ RM'000
Represented by:		
Cash and bank balances	9,259	N/A
Less: Bank overdraft	(2,438)	N/A
	6,821	N/A

Notes:

- (1) The above Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company in relation to the IPO dated 20 September 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A Not Applicable.

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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Rule 9.22 and Appendix 9B of Listing Requirements.

This is the Company's first interim financial report on the unaudited condensed consolidated financial results for the second quarter ended 30 June 2023 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year's corresponding period.

This interim financial report should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company in relation to the IPO dated 20 September 2023 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in preparation of the Accountants' Report as disclosed in the Prospectus dated 20 September 2023 except for the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group.

Effective for annual period beginning on or after 1 January 2023

MFRS 17 and Amendments to MFRS 17* Insurance Contracts*

Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and MFRS 9 – Comparative Information*

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112 Income Taxes: International Tax Reform: Pillar Two Model Rules

Effective for annual period beginning on or after 1 January 2024

Amendments to MFRS 16 Lease – Lease liability in a Sales and Leaseback

Amendments to MFRS 101 Presentation of Financial Statements: Non-current Liabilities with Covenants

Amendments to MFRS 101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Not applicable to the Group

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption.

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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING (CONTINUED)

A3. Auditors' Report on Preceding Annual Financial Statements

There were no qualifications on the audited financial statements of the Group for the financial year ended 31 December 2022.

A4. Seasonal or Cyclical Factors

The Group's operation was not significantly affected by any unusual seasonal or cyclical factors in the current quarter and financial period-to-date.

A5. Unusual Items Due to Their Nature, Size or Incidence

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the current quarter and financial period-to-date.

A6. Material Changes in Estimates

There were no material changes in estimates in the current quarter and financial period-to-date.

A7. Debt and Equity Securities

Save as disclosed in Note A11, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current quarter and financial period-to-date.

A8. Dividend Paid

There was no dividend paid during the current financial quarter and financial period-to-date.

A9. Segmental Information

The Group's revenue is segmented as follows:

Revenue by geographical markets

	<u>QUARTER ENDED</u>		<u>PERIOD-TO-DATE ENDED</u>	
	30.06.2023	30.06.2022⁽¹⁾	30.06.2023	30.06.2022⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Malaysia	3,559	N/A	6,843	N/A
Overseas market:				
Singapore	2,185	N/A	5,423	N/A
Thailand	986	N/A	1,949	N/A
Indonesia	6,988	N/A	10,707	N/A
Others	476	N/A	1,160	N/A
Total	14,194	N/A	26,082	N/A

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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING (CONTINUED)

Revenue by industries

	<u>QUARTER ENDED</u>		<u>PERIOD-TO-DATE ENDED</u>	
	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Food & Beverage	13,236	N/A	24,168	N/A
Pharmaceutical	516	N/A	1,120	N/A
Semiconductor	442	N/A	794	N/A
Total	14,194	N/A	26,082	N/A

Notes:

(1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A Not Applicable.

A10. Material events subsequent to the end of the reporting period

In conjunction with the Company's listing on the ACE Market of Bursa Securities ("Listing"), the Company has undertaken the IPO at an issue price of RM0.25 per share, comprising:

- (I) Public Issue of 90,000,000 new ordinary shares in the Company (the "Shares") in the following manner:
- 18,000,000 new Shares available for application by the Malaysian public;
 - 10,800,000 new Shares available for application by the eligible directors, employees and persons who have contributed to the success of our Group;
 - 45,000,000 new Shares by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry; and
 - 16,200,000 new Shares by way of private placement to selected investors; and
- (II) Offer for sale of 18,000,000 existing shares by way of private placement to selected investors.

Upon completion of the IPO, the issued share capital of the Company will increase to RM68.91 million comprising 360,000,000 Shares.

Pursuant thereto, the Company's entire enlarged share capital is expected to be listed and quoted on the ACE Market of Bursa Securities on 17 October 2023.

Save as disclosed above, there were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial report.

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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING (CONTINUED)

A11. Changes in the composition of the Group

On 1 December 2022, the Company had entered into the following agreements:

- (a) conditional share sale agreement with Cheong Chee Son and Gamal Abdul Nashir to acquire the entire equity interest in PT Minox Indonesia ("**Minox ID**") comprising 25,500 ordinary shares for a purchase consideration of RM12.98 million which was satisfied by the issuance of 75,490,000 new shares of the Company at an issue price of approximately RM0.1719 each, and supplemented by a supplemental share sale agreement dated 15 February 2023 whereby our Company nominated MST MY to hold 1 ordinary share in Minox ID. The acquisition was completed on 24 July 2023.
- (b) conditional share sale agreement with Cheong Chee Son and Looi Poo Poo to acquire the entire equity interest in Minox Valves and Fittings Sdn Bhd ("**Minox MY**") comprising 200,000 ordinary shares for a purchase consideration of RM4.02 million which was satisfied by the issuance of 23,370,000 new shares of the Company at an issue price of approximately RM0.1719 each. The acquisition was completed on 8 June 2023.
- (c) conditional share sale agreement with Cheong Chee Son, Looi Poo Poo, Ng Kwang Hua and Kee Kong Beng Jason to acquire the entire equity interest in Minox Valves and Fittings Pte Ltd ("**Minox SG**") comprising 1,000,000 ordinary shares for a purchase consideration of RM3.51 million which was satisfied by the issuance of 20,400,000 new shares of the Company at an issue price of approximately RM0.1719 each. The acquisition was completed on 15 June 2023.
- (d) conditional share sale agreement with Cheong Chee Son to acquire 49.0% equity interest in Minox Valves & Fittings Co., Ltd ("**Minox TH**") comprising 9,800 ordinary shares for a purchase consideration of RM2.62 million which was satisfied by the issuance of 15,250,000 new shares of the Company at an issue price of approximately RM0.1719 each. The acquisition was completed on 8 June 2023.
- (e) conditional share sale agreement with Cheong Chee Son and Looi Poo Poo to acquire the entire equity interest in MST Stainless Steel Sdn Bhd ("**MST MY**") comprising 1,500,000 ordinary shares for a purchase consideration of RM21.37 million which was satisfied by the issuance of 124,299,999 new shares of the Company at an issue price of approximately RM0.1719 each. The acquisition was completed on 8 June 2023.
- (f) conditional share sale agreement with Cheong Chee Son and Liew Siang Ji to acquire the entire equity interest in MST Stainless Steel (S.E.A) Pte Ltd ("**MST SG**") comprising 50,000 ordinary shares for a purchase consideration of RM1.92 million which was satisfied by the issuance of 11,190,000 new shares of the Company at an issue price of approximately RM0.1719 each. The acquisition was completed on 15 June 2023.

Save as disclosed above, there were no changes in the composition of the Group for the current quarter under review.

A12. Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets in the Group as at the date of this interim financial report.

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**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING (CONTINUED)****A13. Related Party Transactions Disclosures**

There were no related party transactions during the current financial quarter under review.

A14. Capital Commitments

	30.06.2023	31.12.2022
	Unaudited	Audited
	RM'000	RM'000
<u>Approved and contracted for:</u>		
- Purchase of a land earmarked for construction of a new warehouse located at Puchong, Selangor (" Warehouse 4 ")	-	10,230
- Installation of racking system	108	-

Save as disclosed above, there were no other material capital commitments as at 30 June 2023.

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Financial Performance

	<u>QUARTER ENDED</u>		<u>PERIOD-TO-DATE ENDED</u>	
	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	14,194	N/A	26,082	N/A
Gross profit	7,988	N/A	14,027	N/A
Profit before tax	4,205	N/A	5,123	N/A
Profit after tax	3,306	N/A	4,052	N/A
Profit attributable to owners of the Company	3,310	N/A	4,006	N/A

Notes:

(1) As this is the Company's first interim financial report on the unaudited condensed consolidated financial results for the second quarter ended 30 June 2023, there are no comparative figures for the preceding year's corresponding period.

N/A Not Applicable.

The Group recorded revenue of approximately RM14.19 million for the current financial quarter under review mainly contributed from the food and beverage industries which accounted for RM13.24 million, representing 93.3% of the Group's total revenue for the current financial quarter under review.

The Group recognised profit before tax of RM4.21 million for current financial quarter under review after deducting expenses which are mainly attributed to administrative expenses of RM3.07 million. The administrative expenses mainly consist of staff cost, depreciation of right-of-use assets and depreciation of plant and equipment.

There are no comparative figures for the corresponding preceding quarter's results as this is the first interim financial report being announced by the Company in compliance with the Listing Requirements.

B2. Comparison with Immediate Preceding Quarter's Results

There are no comparative figures for the immediate preceding quarter as this is the first interim financial report on the unaudited condensed consolidated financial results announced by the Company.

B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B3. Prospects of the Group

The Group believes that its prospects in the sanitary valves and fittings industry are favourable taking into consideration our competitive strengths, business strength and the industry outlook as set out in the Independent Market Researcher Report by Protégé Associates Sdn Bhd ("**IMR Report**") as set out in Sections 7.15, 7.16 and 8 of the Company's Prospectus dated 20 September 2023 respectively.

According to the IMR Report, the growth in Asia Pacific sanitary valves and fittings industry is expected to be bolstered by emerging economies such as China and India expanding their pharmaceutical and food and beverages ("**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 compound annual growth rate ("**CAGR**") of 6.1% to reach USD825.6 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 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.

Based on the above, the Board of Directors of the Company ("**Board**") is optimistic about the future prospects of the Group.

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B4. Variance of actual profits from profit forecast

The Group did not issue any profit forecast or profit guarantee during the current financial quarter under review.

B5. Tax expense

	<u>QUARTER ENDED</u>		<u>PERIOD-TO-DATE ENDED</u>	
	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Tax expense	899	N/A	1,071	N/A
Statutory tax rate (%) ⁽²⁾	24.0	N/A	24.0	N/A
Effective tax rate (%) ⁽³⁾	21.4	N/A	20.9	N/A

Notes:

- (1) As this is the Company's first interim financial report on the unaudited condensed consolidated financial results for the second quarter ended 30 June 2023, there are no comparative figures for the preceding year's corresponding period.
- (2) The Group was qualified for a preferential tax rate of 15.0% on the first chargeable income of RM0.15 million and 17.0% on the next chargeable income of RM0.45 million for the current financial quarter and period under review, as its share capital was below RM2.50 million. For chargeable income in excess of RM0.60 million, the statutory income tax rate of 24.0%, is still applicable.
- (3) Our effective tax rate for the quarter and period-to-date ended 30 June 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%) and change in tax rate for the first tranche of chargeable income for our Malaysian subsidiaries. This was offset by non-deductible expenses such as depreciation charges on non-qualifying assets and professional fees.

N/A Not Applicable.

B6. Status of Corporate Proposals

On 20 September 2023, the Company issued its Prospectus in conjunction with the Listing of the Company on the ACE Market of Bursa Securities, comprising the public issue of 90,000,000 new ordinary shares and offer for sale of 18,000,000 existing shares in the Company. The Listing is pending completion as the Company is expected to be listed on the ACE Market of Bursa Securities on 17 October 2023.

Save as disclosed above, there were no other corporate proposals pending completion as at the date of this interim financial report.

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**B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)****B7. Utilisation of proceeds**

The gross proceeds of RM22.50 million to be raised from the public issue is intended to be utilised in the following manner:

Details of utilisation of proceeds	Proposed utilisation RM'000	Percentage of utilisation %	Actual utilisation RM'000	Balance to be utilised RM'000	Estimated timeframe for utilisation upon Listing⁽¹⁾
Product development and deployment	4,000	17.8	-	4,000	Within 24 months
Construction of Warehouse 4	4,000	17.8	-	4,000	Within 24 months
Setting up a new warehouse in Singapore	5,010	22.3	-	5,010	Within 36 months
Repayment of bank borrowings	4,500	20.0	-	4,500	Within 6 months
Working capital	1,590	7.0	-	1,590	Within 12 months
Estimated listing expenses	3,400	15.1	-	3,400	Within 1 month
	22,500	100.0	-	22,500	

Note:

(1) From the date of Listing of the Company.

B8. Group borrowings and debts securities

	30.06.2023 Unaudited RM'000	31.12.2022 Audited RM'000
Non-current:		
Lease liabilities	1,042	799
Terms loan	25,146	17,669
	26,188	18,468
Current:		
Lease liabilities	749	633
Terms loan	2,297	2,568
Bank overdraft	2,438	1,947
	5,484	5,148
Total borrowings and debts securities	31,672	23,616

B9. Material Litigation

There was no material litigation by or against the Group as at 30 June 2023.

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B10. Dividends

No dividend has been declared or proposed for payment by the Board during the financial quarter and period-to-date under review.

B11. Earnings Per Share

The basic EPS for the current financial quarter and period-to-date are computed as follows:

	<u>QUARTER ENDED</u>		<u>PERIOD-TO-DATE ENDED</u>	
	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>	<u>30.06.2023</u>	<u>30.06.2022⁽¹⁾</u>
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	3,310	N/A	4,006	N/A
Weighted average number of ordinary shares in issue ('000)	270,000	N/A	270,000	N/A
Basic/Diluted EPS (sen) ⁽²⁾	1.2	N/A	1.5	N/A

Notes:

(1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

(2) Basic/Diluted EPS is calculated based on the Company's enlarged share capital of 270,000,000 shares after the Proposed Acquisitions but before the IPO of the Company. The diluted EPS is equivalent to the basic EPS as the Company does not have any convertible options as at end of the current quarter and financial period under review.

N/A Not Applicable.

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**B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)****B12. Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

The following items have been charged/(credited) in arriving at the profit before tax for the current financial quarter and the profit before tax for the financial period-to-date:

	<u>QUARTER ENDED</u>		<u>PERIOD-TO-DATE ENDED</u>	
	30.06.2023	30.06.2022⁽¹⁾	30.06.2023	30.06.2022⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Depreciation of plant and equipment	248	N/A	489	N/A
Depreciation of right-of-use assets	307	N/A	601	N/A
Finance costs	407	N/A	748	N/A
Finance income	(28)	N/A	(56)	N/A
Net realised (gain)/loss on foreign exchange	(7)	N/A	6	N/A
Net unrealised loss/(gain) on foreign exchange	12	N/A	(139)	N/A

Notes:

(1) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding corresponding quarter and period-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A Not Applicable.

B13. Authorisation for Issue

This interim financial report was authorised for issue by the Board on 10 October 2023.