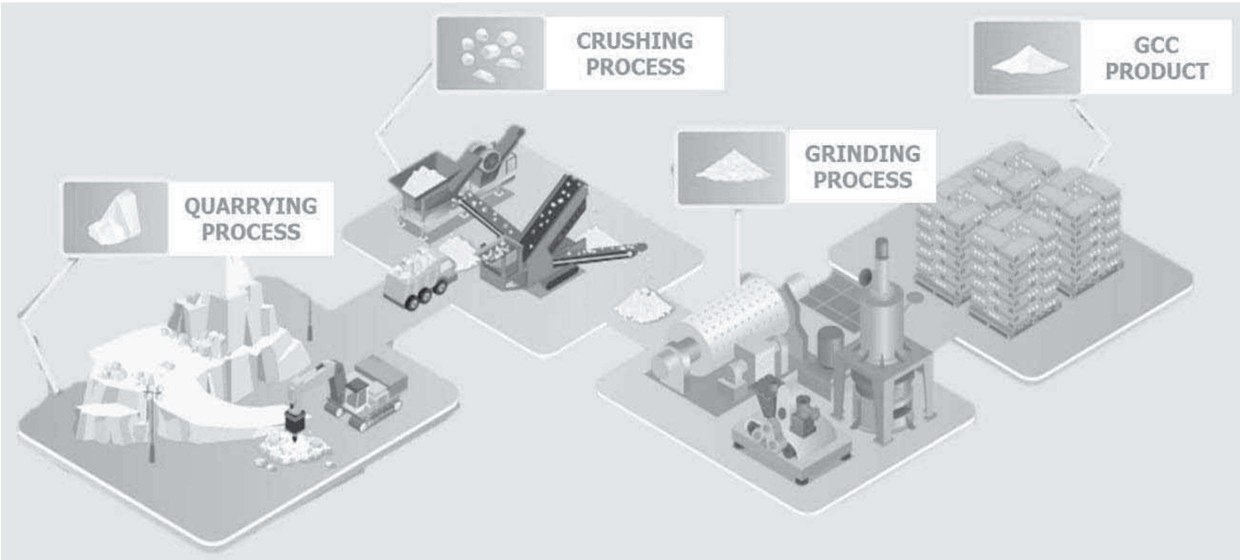
7.6 BUSINESS PROCESSES

The diagram below represents our main business processes:

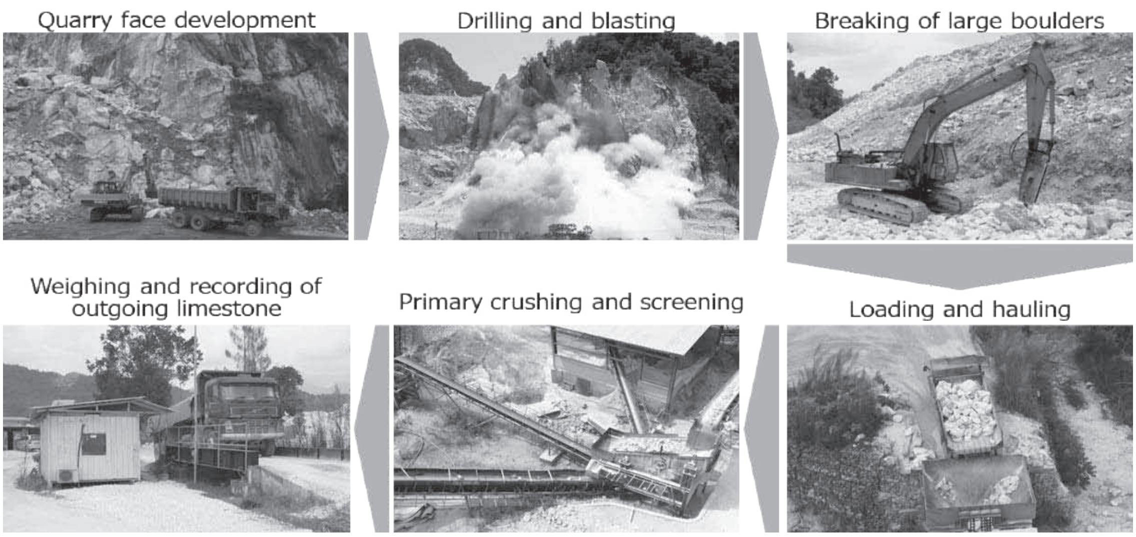
7.6.1 Production of GCC

Our production of GCC involves three main processes namely quarrying process, crushing process and grinding process, as depicted below:



7.6.1.1 Quarrying and primary crushing process

The quarrying and primary crushing of limestone reserves are undertaken by a third-party contractor, namely Britestone. We pay Britestone an agreed rate for the limestone rocks extracted, and all extracted limestone is for our use only, while Britestone is responsible for its own plant's maintenance. For avoidance of doubt, we do not charge Britestone any rent for occupying the land on which it carries out the quarrying activities. We also engage a third-party licensed shot firer whenever blasting of the limestone reserves is required. The following diagram depicts the process flow of quarrying and primary crushing limestone that is undertaken by Britestone at Perak Quarry 1:



(a) Quarry face development

Quarry operations begin with the removal of any plants or soils (overburden) from the surface area to expose the underlying bedrock for quarrying. Overburden removal is usually carried out at the same time as the quarry face development. Quarry face development involves creating adequate working platforms or benches in the bedrock as well as access to the proposed quarrying activities. It requires careful planning and subsequent execution to ensure that a suitable working area is created for the operation of heavy quarrying machinery and equipment, such as drilling machines, excavators and dump trucks. The productivity of the drilling, blasting and loading activities could be adversely affected by restrictive working areas.

(b) Drilling and blasting

Upon completion of the quarry face development, drilling machines are then used to drill holes into the bedrock. The nature and type of rock have to be taken into consideration. The spacing, depth and size of the drill holes must be in accordance with the specifications. The angle of the holes is also important to ensure effective blasting.

Once the drill holes are ready, explosives are placed into these holes and detonated by a licensed shot-firer. The blasting produces rocks of various sizes. The type of explosives and detonators used by the shot-firer and the sequence of the initiation is critical to the success of the blasting exercise. Major blasting is usually undertaken once a year under strict safety measures with the authorities supervising and an alarm notification informing the surrounding areas of the blast. Meanwhile, minor blasting is done every month.

(c) Breaking of large boulders

The blasted rock which is too big for crushing, is either blasted again or broken down into smaller sizes with a hydraulic breaker. All these are carried out at the quarry site.

(d) Loading and hauling

The blasted and broken stones are then loaded by hydraulic excavators or wheel loaders into dump trucks and fed into Britestone's primary crushing plant located at the quarry site.

(e) Primary crushing and screening

The primary crusher crushes the blasted rocks and the crushed rocks are then screened twice through a primary and secondary screener to produce final products of mainly 6" x 9" limestone rocks. The remaining products include 1" and 2" limestone chips, and quarry dust, which we sell off as by-products.

The primary crushing process involves the following stages:

- Rocks from the quarry site are unloaded at the crusher plant into a vibrating feeder;
- The vibrating feeder then conveys the rocks to the primary crusher (jaw crusher) for crushing;
- Crushed blocks are then transferred by a conveyor belt to a primary screener (vibrating screen);

- The primary screener will screen out the crushed stones to 6" x 9" size as final products. The remaining sizes are fed onto another conveyor belt which transports the rocks to a secondary screener; and

- The secondary screener will screen the remaining stones into 1" to 2" sizes and quarry dust as by-products.

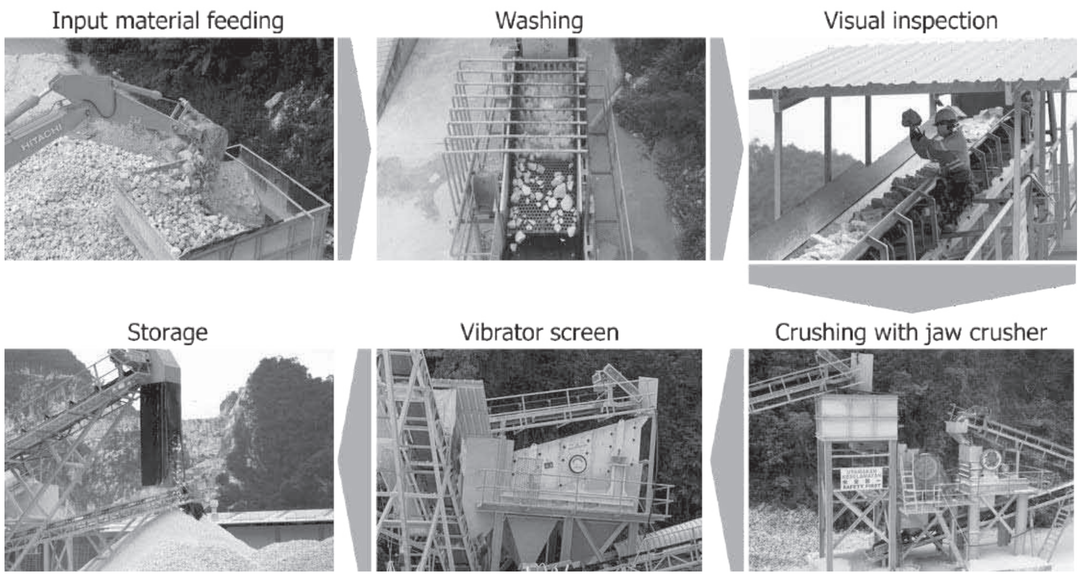
(f) Weighing and recording of outgoing limestones

The final stage involves the loading of the crushed limestones onto lorries for weighing and recording of outgoing limestones from the quarry site. A weighbridge is used to accurately weigh the outgoing limestone. An e-docket system is provided by the state's Land and Mines Department where every transaction is recorded and uploaded online to their system for monthly payment of royalties.

The 6" x 9" limestones are then delivered to Zantat Perak Plant 1 and 2 for secondary crushing as well as Calrock Perak Plant for the production of coarse-grade GCC, while the by-products are sold to external customers. We hire external parties to carry out the delivery of crushed limestones.

7.6.1.2 Secondary crushing process

The secondary crushing process reduces 6" x 9" limestones down to 20mm to 70mm, 10mm to 20mm and less than 10mm sizes. The following diagram depicts the secondary crushing that is undertaken by us at Zantat Perak Plant 2:



(a) Input material feeding

The 6" x 9" limestones stored at our raw material holding area are transported using wheel loaders and fed into a hopper feeder. The 6" x 9" limestone rocks are sourced from our Perak Quarry 1 as well as purchased from external parties. The limestones are fed into a hopper with a vibrating feeder which will be sprayed with water for the first washing to wash out impurities.

(b) Washing and inspection

The limestones are carried on a conveyor belt to a vibrator screen and washed a second time with water sprays supervised by our workers who will visually inspect the rocks and remove those that are impure. Impure rocks can be identified as darker in colour as it is usually embedded with foreign minerals such as iron oxide.

(c) Crushing with jaw crusher

The limestone then passes through a second hopper and vibrating feeder where they are fed into a jaw crusher to be crushed down into smaller sizes.

(d) Vibrator screening

The limestone is screened by a second vibrator screen for filtering according to size. Those that are too big to be filtered through will be conveyed to another jaw crusher to be crushed again until the limestone can be passed through the screen and separated according to size.

(e) Storage

Limestones that are less than 10mm will be conveyed into a powder silo, while those that are between 10mm to 20mm and 20mm to 70mm will be conveyed and separated into two different piles. The 10mm to 20mm limestone chips and aggregates below 10mm are then transported to Calrock Perak Plant to produce coarse-grade uncoated GCC, while the 20mm to 70mm limestone chips are used to produce GCC in our Zantat Perak Plant 1 and 2.

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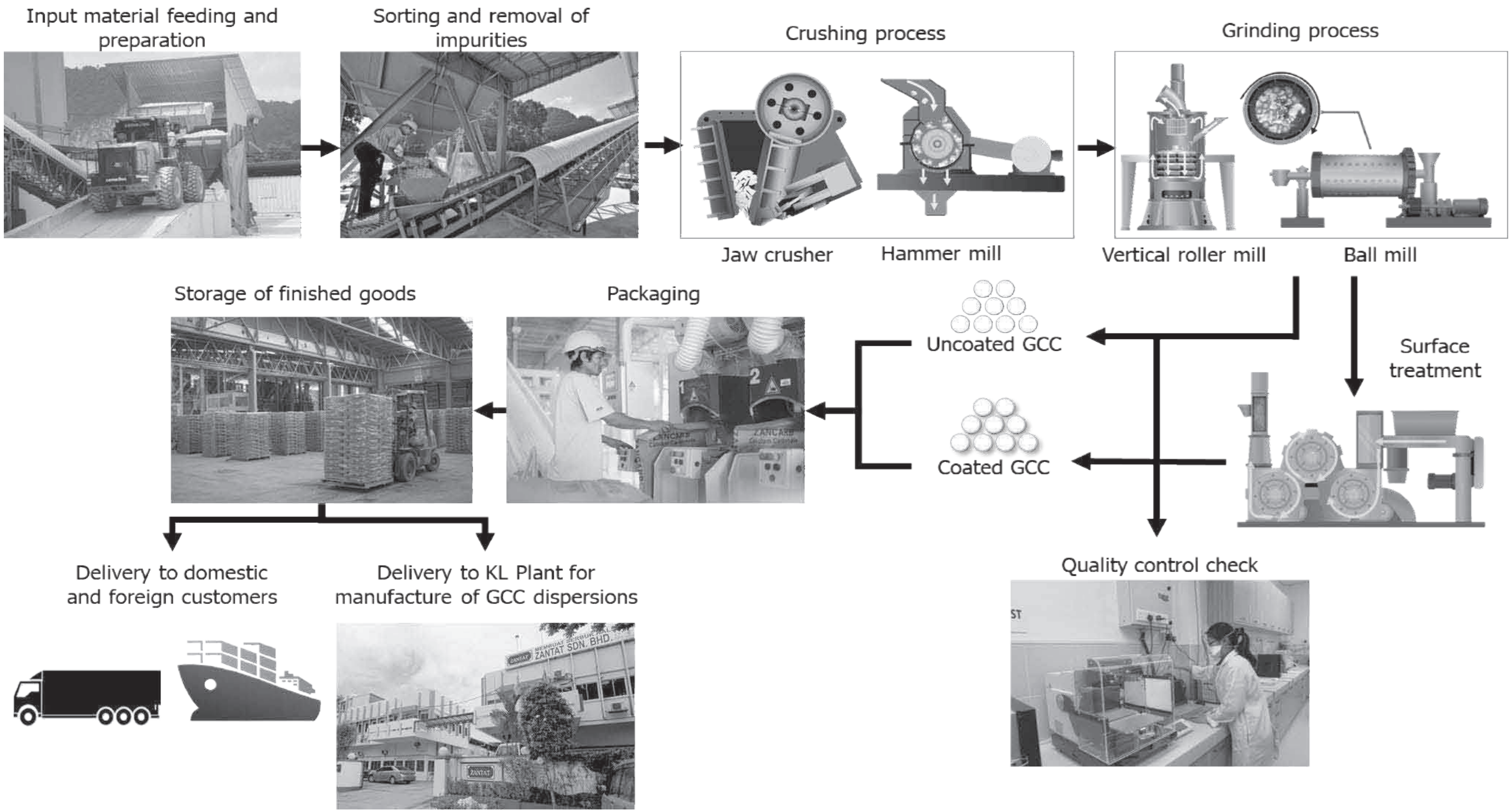
7.6.1.3 Grinding process

The following diagram depicts the process flow of the grinding process to produce GCC at our Perak Plants:



(a) Input material feeding and preparation

Crushed limestones stored at our raw material holding area are transported using wheel loaders and fed into a hopper feeder. For the production of coarse-grade GCC at Calrock Perak Plant, we would use limestones in the size range of 6" x 9", 10mm to 20mm and below 10mm (limestone chips) as input materials to produce uncoated GCC ranging from 200 mesh to 1000 mesh. Meanwhile, for the production of fine to ultrafine grade GCC at Zantat Perak Plants 1 and 2, we would use 20mm to 70mm limestone chips as input materials to produce coated and uncoated GCC. These limestone rocks and chips are sourced from our Group's Perak Quarry 1, as well as purchased from external suppliers.

(b) Sorting and removal of impurities

These limestones are transferred onto a conveyor belt for the first round of visual inspection where our workers will remove the rocks or chips that are impure and not suitable for the production of our GCC. These impure rocks are usually embedded with foreign minerals such as iron oxide and can be identified as it is usually darker in colour. The inspected limestones are then conveyed into a 300-tonne storage hopper. These limestones are then fed onto another conveyor for the second round of visual inspection and removal of impurities.

(c) Crushing process

The 6" x 9" limestone rocks will be fed into a jaw crusher to be crushed down into smaller 2" to 3" limestone chips before it is fed into the hammer mill to be crushed down further. On the other hand, limestone chips of 20 mm to 70 mm are directly fed into a hammer mill to be crushed into aggregates of less than 10 mm in size.

(d) Grinding process

The aggregates are then fed into individual milling machines where they are ground down and classified to the desired fine particle sizes. For this process, we use a vertical roller mill and a ball mill.

(e) Surface treatment

For the production of coated GCC, the powder is blown into a powder surface treatment machine. At the same time, melted and filtered stearic acid is sprayed onto the powder as the powder passes through the machine.

(f) Holding storage and quality check

The final GCC products (coated GCC and uncoated GCC) are then conveyed into a silo to be prepared for packaging. Every 2 hours we will take a sample of the final product from each production line for testing and quality check. We perform various quality checks on our final products including particle size distribution analysis, brightness test, moisture content test, oil absorption test, chemical composition analysis and others. At the same time, machine parameters are also recorded. Each lot is labelled according to the sample taken for future reference. If the sample does not meet our quality check, the respective lot will be labelled, set aside and sold as lower grade product. Once that happens, our factory plant operator will immediately undertake remedial actions that may include readjusting controls of the affected production line. Each pallet is marked with a lot number with samples retained in our quality control department for at least 6 months.

(g) Packaging and storage of finished goods

GCC powder is packed into various packaging, palletised and stored at our warehousing area. We maintain an inventory level of 1 month for our GCC products.

(h) Delivery of goods

Upon receiving purchase orders from our customers, we will arrange for the delivery of goods. For domestic customers, they will be transported by trucks and delivered to customers within 7 days. For foreign customers, they will be transported to Port Klang, Selangor for export which would take approximately 2 weeks to 4 weeks to be delivered to customers. Additionally, Calrock Perak Plant delivers the 700-mesh uncoated GCC to KL Plant for the production of GCC dispersions.

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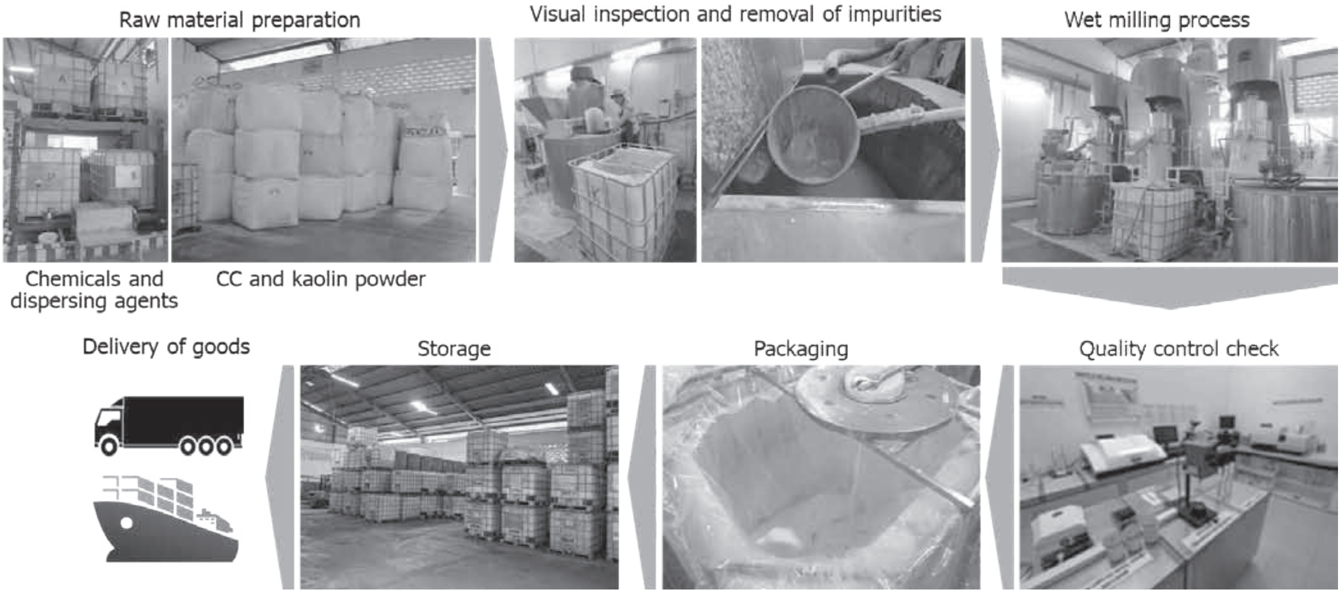
7.6.2 Production of CC and kaolin dispersions

The following diagram depicts the process flow of our production of CC and kaolin dispersions at our KL Plant:



(a) Raw material preparation

Raw materials such as uncoated GCC, PCC or kaolin powder along with various chemical additives, dispersing agents and water are poured into a pre-mixing tank based on our in-house developed formulation.

(b) Visual inspection and removal of impurities

While the mixture is being stirred in the tank, one of our factory workers will visually inspect the tank and remove any impurities. These impurities, such as iron oxide, are treated through our wastewater treatment system.

(c) Wet milling process

After approximately 1 hour of mixing, the mixture is then pumped into the wet milling system. The mixture will go through 2 to 3 rounds of the grinding process where the average particle size will be reduced accordingly. We use a vertical bead mill for the wet milling process.

(d) Holding storage and quality check

The final GCC, PCC and kaolin dispersions are then pumped into a storage tank to be prepared for packaging. Every 2 hours, we will take a sample of the final product from each production line for testing and quality check. At the same time, machine parameters are also recorded. Each lot is labelled according to the sample taken for future reference. If the sample does not meet our quality check, the respective lot will be labelled, set aside and reworked. Once that happens, our factory plant operator will immediately undertake remedial actions including readjusting controls of the affected production line.

(e) Packaging and storage of finished goods

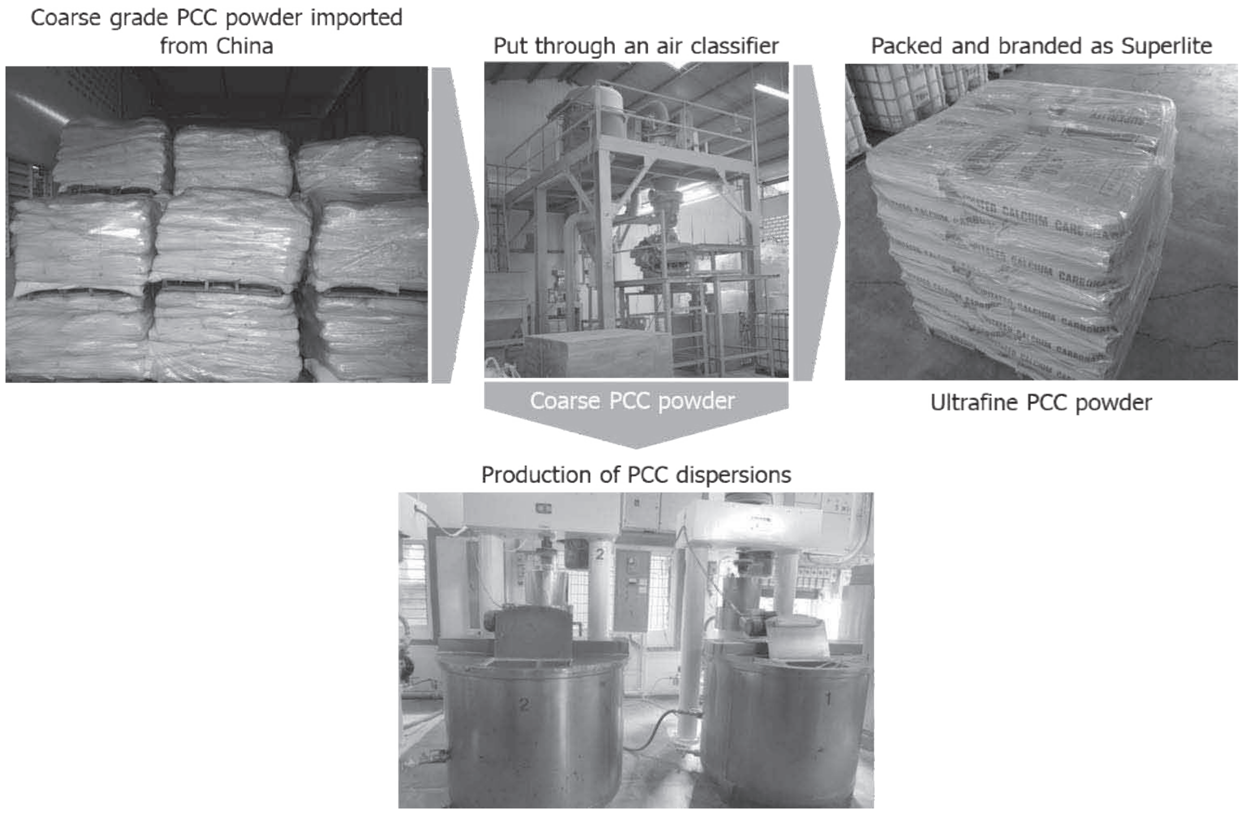
The CC and kaolin dispersions will be pumped into their respective packaging and stored in our warehousing area.

(f) Delivery of goods

Upon receiving purchase orders from our customers, we will arrange for the delivery of goods. For domestic customers in Malaysia as well as neighbouring countries such as Thailand, it will be transported by trucks. For other foreign customers, it will be transported to Port Klang, Selangor for export.

7.6.3 Processing of ultrafine PCC powder

The following diagram depicts the process flow of our processing of ultrafine PCC powder at our Zantat KL Plant:



We purchase PCC powder from China and process it through an air classifier to obtain ultrafine PCC powder. The imported PCC powder that we use has an average particle size of 3 microns. A classification system is a machine that separates the light weight finer particles and heavy coarser particles. The light weight PCC powder or ultrafine PCC powder is then pumped into a silo to be prepared for packaging. The ultrafine PCC powder that is separated will have an average particle size of 2.5 microns. We will take a sample of the final product for testing and quality check to ensure that the desired particle size distribution is achieved. The ultrafine PCC powder is then packaged and sold under the brand "Superlite".

Meanwhile, the heavy coarser PCC powder will be pumped into another silo where we will use it for the production of PCC dispersions.

7.7 BUSINESS SEGMENTS AND PRINCIPAL MARKETS

The breakdown of our revenue by business segments for the FYE 2020, FYE 2021 and FYE 2022 and FPE 2023 is as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
Business segment	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Production of calcium carbonate and kaolin	**104,405**	**97.4**	**116,099**	**97.2**	**109,344**	**96.7**	**88,431**	**97.1**
- GCC	88,496	82.6	98,795	82.7	94,353	83.5	79,236	87.0
- CC dispersion	14,820	13.8	14,909	12.5	13,387	11.8	8,178	9.0
- Kaolin dispersion	1,089	1.0	2,395	2.0	1,604	1.4	1,017	1.1
Other business activities	**2,804**	**2.6**	**3,365**	**2.8**	**3,679**	**3.3**	**2,658**	**2.9**
- Processing of ultrafine PCC powder	1,568	1.5	1,741	1.5	2,274	2.0	1,678	1.8
- Trading of other industrial minerals	817	0.8	1,170	1.0	1,232	1.1	586	0.6
- Sales of limestone quarry product	419	0.3	454	0.3	173	0.2	394	0.4
Total revenue	**107,209**	**100.0**	**119,464**	**100.0**	**113,023**	**100.0**	**91,089**	**100.0**

The breakdown of our revenue by geographical locations for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 is as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
Geographical location	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Local								
Malaysia	30,763	28.7	32,867	27.5	35,130	31.1	29,043	31.9
Foreign								
India	67,053	62.5	75,489	63.2	67,395	59.6	54,228	59.5
Other countries	9,393[(1)]	8.8	11,108[(2)]	9.3	10,498[(3)]	9.3	7,818[(4)]	8.6
Total revenue	**107,209**	**100.0**	**119,464**	**100.0**	**113,023**	**100.0**	**91,089**	**100.0**

Notes:

(1) Includes Australia, Thailand, Indonesia, Philippines, Sri Lanka, Greater China, Papua New Guinea, Singapore, Vietnam, Oman, Nepal, and South Korea.

(2) Includes Thailand, Indonesia, Philippines, Australia, Sri Lanka, Nepal, Greater China, Singapore, Papua New Guinea, Vietnam, Oman and Fiji.

(3) Includes Indonesia, Philippines, Australia, Sri Lanka, Thailand, Nepal, Vietnam, Cambodia, Singapore, Papua New Guinea, Fiji, Egypt, Hong Kong, Taiwan and Brunei.

(4) Includes Philippines, Vietnam, Sri Lanka, Indonesia, Thailand, Australia, Nepal, Singapore, Egypt, Cambodia, Papua New Guinea, Fiji, and Greater China.

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7.8 SALES AND MARKETING STRATEGIES

7.8.1 Marketing strategy

Our sales and marketing team adopts the following marketing approaches to sustain and expand our business:

- Position ourselves as an established producer of calcium carbonate products namely GCC and CC dispersions;
- Work closely with existing and potential customers to ensure their requirements are satisfactorily met, to strengthen and develop a continuing business relationship with customers;
- Continually providing the highest quality of products to establish our reliability as a producer of GCC and CC dispersions, thus creating customer loyalty and dependency; and
- Keeping up-to-date with new machinery, production methods and technologies to stay ahead of the competition as well as to better meet the needs and requirements of existing and potential customers.

Some of the marketing activities that we have undertaken include:

- Proactive sales visit to existing and potential customers;
- Organising site visits to our production plants and limestone reserves;
- Updating our social media and website which is a platform for potential customers to obtain information about our products and services; and
- Participate and attend industry exhibitions and conventions to cultivate new customers and foster relationships with existing customers.

As at LPD, we have a team of 4 sales and marketing personnel focusing on sales, marketing and business development functions. The team is led by our Managing Director / Chief Executive Officer, Chan Bin Iuan.

In addition, we also engage third parties to assist in sales and marketing, and facilitating sales in foreign markets including India and the Philippines, as follows:

Markets covered	Agent / Sales facilitators	Products covered	Responsibilities	Start date
India	Nishant Choradia and Naveen Bohra	Zancarb and Zanelite series	Identifying, introducing and recommending prospective customers, negotiation on sales value and coordination of logistics and handling of our products(1)	January 2017
The Philippines	Glycoflex Marketing Incorporated	All products	Marketing, promoting and soliciting sales of our products(2)	May 2021

Notes:

(1) Our sales facilitators are compensated with handling charges as well as share of the difference between the agreed minimum sales value and the actual sales value negotiated.

(2) Our agent is compensated with a commission fee based on an agreed percentage of sales initiated.

For the financial years / period under review and up to LPD, we only engaged 2 sales facilitators in India, namely Nishant Choradia and Naveen Bohra. Our sales and marketing agreement is between us and both of them collectively. As such, they are collectively responsible to service all of our customers in India, and we are dependent on them to service all our customers in India. In the event of termination of the facilitators' services, we could either set-up our own sales and support team in India or engage another alternative sales facilitator to represent us in India. Nevertheless, it would require time for our new sales and support team or new sales facilitators to efficiently perform the services provided by the previous sales facilitators. This transition period may temporarily disrupt our businesses in India. It should be noted that our current sales facilitators are not involved in the invoicing and payment collections as we deal with our customers directly. The engagement of sales facilitators in India is not a market norm to conduct business in India. It is our business decision to engage the sales facilitators to provide local representation for our business in India. This enables us to leverage on their network to market our products and provide support and customer services. Potential and existing customers in India will either approach us directly or through our sales facilitators. If the potential or existing customers approach us directly, we will inform our sales facilitators to liaise with them. Our sales facilitators are compensated with handling charges as well as share of the difference between the agreed minimum sales value and the actual sales value negotiated. We have been dealing with our sales facilitators since 2012 and we formalised our arrangements via an agreement with them in January 2017.

Together with our agent and sales facilitators, we will discuss with customers to understand their specifications and requirement of our products before securing the purchase orders. Our agent and sales facilitators are not involved in invoicing and payment collection as we will deal with the customers directly.

As part of our marketing strategy to raise our profile, particularly in foreign markets, we have participated in exhibitions in related areas. Some of these events that we have participated since 2020 and up to LPD are listed below:

Year	Name of event	Location	Nature of participation
2020	Plastivision 2020	Mumbai, India	Exhibitor
2023	Plastindia 2023	New Delhi, India	Exhibitor
2023	Malaysia International Machinery Fair (MIMF) 2023	Kuala Lumpur, Malaysia	Exhibitor
2023	T-Plas 2023	Bangkok, Thailand	Exhibitor
2023	Plastics & Rubber Indonesia 2023	Jakarta, Indonesia	Exhibitor

7.9 TECHNOLOGY USED OR TO BE USED

7.9.1 Policy on R&D

Our R&D policies are as follows:

(a) For our calcium carbonate products (coated and uncoated GCC, and GCC and PCC dispersions) our R&D is to focus on improving existing and developing new products to meet the technical requirements and formulation of end-user industries.

The focus of our research will be on new applications combined with processes and equipment to achieve the technical specification requirements of end-user industries.

Technical requirements will focus on working with potential customers on their requirements for particle size, purity as well as formulation when using our calcium carbonate products.

Technical requirements for dispersions such as GCC dispersion and PCC dispersion, we would require to carry research on the type of liquid used, either water or solvents, to serve as the suspension medium for the GCC or PCC particles as well as required additives to achieve certain characteristic such as dispersing agent to ensure homogenisation of the particles in the solution.

For PCC dispersions, research will also include requirements for specific particle shapes (morphologies) such as triangular, hexagonal and needle shapes. While we do not produce PCC, we would still require to provide the technical specifications relevant to the specific industry to our PCC supplier.

Research on processes will include, among others, grinding techniques for GCC and for dispersions, storing time, particle concentration and stirring speed to achieve optimum effect.

(b) For our kaolin dispersion, our R&D is currently focused on meeting the technical requirements as well as helping in the formulation of synthetic rubber glove manufacturers. Moving forward, R&D will be focused on increasing the filler percentage in synthetic rubber glove applications.

(c) Our research is focused on:

(i) materials in terms of particle size and purity level;
(ii) sources for these materials including our own leased limestone reserves as well as external suppliers;
(iii) requirements for different applications and industries;
(iv) specialised equipment required to achieve certain technical specifications such as GCC particle size; and
(v) working with end-users in determining technical specifications as well as the end-users' product formulation using our calcium carbonate and kaolin products.

(d) The development will be for new or enhanced products for existing or new applications across different industries.

(e) As at LPD, our R&D also involves bioplastic compounding. This is part of our venture into the value-adding of our calcium carbonate products for downstream activities where our calcium carbonate is used in the formulation of a biodegradable plastic compound.

The R&D involved will include new machinery and equipment, formulation of biodegradable polymer with calcium carbonate, as well as additives and pigments.

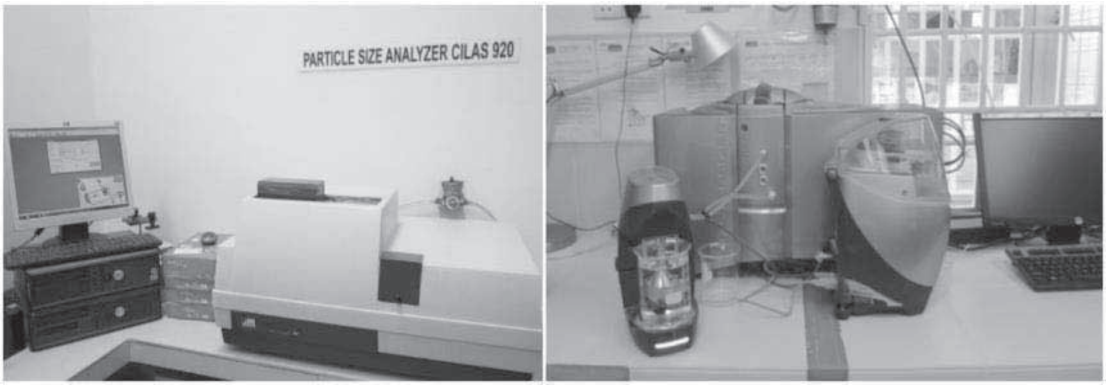
Although we carry out R&D, we did not recognise nor capture any expenditure for R&D activities for FYE 2020 and FYE 2021. We have begun capturing R&D expenses in FYE 2022 totalling RM0.2 million and FPE 2023 totalling RM0.2 million, particularly materials for bioplastic compounding activities.

7.9.2 Technology used

Our Group relies on the technology embedded in our machinery as set out in Section 6.9.4 of this Prospectus for the production of GCC, CC dispersions and kaolin dispersions as well as the processing of ultrafine PCC powder.

Our Group relies on some of the following testing equipment in our **quality control process** to ensure our calcium carbonate products meet quality standards and expectations:

Particle size analyser
To analyse particle size distribution for our calcium carbonate products

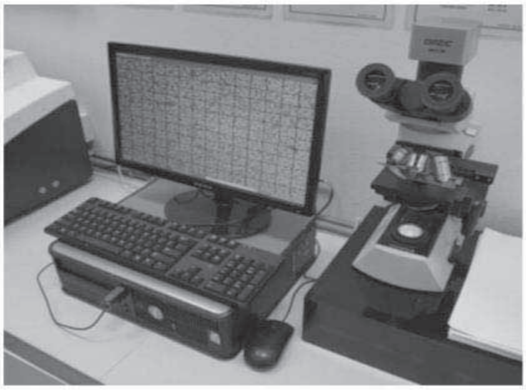


Chamber furnace
To measure coating percentage of our coated GCC

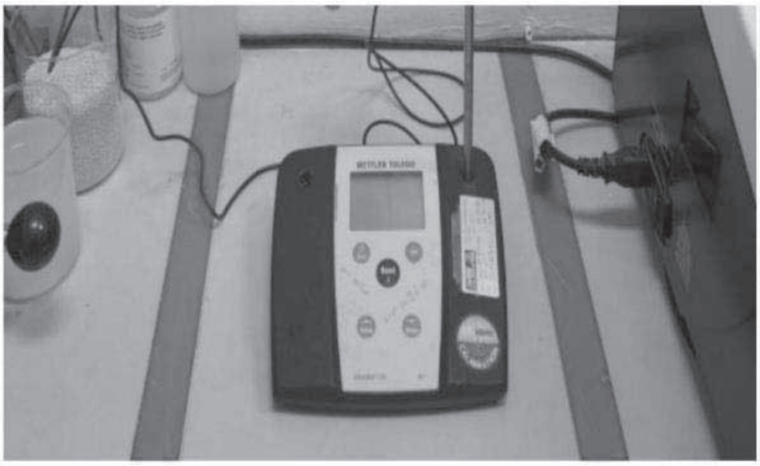
Gloss meter
To measure whiteness

Moisture analyser
To measure moisture content and ratio of moisture to total solid content our CC dispersions

Particle image processer
To analyse and observe the particle shape and status of dispersion of our CC dispersions

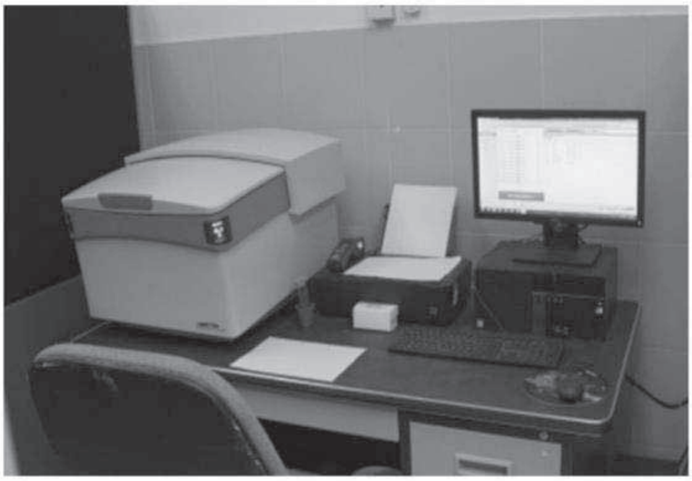


pH meter
To measure pH value of our CC dispersions

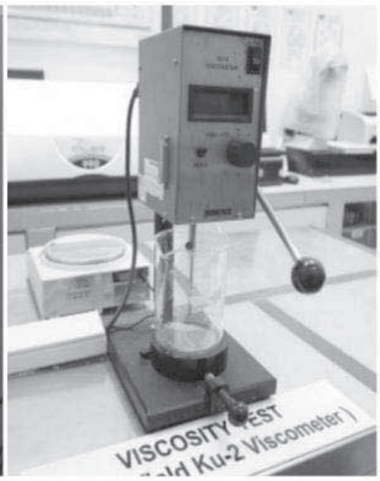


Drying oven
To measure total solid content

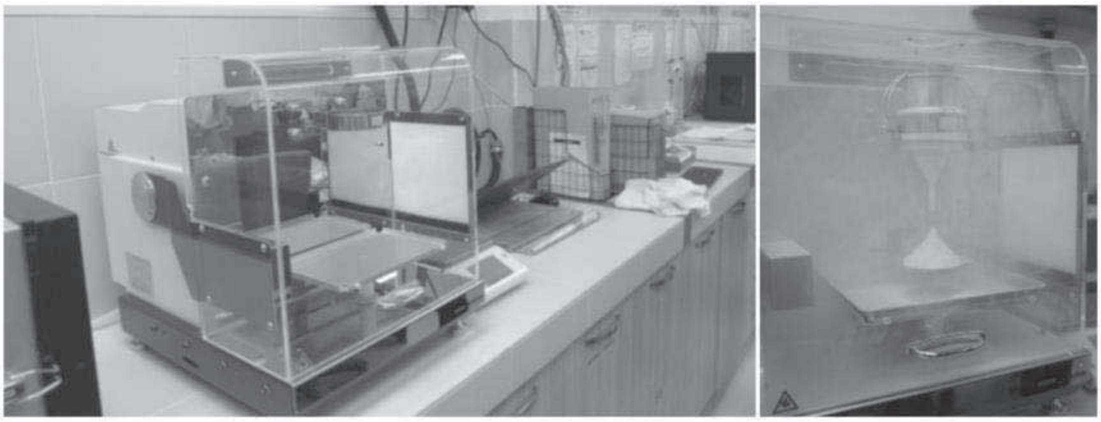
X-ray spectrometer
To analyse the chemical composition of calcium carbonate products



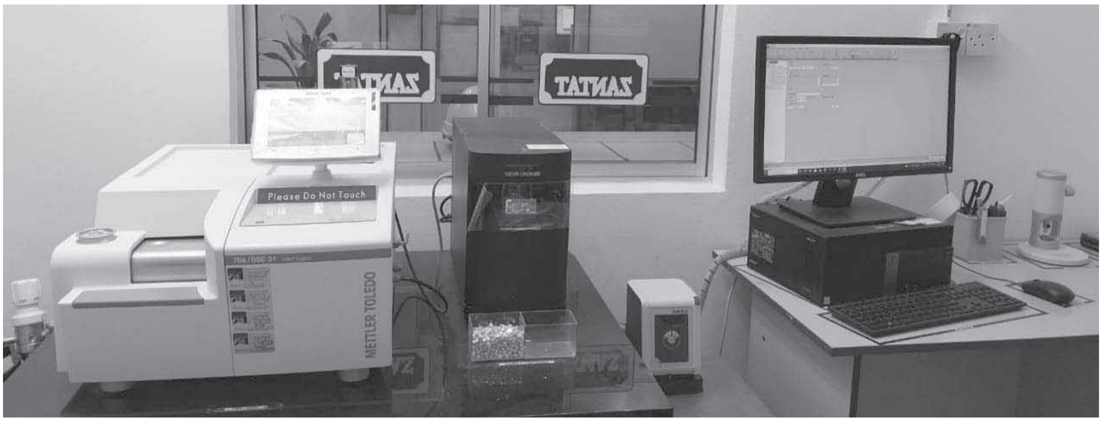
Viscometer
To measure viscosity



Powder characteristic tester
To analyse flowability and floodability of our calcium carbonate powder

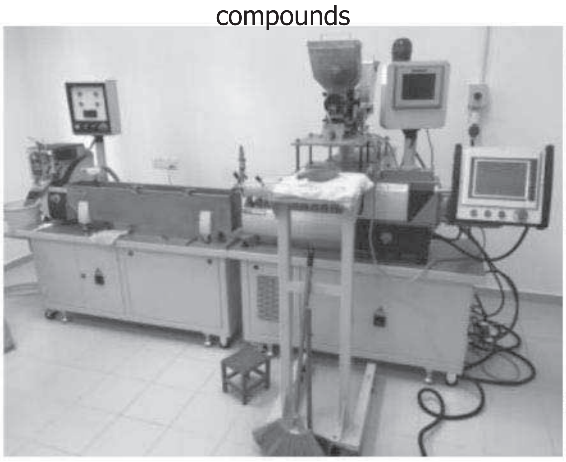


DSC-TGA Thermal analysis system
To measure heat flow and weight changes in a material as a function of temperature or time under controlled atmosphere



Our Group also relies on some of the following equipment for the **development and commercialisation** of new GCC products and bioplastic compounds:

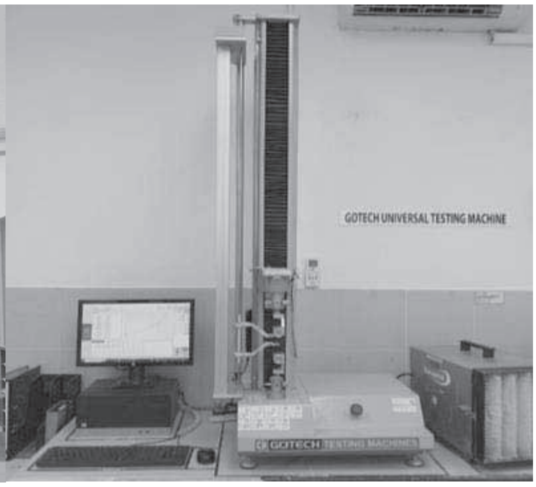
Twin screw extruder with pelletiser
To produce plastic masterbatch and compounds



Filter pressure value tester
To measure filter pressure value of plastic masterbatch and compounds

Single layer blown film machine
To produce single layer blown film from bioplastic compounds

Tensile strength testing machine
To test the tensile strength of blown film



The twin screw extruder with pelletiser enables us to produce samples of plastic masterbatch and compounds using our GCC products to conduct testing and proof-of-concept for our customers. Currently, we have a filter pressure value tester to measure the filter pressure value (**"FPV"**) and a melt flow index tester to measure the viscosity of plastic masterbatch and compounds. For other tests required by customers such as screen mesh failure, fatty acid purity and odour analysis, we would send the samples to external laboratories or to our customers' laboratories for testing. We also utilise this twin-screw extruder with pelletiser for the development of our bioplastic compounds.

The single layer blown film machine enables us to produce samples using our bioplastic compounds to conduct testing and proof-of-concept for our customers. Currently, we have a tensile strength testing machine to measure the tensile strength and tear resistance of blown film. For other tests required by potential customers such as dart drop impact test, tear test and contaminant analysis, we would send the samples to external laboratories for testing.

For existing customers, these tests are typically required to enable them to standardise quality control to improve product quality, while for potential customers, these tests are required to provide proof-of-concept which meets their desired specifications and requirements.

Moving forward, we intend to purchase additional testing equipment to conduct some of the testing internally for the development and commercialisation of ultrafine-grade GCC products under our "Zanelite" series, and 3 bioplastic compounds. Please refer to Section 7.18 of this Prospectus for further details on our plans.

7.10 INTERRUPTIONS IN BUSINESS

Save for the impact of COVID-19 on our business, we did not experience any material interruptions in our business activities, which had a significant effect on our operations, during the FYE 2020 to 2022, FPE 2023 and up to LPD.

7.10.1 Impact of COVID-19

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of COVID-19 in the country, commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities. As a result, we have experienced interruptions to our business due to the various imposition of MCO by the Government.

(a) Various MCO measures in 2020

MCO 1.0

The first MCO (MCO 1.0) was implemented from 18 March 2020 to 3 May 2020 which saw the closure of all businesses except for those classified as "essential services" during that period, or those that have received written approval from the MITI.

During the MCO 1 period, our business operations were temporarily suspended. All our management and administrative staff worked from home following constraints imposed for MCO 1. We also notified our customers about the temporary suspension of our business operations and the delay in the delivery of orders due to the constraints during the period. We noted that this was a temporary situation and took steps to submit applications to MITI for the resumption of our business operations.

We received the MITI approval letters on 31 March 2020, 16 April 2020 and 21 April 2020 for KL Plant, Zantat Perak Plant 1 and 2 and Calrock Perak Plant, respectively, and resumed our operations with 50% workforce capacity. On 29 April 2020, we received approval from MITI to increase our workforce capacity to 70% for all four plants.

Conditional MCO (CMCO) and Recovery MCO (RMCO)

Subsequently, as the number of daily and active COVID-19 cases came down, the Government relaxed the country's restrictions and allowed the nation's economy to reopen in a controlled manner. From 4 May 2020 up to 12 January 2021, the MCO went through various phases throughout the country including CMCO and RMCO where restrictions were either relaxed and/or tightened for certain states, districts and/or locations based on the number of daily and active COVID-19 cases in the respective areas.

Throughout the CMCO and RMCO period, we were allowed to continue our business operations with 70% and from 1 July 2020 onwards, up to 100% workforce capacity according to specified guidelines and SOP. We continued our operations with a workforce capacity of 60% to 90% during this period.

(b) Various MCO measures in 2021

Reimposition of the MCO (MCO 2.0 and MCO 3.0), CMCO and RMCO

As the number of daily COVID-19 cases started to rise towards the end of 2020, the Government re-imposed the MCO, namely MCO 2.0, in several states. The MCO 2.0 was implemented on 13 January 2021 and subsequently, transitioned to CMCO or RMCO depending on the state. We decreased our workforce capacity from 60% to 87% for our three plants.

Subsequently, following increases in the number of new COVID-19 cases, the third MCO (MCO 3.0) was re-imposed in Kelantan from 16 April 2021, followed by 6 districts in Selangor which started from 6 May 2021 as well as Kuala Lumpur and several districts and mukim in Terengganu, Johor and Perak from 7 May 2021. On 10 May 2021, the Government announced a nationwide MCO 3.0 from 12 May 2021 until 7 June 2021. During this period, all businesses were allowed to operate, however with workforce quota restrictions where only 30% of employees in the top management group are allowed to be in the office.

Our business operations were not affected as we were allowed to operate during these periods. Our subsidiaries received written approval to operate from the MITI and continued to operate according to specified guidelines and SOP.

MCO measures under the NRP in 2021

On 28 May 2021, the Government announced the imposition of a nationwide full MCO commencing from 1 June 2021 throughout Malaysia. All sectors were not allowed to operate during this period except for those in the essential economic and service sectors, including manufacturers of packaging and printing materials. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural, and recreational activities.

Subsequently, on 15 June 2021, the Government announced the National Recovery Plan (NRP), a phased exit strategy from the COVID-19 crisis and the MCO which will be enacted from June to December 2021. The NRP consists of 4 phases including Phase 1 FMCO which commenced on 1 June 2021 as mentioned above.

All our plants obtained their MITI approval letters on 31 May 2021 and continued to operate during these periods however with a 60% workforce capacity.

Capacity based on vaccination rate

Effective 16 August 2021, the Government allowed all manufacturing sector companies that are listed as essential services in the NRP Phase 1 to increase their capacity of workers on-site based on the rate of fully vaccinated workers. Companies are also required to conduct swab tests every 2 weeks. Zantat Perak Plant 1 and 2, Calrock Perak Plant, and KL Plant began operating fully by 30 August 2021, 1 September 2021, and 18 October 2021, respectively, upon achieving a more than 80% rate of vaccinated employees.

(c) Transition into the endemic phase in 2022

On 1 April 2022, Malaysia began its transition into the endemic phase, and we continued to operate at full workforce capacity according to Government SOP and guidelines.

7.10.2 Impact on our business and financial performance

(a) FYE 2020

As a result of the implementation of MCO by the Government, our business operations were temporarily suspended from 18 March 2020 up to 21 April 2020 which resulted in delays in the fulfilment of orders to our customers. Our financial performance was impacted due to the closure of our business operations in March 2020 and partial closure in April 2020.

As such, the financial impact resulting from the MCO was reflected in the second quarter of FYE 2020 as summarised in the table below:

	Quarter 1 FYE 2020	**Quarter 2 FYE 2020**	**Quarter 3 FYE 2020**	**Quarter 4 FYE 2020**
	(January 2020 to March 2020)	*(April 2020 to June 2020)*	*(July 2020 to September 2020)*	*(October 2020 to December 2020)*
Revenue (RM'000)	28,732	19,055	30,251	29,171
Quarter-on-quarter change (%)	19.0%	-33.7%	58.8%	-3.6%

Our Group's revenue declined by 33.7% in the second quarter of FYE 2020 compared to the previous quarter due to the closure of our business operations from 18 March 2020 up to 21 April 2020. Our revenue declined from RM11.4 million in February 2020 to RM6.5 million in March 2020 and RM4.6 million in April 2020.

Upon resumption of business operations on 22 April 2020, we received an increase in orders from our customers to make up for lost time which increased revenue. This is reflected in the improvement in our Group's revenue in the third quarter of FYE 2020 by 58.8% compared to the previous quarter.

(b) FYE 2021

Despite the implementation of phase 1 under the NRP, as an "essential services" provider, we continued our business operations from 1 June 2021. Although we were able to continue our operations, our sales volume was impacted due to the COVID-19 outbreak in India coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

As such, the financial impact was reflected in the second quarter of FYE 2021 as summarised in the table below:

	Quarter1 FYE 2021	**Quarter 2 FYE 2021**	**Quarter 3 FYE 2021**	**Quarter 4 FYE 2021**
	(January 2021 to March 2021)	*(April 2021 to June 2021)*	*(July 2021 to September 2021)*	*(October 2021 to December 2021)*
Revenue (RM'000)	37,987	26,481	26,506	28,490
Quarter-on-quarter change (%)	30.2%	-30.3%	0.1%	7.5%

Our Group's revenue declined by 30.3% mainly due to a decrease in sales to India as there was a lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021.

(c) FYE 2022

In FYE 2022, our business continued to operate at full workforce capacity according to Government's guidelines. Although we were able to continue our operations, however, our sales volume was impacted due to the increased sea freight rates which deterred some of our customers in India from importing from Malaysia. As such, the financial impact was reflected in the second quarter of FYE 2022 as summarised in the table below: The changes in our revenue are summarised below:

	Quarter 1 FYE 2022	**Quarter 2 FYE 2022**	**Quarter 3 FYE 2022**	**Quarter 4 FYE 2022**
	(January 2022 to March 2022)	*(April 2022 to June 2022)*	*(July 2022 to September 2022)*	*(October 2022 to December 2022)*
Revenue (RM'000)	29,982	23,678	29,741	29,622
Quarter-on-quarter change (%)	5.2	-21.0	25.6	-0.4

Our Group's revenue declined by 21.0% due to lower sales orders for coated GCC from our customers in India mainly due to the increased sea freight rates in the first half of 2022 which deterred some of our customers in India from importing from Malaysia. Nevertheless, our revenue recovered and increased by 25.6% in the third quarter of 2022 attributed mainly to the increase in sales volume to India as demand from customers increased as sea freight rates was decreasing in the second half of 2022.

(d) FPE 2023

In FPE 2023, our business continued to operate at full workforce capacity according to Government's guidelines and there was no impact due to COVID-19. Our Group's revenue increased by 9.8% or RM8.1 million from RM83.0 million in FPE 2022 to RM91.1 million in FPE 2023 mainly due to the increase in demand and sales volume for our GCC products.

7.10.3 Impact on our supply chain

During the MCO, FMCO, EMCO and NRP periods, our supply chain was, to a certain extent, affected due to the containment measures imposed by the Government. Nevertheless, the impact was not material as we typically keep an estimated monthly stock of our input materials for our manufacturing operations.

7.10.4 Impact on our business and earnings prospects

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 the economy in Malaysia and India. In 2023, the Malaysian economy achieved a real GDP growth of 3.7% while the real GDP of the Indian economy is projected to grow by 7.3% in 2023/24. (*Source: IMR Report)*

7.11 SEASONALITY

We do not experience any material seasonality in our business operations.

7.12 MAJOR CUSTOMERS

Our Group's revenue from customers varies from year to year depending on the units of products sold to its customers. Our top 5 major customers for each FYE 2020 to FYE 2022 and FPE 2023 are as follows:

FYE 2020

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution RM'000	%	[(1)]Length of relationship Years
1.	Alok Group[(2)]	India	Manufacture plastic masterbatch	Coated GCC	19,372	18.1	7
2.	Sonali Group[(3)]	India	Manufacture plastic masterbatch	Coated GCC	6,986	6.5	8
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	5,778	5.4	8
4.	Plastiblends India Ltd[(4)]	India	Manufacture plastic masterbatch	Coated GCC	4,363	4.1	8
5.	Linachem Sdn Bhd	Malaysia	Trading of chemical and chemical additives	GCC, PCC and kaolin dispersion	3,595	3.4	17
					40,094	**37.4**	

FYE 2021

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution RM'000	%	[(1)]Length of relationship Years
1.	Alok Group[(2)]	India	Manufacture plastic masterbatch	Coated GCC	24,884	20.8	8
2.	Sonali Group[(3)]	India	Manufacture plastic masterbatch	Coated GCC	11,586	9.7	9
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	6,671	5.6	9
4.	Plastiblends India Ltd[(4)]	India	Manufacture plastic masterbatch	Coated GCC	5,585	4.7	9
5.	Linachem Sdn Bhd	Malaysia	Trading of chemical and chemical additives	GCC, PCC and kaolin dispersion	3,616	3.0	18
					52,342	**43.8**	

FYE 2022

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution RM'000	%	[1]Length of relationship Years
1.	Alok Group[2]	India	Manufacture plastic masterbatch	Coated GCC	22,770	20.1	9
2.	Sonali Group[3]	India	Manufacture plastic masterbatch	Coated GCC	13,932	12.3	10
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	7,113	6.3	10
4.	Plastiblends India Ltd[4]	India	Manufacture plastic masterbatch	Coated GCC	5,490	4.9	10
5.	Linachem Sdn Bhd	Malaysia	Trading of chemical and chemical additives	GCC, PCC and kaolin dispersion	3,691	3.3	19
					52,996	**46.9**	

FPE 2023

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution RM'000	%	[1]Length of relationship Years
1.	Alok Group[2]	India	Manufacture plastic masterbatch	Coated GCC	19,533	21.4	10
2.	Sonali Group[3]	India	Manufacture plastic masterbatch	Coated GCC	10,980	12.1	11
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	6,857	7.5	11
4.	Plastiblends India Ltd[4]	India	Manufacture plastic masterbatch	Coated GCC	2,589	2.8	11
5.	Petrotech Products India Pvt Ltd	India	Manufacture and trading of plastic granules and chemicals	Coated GCC	1,685	1.8	11
					41,644	**45.7**	

Notes:

(1) The length of the business relationship is determined at each respective FYE / FPE.

(2) Alok Group consists of Alok Master Batches Private Limited and Alok Industries (a partnership). Alok Industries is related to Alok Master Batches Private Limited by virtue of the fact that the partners of Alok Industries, namely Krishan Lal Puri and Chandrapal Singh Bhadauria, are directors of Alok Master Batches Private Limited and one of the partners of Alok Industries, namely Chandrapal Singh Bhadauria holds more than 5% of the equity shares in Alok Master Batches Private Limited. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our revenue contributed by Alok Group comprised the following:

	FYE 2020		**FYE 2021**		**FYE 2022**		**FPE 2023**	
Alok Group	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Alok Master Batches Private Limited	13,421	12.5	17,087	14.3	16,076	14.2	13,466	14.8
Alok Industries	5,951	5.6	7,797	6.5	6,694	5.9	6,067	6.7
Total	**19,372**	**18.1**	**24,884**	**20.8**	**22,770**	**20.1**	**19,533**	**21.4**

(3) Sonali Group consists of Sonali Polyplast Pvt Ltd and its holding company, Sonali Polymers Pvt Ltd. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our revenue contributed by Sonali Group comprised the following:

	FYE 2020		**FYE 2021**		**FYE 2022**		**FPE 2023**	
Sonali Group	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sonali Polyplast Pvt Ltd	4,322	4.0	9,455	7.9	10,728	9.5	7,466	8.2
Sonali Polymers Pvt Ltd	2,664	2.5	2,131	1.8	3,204	2.8	3,514	3.9
Total	**6,986**	**6.5**	**11,586**	**9.7**	**13,932**	**12.3**	**10,980**	**12.1**

(4) Plastiblends India Ltd is a listed company on the National Stock Exchange of India Limited and India BSE Limited.

We are dependent on Alok Group and Sonali Group due to their contribution to our revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 which collectively accounted for 24.6%, 30.5%, 32.4% and 33.5%, respectively.

7. BUSINESS OVERVIEW *(Cont'd)*

Revenue generated from Alok Group accounted for 18.1%, 20.8%, 20.1% and 21.4% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. As at LPD, Alok Group has been our customer for 11 years. Alok Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Alok Group for the manufacture of plastic masterbatch.

Revenue contributed by Sonali Group accounted for 6.5%, 9.7%, 12.3% and 12.1% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. As at LPD, Sonali Group has been our customer for 12 years. Sonali Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Sonali Group for the manufacture of plastic masterbatch.

To reduce customer dependency, we aim to diversify our portfolio of products with the commencement of bioplastic compounding activities as well as conduct R&D to develop new product applications for our calcium carbonate products. This would enable us to enlarge our target market and customer base, thus reducing customer dependency. Additionally, as India is Malaysia's largest export market for calcium carbonate (Source: IMR Report) and there is acceptable demand from other customers in India for our GCC products, we expect to be able to replace the loss of business in the event of termination of our business relationship with either of them.

Our customer base comprises approximately 350, 340, 320 and 315 customers in FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. The decrease in customer base was mainly due to the loss of some export customers during the period when sea freight rates were at their peak. Despite the decrease in customer base, our average revenue per customer increased by 14.7% from approximately RM0.3 million per customer in FYE 2020 to RM0.4 million in FYE 2021 and FYE 2022, respectively. In FPE 2023, our average revenue per customer decreased to RM0.3 million.

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7.13 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

7.13.1 Purchases and sources of materials

The following are the major types of input materials that we purchased for our business operations for FYE 2020 to FYE 2022 and FPE 2023:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Production and processing operations	**30,571**	**98.0**	**32,032**	**97.8**	**33,399**	**97.9**	**28,015**	**99.2**
Input materials	20,621	66.1	22,439	68.5	22,692	66.5	17,095	60.5
- Minerals[(1)]	11,280	36.2	11,880	36.3	11,526	33.8	7,883	27.9
- Chemicals	9,341	29.9	10,559	32.2	10,909	32.0	9,212	32.6
- Resin	-	-	-	-	257	0.7	-	-
Packaging materials	8,437	27.0	8,385	25.6	9,593	28.1	10,356	36.7
Consumables and spare parts[(2)]	1,513	4.9	1,208	3.7	1,114	3.3	564	2.0
Trading operations	**611**	**2.0**	**705**	**2.2**	**723**	**2.1**	**229**	**0.8**
Materials[(3)]	611	2.0	705	2.2	723	2.1	229	0.8
Total purchases	**31,182**	**100.0**	**32,737**	**100.0**	**34,122**	**100.0**	**28,244**	**100.0**

Notes:

(1) Include limestone rocks and chips, as well as PCC and kaolin powder.

(2) Include machinery spare parts, and grinding aids.

(3) Mainly talcum powder.

7. BUSINESS OVERVIEW *(Cont'd)*

The following is the breakdown of our materials and services based on local and foreign purchases for the FYE 2020 to FYE 2022 and FPE 2023:

	Main source country	FYE 2020			FYE 2021			FYE 2022		
		Purchases	**Local**	**Imported**	**Purchases**	**Local**	**Imported**	**Purchases**	**Local**	**Imported**
		RM'000	**%**	**%**	**RM'000**	**%**	**%**	**RM'000**	**%**	**%**
Production and processing operations		**30,571**	**82.4**	**17.6**	**32,032**	**81.5**	**18.5**	**33,399**	**80.5**	**19.5**
Input materials		20,621	80.5	19.5	22,439	77.6	22.4	22,692	75.5	24.5
- Minerals	Malaysia and China	11,280	65.6	34.4	11,880	57.7	42.3	11,526	54.0	46.0
- Chemicals	Malaysia and China	9,341	98.4	1.6	10,559	100.0	0.0	10,909	100.0	0.0
- Resin	China	-	-	-	-	-	-	257	-	100.0
Packaging materials	Malaysia	8,437	100.0	0.0	8,385	100.0	0.0	9,593	99.9	0.1
Consumables and spare parts	China	1,513	9.8	90.2	1,208	24.5	75.5	1,114	15.3	84.7
Trading operations		**611**	**89.9**	**10.1**	**705**	**17.7**	**82.3**	**723**	**15.5**	**84.5**
Materials	Malaysia and China	611	89.9	10.1	705	17.7	82.3	723	15.5	84.5
Total purchases		**31,182**	**82.5**	**17.5**	**32,737**	**80.1**	**19.9**	**34,122**	**79.1**	**20.9**

	Main source country	FPE 2023		
		Purchases	**Local**	**Imported**
		RM'000	**%**	**%**
Production and processing operations		**28,015**	**95.6**	**4.4**
Input materials		17,095	94.5	5.5
- Minerals	Malaysia and China	7,883	88.0	12.0
- Chemicals	Malaysia and China	9,212	100.0	0.0
- Resin	China	-	-	-
Packaging materials	Malaysia	10,356	100.0	0.0
Consumables and spare parts	China	564	49.6	50.4
Trading operations		**229**	**58.1**	**41.9**
Materials	Malaysia and China	229	58.1	41.9
Total purchases		**28,244**	**95.3**	**4.7**

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

- **Minerals:** The key raw materials for our production and processing of calcium carbonate products are limestone rocks and chips and PCC powder, and kaolin powder for our kaolin dispersions. The purchase of minerals accounted for 36.2%, 36.3%, 33.8% and 27.9% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023. We mainly source minerals such as limestone rocks and chips from local suppliers in Malaysia which accounted for 65.6%, 57.7%, 54.0% and 88.0% of our purchases of minerals for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We also import minerals such as PCC and kaolin powder from China which accounted for 34.4%, 42.3%, 46.0% and 12.0% of our total purchases of minerals for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. In FYE 2022, we have a supplier base of approximately 9 suppliers for limestone rocks and chips, 1 supplier for PCC powder, and 1 supplier for kaolin powder. In FPE 2023, we have a supplier base of approximately 9 suppliers for limestone rocks and chips, 1 supplier for PCC powder, and 2 suppliers for kaolin powder.

- **Chemicals:** The chemicals used for our operations include stearic acid, dispersing agents and adhesives, which are used in the production of coated GCC and GCC dispersions. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, chemicals accounted for 29.9%, 32.2%, 32.0% and 32.6% of our total purchases respectively. We mainly sourced the chemicals domestically, which accounted for 98.4% of our total purchases of chemicals in FYE 2020. The remaining purchases of chemicals in FYE 2020 were sourced from China. In FYE 2021 and FYE 2022, all of our chemicals were sourced domestically. In FYE 2022, we have a supplier base of approximately 14 suppliers for chemicals. In FPE 2023, we have a supplier base of approximately 13 suppliers for chemicals.

- **Packaging materials:** This includes the packaging materials used for GCC, calcium carbonate and kaolin dispersions, comprising paper bags, PP bags and metal drums. The packaging materials used for our production and processing operations accounted for 27.0%, 25.6%, 28.1% and 36.7% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. We sourced all the packaging materials from domestic suppliers in Malaysia. In FYE 2022 and FPE 2023, we have a supplier base of approximately 40 suppliers for packaging materials.

- **Consumables and spare parts:** This includes consumables and spare parts such as machinery spare parts and grinding aids. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, consumables and spare parts accounted for 4.9%, 3.7%, 3.3% and 2.0% of our total purchases respectively. We mainly sourced the consumables and spare parts from China, which accounted for 90.2%, 75.5%, 84.7% and 50.4% of our total purchases of consumables and spare parts in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The remaining purchases of consumables and spare parts are sourced domestically. In FYE 2022 and FPE 2023, we have a supplier base of approximately 15 suppliers for consumables and spare parts.

- **Materials for trading operation:** This mainly comprises talcum powder which we purchase for resale. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, materials for trading operations accounted for 2.0%, 2.2%, 2.1% and 0.8% of our total purchases respectively. In FYE 2020, we mainly sourced the materials for trading operations domestically, which accounted for 89.9% of our total purchases of materials for trading operations. In FYE 2021 and FYE 2022, purchases of materials for the trading operation were mainly imported from China which accounted for 82.3% and 84.5% of our total purchases for FYE 2021 and FYE 2022, respectively. In FPE 2023, approximately 58.1% of materials for the trading operations were purchased from local suppliers while 41.9% were imported from China. In FYE 2022, we have a supplier base of approximately 3 suppliers for materials for trading operations. In FPE 2023, we have a supplier base of approximately 4 suppliers for materials for trading operations.

7.13.2 Volatility of prices of raw / input materials

Limestone rocks and chips are our major raw materials to produce GCC and GCC dispersions. In FYE 2022 and FPE 2023, approximately 70% and 74% of limestone rocks and chips purchased for the production of our calcium carbonate products were sourced from external suppliers, respectively. As these raw materials are sourced domestically and Malaysia has an abundant source of limestone reserves, we do not experience material volatility in limestone prices. Furthermore, it is not a globally traded commodity. In addition, we have our leased limestone reserves which we can rely on when the prices of limestone rocks and chips are high.

Chemicals are a major raw material for the production of coated GCC as well as CC and kaolin dispersions. For the FYE 2020, FYE 2021 and FYE 2022, we experienced an increase in chemical prices, particularly stearic acid which used in the production of coated GCC. Our average purchase price of stearic acid increased by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021 and further increase by 27.5% to RM6.26/kg in FYE 2022. Subsequently, the average purchase price of stearic acid decreased to RM4.99/kg in FPE 2023. The increase in stearic acid price since 2020 was due to the increase in crude palm oil (CPO) prices attributed to factors such as supply disruptions caused by the COVID-19 pandemic coupled with the increase in the demand for palm oil as it served as a substitute for sunflower oil amidst the supply chain disruption due to the Russia-Ukraine war.

Please refer to Section 9.1.4 and Section 12.2.2 (b) of this Prospectus for further details on the volatility of raw material prices.

7.14 MAJOR SUPPLIERS

Our Group's purchase from its customers varies from year to year depending on the amount of materials purchased from them. Our top 5 major suppliers for each of FYE 2020 to FYE 2022 and FPE 2023 are as follows:

FYE 2020

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases RM'000	Value of purchases %	[1]Length of relationship Years
1.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	5,562	17.8	9
2.	Shanghai Multi-Med Union Co. Ltd	China	PCC powder	5,010	16.1	11
3.	Federal Packages Sdn Bhd[2]	Malaysia	Packaging materials	2,919	9.4	9
4.	Chung Chemicals Sdn Bhd	Malaysia	Stearic acid	2,010	6.4	20
5.	CI Limestone Marketing Sdn Bhd	Malaysia	Limestone rocks and chips	1,813	5.8	2
				17,314	**55.5**	

FYE 2021

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases RM'000	Value of purchases %	[1]Length of relationship Years
1.	Shanghai Multi-Med Union Co. Ltd	China	PCC powder	5,687	17.4	12
2.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	5,223	15.9	10
3.	Federal Packages Sdn Bhd[2]	Malaysia	Packaging materials	3,070	9.4	10
4.	Evyap Sabun Malaysia Sdn Bhd	Malaysia	Stearic acid	2,160	6.6	<1
5.	Zillion Freight Sdn Bhd	Malaysia	Limestone rocks and chips	2,105	6.4	8
				18,245	**55.7**	

FYE 2022

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases RM'000	Value of purchases %	[(1)]Length of relationship Years
1.	Shanghai Multi-Med Union Co. Ltd	China	PCC powder	5,930	17.4	13
2.	Evyap Sabun Malaysia Sdn Bhd	Malaysia	Stearic acid	4,394	12.9	1
3.	Federal Packages Sdn Bhd[(2)]	Malaysia	Packaging materials	3,039	8.9	11
4.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	2,682	7.8	11
5.	Zillion Freight Sdn Bhd	Malaysia	Limestone rocks and chips	2,376	7.0	9
				18,421	**54.0**	

FPE 2023

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases RM'000	Value of purchases %	[(1)]Length of relationship Years
1.	Evyap Sabun Malaysia Sdn Bhd	Malaysia	Stearic acid	4,152	14.7	2
2.	Zillion Freight Sdn Bhd	Malaysia	Limestone rocks and chips	3,979	14.1	10
3.	Federal Packages Sdn Bhd[(2)]	Malaysia	Packaging materials	3,201	11.3	12
4.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	2,003	7.1	12
5.	Chung Chemicals Sdn Bhd	Malaysia	Stearic acid	1,265	4.5	23
				14,600	**51.7**	

Notes:

(1) The length of the business relationship is determined at each respective FYE / FPE.

(2) Federal Packages Sdn Bhd is a wholly-owned subsidiary of Muda Holdings Berhad, a company listed on Bursa Securities.

Although our purchases from Shanghai Multi-Med represented 16.1%, 17.4% and 17.4% of our total purchases for the FYE 2020, FYE 2021 and FYE 2022, respectively, we are not dependent on Shanghai Multi-Med Union Co. Ltd (**"Shanghai Multi-Med"**) as the PCC powder which we are purchasing from them are readily available from other suppliers. We have been purchasing PCC powder from Shanghai Multi-Med due to its quality and consistent supply over the past 14 years. In FPE 2023, the business of Shanghai Multi-Med has been transferred to a new company namely, Shanghai Wilpower Industrial Co. Ltd. However, our purchases of PCC powder from Shanghai Wilpower Industrial Co. Ltd in FPE 2023 has reduced to 4.3% of our total purchases for the FPE 2023. This was due to the decrease in orders for our PCC dispersion and ultrafine PCC powder attributed by lower orders from customers who are latex glove manufacturers.

As for the remaining top suppliers, we are not dependent on any individual supplier for our business operations as the types of materials and services that we purchase from these suppliers, such as limestone rocks and chips, chemicals and packaging materials, can be sourced from other suppliers.

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7.15 COMPETITIVE STRENGTHS

Our competitive advantages and key strengths will provide us with the platform to sustain and grow our business. They are as follows:

(a) The diverse functions and uses of our calcium carbonate provide us with a potentially wide addressable market to sustain and grow our business

Calcium carbonate has diverse industrial applications. Our calcium carbonate has been used for the following functions:

- fillers or extenders to replace some of the more expensive raw or input materials, such as plastics, liquid and solid rubber, and wood pulp, to reduce the overall cost of raw materials;
- additives to provide desired properties such as improved tensile and impact strength, elongation and increased rigidity;
- additives to provide desired characteristics such as opacity, whiteness or brightness, as well as replace some of the more expensive white pigments such as titanium dioxide to reduce the overall cost of materials;
- purification agent in the treatment of raw water that combines with impurities such as iron or manganese for separation and subsequent removal; and
- neutralising acidity or increasing the alkalinity of potable water.

Some of the industries that use our calcium carbonate include plastics, pulp and paper, paintings and coatings, rubber, latex, glass, water treatment, soap and detergent, oil and gas, and chemicals. (Source: IMR Report)

The diverse function and usage of our calcium carbonate products across a large number of industries provide us with a potentially wide addressable market to sustain and grow our business. In addition, management has observed that manufacturers worldwide, especially those in plastic manufacturing, are gradually moving towards a more environmentally responsible approach to production due to increasing pressures of sustainability requirements, and thus these manufacturers have been adopting calcium carbonate fillers in their formulations to partly replace plastic and also to reduce greenhouse gas emissions. Our Group has a diversified range of calcium carbonate product range, and is well positioned to capitalise on this global movement, as we have commercialised several types of GCC products that are suitable for use as fillers used to reduce the composition of plastic, making it more environmentally friendly.

(b) We have an established track record of approximately 38 years in the production and export of calcium carbonate products to serve as a platform for business sustainability and growth

We have an established track record that spans approximately 38 years since the commencement of our business operation in the production of calcium carbonate products in 1986. Throughout the years, we have managed to establish our presence and build market awareness of our products and brands.

Similarly, we have a track record of approximately 37 years in selling our products in foreign countries since we began exports in 1987 to Singapore. We also have a track record of approximately 12 years exporting our products to India since 2012, which for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 is our largest export country representing 62.5% (RM67.0 million), 63.2% (RM75.5 million), 59.6% (RM67.4 million) and 59.5% (RM54.2 million) of our total revenue, respectively.

Throughout our 38 years of operations, we have developed and established long-term relationships with our customers where our top 5 major customers for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 have been dealing with us between 11 years and 21 years, as at LPD.

In this respect, the strengths of our track record and established market presence for the production of calcium carbonate products serve as an important reference and testament to help our Group secure new business including our plan to venture into bioplastic compounding.

(c) Our geographical coverage includes 19 foreign markets which provide us with the platform to address export market opportunities

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we serve customers across 19 foreign markets in Asia Pacific and the Middle East. Revenue derived from foreign markets collectively accounted for 71.3% (RM76.4 million), 72.5% (RM86.6 million), 68.9% (RM77.9 million) and 68.1% (RM62.0 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. In FYE 2022, revenue from foreign markets was contributed mainly by India (59.6% or RM67.4 million) as well as Indonesia, the Philippines, Australia, Sri Lanka and Thailand (cumulatively 7.4% or RM8.3 million). In FPE 2023, revenue from foreign markets was contributed mainly by India (59.5% or RM54.2 million) as well as the Philippines, Vietnam, Sri Lanka, Indonesia, Thailand and Australia (cumulatively 7.7% or RM7.0 million).

This demonstrates our ability to tap into various foreign markets which indicates the acceptance of our products in these countries to increase our potential addressable market.

(d) We have experienced Directors and key management to lead, manage and grow our business

The continuing success, future growth and expansion of our Group are, to a significant extent, dependent on the knowledge, experience, skills and continued services of our Directors and key management. Our Group was co-founded and helmed by 3 experienced individuals, Chan Hup Ooi (Promoter, Non-Independent Non-Executive Deputy Chairman and substantial shareholder), Teh Ah Soon @ Teh Soon Tick (Promoter and substantial shareholder) and Chan Eng Hue (Promoter, Chief Operating Officer (KL Plant) and substantial shareholder), all of whom, have approximately 38 years of experience in the calcium carbonate industry.

As part of our Group's succession plans, our Group is now being led by our Managing Director / Chief Executive Officer, Chan Bin Iuan, who brings with him 17 years of experience in the calcium carbonate industry. He has been instrumental in the growth and development of our Group including his initiative to drive export sales of our GCC products to India in 2012.

He is supported by our key senior management team as follows:

- Chan Eng Hue, our Chief Operating Officer of Zantat KL Plant, brings with him approximately 38 years of experience in the calcium carbonate industry. He is responsible for overseeing the production, sales and marketing of CC dispersions at the KL Plant.

- Chan Jee Chet, our Executive Director / Chief Operating Officer (Perak Plants), brings with him approximately 12 years of experience in the calcium carbonate industry. He is responsible for overseeing the production, sales and marketing of calcium carbonate products at the Perak Plants.

- Aw Ee Ling, our Chief Financial Officer, brings with her approximately 12 years of experience in accounting and finance. She is responsible for overseeing our Group's overall accounting and financial matters.

Having an experienced management team will provide stability and serve as a platform for business sustainability and growth.

(e) We have quality control facilities to help ensure consistent product quality

We place importance on manufacturing quality products that meet product performance as well as customers' specifications and requirements. As such, we have received ISO 9001:2015 quality management system certification for our calcium carbonate manufacturing operations in Kuala Lumpur and Perak to facilitate a consistent standard of product quality. We also have Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practice (GMP) and Halal certifications for the production of calcium carbonate for our GCC operations. Some of our calcium carbonate products are used in the manufacturing of plastics used for food packaging.

These certifications provide customers with the assurance that we adhere to recognised quality standards, processes and management systems for our calcium carbonate products.

In addition, all our production plants are equipped with their respective quality control and testing facility to ensure consistent product quality. We conduct in-process and final product quality control tests on all the products that we produce.

Our quality management system and quality control procedures help to maintain customers' trust and loyalty by ensuring that our products consistently meet the required specifications.

(f) We have 2 pieces of leasehold lands with limestone reserves for approximately 50 years

We have 2 pieces of leasehold lands with limestone reserves in Keramat Pulai, Perak that respectively expire in 2068 and 2070. The combined size of the 2 limestone reserves covers a land area of approximately 25 acres with a total volume of the above-ground limestone estimated at 19 million tonnes based on geological reports conducted in 2022.

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we extracted approximately 0.07 million tonnes, 0.10 million tonnes, 0.06 million tonnes and 0.06 million tonnes, respectively. Based on the average extraction rate of FYE 2020, FYE 2021, FYE 2022 and FPE 2023, the 2 limestone reserves will last us through the remaining tenure of the leasehold lands. In addition, there are limestones beneath the ground level, which have not been assessed yet.

Our ready access to our limestone reserve will ensure a ready supply of limestone which is not subjected to cost of material fluctuation.

7.16 PRODUCTION CAPACITY AND OUTPUT

Our production capacity, output and utilisation rate for the production of GCC, GCC dispersions, PCC dispersions, and kaolin dispersions for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 are as follows:

(a) Production of GCC

GCC	No. of production lines	Production capacity[(1)] ('000 tonnes)	Production output[(2)] ('000 tonnes)	Utilisation rate (%)
FYE 2020				
Zantat Perak Plant 1	8 lines	208.0	163.1	78
Zantat Perak Plant 2	1 line	45.0	14.2	32
Calrock Perak Plant	5 lines	58.5	36.7	63
		311.5	**214.0**	**69**
FYE 2021				
Zantat Perak Plant 1	8 lines	208.0	152.2	73
Zantat Perak Plant 2	1 line	45.0	10.7	24
Calrock Perak Plant	5 lines	58.5	33.7	58
		311.5	**196.6**	**63**[(3)]
FYE 2022				
Zantat Perak Plant 1	8 lines	208.0	142.2	68
Zantat Perak Plant 2	1 line	45.0	6.0	13
Calrock Perak Plant	5 lines	58.5	32.8	56
		311.5	**181.0**	**58**[(4)]

GCC	No. of production lines	Production capacity[(1)] ('000 tonnes)	Production output[(2)] ('000 tonnes)	Utilisation rate (%)
FPE 2023				
Zantat Perak Plant 1	8 lines	156.0[(5)]	145.9	94
Zantat Perak Plant 2	1 line	33.8[(5)]	9.6	28
Calrock Perak Plant	5 lines	43.9[(5)]	22.8	52
		233.7	**178.3**	**76**

Notes:

(1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime, running two 12-hour shifts per day. Zantat Perak Plant 1 has 8 GCC production lines using vertical roller mills and coating machines mainly for the production of coated fine grade GCC, Zantat Perak Plant 2 has 1 GCC production line using a ball mill with a coating system mainly for the production of coated ultrafine grade GCC, and Calrock Perak Plant has 5 GCC production lines using vertical roller mills mainly for the production of uncoated GCC.

(2) We are currently running on two 12-hour shifts per day.

(3) The decline in the utilisation rate in FYE 2021 was mainly due to the decrease in sales orders from export customers particularly customers in India which was affected by lockdown due to the COVID-19 Delta variant outbreak, as well as an increase in sea freight rates which deterred some export customers from importing from us.

(4) The decline in the utilisation rate in FYE 2022 was mainly due to the decrease in sales orders from customers attributed to the increased sea freight rates in the first half of 2022 which deterred some export customers from importing from us.

(5) The production capacity for FPE 2023 is pro-rated to 9 months.

(b) Production of GCC dispersions

GCC dispersions	No. of production lines	Production capacity [(1)] ('000 tonnes)	Production output [(2)] ('000 tonnes)	Utilisation rate (%)
FYE 2020	4 lines	52.7	11.4	22
FYE 2021	4 lines	52.7	10.5	20[(3)]
FYE 2022	4 lines	52.7	12.7	24
FPE 2023	4 lines	39.5[(4)]	8.5	22

Notes:

(1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime running two 12-hour shifts per day.

(2) We are currently running on two 12-hour shifts per day.

(3) Despite the slight increase in sales volume of GCC dispersion in FYE 2021 by 2.3%, the decline in production output and utilisation rate in FYE 2021 was mainly due to the sales of our existing stocks during the financial year coupled with the cautious production rate amidst the COVID-19 pandemic situation.

(4) The production capacity for FPE 2023 is pro-rated to 9 months.

(c) Production of PCC dispersions

PCC dispersions	No. of production lines	Production capacity [(1)] ('000 tonnes)	Production output [(2)] ('000 tonnes)	Utilisation rate (%)
FYE 2020	2 lines	18.7	8.1	43
FYE 2021	2 lines	18.7	6.2	33[(3)]
FYE 2022	2 lines	18.7	5.1	27[(3)]
FPE 2023	2 lines	14.0[(4)]	2.6	19[(3)]

Notes:

(1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime running two 12-hour shifts per day.

(2) We are currently running on two 12-hour shifts per day.

(3) The decline in the production output and utilisation rate in FYE 2021, FYE 2022 and FPE 2023 was mainly due to lower orders from rubber glove manufacturers amidst the lower demand for medical gloves in FYE 2022 and FPE 2023 as COVID-19 pandemic conditions started to improve.

(4) The production capacity for FPE 2023 is pro-rated to 9 months.

(d) Production of kaolin dispersions

Kaolin dispersions	No. of production lines	Production capacity[(1)] ('000 tonnes)	Production output[(2)] ('000 tonnes)	Utilisation rate (%)
FYE 2020	2 lines	13.8	0.8	6
FYE 2021	2 lines	13.8	1.5	11
FYE 2022	2 lines	13.8	1.1	8[(3)]
FPE 2023	2 lines	10.4[(4)]	0.6	6[(3)]

Notes:

(1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime running two 12-hour shifts per day.

(2) We are currently running on two 12-hour shifts per day.

(3) The decline in the utilisation rate in FYE 2022 and FPE 2023 was mainly due to lower sales orders from rubber glove manufacturers amidst lower demand for synthetic rubber gloves in FYE 2022 and FPE 2023 as COVID-19 pandemic conditions started to improve.

(4) The production capacity for FPE 2023 is pro-rated to 9 months.

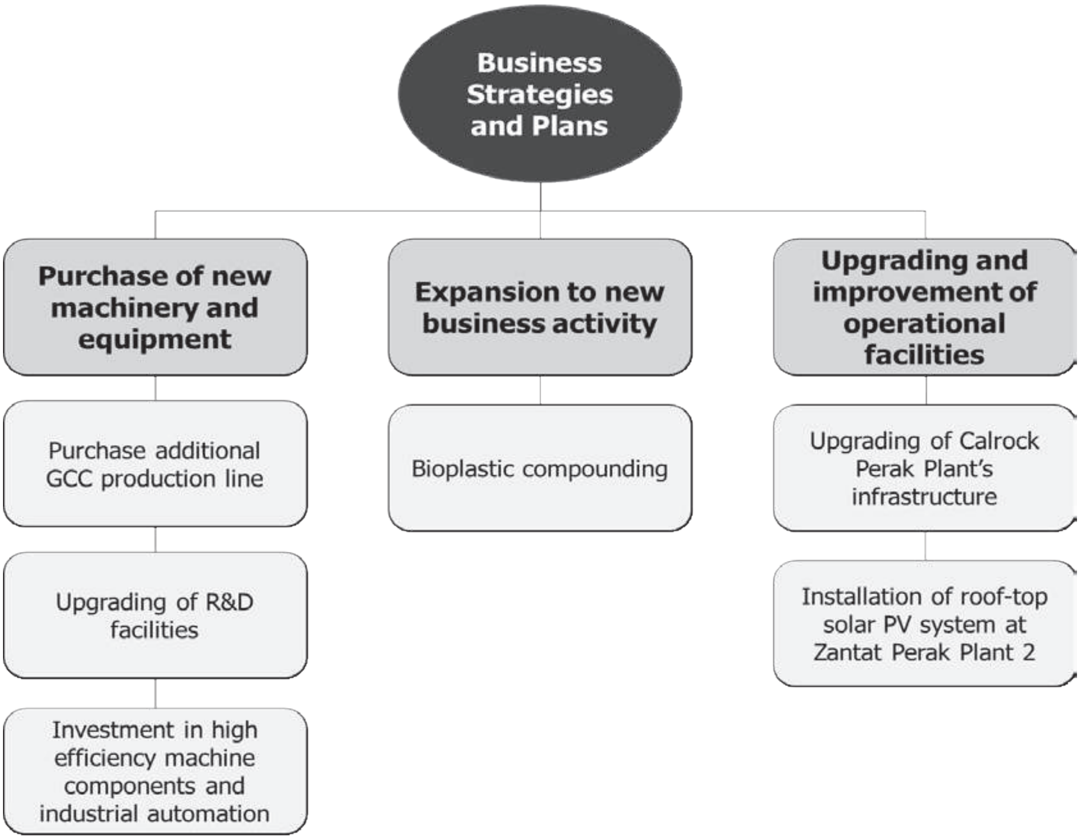
7.17 DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS

Our Group is not materially dependent on any contracts, agreements or other arrangements that could materially affect our business and profitability as at LPD.

7.18 BUSINESS STRATEGIES AND PROSPECTS

Moving forward, our strategy is to leverage our core competency and strengths as a producer of calcium carbonate products to serve as a platform to address business opportunities and growth.

Our business strategies and plans are summarised in the following diagram:



We aim to implement the above business strategies and plans in 2024.

7.18.1 Purchase of new machinery and equipment

(a) Purchase additional GCC production line

We plan to purchase an additional GCC production line for the production of fine-grade coated GCC namely our "Zancarb" series.

Our Zantat Perak Plant 1 is equipped with 8 GCC production lines using vertical roller mills and coating machines mainly to produce fine-grade coated GCC sold under our brands "Zancarb 1T", "Zancarb 2T" and "Zancarb 2TS" which are our core selling products. The revenue contributed from sales of these products accounted for 72.3% (RM77.5 million), 71.3% (RM85.2 million), 71.4% (RM80.7 million) and 72.5% (RM66.0 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

For FPE 2023, we produced approximately 146,000 tonnes of GCC at our Zantat Perak Plant 1, utilising almost the full production capacity of the said plant. Please refer to Section 7.16 (a) of this Prospectus for details of our production capacity and output for our GCC production.

Further to the above, we expect the demand for our "Zancarb" series to continue increasing in the near future. As such, we plan to purchase 1 GCC production line with a vertical roller milling system comprising vertical roller mill, coating machine, classifier, dust collector, conveyor belts and silo and install it at Calrock Perak Plant by the end of 2024. This is expected to increase our production capacity of GCC by another 26,000 tonnes which can cater to the expected increase in demand for our "Zancarb" series.

The vertical roller mill system is expected to cost approximately RM1.5 million which will be funded via internally generated funds and/or bank borrowings. For avoidance of doubt, the installation of the new GCC production line will not be affected by our plans to upgrade the Calrock Perak Plant, as described under Section 7.18.3(a) of this Prospectus below as they do not affect the production area in the Calrock Perak Plant.

(b) Upgrading of R&D facilities

We plan to upgrade our existing R&D centre at Zantat Perak Plant 1 as well as purchase additional test and product development equipment by 2024.

Currently, our R&D centre mainly functions as a testing and quality control centre to conduct daily routine testing and quality control checks on incoming raw materials, in-process products, and finished products to ensure our input materials and finished products are safe and of the specified quality.

Our calcium carbonate products are used as raw materials for the production of plastic masterbatch and compounds, which are then used to produce various types of plastic products such as packaging films and injection moulded plastic parts and products. Previously, whenever we develop a new calcium carbonate product, the process of commercialising and marketing the said product is lengthy as customers would require various product testing and proof-of-concept. These potential customers would require additional product testing on the resultant plastic masterbatch and compounds to determine if our calcium carbonate products, after it is utilised as their raw material, meets their desired specification and requirements.

Our R&D centre mainly have equipment to test our calcium carbonate products. We only have certain equipment to test our customers' products, namely a tensile strength testing machine to test the tensile strength and tear resistance of packaging films, as well as a melt flow index tester to test the viscosity (melt flow index) and a filter pressure value tester to test the filter pressure value of plastic masterbatch. As such, we are unable to conduct other product testing and proof-of-concept in-house for our customers.

We currently own a 16mm lab-scale twin screw extruder with a capacity to 2kg to 3kg of pellets per hour to produce plastic masterbatch and compounds in small batches where we would send these samples to external laboratories or to our customers' laboratories for testing. This process can take between 3 to 6 months before achieving the customer's acceptance.

In addition, for the production of our bioplastic compostable packaging film compound, we currently own a single layer blown film machine to produce single layer blown film in small batches to perform testing. Typically, potential customers would require additional product testing on the packaging film to determine if our bioplastic compounds, after being used as their input material, would meet their desired specification and requirements.

As such, we plan to purchase additional test and product development equipment to conduct this additional testing in-house to shorten our product trials to under a month. The following sets out the testing and product development equipment that we plan to purchase, which will be fully funded through the proceeds of our Public Issue:

No.	Equipment	Function	No. of unit(s)	Estimated cost (RM'000)
1	3-layer co-extrusion compact blown film machine	To produce multilayer blown film	1	990
2	26mm twin screw extruder with capacity of 20kg to 80kg of pellets per hour	To produce plastic compounds for R&D and customer sampling trial, test and refine new technology or processes, as well as to troubleshoot any potential problems or issues that may arise during production of bioplastic compounds	1	868
3	Various test and measurement equipment	To test the various properties of chemical compounds and functions, such as particle size, accelerated aging, colour, moisture content, tear strength, viscosity, acidity, density and weight. Also includes any related equipment that supports such testing	22	1,972
				3,830

To accommodate the new equipment, we are undergoing a renovation to expand the size of our current R&D centre at Zantat Perak Plant 1 from approximately 1,500 sq ft to approximately 5,400 sq ft. The renovation is ongoing as at LPD. The renovation of the analytical lab was completed in August 2023. Meanwhile, the renovation for the processing lab is expected to complete by second quarter of 2024. As at LPD, the building plan for this renovation has been submitted to the local district council and it is pending approval. This renovation will be funded through bank borrowings and internally generated funds.

Additionally, as part of our strategy to expand our product range, we intend to develop the following products:

- 3 new bioplastic compounds such as compostable stretch film compound, compostable mulch film compound and marine-degradable film compound; and

- enhance our ultrafine-grade GCC namely "Zanelite" series and produce more varieties such as different coating applications and particle size distributions, for the manufacture of breathable films for use such as diapers which need better breathability, and bi-axially oriented polypropylene (BOPP) films for stronger packaging and labelling materials.

(c) Investment in higher efficiency machine components and industrial automation

We plan to purchase and install automated packaging machines and high-efficiency motors for our production lines in Zantat Perak Plant 1 by 2024.

As such, we intend to purchase the following:

- A robotic arm palletising system which will reduce manual labour during the packaging process; and
- 49 units of high-efficiency motors for our production lines in the Zantat Perak Plant 1 to reduce electricity consumption.

As at LPD, at our Zantat Perak Plant 1, we have 8 GCC production lines where 4 lines are equipped with 2 robotic arm palletising machines. The robotic arm palletising machine stacks the filled bags one by one directly onto the pallet in accordance with a specified stacking arrangement. We plan to purchase another robotic arm palletising system to equip another 2 GCC production lines. This will allow us to reduce our dependency on human labour resources.

Meanwhile, the proposed high-efficiency motors consume less electricity than our existing motors. Hence, this would allow us to consume less energy and save on electricity costs.

Our existing robotic arm palletising machine

The total estimated cost for the purchase of automated packaging machines and high-efficiency motors is RM1.3 million which will be fully funded by proceeds from Public Issue as follows:

Purchase of automated packaging machines and high-efficiency motors	**Estimated cost RM'000**
1 set of fully integrated automatic robotic arm palletising system	580
49 units of high-efficiency motors	770
	1,350

7.18.2 Bioplastic compounding

Overview

Currently, plastics are largely made from petrochemicals which are derived from fossil fuels such as crude oil and natural gas, which are non-renewable. In addition, such plastics take a very long time to degrade thus harming the environment and the ecosystem. As such, most of the current plastics pose problems in their proper disposal resulting in, among others, filling up landfills, polluting waterways and negatively affecting the ecosystem on land and water.

There is another type of plastic known as bioplastics. Bioplastics may be made entirely from renewable resources (bio-based) such as corn, sugarcane and cellulose, or combined with non-renewable resources (fossil-based) that are biodegradable. Bioplastics may also be made from renewable resources that are non-biodegradable.

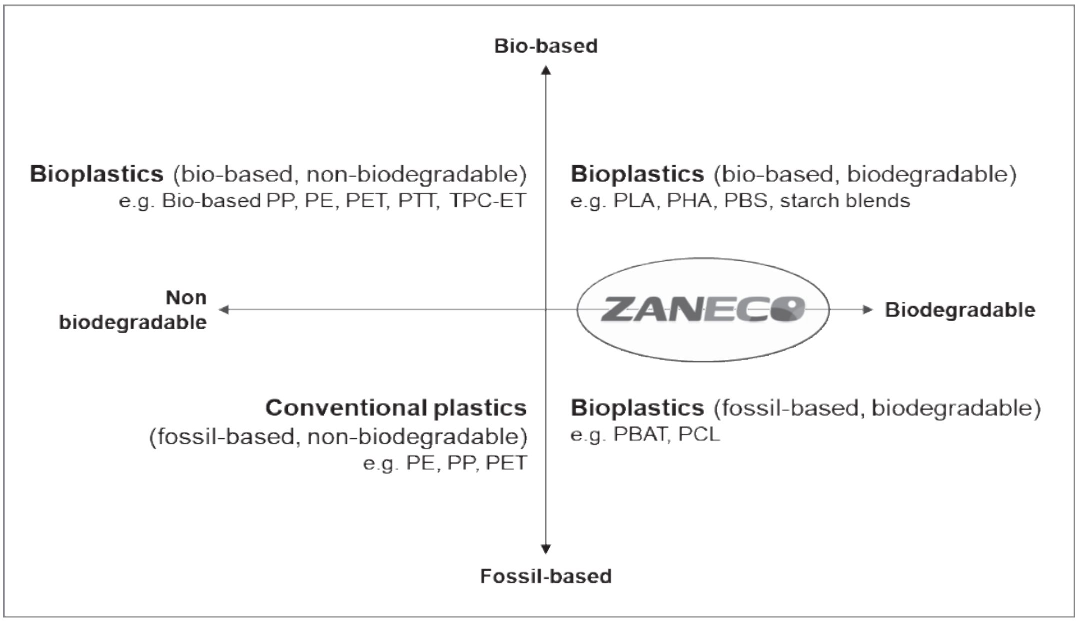
Biodegradable bioplastics would resolve some of the problems faced by conventional plastics. Biodegradable plastics can be decomposed or broken down through natural means into materials such as carbon dioxide, water and compost materials, that do not harm or are less harmful to the environment compared to non-biodegradable plastics. The decomposition process for biodegradable materials commonly comprises one or a combination of factors including the actions of bacteria or other microorganisms, and/or exposure to ambient heat, sunlight and water.

Bioplastics are divided into three main groups, as follows:

(a) Bio-based and non-biodegradable plastics such as bio-based polypropylene (PP), polyethylene (PE), polyethylene terephthalate (PET), polytrimethylene terephthalate (PTT), and thermoplastic polyester elastomers (TPC-ET);

(b) Bio-based and biodegradable plastics such as polylactic acid (PLA), polyhydroxyalkanoates (PHA), polybutylene succinate (PBS) and starch blends; and

(c) Fossil-based and biodegradable plastics such as polybutylene adipate terephthalate (PBAT) and polycaprolactone (PCL).



We will be producing bioplastic compounds by mixing PLA (bio-based, biodegradable plastic) and PBAT (fossil-based biodegradable plastic) with minerals (including our GCC) and additives to achieve the balance between performance and cost-effectiveness. As our bioplastics are fully biodegradable, it will resolve some of the major concerns regarding the polluting nature of conventional plastics.

Our bioplastic compounds will be packed and sold in pellet form. As at LPD, we have produced our first bioplastic compound namely a compostable packaging film compound which we have obtained the "OK compost INDUSTRIAL" certification. In August 2023, we received the MyHIJAU certification for our compostable packaging film compound from the Malaysian Green Technology and Climate Change Corporation. In September 2023, we have started providing samples to customers for testing. Upon completion of testing, the customers' orders are expected to commenced by the first quarter of 2024.

We intend to sell our bioplastic compounds to manufacturers of plastic products that produce biodegradable plastic products including, among others, single-use plastic items such as plastic bags and films.

As at LPD, we have commenced sales and marketing of the bioplastic compounds and have identified some potential customers from Malaysia, India, Indonesia and Singapore. Some of these potential customers include:

(a) plastic packaging manufacturers to manufacture bioplastic packaging products;
(b) bioplastic compound manufacturers intending to engage a contract manufacturer to develop and manufacture bioplastic compounds; and
(c) trading companies that intend to resell our bioplastic compounds to their customers.

7. BUSINESS OVERVIEW *(Cont'd)*

Our expansion into bioplastic compounding is supported by the Malaysian government's commitment to a circular economy and sustainability. According to the IMR Report, in 2018, the Malaysian government launched the Roadmap Towards Zero Single-Use Plastics 2018-2030 to phase out single-use plastics including drinking straws and plastic bags in Malaysia by 2030. Some of the strategies that were put in place were as follows:

(a) encourage the uptake of biodegradable bags between 2022 and 2025;
(b) imposition of a pollution levy on manufacturers of plastic bags between 2022 and 2025;
(c) increase the production volume for local biodegradable and compostable alternative products for local consumption between 2026 and 2030;
(d) implement the Extended Producer Responsibility (EPR) scheme for plastic products

(*Source: IMR Report)*

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Our processes and equipment

The bioplastic compounding will be undertaken by Zaneco at Zantat Perak Plant 2.

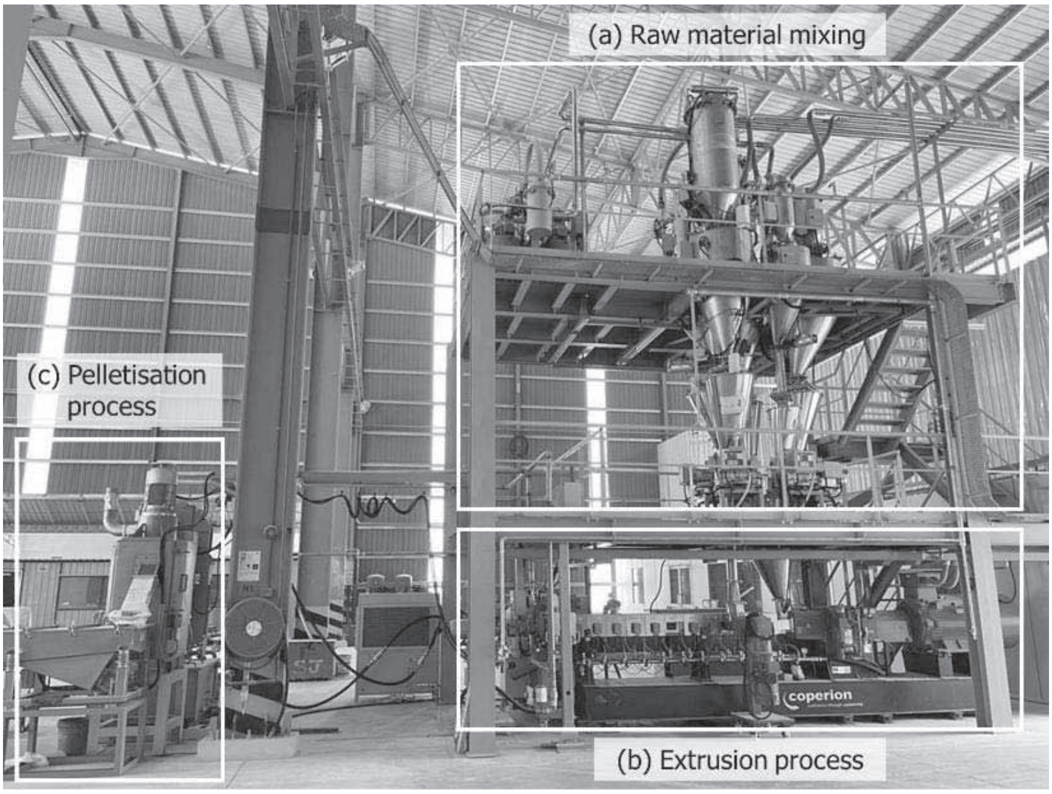
Since 2022, our R&D team has been carrying out product development using our existing lab-scale twin-screw extruder with a pelletiser to produce bioplastic compounds in small batches.

Our lab-scale twin screw extruder with pelletiser used for product development of bioplastic compounds

In 2022, we purchased a bioplastic compounding production line comprising 5 units of feeding systems, 1 unit of twin-screw extruder and 1 unit of pelletising system with a capacity of producing 300kg to 600kg pellets per hour, depending on the product formulation. The total capital expenditure was RM5.0 million, funded through bank borrowings and internally generated funds.

As at LPD, the production line has been installed at Zantat Perak Plant 2 and is undergoing the product testing phase and is expected to commercialise by the first quarter of 2024.

The following is our equipment layout and the key process flow for bioplastic compounding:



(a) Raw material mixing

Based on our in-house developed formulation, raw materials including polylactic acid (PLA), polybutylene adipate terephthalate (PBAT), GCC, and other minerals and additives are fed into the feeders to be mixed homogeneously. The GCC will be produced internally, while other materials will be sourced from external parties. We will import the PLA and PBAT from China, Thailand and Taiwan.

(b) Extrusion process

The mixture is then conveyed into the twin-screw extruder via a hopper. In the extruder, the mixture is heated to 160°C to 180°C to make it soft and pliable, where the rotating screw will push the soft material through a die to form a long cylindrical bioplastic material. The long cylindrical bioplastic material is then pulled towards the pelletising machine and along the way is cooled before reaching the pelletising machine.

(c) Pelletisation process

The pelletising machine will cut the long cylindrical bioplastic material into small pellets typically with a diameter of 3mm to 5mm. The pellets are then conveyed to the centrifugal dryer through a vacuum pipe. In the centrifugal dryer, water is separated from the pellets and the dry pellets are discharged as complete bioplastic compounds.

Samples of the pellets will be taken for testing and quality check to ensure that the technical and optical characteristics of the pellets are achieved. The pellets are then packed and stored ready for delivery.

We will require additional working capital to support the bioplastic business venture once it commercialises, which are expected to be funded from the proceeds of our Public Issue, detailed as follows:

Description	**Estimated cost RM'000**
Hiring of 1 assistant lab manager, 1 R&D executive and 1 quality assurance executive (being salaries for a year)	210
Purchase of bioplastic resins for production trial and product sample distribution	1,070
Application of OK certification for 3 new bioplastic compounds	150
	1,430

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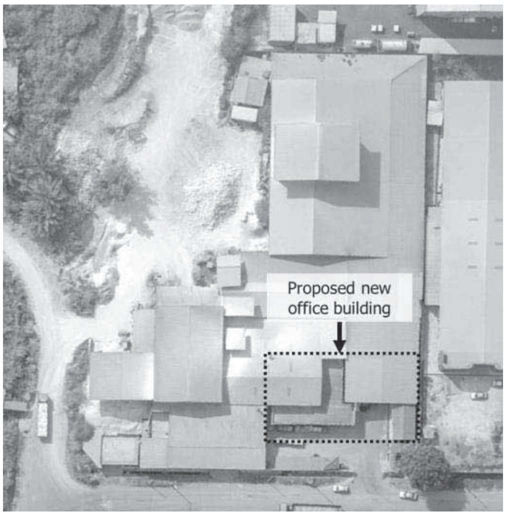
7.18.3 Upgrading and improvement of operational facilities

(a) Upgrading of Calrock Perak Plant's infrastructure

Calrock Perak Plant was established in 1971 and its previous major renovation works were undertaken in 2000. As it has been 24 years since its previous major renovation, we plan to upgrade and improve the building structures at Calrock Perak Plant by 2024. We plan to undertake renovation and upgrading works to demolish the existing office building and construct a new 3,000 sq ft office building and warehouse (including electrical works, fixtures and fittings, and professional fees).

Calrock Perak Plant



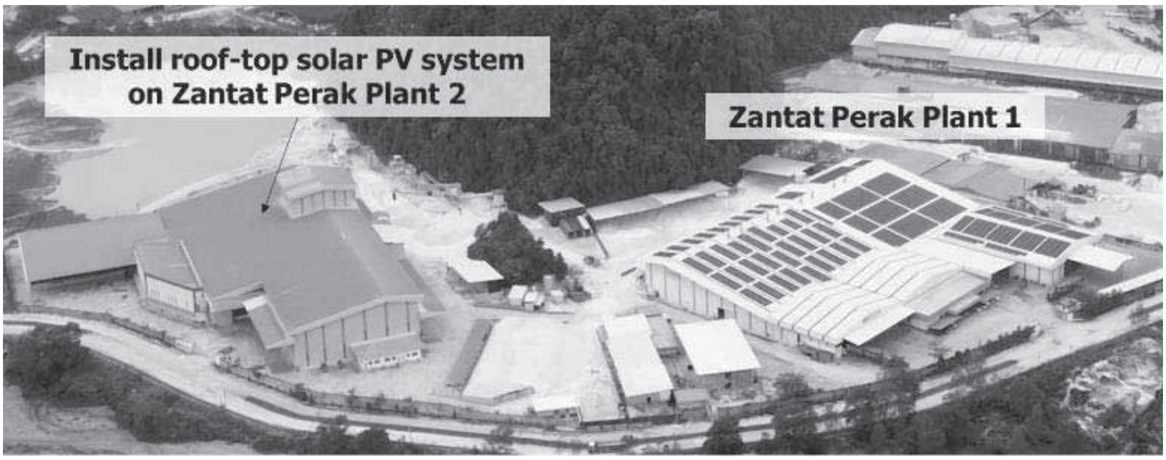
The total estimated cost to upgrade Calrock Perak Plant is RM1.0 million which will be fully funded by proceeds from Public Issue.

The indicative timeline of the upgrading of Calrock Perak Plant is as follows:

Milestones	Timeframe
Submit plans for authorities' approval	1st quarter of 2024
Commencement of construction	2nd quarter of 2024
Completion of construction	4th quarter of 2024
CCC by local government authorities obtained	1st quarter of 2025

(b) Installation of roof-top solar PV system for Zantat Perak Plant 2

As part of our Group's initiative to support clean energy and protect us from energy rising costs, we intend to invest and install a 1.3 MW roof-top solar PV system on Zantat Perak Plant 2.



7. BUSINESS OVERVIEW *(Cont'd)*

In 2022, we installed a 1MW roof-top solar PV system on Zantat Perak Plant 1 based on an arrangement with a third-party solar PV investor, namely TotalEnergies Renewable Malaysia Sdn Bhd, where the investor funds the purchase and installation of the solar PV system and is the owner of the roof-top solar PV system. We entered into a solar power purchase agreement with the said investor for the purchase of the electricity generated from the solar PV system at a fixed rate of RM0.29 per kWh for 15 years from the operational commencement date. We have the option to purchase the solar PV system from the owner of the roof-top solar PV system. The roof-top solar PV system commenced operations in April 2022 and it is operated under the Net Energy Metering ("**NEM**") Programme. Under the NEM programme, the energy produced from the solar PV system is consumed by our operations first, and any excess is exported back to the power grid on a "one on one" offset basis.

In FYE 2022 and FPE 2023, we consumed all the energy produced from the solar PV system and were able to save on average 2.0% and 3.0% on electricity cost as well as reduce 950 MT and 800 MT of greenhouse emissions gas, respectively.

Moving forward, with the investment and installation of a solar PV system at Zantat Perak Plant 2, we anticipate additional savings in monthly electricity costs of approximately RM65,000 to RM70,000.

The total estimated cost to install a 1.3MW roof-top solar PV system for Zantat Perak Plant 2 is RM2.9 million which will be funded by internally generated funds and/or bank borrowings.

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16 February 2024

The Board of Directors
Zantat Holdings Berhad
PT 24571 & PT 21289 (Lot 35978)
Kaw. Industri Batu Kapur Keramat Pulai
31300 Kampung Kepayang
Perak

Dear Sirs and Madams

Independent Assessment of the Calcium Carbonate Industry

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

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

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

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from the University of New South Wales, Australia and a degree in Master of Business Administration from the New South Wales Institute of Technology (now known as the University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and the Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

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Date of Report: 16 February 2024

INDEPENDENT ASSESSMENT OF THE CALCIUM CARBONATE INDUSTRY

1. INTRODUCTION

- Zantat Holdings Berhad together with its subsidiaries, (herein referred to as Zantat Group) is mainly involved in the production of ground calcium carbonate (GCC) and calcium carbonate dispersions using GCC and precipitated calcium carbonate (PCC). Its products are used for industrial applications and are sold mainly in India and Malaysia, which will form the focus of this report.

- Calcium carbonate is a naturally formed material found in limestone. Limestone is widely used in construction and non-construction-related applications. For construction applications, limestone can be cut and polished to become marble slabs and tiles, and are used for flooring, walling and surfaces of furniture and structures. When limestone is crushed into aggregates, they are used for road construction and manufacturing of concrete and building materials. Limestone aggregates are also used to manufacture cement.

- For non-construction-related applications, limestone is commonly crushed and ground into powder, known as GCC which has fewer impurities and is whiter in colour compared to those used for construction applications. In this report, reference to calcium carbonate refers to GCC and/or PCC, and gross domestic product (GDP) refers to nominal GDP unless stated otherwise.

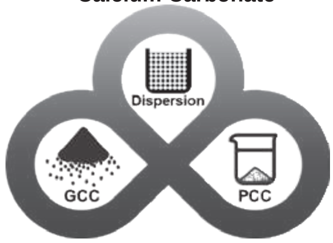
2. THE CALCIUM CARBONATE INDUSTRY

2.1 Structure of the industry

- Calcium carbonate is a compound comprising the elements of calcium, carbon and oxygen represented by the chemical formula, $CaCO_3$. It is derived from naturally formed limestone comprising fossilised marine organisms that have been subjected to high pressure over millions of years.

- Generally, the calcium carbonate industry in Malaysia can be segmented as follows:
  - **GCC** is limestone that has undergone a grinding process to produce calcium carbonate in powder.
  - **PCC**, also referred to as purified, refined or synthetic calcium carbonate, is manufactured through a series of chemical processes. Therefore, PCC is of high purity and typically has a uniform narrow particle size distribution compared to GCC.
  - **Calcium carbonate dispersion,** is either GCC or PCC mixed with water or solvents to be in a slurry form.

Calcium Carbonate



Zantat Group is involved in all of the above.

- Calcium carbonate when exposed to moisture becomes sticky and clumps up easily, which may be undesirable in certain manufacturing applications such as the plastics industry. In such cases, the calcium carbonate will need to undergo surface treatment to coat it with a surface treatment agent such as stearic acid to avoid clumping and improve its properties and performance.

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2.2 Applications of calcium carbonate

- GCC and PCC are widely used in many industries as input materials. Generally, calcium carbonate is categorised into three grades, namely, pharmaceutical, food and industrial grade. The key differentiations among the three grades are purity level as well as the presence of the types and quantity of elemental impurities such as heavy metals. Elemental impurities are categorised into various classes. For example, Class 1 elements comprise heavy metals such as arsenic, cadmium, mercury and lead.

- As calcium carbonate is obtained naturally from limestone reserves, the presence of impurities is inherent or already present in the limestone reserves. As such, without purification processing, certain limestone reserves are only suitable for industrial-grade calcium carbonate. Industrial-grade calcium carbonate is used in many industries including, among many others, plastics, pulp and paper, paints and coatings, rubber, latex, glass, water treatment, soap and detergent, oil and gas, and chemicals. Zantat Group's calcium carbonate is industrial grade and is not suitable for inclusion or used in food or pharmaceutical products, although it can be used for food-contact applications such as food packaging materials and containers.

- Calcium carbonate is commonly used as filler, additive, pigment or a combination of these three applications. The common functions of calcium carbonate are as specified below:
  - **Filler**, used to replace some of the main input materials in a manufacturing process. This is done to lower the overall cost of the manufactured product as calcium carbonate is often cheaper than many of the main input materials.
  - **Additive**, also referred to as functional filler, is used to change the chemical and/or physical properties such as acidity/alkalinity (pH) level, viscosity, mechanical strengths, opacity, texture and finishing of a manufactured product.
  - **Pigment,** used to provide colour, brightness and/or opacity of materials. Due to its white colour properties, calcium carbonate is sometimes used as a white pigment and is commonly used in paints and coatings to replace a small proportion of the relatively more expensive titanium dioxide commonly used as white pigments.

3. PERFORMANCE OF THE CALCIUM CARBONATE INDUSTRY IN MALAYSIA

- The performance of the calcium carbonate industry in Malaysia depends on various factors, including economic conditions as well as demand for calcium carbonate in Malaysia and India. India is a major export market accounting for the largest proportion of Malaysia's calcium carbonate export volume in 2022. Zantat Group mainly serves customers in India and Malaysia.

3.1 Related economic activity performances

- GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP measures the "real" changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices.

- The performance of the calcium carbonate industry is dependent on the overall health of the economy and the manufacturing industry as a major user industry to drive demand, as well as the non-metallic mineral product industry in which calcium carbonate is one of the subsegments.

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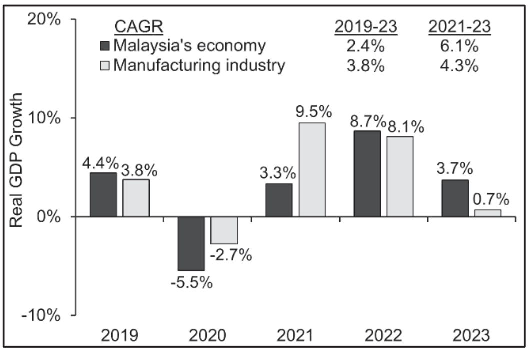
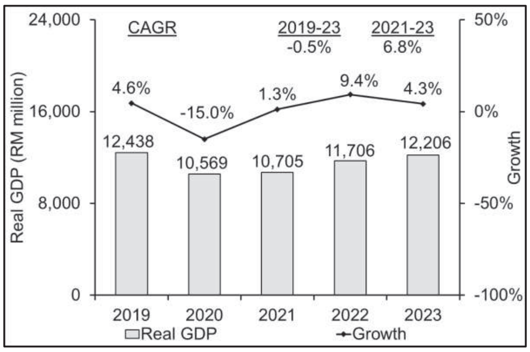
- In 2023, the real GDP of Malaysia moderated to 3.7% amid a challenging external environment. This was mainly due to slower global trade, the global technology downcycle, geopolitical tensions and tighter monetary policies. As for the manufacturing industry, real GDP moderated to 0.7% in 2023 mainly attributed to the weaker electrical and electronics product (E&E) segment. *(Source: Bank Negara Malaysia (BNM))*

Real GDP of Malaysia's Economy and the Manufacturing Industry



Real GDP of Non-metallic Mineral Products in Malaysia



(Source: Department of Statistics, Malaysia (DOSM))

- In 2023, the manufacturing industry accounted for 23.4% of Malaysia's real GDP, while the manufacture of non-metallic mineral products contributed 3.3% to the real GDP of the manufacturing industry *(Source: DOSM)*. In 2023, the real GDP of non-metallic mineral products grew by 4.3%.

3.2 Demand conditions

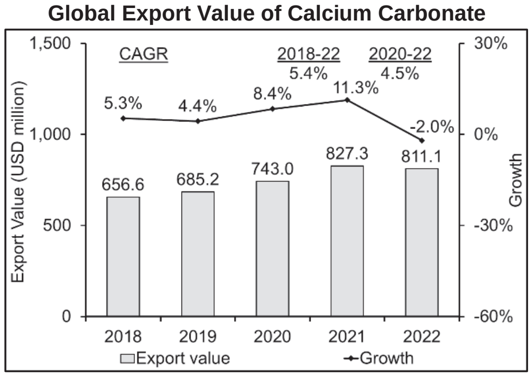
- The following section provides an overview of the demand conditions of calcium carbonate globally, as well as in Malaysia and India as they are Zantat Group's main markets. Calcium carbonate in this section includes calcium carbonate of industrial, food and pharmaceutical grades. There is no available breakdown for the three different subsegments.

3.2.1 Global demand for calcium carbonate

- The global demand for calcium carbonate is represented by the global total export. The global export value of calcium carbonate grew at a CAGR of 4.5% between 2020 and 2022. In 2022, the global export market size of calcium carbonate declined by 2.0% to USD811.1 million.

- In 2022, Malaysia's export of calcium carbonate amounted to RM182.8 million, which represented 5.1% of the total global export value of USD811.1 million (RM3,569.6 million) *(Source: DOSM and Vital Factor analysis)*.

Global Export Value of Calcium Carbonate



Latest available data. USD= United States Dollar.
(Source: Vital Factor analysis)

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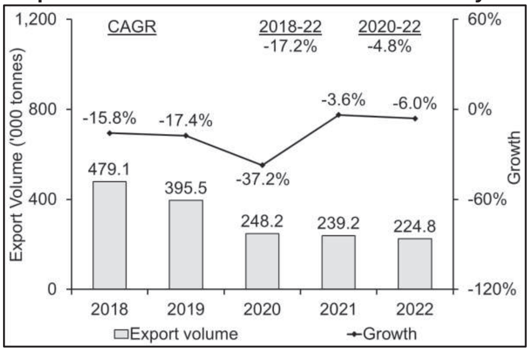
3.2.2 Demand for calcium carbonate in Malaysia

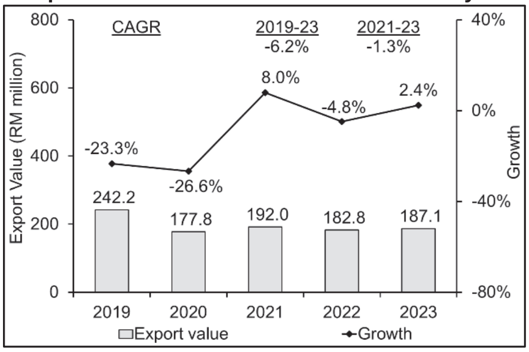
- The demand for calcium carbonate in Malaysia is represented by export and domestic consumption.

Export Volume of Calcium Carbonate in Malaysia



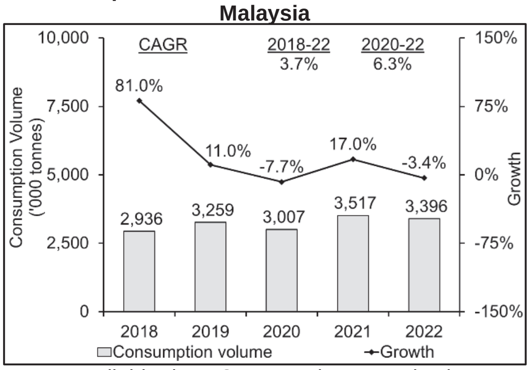
Latest available data. (Source: Vital Factor analysis)

Export Value of Calcium Carbonate in Malaysia



(Source: DOSM)

Consumption Volume of Calcium Carbonate in Malaysia



Latest available data. Consumption = Production + Import – Export. (Source: Vital Factor analysis)

- Between 2020 and 2022, the export volume of calcium carbonate declined at an average annual rate of 4.8%, mainly attributed to lower export volume to India. In 2022, India accounted for the largest proportion of Malaysia's calcium carbonate export with 40.9% of the total export volume, followed by Indonesia (14.4%) and Bangladesh (9.0%). The remaining 35.7% include several other countries with each country representing less than 9.0% of the total export volume of calcium carbonate in Malaysia *(Source: Vital Factor analysis).* Between 2020 and 2022, the export value of calcium carbonate in Malaysia grew at a CAGR of 1.4%. As for domestic consumption, the volume declined by 3.4% in 2022.

- In 2023, the export value of calcium carbonate in Malaysia grew by 2.4% compared to a decline of 4.8% in 2022.

3.2.3 Demand for calcium carbonate in India

- India is one of the main importers of Malaysia's calcium carbonate. Similarly, for Zantat Group, India is a major export market for its calcium carbonate products. As such, the demand for calcium carbonate in India has an impact on Malaysia as well as Zantat Group. In India, statistics are commonly reported based on the government's fiscal year, which is the period between 1 April and 31 March.

- The real GDP of India grew by 7.2% in 2022/23 and is estimated to grow by 7.3% in 2023/24 *(Source: Ministry of Statistics and Programme Implementation (MOSPI), India)*.

- In 2021/22, being the latest available information, the consumption volume of calcium carbonate in India grew by 12.1% following a decline of 23.1% in 2020/21, indicating a recovery from the COVID-19 pandemic. Nevertheless, it has not reached its pre-COVID-19 level in 2019/20.

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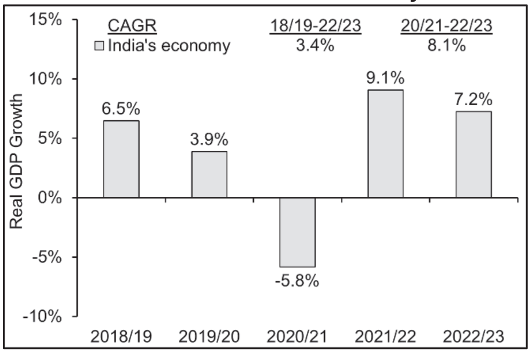
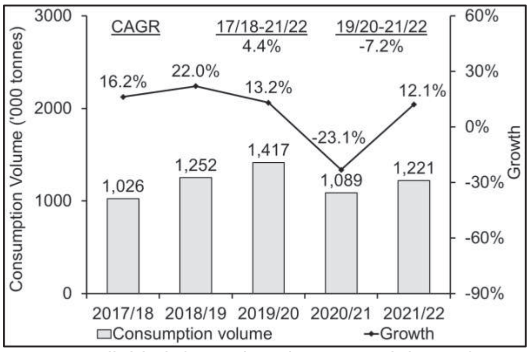
Real GDP of India's Economy



Note: India's data is reported based on fiscal year 1 April to 31 March where fiscal year ending March 2023 (2022/23) is the latest available data. (Source: MOSPI, India)

Consumption Volume of Calcium Carbonate in India



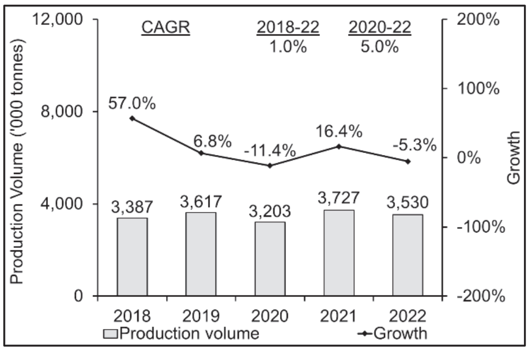
Latest available information. (Source: Ministry of Chemicals and Fertilisers, India)

- In 2021/22, domestically produced calcium carbonate represented 20.2% of India's consumption of calcium carbonate in terms of volume. As such, India relies on the import of calcium carbonate from overseas to meet the demand for calcium carbonate. This augurs well for operators involved in the manufacture of calcium carbonate in Malaysia that exports to India. In 2022/23, the import of calcium carbonate from Malaysia represented 26.1% of the total import volume of calcium carbonate in India. *(Source: Ministry of Commerce and Industry, India)*

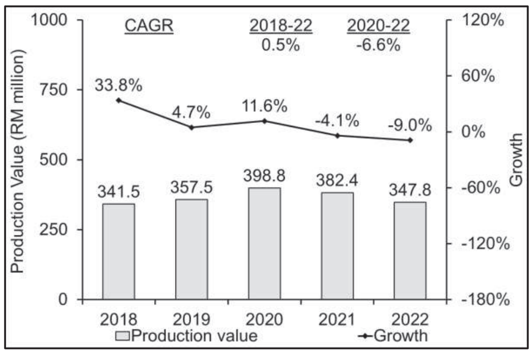
4. SUPPLY CONDITIONS

- In 2022, the production volume of calcium carbonate in Malaysia declined by 5.3% attributed to lower production of PCC. Meanwhile, the production value of calcium carbonate in Malaysia declined by 9.0%, as reflected in the decline in production volume. In 2022, GCC represented 73.3% of the total production volume of calcium carbonate in Malaysia, while the remainder was PCC *(Source: Department of Mineral and Geoscience Malaysia (DOMG))*.

Production Volume of Calcium Carbonate in Malaysia



Production Value of Calcium Carbonate in Malaysia



Latest available data. Calcium carbonate comprises GCC and PCC. (Source: DOMG)

- The import volume of calcium carbonate grew by 206.3% to 90.8 thousand tonnes in 2022, which represented 2.6% of the 2022 production volume in Malaysia. The growth in the import volume of calcium carbonate was reflected by the decrease in local production volume. In terms of import value, there was a CAGR of 10.6% between 2020 and 2022, and a decline of 6.6% in 2023.

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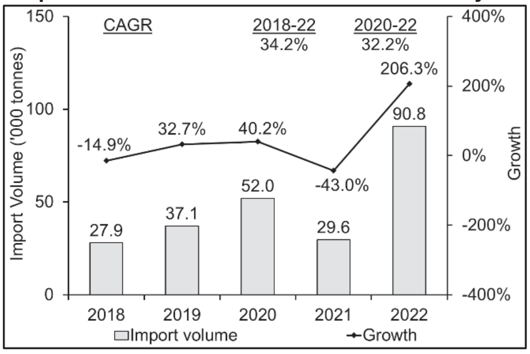
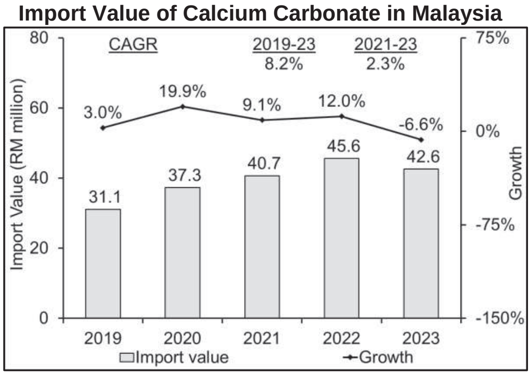
Import Volume of Calcium Carbonate in Malaysia



Latest available data. (Source: Vital Factor analysis)

Import Value of Calcium Carbonate in Malaysia



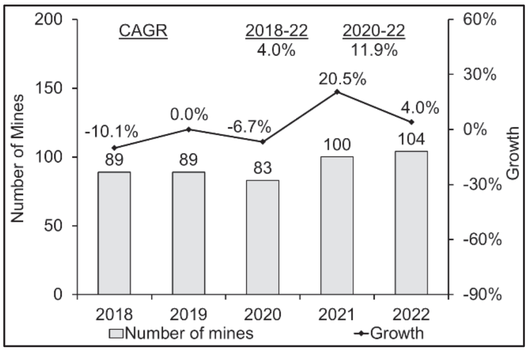
(Source: DOSM)

5. SUPPLY DEPENDENCIES

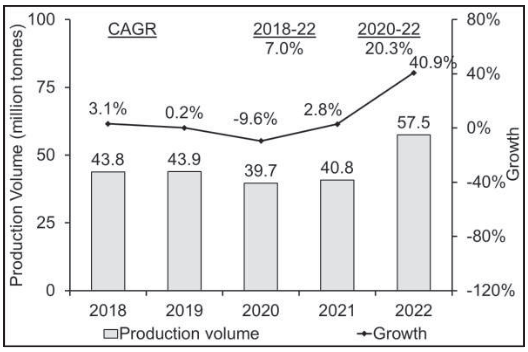
5.1 Availability of limestone reserves

- The supply of calcium carbonate is dependent on the availability of its raw material, namely limestone especially high calcium limestone, that is limestone with a relatively low percentage of impurities. Any shortage of high calcium limestone would invariably affect the production of calcium carbonate for industrial applications. The supply of limestone in Malaysia can be indicated by the number of mines and production volume.

Number of Limestone Mines in Malaysia



Production Volume of Limestone in Malaysia



Latest available data. (Source: DOMG)

- In 2022, the number of limestone mines in Malaysia grew by 4.0% to 104 mines, mainly attributed to the state of Perak which saw an increase of 4 mines. In 2022, 59 limestone mines are located in Perak. As for the production volume of limestone, there was a strong growth of 40.9% in 2022. This indicated higher limestone production activity, which was in line with the higher number of limestone mines and was mainly contributed by the states of Perak and Sarawak. As the largest limestone-producing state in Malaysia, Perak contributed 54.5% of the total production volume of limestone in Malaysia in 2022. *(Source: DOMG)*

- Zantat Group owns 2 leasehold lands with limestone reserves in Perak and currently operates one limestone quarry.

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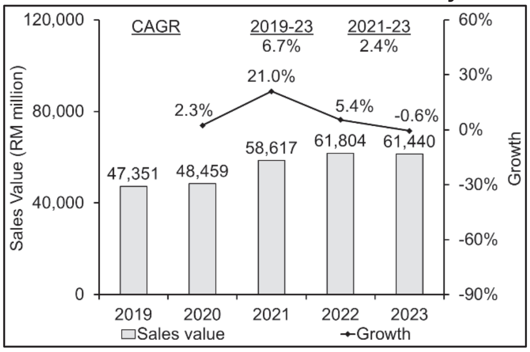
6. DEMAND DEPENDENCIES

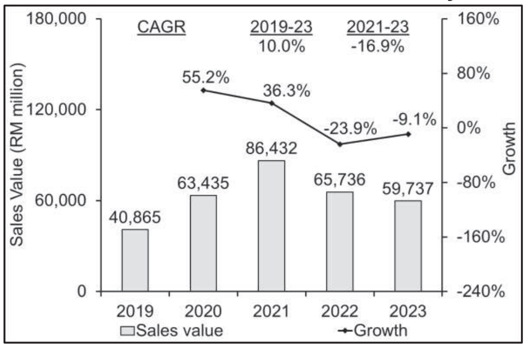
- Calcium carbonate is commonly used as a filler material in the manufacture of plastic and rubber products, among many others, to enhance product properties and reduce the overall cost of production. As such, growth in the manufacture of plastic and rubber products will provide opportunities for operators involved in the calcium carbonate industry, such as Zantat Group. The following section will assess the performance of the plastics and rubber industries in Malaysia and India as user industries of calcium carbonate.

6.1 Performance of the plastic and rubber product industries in Malaysia

Sales Value of Plastic Products in Malaysia



Sales Value of Rubber Products in Malaysia



(Source: DOSM)

- In 2023, the sales value of the manufacture of plastic products in Malaysia declined slightly by 0.6%. As for the sales value of the manufacture of rubber products, there was a decline of 9.1% in 2023, mainly contributed by the decline in rubber gloves amid the reduced global demand following the easing of the COVID-19 pandemic across many countries, as well as the decline in rubber tyres for vehicles. *(Source: DOSM)*

- As part of the Malaysian government's efforts in promoting a circular economy and sustainability, the Roadmap Towards Zero Single-Use Plastics 2018-2030 was launched in 2018 to phase out single-use plastics including drinking straws and plastic bags in Malaysia by 2030. In addition, the Malaysia Plastics Sustainability Roadmap 2021-2030 was introduced in 2021, outlining strategies and action plans to achieve greater levels of plastic circularity.

- Some of the strategies to be undertaken by the Malaysian government include encouraging the uptake of biodegradable bags and the imposition of a pollution levy on manufacturers of plastic bags between 2022 and 2025, as well as increasing the volume of production for local biodegradable and compostable alternative products between 2026 and 2030. In addition, the implementation of the Extended Producer Responsibility (EPR) scheme for plastic products will begin with a voluntary scheme between 2023 and 2025 before transitioning into a mandatory scheme in 2026. Moving forward, the Malaysian government aims to phase out the use of non-degradable plastic bags across all business sectors by 2025 *(Source: Ministry of Natural Resources, Environment and Climate Change)*.

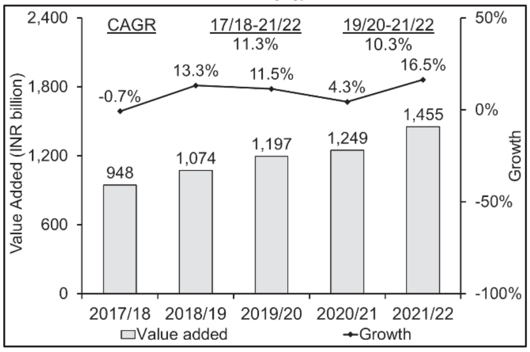
- The promotion of local production of local biodegradable and compostable alternative products will provide opportunities for operators such as Zantat Group which plans to be involved in bioplastics.

6.2 Performance of plastic and rubber product industries in India

- Meanwhile, in India, the value added of plastic and rubber products grew by 16.5% in 2021/22, based on the latest available information.

- In India, several policy measures have also been undertaken by the Indian government to phase out single-use plastics. This includes prohibiting a list of single-use plastic items identified as having low utility and high littering potential from July 2022 onwards, increasing the thickness of plastic bags from 50 microns to 75 microns by September 2021 and to 120 microns by December 2022, as well as introducing the Extended Producer Responsibility guidelines for plastic packaging waste *(Source: Ministry of Environment, Forest and Climate Change, India)*.

Value Added of Plastic and Rubber Products in India



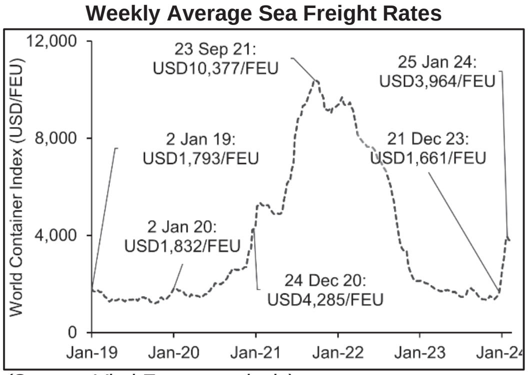
Latest available information. INR = Indian Rupee. (Source: MOSPI, India)

7. SEA FREIGHT RATE AND CRUDE PALM OIL PRICES

- A large proportion of Zantat Group's products are exported overseas. As such, sea freight rates have an impact on the overall cost of doing business in foreign countries.

- In 2020, the weekly average sea freight rate increased by 133.9% from USD1,832/FEU on 2 January 2020 to USD4,285/FEU on 24 December 2020. The upward trend in sea freight rate continued in 2021 and peaked at USD10,377/FEU on 23 September 2021. The increasing sea freight rate was mainly driven by factors such as the supply chain disruptions brought on by the COVID-19 pandemic, operational challenges at ports including delays and congestion, as well the US-China trade war. The increase in sea freight rate affects consignors or consignees as they are required to pay for the higher sea freight rate for the transportation of goods.

Weekly Average Sea Freight Rates

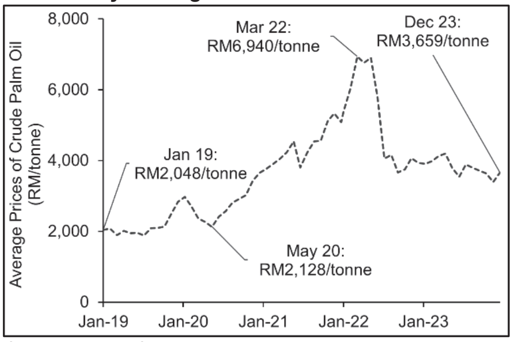


(Source: Vital Factor analysis)

- Since the end of September 2021, the sea freight rate has declined amid improvements in supply chains following the relaxation of containment measures globally, slower demand mainly attributed to rising inflationary pressure, as well as greater availability of freight capacity. This was reflected by the decline of 84.0% in the weekly average sea freight rate from USD10,377/FEU on 23 September 2021 to USD1,661/FEU on 21 December 2023. Since then, the weekly average sea freight rate spiked by 138.7% to USD3,964/FEU on 25 January 2024 before moderating to USD3,733 on 15 February 2024. The surge in sea freight rate was mainly due to the disruption in the Red Sea route following ship attacks.

- Calcium carbonate is commonly coated with a surfactant, mainly stearic acid, to prevent clumping and improve its properties and performance. As a result, stearic acid prices will impact the price of coated calcium carbonate. Stearic acid is derived from vegetable oils, mainly crude palm oil (CPO). Thus, the price of CPO will impact the price of stearic acid, affecting the price of coated calcium carbonate.

Monthly Average Prices of Crude Palm Oil



(Source: BNM)

- Between May 2020 and March 2022, the average prices of CPO increased by 226.1%. The upward trend was attributed to factors such as supply disruptions caused by the COVID-19 pandemic, which resulted in labour shortages and subsequently reduced palm oil output. Additionally, the demand for palm oil increased as it served as a substitute for sunflower oil amidst the disruption in the supply chain of sunflower oil due to the Russia-Ukraine war. Since March 2022, the average prices of CPO have declined by 47.3% to RM3,659/tonne in December 2023. Zantat Group's revenue from stearic acid-coated calcium carbonate accounted for 73.5%, 73.8% and 74.1% of its total revenue for the financial year ended 31 December (FYE) 2020, FYE 2021 and FYE 2022.

8. COMPETITIVE LANDSCAPE

- The calcium carbonate industry in Malaysia is mainly concentrated in states with rich limestone resources and quarries, comprising sole proprietors, family-owned businesses and international operators with manufacturing and sales activities in Malaysia. The selection criterion for companies in the table below includes those involved in the manufacture of GCC in Malaysia, and they are sorted in descending order of revenue. It is not an exhaustive list to indicate the performance of some companies competing with Zantat Group.

Company Name	FYE(1)	Rev(2) (RM mil)	GP/(GL)(2) (RM mil)	(2) GP/(GL) Margin	(2) NP/(NL) (RM mil)	(2) NP/(NL) Margin
Omya Malaysia S/B(3)	Dec-22	325.2	-33.7	-10.4%	-73.8	-22.7%
Imerys Minerals Malaysia S/B(4)	Dec-22	203.1	34.6	17.1%	7.1	3.5%
Zantat Group	**Dec-22**	**113.0**	**52.1**	**46.1%**	**5.4**	**4.8%**
Pulai Rock Inds. S/B(5)	Dec-22	39.0	16.2	41.5%	-0.7	-1.7%
TKN Calcium Inds. (M) S/B(6)	Dec-22	28.2	1.0	3.5%	^	-0.1%
ICB Carbonate Technologies S/B(7)	Dec-22	23.6	5.2	22.0%	0.7	3.0%
Pulai Calcium Carbonate Inds. S/B(8)	Dec-22	16.7	6.0	35.9%	^	-0.1%
CAO Minerals S/B(9)	Dec-22	15.6	1.6	10.5%	-0.9	-6.0%
Zillion Freight S/B(10)	Dec-22	14.1	6.0	42.4%	0.2	1.7%
Weng Fatt Calcium Industry S/B(11)	Jun-22	13.0	2.6	20.2%	0.9	6.8%
Syarikat Cheng Sun Quarry S/B(12)	Dec-22	9.9	0.3	3.2%	-0.2	-2.4%
GCCP Resources Ltd(13)	Dec-22	8.4	1.4	17.1%	-6.4	-75.9%

^ net loss less than RM100,000; Inds.= Industries; FYE = Financial year ended; Rev = Revenue; mil = million; GP = Gross profit; GL = Gross loss; NP = Net profit after tax; NL = Net loss after tax; S/B = Sendirian Berhad; Ltd = Limited.

(1) Latest available financial information from the annual report, Companies Commission of Malaysia and Zantat Group.

(2) At Group or company level, which may include other business activities, products or services.

(3) Involved in operating a quarry, manufacturing and selling ultrafine calcium carbonate powder and investment holding. A subsidiary of Omya AG.

(4) Involved in the manufacturing and distribution of limestone powder, slurry and marble chips, and trading of industrial minerals. A subsidiary of Imerys S.A., an entity listed on the New York Stock Exchange Euronext Paris.

(5) Involved in manufacturing and trading of calcium carbonate chippings, powder and related products.
(6) Involved in dealing of calcium minerals and manufacturing of calcium carbonate and limestone powder.
(7) Involved in manufacturing and sale of all kinds of limestone-based products and handling of limestone products.
(8) Involved in manufacturing and trading of refined limestone powder and its related products.
(9) Involved in manufacturing and trading of limestone and quarry products.
(10) Involved in manufacturing, processing and trading of all types of minerals and ores.
(11) Involved in trading of limestone, property holding, quarry operations as well as provision of transportation services to its customers for goods sold.
(12) Involved in the quarrying of limestone and production of fine calcium carbonate powder. A subsidiary of Mega First Corporation Berhad, an entity listed on the Bursa Malaysia Securities Berhad.
(13) Involved in quarrying and processing of calcium carbonate and marble. Listed on the Singapore Exchange Limited.

9. BARRIERS TO ENTRY

- The barriers to entry for new entrants to the calcium carbonate industry mainly include capital investment required for machinery and equipment, working capital for input materials, holding cost of finished products, and specialised technical skills. There are no onerous licences, regulations or restrictions governing the entry of new players. As an indication of the level of barriers to entry, there are 29 manufacturers of GCC in Malaysia as of 2022 *(Source: Department of Mineral and Geoscience Malaysia)*.

10. MARKET SIZE AND SHARE

- The market size of calcium carbonate and the share of Zantat Group are estimated below:

	Malaysia	Zantat Group	
2022	Market Size(1)	Production Volume	Market share
GCC ('000 tonnes)	2,586	181	7%

(1) Based on the production volume of GCC in Malaysia (Source: DOMG).
(2) Computed by dividing Zantat Group's production volume by the market size. (Source: Zantat Group and Vital Factor analysis)

11. INDUSTRY CONSIDERATION FACTORS

- Calcium carbonate is widely used in many industries as an input material, which serves as a driver of growth. As such, the consideration factors for the calcium carbonate industry include the general well-being of the domestic and global economies, which in turn will stimulate the consumption of goods as well as promote growth in the manufacturing industry. In 2023, the Malaysian economy achieved a real GDP growth of 3.7%, while the manufacturing industry grew by 0.7%. In 2024, the real GDP of the Malaysian economy is forecasted to grow between 4.0% and 5.0%, while the real GDP of the manufacturing industry is forecasted to grow by 4.2% *(Source: Ministry of Finance)*.

- In 2022, India accounted for the largest proportion of Malaysia's calcium carbonate export with 40.9% of the total export volume *(Source: Vital Factor analysis)*. Therefore, the performance of its economy and key manufacturing sectors will affect the calcium carbonate industry in Malaysia. The real GDP of the Indian economy is estimated to grow by 7.3% in 2023/24 *(Source: MOSPI, India)*. Meanwhile, the value-added of plastic and rubber products in India grew by 16.5% in 2021/22, based on the latest available information. Continued growth in India's economy as well as key manufacturing sectors will bode well for calcium carbonate manufacturers in Malaysia.

- In addition, factors such as high sea freight rates which affect exports, and high CPO prices which affect the cost of producing coated GCC may increase the price of calcium carbonate thus affecting its demand.

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 OPERATIONS

9.1.1 We are dependent on our customers from India

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, India was our largest export market which amounted to RM67.1 million (62.5%), RM75.5 million (63.2%), RM67.4 million (59.6%) and RM54.2 million (59.5%) of our total revenue, respectively. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we had 58, 43, 43, and 41 customers from India. As India is our largest export market, our business is dependent on the performance of our customers' industry, namely plastic masterbatch manufacturing, its general economy, laws and regulations, political stability as well as social environment such as diseases outbreak in India.

For the FYE 2020 to FYE 2022, the sales volume for our GCC products to customers in India has been declining from approximately 139,000 tonnes in FYE 2020 to approximately 126,000 tonnes in FYE 2021 and to approximately 101,000 tonnes in FYE 2022. This was mainly due to the COVID-19 outbreak in India in 2020 and 2021 which disrupted our customer's business operations coupled with the increase in sea freight rates in 2021 and first half of 2022 which deterred some of our customers in India from importing from Malaysia. Our average sea freight rates to India increased from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021 and our average monthly sea freight rate was USD51/tonne in the first half of 2022. Nevertheless, in the second half of 2022, the sales volume for our GCC products to customers in India grew by 43.4% from approximately 41,500 tonnes in the first half of FYE 2022 to approximately 59,500 tonnes in the second half of FYE 2022. This was mainly due to the decreasing sea freight rates towards the end of 2022 which attracted returning sales from our Indian customers. In FPE 2023, the sales volume for our GCC products to customers in India increased by 39.7% from approximately 68,000 tonnes in FPE 2022 to 95,000 tonnes.

As such, any unfavourable changes in the plastic masterbatch manufacturing industry, as well as the economy, political, laws and regulation, and social environment in India may adversely impact on our business operations and financial performance to the extent that such changes affects our customers in India and their demand for our products. For the FYE 2020 to 2022, we experienced a drop in our revenue from India amounting to RM8.1 million representing 10.7% of our total revenue in FYE 2022 due to sea freight rate fluctuations. In addition, in FYE 2017 our revenue from India were also marginally affected due to the implementation of GST in India.

9.1.2 We are dependent on our top 2 major customers

Our 2 major customers, namely Alok Group (Alok Master Batches Private Limited and Alok Industries) and Sonali Group (Sonali Polyplast Pvt Ltd and Sonali Polymers Pvt Ltd), had contributed significantly to our revenue from FYE 2020 to FYE 2022 and FPE 2023 as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
Alok Group[(1)]	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Alok Master Batches Private Limited	13,421	12.5	17,087	14.3	16,076	14.2	13,466	14.8
Alok Industries	5,951	5.6	7,797	6.5	6,694	5.9	6,067	6.7
Total	**19,372**	**18.1**	**24,884**	**20.8**	**22,770**	**20.1**	**19,533**	**21.4**

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
Sonali Group[(2)]	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sonali Polyplast Pvt Ltd	4,322	4.0	9,455	7.9	10,728	9.5	7,466	8.2
Sonali Polymers Pvt Ltd	2,664	2.5	2,131	1.8	3,204	2.8	3,514	3.9
Total	**6,986**	**6.5**	**11,586**	**9.7**	**13,932**	**12.3**	**10,980**	**12.1**

Notes:

(1) Alok Group consists of Alok Master Batches Private Limited and Alok Industries (a partnership). Alok Industries is related to Alok Master Batches Private Limited by virtue of the fact that the partners of Alok Industries, namely Krishan Lal Puri and Chandrapal Singh Bhadauria, are directors of Alok Master Batches Private Limited and one of the partners of Alok Industries, namely Chandrapal Singh Bhadauria holds more than 5% of the equity shares in Alok Master Batches Private Limited.

As at LPD, Alok Group has been our customer for 11 years. Alok Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Alok Group for the manufacture of plastic masterbatch.

(2) Sonali Group consists of Sonali Polyplast Pvt Ltd and its holding company, Sonali Polymers Pvt Ltd.

As at LPD, Sonali Group has been our customer for 12 years. Sonali Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Sonali Group for the manufacture of plastic masterbatch.

Collectively, the abovementioned major customers contributed approximately 24.6%, 30.5% 32.4% and 33.5% to our Group's revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We expect that these major customers will continue to contribute to our Group's revenue in the future and as such, we are dependent on these 2 major customers.

Our Group has not historically entered into and presently does not have any long-term agreements with these major customers or any of our other major customers. Hence, we may be materially and adversely affected if we were to lose one or both of these 2 major customers without securing new customers in a timely manner to replace the loss of business, or if we were to encounter difficulties in collecting payment from these major customers.

9.1.3 Our operations are subject to the validity of our licences, permits or approvals

Our Group is required to obtain certain licences, permits and approvals such as business licence, manufacturing licence and permit for quarry scheme to operate our business. Save for the pending issuance of the water abstraction license for Zantat Light which has been approved and the pending approval of the renewal application of the TOL, as disclosed in Section 6.7 of this Prospectus, we have obtained all the required licences, permits and approvals. Nonetheless, our business operations are subject to continuous review by the relevant regulatory authorities and we are required to comply with the terms and conditions as well as applicable laws and regulations under which the licences, permits and approvals were issued. Please refer to Section 6.7 of this Prospectus for further information for details of our major approvals and licences.

In addition, some of our major licences are subject to periodic renewals. Failure to fulfil all conditions imposed by the relevant regulatory authorities or to comply with any relevant laws and regulations may result in non-renewal or revocation of our major licences. Further, the regulatory authorities may vary, modify or impose further conditions upon renewal of our existing licences and approvals or application of new licences and approvals in the future. As mentioned in Section 6.7, our Group does not expect any material adverse impact to the operations or financial performance of our Group in the unlikely event of non-renewal or absence of the water abstraction licence and the TOL. Save for the foregoing, if we are unable to obtain, renew or maintain our licences, permits or approvals, our business operations may be disrupted and this could have a material adverse impact on our financial condition, results of operations and prospects.

9.1.4 We are exposed to the increases in logistic and raw material costs

We may face risks of increases in logistic and raw material costs which may affect our profitability and financial performance. This may be affected by numerous factors such as macroeconomic and microeconomic factors, global shortage of freight containers and increasing sea freight rates, disasters, riots, war, terrorist attacks or outbreak of epidemics or pandemics.

For the FYE 2020, FYE 2021 and FYE 2022, our logistic costs increased from RM24.4 million in FYE 2020 to RM37.7 million in FYE 2021 before it subsequently decreased to RM33.3 million in FYE 2022. In FPE 2023, logistic costs decreased to RM18.7 million compared to RM25.8 million in FPE 2022. We experienced an increase in sea freight charges where our average sea freight rates to India increased from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021 and USD51/tonne in the first half of FYE 2022, and subsequently decreased to USD30/tonne in the second half of FYE 2022 and USD14/tonne in FPE 2023. According to the IMR Report, in 2020, the weekly average sea freight rate increased by 133.9% from USD1,832/forty-foot equivalent unit ("**FEU**") on 2 January 2020 to USD4,285/FEU on 24 December 2020, and continued to increase in 2021 and peaked at USD10,377/FEU on 23 September 2021. This was mainly driven by factors such as the supply chain disruptions brought on by the COVID-19 pandemic, operational challenges at ports including delays and congestions, as well as the US-China trade war. Since the end of September 2021, weekly average sea freight rate declined by 84.0% to USD 1,661/FEU on 21 December 2023 amid improvements in supply chains following the relaxation of containment measures globally, slower demand mainly attributed to rising inflationary pressure, as well as greater availability of freight capacity. (Source: IMR Report).

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our export revenue amounted to RM76.4 million (71.3%), RM86.6 million (72.5%), RM77.9 million (68.9%) and RM62.0 million (68.1%) of our total revenue, respectively. These exported products are priced CIF, therefore this resulted in an increase or decrease in the selling prices of our exported products to reflect the increase or decrease in freight rates for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Due to substantial increase in sea freight rates at the end of 2020, consequently, we had to absorb some of the freight cost between November 2020 and February 2021. There is a risk that our customers may seek more cost competitive sources of imports and this would adversely affect our financial performance.

Additionally, for the FYE 2020, FYE 2021 and FYE 2022, our purchases of chemicals grew from RM9.3 million in FYE 2020 to RM10.6 million in FYE 2021 and RM10.9 million in FYE 2022 which was mainly due to the increase in purchases of stearic acid caused by the increase in its average price. In FPE 2023, our purchases of chemicals increased from RM8.3 million in FPE 2022 to RM9.2 million due to increase in purchase volume. We experienced an increase in the average purchase price of stearic acid, a chemical used in the production of our coated GCC product, which increased by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021 and further increase by 27.5% to RM6.26/kg in FYE 2022. Subsequently, the average purchase price of stearic acid decreased to RM4.99/kg in FPE 2023.

The increase in stearic acid price since 2020 was due to the increase in crude palm oil (CPO) prices by 226.1% between May 2020 and March 2022 attributed to factors such as supply disruptions caused by the COVID-19 pandemic, which resulted in labour shortages and subsequently reduced palm oil output. CPO prices were also affected by the increase in the demand for palm oil as it served as a substitute for sunflower oil amidst the supply chain disruption due to the Russia-Ukraine war. Since March 2022, the average prices of CPO have declined by 47.3% to RM3,659/tonne in December 2023 (Source: IMR Report).

Consequently, we had to absorb the increase in chemical cost in FYE 2020 and FYE 2021. In FYE 2022, we managed to pass on some of the increase in chemical cost to customers by increasing the selling prices of coated GCC products for export customers as well as implemented a surcharge for Malaysian customers for any increment of crude palm oil prices.

Any increases in our cost will eventually require us to increase our selling prices, which may reduce our competitiveness. This would affect our ability to retain customers and/or secure new orders and if we are unable to remain competitive, this would adversely affect our revenue and financial performance. Alternatively, if we were to absorb some of these costs to stay competitive, it may reduce our profit margins.

Furthermore, we may be exposed to price increases in the cost of materials due to the unavoidable time lag between the time of our commitment to our customers and our subsequent purchases of such materials. We adopt a periodic review for the pricing of our products where GCC products and exported products are reviewed monthly while local CC dispersions pricing are reviewed quarterly.

While we seek to minimise our exposure to price increases by closely monitoring the price of our raw materials and logistic costs, there can be no assurance that we would be able to pass on any increases in costs to our customers. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the costs and this would adversely affect our profitability and financial performance.

9.1.5 We are dependent on our experienced management team for the continuing success of our Group

The continuing success, future growth and expansion of our Group are, to a significant extent, dependent on the knowledge, experience, skills and continued services of our Directors and key management. Our Managing Director / Chief Executive Officer, Chan Bin Iuan, brings with him 17 years of experience in the calcium carbonate industry. He has been instrumental in the growth and development of our Group including his initiative to drive export sales of our GCC products to India in 2012. Our Executive Director / Chief Operating Officer (Perak Plants), Chan Jee Chet, brings with him approximately 12 years of experience in the calcium carbonate industry. He is responsible for overseeing the production, sales and marketing of calcium carbonate products at the Perak Plants.

They are supported by a key senior management team, Chan Eng Hue (our Chief Operating Officer of Zantat KL Plant) and Aw Ee Ling (our Chief Financial Officer), all of whom have approximately 38 years and 12 years of working experience in their respective fields. Our continued success will depend on our ability to retain the service of our Managing Director, Executive Director and key management personnel. As such, the loss of our experienced Managing Director, Executive Director and key management personnel without suitable and timely replacements, may have an adverse impact on our Group's business and ability to compete effectively.

9.1.6 We may face a shortage of labour for our production operations

We are dependent on a broad range of human capital as we require semi-skilled operators to operate our plants. Hence, a stable work force is crucial to ensure that our operations is not interrupted, particularly in periods of high demand. Our direct labour costs comprising costs of employees who are involved in the production operations of our Group accounted for approximately 11.8% (RM7.1 million), 11.7% (RM6.9 million), 11.9% (RM7.2 million) and 11.2% (RM6.2 million) of our cost of goods sold for the FYE 2020 to 2022 and FPE 2023, respectively.

As at LPD, we have a workforce of 220 employees, of which 50.0% are foreign workers employed as production workers, machine operators and packers at our production plants. Our production operations rely on foreign workers and any substantial shortage in the supply of foreign labour may disrupt our operations resulting in delay or failure to meet our production schedules and demand for our products.

The supply of foreign workers in Malaysia is subject to the labour and immigration policies and regulations imposed by the Government from time to time. Any changes in the labour and immigration policies and regulations and/or visa restrictions on foreign workers will lead to disruption to our business operations. Accordingly, we may face the risk of shortage of foreign workers to meet the manpower requirements needed for our production and business activities in the future due to such changes.

In addition, any changes in policies relating to the employment of foreign workers such as, further increase to the minimum wages and/or any other additional costs arising due to the initiatives of the Government in relation to employment of foreign workers as well as efforts made by the Government to attract both local and foreign workers in the future may also result in an increase in our costs and overheads.

9.1.7 We are subject to impact of foreign exchange

Our revenue is predominantly based in foreign currencies mainly USD which accounted for 71.3% (RM76.4 million), 72.5% (RM86.6 million), 68.9% (RM77.9 million) and 68.1% (RM62.0 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, 17.5% (RM5.5 million), 19.9% (RM6.5 million), 20.8% (RM7.1 million) and 4.7% (RM1.3 million) of our total purchases were also transacted in foreign currencies mainly CNY for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In this respect, we are exposed to fluctuations in foreign exchange rates, especially between USD and RM, and CNY and RM. Any adverse movements in the foreign exchange rates against the RM may have a negative impact on our business operations and financial performance.

Details on our foreign exchange gains and losses are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised gain on foreign exchange	145	639	1,332	280
Unrealised gain on foreign exchange	-	219	-	1,028
Unrealised loss on foreign exchange	(93)	-	(427)	-
Net gain on foreign exchange	**52**	**858**	**905**	**1,308**

We maintain bank accounts mainly in RM and USD, such that collections can be used to settle payments of the same currency where possible. This, to a certain extent, provides a natural hedge against fluctuations in the foreign exchange and our exposure to foreign exchange risks.

As at LPD, we have foreign currency forward hedging facilities amounting to RM18.0 million.

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 September 2023 indicates that, in the event of a 5.0% fluctuation of USD against RM, our PAT for FPE 2023 would fluctuate by RM0.4 million, while the effects of fluctuations in CNY, SGD and EUR are negligible.

Nevertheless, our business is subject to risks relating to any unfavourable foreign exchange rate fluctuations against the RM which may materially affect our financial performance.

9.1.8 Our business is exposed to interruptions or delays caused by outbreak of pandemic, sudden and unexpected machinery failures as well as environmental factors (including natural disasters such as floods and landslide)

The prolonged outbreak and spread of the COVID-19 pandemic had and will continue to affect our business operations. In association with the COVID-19 pandemic, there were various containment measures implemented such as lockdowns, movement restrictions and temporary suspension of our business operations as well as our customers' operations. The interruptions in our operations as well as our customers' operations will also affect the demand for our products and subsequently, adversely affect our financial performance. This was demonstrated by the fact that our revenue performance for the second quarter of FYE 2020 declined by 33.7% compared to the first quarter of FYE 2020 due to the temporary interruptions in our business operations as well as closure of our customer's business operations. Additionally, our revenue for the second quarter of FYE 2021 declined by 30.3% compared to the first quarter of FYE 2021. This was mainly due to lower sales volume from our customers in India mainly due to the lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021 coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

There can be no assurance that there will not be another severe spike in COVID-19 cases or that another pandemic of a similar nature will not happen in the future. Should there be a severe spike in COVID-19 cases or an outbreak of another pandemic of a similar nature, local and global economic conditions may be negatively affected, thus leading to an adverse effect on our business, financial condition and future prospects.

In addition to outbreaks or pandemics of infectious diseases, our Group is exposed to sudden and unexpected equipment failures as well as natural disasters such as flood and landslide. Our Group utilises various machineries such as hammer mill, vertical roller mill and robotic arm palletising machine for our operations. In the event of any disruption or unplanned shutdown of our facilities and equipment due to factors such as power failure, breakdown of machinery, fires or accidents, the delivery of our products and services may be adversely affected. We are also exposed to natural disasters such as floods and landslide, which may lead to a shutdown of our facilities including the quarry operations, or damage to or loss of our stock of raw materials and products. This may lead to a negative impact on our business, financial condition and future prospects.

9.1.9 We are subject to operational risks which may cause interruptions to our business operations

Operational risks including, but not limited to, fire outbreaks and disruption of electricity supply at our manufacturing plant may cause interruptions to our business operations.

We have taken precautionary steps through the installation of fire-resistant walls, fire hydrants and fire extinguishers at our office and factory premises. Factory employees are also trained on the use of firefighting equipment as well as basic firefighting techniques. Fire drills are conducted at regular intervals to ensure that employees are well prepared in the event a fire outbreak occurs.

In addition, our production process undertaken is highly automated and is therefore dependent on a consistent supply of electricity for smooth operations. The power supply to our manufacturing plant is provided by TNB. As such, in the event of a disruption in the power supply from either TNB, the necessary backup power supply will be provided by the other party.

Although we have not previously experienced any major disruptions to our manufacturing plant, any prolonged disruptions will affect our production schedules and will affect the timely delivery of our products to our customers, which may consequently affect our results of operations, financial condition and reputation.

9.1.10 We may not have adequate insurance coverage to cover the risks related to our operations

We maintain insurance coverage including on our material assets and business operations. Our Group has taken insurance to cover, among others, public liability, fire and burglary.

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

Type of insurance policies	Total sum insured
	RM'000
Fire	32,339
Public liability	3,000
Burglary	100
Goods-in-transit (per trip)	15
All risk (stainless steel tanker, for damage)	500
	35,954

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events and may not necessarily cover all members of our Group, we are still exposed to the risk that the insurance coverage would be inadequate to cover the losses, damages or liabilities which we may incur in the course of our business operations or that it may not cover a particular member of our Group. Therefore, there can be no assurance that all liabilities incurred will be adequately covered by insurance and as such, claims for damages arising from our operations which cannot be sufficiently covered by our insurance policies may have an adverse effect on our financial condition or results of operations.

Further, there is no assurance that we are sufficiently insured to cover any losses, damages or liabilities that may arise. For instance, we do not have insurance coverage for certain risks such as political risks, terrorism or war. Hence, our business may be adversely and materially affected in the event of such an occurrence where our losses and liabilities are not covered by insurance.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are subject to the demand and performance of the user-industries

As a producer of calcium carbonate products, we are dependent on the demand and performance of the users of our calcium carbonate products. For the FYE 2020 to FYE 2022 and FPE 2023, we are dependent on the operators in the plastic masterbatch manufacturing industry, as well as the glove manufacturing industry as our major source of revenue, as demonstrated by our revenue contribution from these types of customers. Our revenue contribution from plastic masterbatch manufacturers accounted for 67.6% (RM72.5 million), 67.0% (RM80.1 million), 68.8% (RM77.7 million) and 70.3% (RM64.1 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively, while our revenue contribution from glove manufacturers accounted for 10.6% (RM11.4 million), 9.7% (RM11.6 million), 11.1% (RM12.5 million) and 8.5% (RM7.7 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

As we have no control over the prospects and success of our customers' business, our financial performance may be adversely affected if they lose market share, experience financial difficulties or if they face economic downturn affecting the demand for their products.

Any downturn in the performance of the plastic masterbatch and glove manufacturing industries or any development in the political, economic and regulatory environment, where our customers operate in or serve will have a negative impact on the demand for our calcium carbonate products. Any loss or reduction of orders from operators in this industry, if not replaced, may adversely affect our business operations and financial performance.

9.2.2 We face competition from other suppliers of calcium carbonate products

We operate in a competitive industry and we expect to face competition from existing industry players and potential new market entrants, in terms of product pricing, range and quality of products, service offerings, ability to deliver in a timely manner and availability of stock, among others. The calcium carbonate industry in Malaysia is mainly concentrated in states with rich limestone resources and quarries, comprising sole proprietors and family-owned businesses as well as large international operators with manufacturing and sales activities in Malaysia. Additionally, as the majority of our revenue were contributed by export sales, we also face competition from foreign suppliers.

The competition we face from existing industry players and new market entrants domestically and from foreign countries may impact our revenue and profitability as we are required to be more price competitive in order to secure purchase orders. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have material and adverse effects on our business and financial performance.

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

9.2.3 We are exposed to the government, political, social, economic, fiscal or monetary policies and regulatory risk, as well as occurrence of force majeure events

Our business prospects and financial position may be materially and unfavourably affected by adverse developments in political, social, economic and regulatory conditions in Malaysia and other countries where our Group sources our supplies and exports our products. Such developments may include, amongst others, changes in political leadership, geopolitical events, acts of terrorism, risk of war, riots, sanctions, and commotions, increase in sea freight rates, changes in interest rates, epidemics, pandemics, methods of taxation, fluctuations in foreign exchange rates and interest rates, foreign exchange control and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

Any slowdown in the global or local economy may also reduce economic activities and consumer spending, resulting in a decrease in the purchases of calcium carbonate by user industries. This may in turn affect our business operations, financial performance and prospects.

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 or continue be developed upon or subsequent to our Listing.

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 upon or subsequent to our Listing.

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.

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.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after our IPO

Our Promoters will collectively hold approximately 63.1% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will likely have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of Zantat 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 2020 to 2022 and FPE 2023 and up to LPD:

					Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 October 2023 up to LPD	
Related party	Transacting company in our Group	Interested person(s) and	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Windfore Enterprise	Calrock	Leong Thun Ngai, the sole proprietor of Windfore Enterprise, is the brother-in-law of Chan Hup Ooi and Chan Eng Hue.	Chan Hup Ooi is our Promoter, substantial shareholder and Non-Independent Non-Executive Deputy Chairman whilst Chan Eng Hue is our Promoter, substantial shareholder and Chief Operating Officer (KL Plant). As at LPD, Chan Hup Ooi and Chan Eng Hue are the directors of Calrock.	Provision of transportation service(2)	100	(1)1.6	79	(1)1.2	83	(1)1.5	59	(1)1.0	27	(1)0.8

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

					Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 October 2023 up to LPD	
Related party	**Transacting company in our Group**	**Interested person(s) and**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Windfore Enterprise	Zantat	Leong Thun Ngai, the sole proprietor of Windfore Enterprise, is the brother-in-law of Chan Hup Ooi and Chan Eng Hue.	Chan Hup Ooi is our Promoter, substantial shareholder and Non-Independent Non-Executive Deputy Chairman whilst Chan Eng Hue is our Promoter, substantial shareholder and Chief Operating Officer (KL Plant). As at LPD, Chan Hup Ooi and Chan Eng Hue are the directors and shareholders of Zantat.	Provision of transportation service(2)	424	(1)6.8	360	(1)5.5	422	(1)7.8	232	(1)4.1	97	(1)2.8

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

					Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 October 2023 up to LPD	
Related party	**Transacting company in our Group**	**Interested person(s) and**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Lee Mooi Fern	Zantat	Lee Mooi Fern is the sister of Lee Mei Choon.	Lee Mei Choon is our Promoter. As at LPD, Lee Mei Choon is a director and shareholder of Zantat.	Provision of transportation service(2)	195	(1)3.1	166	(1)2.6	28	(1)0.5	-	-	-	-
Lee Mooi Fern Enterprise	Zantat	Lee Mooi Fern and Kong Chee Seng, the partners of Lee Mooi Fern Enterprise, are respectively the sister and brother-in-law of Lee Mei Choon.	Lee Mei Choon is our Promoter. As at LPD, Lee Mei Choon is a director and shareholder of Zantat.	Provision of transportation service(2)	-	-	43	(1)0.7	293	(1)5.4	317	(1)5.6	37	(1)1.1
Lee Mooi Fern	Zantat Light	Lee Mooi Fern is the sister of Lee Mei Choon.	Lee Mei Choon is our Promoter. As at LPD, Lee Mei Choon is a director of Zantat Light.	Provision of transportation service(2)	-	-	10	(1)0.2	1	(1)<0.1	-	-	-	-

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

Related party	Transacting company in our Group	Interested person(s) and	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FPE 2023 RM'000	FPE 2023 %	1 October 2023 up to LPD RM'000	1 October 2023 up to LPD %
Lee Mooi Fern Enterprise	Zantat Light	Lee Mooi Fern and Kong Chee Seng, the partners of Lee Mooi Fern Enterprise, are respectively the sister and brother-in-law of Lee Mei Choon.	Lee Mei Choon is our Promoter. As at LPD, Lee Mei Choon is a director of Zantat Light.	Provision of transportation service[(2)]	-	-	4	[(1)]<0.1	1	[(1)]<0.1	-	-	-	-

Notes:

(1) Computed over our Group's PAT for the respective financial years / period.

(2) Being recurrent transactions that may recur after our IPO. The services are provided on a purchase / service order basis, and are quoted based on comparable transportation rates.

Our Directors have also confirmed that there are no material related party transactions that we had entered into with related parties but not yet effected up to the LPD.

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 than those generally available to third parties and accordingly were not detrimental or unfavourable to our non-interested shareholders.

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

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.

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 deliberating and 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 deliberating and voting in respect of his direct and/or indirect shareholdings. 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 2020 to 2022 and FPE 2023 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at LPD, 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.

(b) Guarantees

Our Promoters, substantial shareholders and Directors, namely Teh Ah Soon @ Teh Soon Tick, Chan Eng Hue, Chan Hup Ooi, Chan Bin Iuan and Chan Jee Chet have jointly and severally provided personal guarantees for the banking facilities extended by Hong Leong Bank Berhad, HSBC Bank Malaysia Berhad and HSBC Amanah Malaysia Berhad (collectively, "**Financiers**") to our Group:

Financiers / Borrower	Type of facilities	Outstanding balance as at LPD	Guaranteed sum	Guarantors
		RM'000	RM'000	
Hong Leong Bank Berhad / Zantat	• Term loan • Bank Overdraft • Combined trade financing	6,093	37,600	• Chan Hup Ooi • Chan Eng Hue • Teh Ah Soon @ Teh Soon Tick
HSBC Bank Malaysia Berhad / Zantat	Receivables finance facilities	-	2,600	Personal guarantee (RM1,400,000): • Chan Hup Ooi Joint and several liability guarantee (RM1,200,000): • Chan Hup Ooi • Chan Bin Iuan • Chan Jee Chet

Financiers / Borrower	**Type of facilities**	**Outstanding balance as at LPD**	**Guaranteed sum**	**Guarantors**
		RM'000	**RM'000**	
HSBC Bank Malaysia Berhad / Zantat	• Bank overdraft • Term loan • Combined Trade Financing (Trade and revolving loan)	3,461	9,000	• Chan Hup Ooi • Chan Bin Iuan • Chan Jee Chet
HSBC Bank Malaysia Berhad / Calrock	• Bank overdraft • Reducing balance loan • Bank guarantee	515	3,440	• Chan Hup Ooi
HSBC Bank Malaysia Berhad / Zaneco	Reducing balance loan	2,250	4,000	• Chan Bin Iuan • Chan Jee Chet
HSBC Amanah Malaysia Berhad / Zantat	• Amanah Industrial Hire Purchase i-financing • Trade financing	890	9,600	• Chan Hup Ooi • Chan Bin Iuan • Chan Jee Chet
		13,209	**66,240**	

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

As at the date of this Prospectus, we have received approvals from all of the Financiers to discharge the existing bank guarantees executed by Chan Hup Ooi, Teh Ah Soon @ Teh Soon Tick, Chan Eng Hue, Chan Bin Iuan and Chan Jee Chet respectively as stated above subject to the fulfilment of, among others, the following:

(a) completion of the Listing; and

(b) receipt of the corporate guarantee from our Company by the Financiers.

Our Group expects the discharge of the abovementioned guarantees to be completed within 6 months upon the Listing.

(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 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, Placement Agent and Underwriter for our Listing:

(a) Agreement dated 12 November 2021 between our Company and M & A Securities for the appointment of M & A Securities as Adviser, Sponsor, Placement Agent and Underwriter for our Listing; and

(b) Underwriting Agreement dated 19 February 2024 entered into between our Company and M & A Securities for the underwriting of 25,200,000 Issue Shares.

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11. CONFLICT OF INTEREST

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 any businesses or corporations:

(a) which is carrying on a similar trade as our Group; or

(b) which is a customer or supplier of our Group.

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 Nominating 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 Nominating 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 situation, our Nominating 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 situation (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 situation.

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 matter that has given rise to the conflict of interest situation 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 relating to the matter that has given rise to the conflict of interest situation.

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 Nominating 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 of this Prospectus for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

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) Cheang & Ariff 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) Crowe 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) Vital Factor Consulting 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

We were incorporated in Malaysia on 30 November 2021. Our historical financial information throughout FYE 2020 to FYE 2022 and FPE 2023 was 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. Our audited combined and consolidated financial statements for FYE 2020 to FYE 2022 and FPE 2023 were not subject to any audit qualifications.

Our historical financial information presented in this section should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.2 of this Prospectus and the Group's audited combined and consolidated financial statements and the accompanying notes set out in the Accountants' Report included in Section 13 of this Prospectus.

12.1.1 Combined and consolidated statements of comprehensive income

	Audited			Unaudited	Audited
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	107,209	119,464	113,023	82,977	91,089
Cost of sales	(60,048)	(59,293)	(60,944)	(44,094)	(55,200)
GP	**47,161**	**60,171**	**52,079**	**38,883**	**35,889**
Other income	667	1,163	1,707	2,160	1,660
Selling and distribution expenses	(25,559)	(38,439)	(33,931)	(26,154)	(19,473)
Administrative expenses	(10,840)	(11,481)	(9,560)	(7,163)	(8,347)
Other expenses	(1,220)	(911)	(1,386)	(709)	(903)
Finance cost	(1,676)	(1,392)	(1,568)	(1,167)	(992)
PBT	**8,533**	**9,111**	**7,341**	**5,850**	**7,834**
Income tax expense	(2,298)	(2,607)	(1,922)	(1,430)	(2,163)
PAT / Total comprehensive income	**6,235**	**6,504**	**5,419**	**4,420**	**5,671**
EBIT(1)	10,029	10,406	8,843	6,969	8,741
EBITDA(1)	16,168	16,386	14,664	11,348	13,197
GP margin (%)(2)	44.0	50.4	46.1	46.9	39.4
PBT margin (%)(3)	8.0	7.6	6.5	7.1	8.6
PAT margin (%)(3)	5.8	5.4	4.8	5.3	6.2
Effective tax rate (%)	26.9	28.6	26.2	24.4	27.6
EPS (sen)(5)	2.2	2.3	1.9	1.6	2.0

12. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) EBIT and EBITDA are computed as follows:

	Audited			Unaudited	Audited
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PAT	**6,235**	**6,504**	**5,419**	**4,420**	**5,671**
Adjusted for:					
- Finance costs	1,676	1,392	1,568	1,167	992
- Interest income	(180)	(97)	(66)	(48)	(85)
- Income tax expense	2,298	2,607	1,922	1,430	2,163
EBIT	**10,029**	**10,406**	**8,843**	**6,969**	**8,741**
Adjusted for:					
- Depreciation	6,139	5,980	5,821	4,379	4,456
EBITDA	**16,168**	**16,386**	**14,664**	**11,348**	**13,197**

(2) GP margin is computed based on GP divided by revenue.

(3) PBT or PAT margin is computed based on PBT or PAT divided by revenue.

(4) Effective tax rate is computed based on income tax expense divided by PBT.

(5) Calculated based on PAT and enlarged share capital of 280,000,000 Shares after our IPO.

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12.1.2 Combined and consolidated statements of financial position

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

	Audited			
	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	53,049	49,917	51,375	48,880
Right-of-use assets	7,279	7,195	7,430	7,066
Total non-current assets	**60,328**	**57,112**	**58,805**	**55,946**
Current assets				
Inventories	6,866	8,198	8,595	7,843
Trade receivables	18,112	21,999	21,250	22,593
Other receivables, deposits and prepayments	836	2,604	1,086	1,225
Current tax assets	294	849	1,503	145
Fixed deposit with licensed banks	5,673	5,061	3,442	4,018
Cash and bank balances	5,311	2,058	4,531	4,500
Total current assets	**37,092**	**40,769**	**40,407**	**40,324**
TOTAL ASSETS	**97,420**	**97,881**	**99,212**	**96,270**
EQUITY AND LIABILITIES				
Equity attributable to owners				
Share capital	5,000	3,000	6,000	6,000
Merger deficit	(1,500)	(4,100)	(4,100)	(4,100)
Retained profits	53,307	56,088	55,507	61,178
TOTAL EQUITY	**56,807**	**54,988**	**57,407**	**63,078**
Non-current liabilities				
Long-term borrowings	13,999	10,653	8,034	5,276
Deferred tax liabilities	2,389	2,389	3,024	3,412
Lease liabilities	34	11	413	131
Total non-current liabilities	**16,422**	**13,053**	**11,471**	**8,819**
Current liabilities				
Trade payable	9,303	8,519	8,039	8,298
Other payables and accruals	3,400	5,503	6,368	8,472
Lease liabilities	351	418	392	430
Short-term borrowings	11,137	15,371	15,535	6,707
Current tax liabilities	-	29	-	466
Total current liabilities	**24,191**	**29,840**	**30,334**	**24,373**
TOTAL LIABILITIES	**40,613**	**42,893**	**41,805**	**33,192**
TOTAL EQUITY AND LIABILITIES	**97,420**	**97,881**	**99,212**	**96,270**

12.1.3 Combined and consolidated statements of cash flows

The following table sets out our combined and consolidated statements of cash flows for FYE 2020 to 2022 and FPE 2023 which have been extracted from the Accountants' Report.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
PBT	8,533	9,111	7,341	7,834
Adjustments for:				
Depreciation of property, plant and equipment	5,629	5,461	5,262	4,036
Depreciation of right-of-use assets	510	519	559	420
Interest expense on lease liabilities	34	16	11	29
Interest expenses	1,191	956	1,251	703
Property, plant and equipment written off	9	2	33	23
Bad debt written off	-	-	-	2
Unrealised loss / (gain) on foreign exchange	93	(219)	427	(1,028)
Gain on disposal of property, plant and equipment	(32)	(124)	(180)	(161)
Interest income	(180)	(97)	(66)	(85)
Operating profit before working capital changes	**15,787**	**15,625**	**14,638**	**11,773**
(Increase) / Decrease in trade and other receivables	(2,161)	(4,223)	676	(505)
Increase in trade and other payables	2,528	1,319	186	2,363
Decrease / (Increase) in inventories	79	(1,332)	(397)	752
Cash from operations	**16,233**	**11,389**	**15,103**	**14,383**
Income tax (paid) / refund	(2,280)	(3,133)	(1,970)	49
Interest paid	(1,225)	(972)	(1,070)	(736)
Net cash from operating activities	**12,728**	**7,284**	**12,063**	**13,696**
Cash flows for investing activities				
Acquisition of subsidiaries	(2,000)	(4,600)	-	-
Purchase of property, plant and equipment	(2,345)	(3,544)	(5,397)	(1,515)
Proceeds from disposal of property, plant and equipment	32	124	187	161
Interest income received	180	97	66	85
(Addition) / Withdrawal of fixed deposits pledged with licensed banks	(73)	(28)	34	-
Net cash used in investing activities	**(4,206)**	**(7,951)**	**(5,110)**	**(1,269)**
Cash flows for financing activities				
Repayment of lease liabilities	(364)	(391)	(418)	(300)
Net (repayment) / drawdown in term loans	(1,040)	(1,681)	614	(1,847)
Net (repayment) / drawdown in post shipment buyer loan	(777)	878	238	(840)
Net (repayment) / drawdown in revolving credit	(450)	2,200	(1,000)	(1,400)
Net repayment in hire purchase payables	(1,485)	(1,657)	(2,495)	(1,605)
Net drawdown / (repayment) in invoice financing	-	-	350	(350)

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net (repayment) / drawdown in bankers' acceptances	(272)	1,148	1,157	(5,540)
Proceeds from issuance of ordinary share	-	-	3,000	-
Dividend paid	(4,500)	(3,723)	(6,000)	-
Net cash used in financing activities	**(8,888)**	**(3,226)**	**(4,554)**	**(11,882)**
Net (decrease) / increase in cash and cash equivalents	(366)	(3,893)	2,399	545
Cash and cash equivalents at beginning of financial year / period	9,833	9,467	5,574	7,973
Cash and cash equivalents at end of financial year / period	**9,467**	**5,574**	**7,973**	**8,518**

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

The following discussion and analysis of our combined and consolidated financial information for FYE 2020 to FYE 2022 and FPE 2023 should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

12.2.1 Overview of our operations

(a) Principal activities

We are primarily involved in the production of calcium carbonate namely GCC and calcium carbonate dispersions. We are also involved in the production of kaolin dispersion, processing of ultrafine PCC powder, trading of industrial minerals and sales of limestone quarry products.

These industrial minerals are used for various industrial applications including manufacturing of plastics, gloves, paints and coatings, and rubber products.

Please refer to Section 7 of this Prospectus of this Prospectus for further details on our business activities and products.

(b) Revenue

Our revenue is derived from 4 business segments, namely: production of GCC, production of CC dispersion, production of kaolin dispersion, and other business activities which are complementary to our main business, which includes the processing of ultrafine PCC powder, trading of other industrial minerals, and sale of limestone quarry products.

Our revenue is recognised when goods have been delivered to and accepted by our customers.

(c) Cost of sales

Our cost of sales comprises the following components:

(i) Material costs

Material costs comprises the purchases and usage of limestone chips, kaolin powder, PCC powder, stearic acid and dispersing agent for the production of calcium carbonate products and kaolin dispersion. It also includes purchases of finished goods such as talcum powder for trading purposes, as well as packaging material costs.

(ii) Factory overheads

Factory overheads mainly comprised electricity costs, depreciation of property, plant and equipment, depreciation of rights-of-use assets, upkeep of plant and machinery, subcontractor cost for limestone extraction and royalties to land office for limestone extraction.

(iii) Direct labour

Direct labour costs consist of salaries, bonus, allowances and employee contribution plans for factory operational employees.

(d) Other income

Other income largely comprises interest income, rental income, realised and unrealised gain on foreign exchange, and gain on disposal of property, plant and equipment.

(e) Selling and distribution expenses

Selling and distribution expenses mainly comprise logistic costs, SST expenses, sales commission, travelling and entertainment expenses, and advertisement and exhibition expenses.

(f) Administrative expenses

Administrative expenses comprise directors' fees and remuneration, staff related costs, consultancy fee, professional fees including IPO related expenses, office and upkeep expenses, license, certification, insurance and quit rent expenses, travelling and entertainment expenses, training fee, R&D expenses and other general and administrative expenses.

(g) Other expenses

Other expenses comprise depreciation of property, plant and equipment and right-of-use assets, as well as write-offs of the same, and unrealised loss on foreign exchange.

(h) Finance costs

Finance costs comprise term loan interest, hire purchase payables interest, lease liabilities interest, bank charges and trade facilities interest.

(i) Recent developments

Save for the Acquisition of Zantat, and the disruption to our operation arising from COVID-19 (details as set out in Section 7.10 of this Prospectus), there were no other significant events subsequent to our Group's audited combined and consolidated financial statements for FPE 2023.

(j) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2020 to FYE 2022 and FPE 2023. In addition, our audited combined and consolidated financial statements for FYE 2020 to FYE 2022 and FPE 2023 were not subjected to any audit qualifications.

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12.2.2 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Please refer to Section 9 of this Prospectus for the details of the risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our revenue and financial performance. The significant factors affecting our revenue include, but are not limited to, the following:

(a) Customers' demand for our calcium carbonate products

Our business performance is dependent on customers' demand for calcium carbonate products which is based on purchase orders. As such, any reduction in our customer's purchase orders may adversely affect our business, financial conditions and results of operations. This was evident by the lower orders in terms of volume for our GCC products which decreased by approximately 10,000 tonnes and approximately 20,000 tonnes in FYE 2021 and FYE 2022, respectively. The lower orders from customers were partly due to higher logistic costs in FYE 2021 and FYE 2022 which deterred some of our export customers from purchasing calcium carbonate products from us. The increased logistic costs were attributed to the increase in sea freight rates as a result of the COVID-19 pandemic. Although the total sales volume of GCC products for the FYE 2022 decreased, the sales volume of GCC products in the second half of 2022 recovered where the sales volume grew by approximately 17,000 tonnes or 21.4% in the second half of 2022 compared to the first half of 2022. Furthermore, in FPE 2023, the sales volume of GCC products grew by approximately 41,700 tonnes or 33.5% compared to FPE 2022.

Please refer to Section 12.2.3(a) of this Prospectus for year-on-year analysis for our revenue.

(b) Increases in logistic and raw material costs

We may face risks of increases in logistic and raw material costs which may affect our profitability and financial performance. This may be affected by numerous factors such as macroeconomic and microeconomic factors, global shortage of freight containers and increasing sea freight rates, disasters, riots, war, terrorist attacks or outbreak of epidemics or pandemics.

For the FYE 2020, FYE 2021 and FYE 2022, our logistic costs increased from RM24.4 million in FYE 2020 to RM37.7 million in FYE 2021 before it subsequently decreased to RM33.3 million in FYE 2022. In FPE 2023, logistic costs decreased to RM18.7 million compared to RM25.8 million in FPE 2022. We experienced an increase in sea freight charges where our average sea freight rates to India increased from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021 and USD51/tonne in the first half of FYE 2022, and subsequently decreased to USD30/tonne in the second half of FYE 2022 and USD14/tonne in FPE 2023. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our export revenue amounted to RM76.4 million (71.3%), RM86.6 million (72.5%), RM77.9 million (68.9%) and RM62.0 million (68.1%) of our total revenue, respectively. These exported products are priced CIF which includes insurance and freight cost, therefore this resulted in an increase or decrease in the selling prices of our exported products to reflect the increase or decrease in freight rates for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Due to substantial increase in sea freight rates at the end of 2020, consequently, we had to absorb some of the freight cost between November 2020 and February 2021. There is a risk that our customers may seek more cost competitive sources of imports and this would adversely affect our financial performance.

Additionally, for the FYE 2020, FYE 2021 and FYE 2022, our purchases of chemicals grew from RM9.3 million in FYE 2020 to RM10.6 million in FYE 2021 and RM10.9 million in FYE 2022 which was mainly due to the increase in purchases of stearic acid caused by the increase in its average price. In FPE 2023, our purchases of chemicals increased from RM8.3 million in FPE 2022 to RM9.2 million due to increase in purchase volume. We experienced an increase in the average purchase price of stearic acid, a chemical used in the production of our coated GCC product, which increased by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021 and further increase by 27.5% to RM6.26/kg in FYE 2022. In FPE 2023, it decreased to RM4.99/kg. Consequently, we had to absorb the increase in chemical cost in FYE 2020 and FYE 2021. In FYE 2022, we managed to pass on some of the increase in chemical cost to customers by increasing the selling prices of coated GCC products for export customers as well as implemented a surcharge for Malaysian customers for any increment of crude palm oil prices.

Any increases in our cost will eventually require us to increase our selling prices, which may reduce our competitiveness. This would affect our ability to retain customers and/or secure new orders and if we are unable to remain competitive, this would adversely affect our revenue and financial performance.

Furthermore, we may be exposed to price increases in the cost of materials due to the unavoidable time lag between the time of our commitment to our customers and our subsequent purchases of such materials. We adopt a periodic review for the pricing of our products where GCC products and exported products are reviewed monthly while local CC dispersions pricing are reviewed quarterly.

While we seek to minimise our exposure to price increases by closely monitoring the price of our raw materials and logistic costs, there can be no assurance that we would be able to pass on any increases in costs to our customers. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the costs and this would adversely affect our profitability and financial performance.

Please refer to Section 9.1.4 of this Prospectus for further details on this risk.

(c) Dependency on customers from India

For the FYE 2020, FYE 2021, 2022 and FPE 2023, India was our largest export market which amounted to RM67.1 million (62.5%), RM75.5 million (63.2%), RM67.4 million (59.6%) and RM54.2 million (59.5%) of our total revenue, respectively.

As India is our largest export market, our business is dependent on the performance of our customer's industry, namely plastic masterbatch manufacturing, general economy, laws and regulation, political stability as well as social environment including diseases outbreak in India.

For the FYE 2020 to FYE 2022, the sales volume for our GCC products to customers in India has been declining from approximately 139,000 tonnes in FYE 2020 to approximately 126,000 tonnes in FYE 2021 and to approximately 101,000 tonnes in FYE 2022. This was mainly due to the COVID-19 outbreak in India in 2020 and 2021 which disrupted our customer's business operations coupled with the increase in sea freight rates in 2021 and first half of 2022 which deterred some of our customers in India from importing from Malaysia.

Nevertheless, in the second half of 2022, the sales volume for our GCC products to customers in India grew by 43.4% from approximately 41,500 tonnes in the first half of FYE 2022 to approximately 59,500 tonnes in the second half of FYE 2022. This was mainly due to the decreasing sea freight rates towards the end of 2022 which attracted sales from our Indian customers. In FPE 2023, the sales volume for our GCC products to customers in India increased by 39.7% from approximately 68,000 tonnes in FPE 2022 to 95,000 tonnes in FPE 2023.

As such, any unfavourable changes in the plastic masterbatch manufacturing industry, economy, political, laws and regulation, and social environment in India would adversely impact on our business operations and financial performance.

Please refer to Section 9.1.1 of this Prospectus for further details on the risk factor on our dependency of our customers, particularly from India, and Section 9.1.2 of this Prospectus for our dependency on our top 2 major customers.

(d) Impact of foreign exchange

Our revenue is predominantly based in foreign currencies mainly USD which accounted for 71.3% (RM76.4 million), 72.5% (RM86.6 million), 68.9% (RM77.9 million) and 68.1% (RM62.0 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, 17.5% (RM5.5 million), 19.9% (RM6.5 million), 20.8% (RM7.1 million) and 4.7% (RM1.3 million) of our total purchases were also transacted in foreign currencies mainly CNY for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In this respect, we are exposed to fluctuations in foreign exchange rates, especially between USD and RM; and CNY and RM. Any adverse movements in the foreign exchange rates against the RM may have a negative impact on our business operations and financial performance.

We maintain bank accounts mainly in RM and USD, such that collections can be used to settle payments of the same currency where possible. This, to a certain extent, provides a natural hedge against fluctuations in the foreign exchange and our exposure to foreign exchange risks. As at LPD, we have foreign currency forward hedging facilities amounting to RM18.0 million for USD, being our largest foreign currency exposure.

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 September 2023 indicates that, in the event of a 5.0% fluctuation of USD against RM, our PAT for FPE 2023 would fluctuate by RM0.4 million, while the effects of fluctuations in CNY, SGD and EUR are negligible.

Nevertheless, our business is subject to risks relating to any unfavourable foreign exchange rate fluctuations against the RM which may materially affect our financial performance. Please refer to Section 9.1.7 of this Prospectus for further details on risks relating to foreign exchanges fluctuations.

(e) Disruptions in business operations due to COVID-19 pandemic

The prolonged outbreak and spread of the COVID-19 pandemic had and will continue to affect our business operations. In association with the COVID-19 pandemic, there were various containment measures implemented such as lockdowns, movement restrictions and temporary suspension of our business operations as well as our customers' operations. The interruptions in our operations as well as our customers' operations will also affect the demand for our products and subsequently, adversely affect our financial performance. This was demonstrated by the fact that our revenue performance for the second quarter of FYE 2020 declined by 33.7% compared to the first quarter of FYE 2020 due to the temporary interruptions in our business operations as well as closure of our customer's business operations.

Additionally, our revenue for the second quarter of FYE 2021 declined by 30.3% compared to the first quarter of FYE 2021. This was mainly due lower sales order from our customers in India mainly due to the lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021 coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

Please refer to Section 9.1.8 of this Prospectus for further details on the risk relating to the impact of the COVID-19 pandemic.

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12.2.3 Review of our results of operations

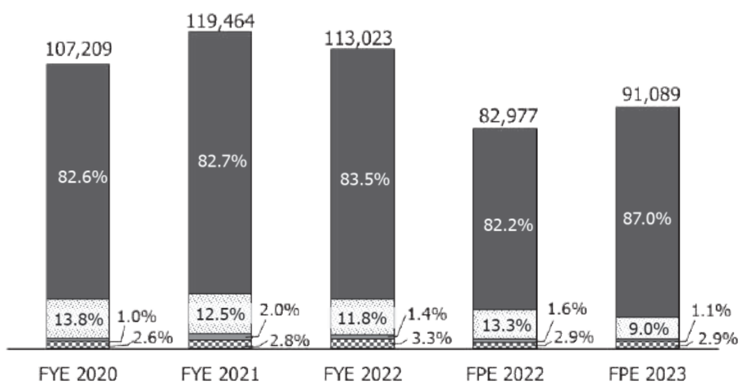
(a) Revenue

Segmental analysis by product

Our revenue stream is derived from the following product segments:

- Production of GCC;
- Production of CC dispersions;
- Production of kaolin dispersions;
- Other business activities include the processing of ultrafine PCC powder, trading of other industrial minerals and sales of limestone quarry products (**"Others"**).

Revenue by business activities



	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
GCC	88,496	98,795	94,353	68,250	79,236
CC dispersion	14,820	14,909	13,387	11,025	8,178
Kaolin dispersion	1,089	2,395	1,604	1,332	1,017
Others	2,804	3,365	3,679	2,370	2,658
Total revenue	**107,209**	**119,464**	**113,023**	**82,977**	**91,089**

Our Group's total revenue increased from RM107.2 million in FYE 2020 to RM119.5 million in FYE 2021, representing a growth of 11.4% before it subsequently decreased by 5.4% to RM113.0 million in FYE 2022. This was contributed by the fluctuations in revenue from the production of GCC, CC dispersions and kaolin dispersions. In FPE 2023, our Group's total revenue increased by 9.8% to RM91.1 million compared to FPE 2022.

Production of GCC constituted our largest revenue contributor having accounted for 83.5% or RM94.4 million and 87.0% or RM79.2 million of our total revenue for the FYE 2022 and FPE 2023, respectively.

The revenue from this segment increased in FYE 2021 to RM98.8 million before it subsequently decreased to RM94.4 million in FYE 2022. The decrease in revenue in FYE 2022 was mainly due to the decrease in sales volume and demand from export customers, particularly from India caused by an increase in sea freight rates. In FPE 2023, revenue from this segment increased by 16.1% to RM79.2 million compared to FPE 2022 mainly attributed to an increase in sales volume and demand.

12. FINANCIAL INFORMATION *(Cont'd)*

This is followed by the revenue contribution from the production of CC dispersion and kaolin dispersion which accounted for 11.8% or RM13.4 million, and 1.4% or RM1.6 million in FYE 2022, respectively. The revenue from CC dispersion and kaolin dispersion segments recorded growth in FYE 2021 by 0.6% and 119.9% respectively, driven mainly by an increase in demand from the glove sector. However, in FYE 2022, revenue from these segments decreased, mainly attributed by lower orders from rubber glove manufacturers amidst the lower demand for synthetic and medical gloves in FYE 2022 as COVID-19 pandemic conditions started to improve. In FPE 2023, revenue contribution from the production of CC dispersion and kaolin dispersion accounted for 9.0% (RM8.2 million) and 1.1% (RM1.0 million) respectively. The revenue from CC dispersion and kaolin dispersion decreased by 25.8% and 23.6% compared to FPE 2022 respectively, mainly attributed to lower orders from customers who are latex glove manufacturers.

The remaining revenue was contributed by other business activities including processing of ultrafine PCC powder, trading of other industrial minerals and sales of limestone quarry products which accounted for 3.3% or RM3.7 million in FYE 2022, and 2.9% or RM2.7 million in FPE 2023.

We principally operate in Malaysia with our products mainly being sold to countries in the Asia Pacific region. Our largest market is India which accounted for 62.5% (RM67.1 million), 63.2% (RM75.5 million), 59.6% (RM67.4 million) and 59.5% (RM54.2 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

This is followed by Malaysia which accounted for 28.7% (RM30.8 million), 27.5% (RM32.9 million), 31.1% (RM35.1 million) and 31.9% (RM29.0 million) of our total revenue for FYE 2020, FYE 2021 and FYE 2022 and FPE 2023 respectively. The remaining revenue was contributed by exports to customers in other foreign countries namely Thailand, Indonesia, Philippines, Australia, Sri Lanka, Nepal, Greater China, Singapore, Papua New Guinea, Vietnam, Oman, Fiji, South Korea, Brunei, Egypt and Cambodia where each country does not represent more than 3.1% of total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023.

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Revenue by business activities and products

The table below sets out the breakdown of our total revenue by business activities and products:

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Production of:										
GCC	88,496	82.6	98,795	82.7	94,353	83.5	68,250	82.2	79,236	87.0
CC dispersion	14,820	13.8	14,909	12.5	13,387	11.8	11,025	13.3	8,178	9.0
Kaolin dispersion	1,089	1.0	2,395	2.0	1,604	1.4	1,332	1.6	1,017	1.1
Others(1)	2,804	2.6	3,365	2.8	3,679	3.3	2,370	2.9	2,658	2.9
Total	**107,209**	**100.0**	**119,464**	**100.0**	**113,023**	**100.0**	**82,977**	**100.0**	**91,089**	**100.0**

Note:

(1) Includes processing of ultrafine PCC powder, trading of other industrial minerals and sales of limestone quarry products.

The table below sets out the sales volume and average selling price per tonne for our GCC, CC dispersion and kaolin dispersion:

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	Sales volume (tonne)	Average selling price (RM/ tonne)	Sales volume (tonne)	Average selling price (RM/ tonne)	Sales volume (tonne)	Average selling price (RM/ tonne)	Sales volume (tonne)	Average selling price (RM/ tonne)	Sales volume (tonne)	Average selling price (RM/ tonne)
Production of:										
GCC	206,067	429	196,503	503	176,588	534	124,684	547	166,424	476
CC dispersion	19,420	763	18,310	814	17,622	760	14,285	772	11,230	728
Kaolin dispersion	666	1,636	1,507	1,589	1,073	1,495	890	1,497	632	1,609

Revenue by geographical markets

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

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	30,763	28.7	32,867	27.5	35,130	31.1	27,006	32.5	29,043	31.9
Foreign countries										
India	67,053	62.5	75,489	63.2	67,395	59.6	47,921	57.8	54,228	59.5
Other foreign countries	9,393[(1)]	8.8	11,108[(2)]	9.3	10,498[(3)]	9.3	8,050[(4)]	9.7	7,818[(5)]	8.6
Total	**107,209**	**100.0**	**119,464**	**100.0**	**113,023**	**100.0**	**82,977**	**100.0**	**91,089**	**100.0**

Notes:

(1) Includes Australia, Thailand, Indonesia, Philippines, Sri Lanka, Greater China, Papua New Guinea, Singapore, Vietnam, Oman, Nepal, and South Korea.

(2) Includes Thailand, Indonesia, Philippines, Australia, Sri Lanka, Nepal, Greater China, Singapore, Papua New Guinea, Vietnam, Oman and Fiji.

(3) Includes Indonesia, Philippines, Australia, Sri Lanka, Thailand, Nepal, Vietnam, Cambodia, Singapore, Papua New Guinea, Fiji, Egypt, Hong Kong, Taiwan and Brunei.

(4) Includes Philippines, Indonesia, Australia, Sri Lanka, Thailand, Nepal, Cambodia, Vietnam, Singapore, Papua New Guinea, Fiji, Egypt, Hong Kong, Taiwan and Brunei.

(5) Includes Philippines, Vietnam, Sri Lanka, Indonesia, Thailand, Australia, Nepal, Singapore, Egypt, Cambodia, Papua New Guinea, Fiji, and Greater China.

Comparison between FYE 2020 and FYE 2021

Our revenue increased by 11.4% or RM12.3 million from RM107.2 million in FYE 2020 to RM119.5 million in FYE 2021. This was mainly due to the increase in revenue from all of our business segments as follows:

(i) Increase in revenue from production of GCC by 11.6% or RM10.3 million from RM88.5 million in FYE 2020 to RM98.8 million in FYE 2021. This was mainly contributed by the increase in the average selling price of GCC products by 17.2% from RM429/tonne in FYE 2020 to RM503/tonne in FYE 2021 mainly attributed to the increased selling price of our exported GCC powder due to increased sea freight rates. As the selling prices for most of our exported products are based on CIF pricing, the increased sea freight rates are reflected in the pricing of the products. Our average sea freight rates to India increased by 258.3% from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021.

Despite the increase in average selling price, the revenue from production of GCC was offset by the decrease in sales volume of our GCC powder by 4.6% from 206,067 tonnes in FYE 2020 to 196,503 tonnes in FYE 2021. This was mainly due to lower sales volume from our customers in India mainly due to the lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021 coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

(ii) Increase in revenue from production of kaolin dispersion by 119.9% or RM1.3 million from RM1.1 million in FYE 2020 to RM2.4 million in FYE 2021. This was mainly due to the increase in demand for synthetic rubber gloves due to COVID-19 in FYE 2021.

(iii) Increase in revenue from other business activities by 20.0% or RM0.6 million from RM2.8 million in FYE 2020 to RM3.4 million in FYE 2021. This was mainly due to the increase in revenue from talcum powder and PCC powder, which are used in the production of paints and coatings, and rubber gloves, respectively.

(iv) Increase in revenue from production of CC dispersion by 0.6% or RM0.1 million from RM14.8 million in FYE 2020 to RM14.9 million in FYE 2021. This was mainly attributed to the increase in revenue by 11.1% from GCC dispersion arising from increase in demand from our customers namely rubber glove manufacturers, coupled with an increase in the selling price resulting from the increase in cost of raw materials such as chemicals.

Comparison between FYE 2021 and FYE 2022

Our revenue decreased by 5.4% or RM6.4 million from RM119.5 million in FYE 2021 to RM113.0 million in FYE 2022. This was mainly due to the decrease in revenue from the production of GCC, CC dispersion and kaolin dispersion as follows:

(i) Decrease in revenue from production of GCC by 4.5% or RM4.4 million from RM98.8 million in FYE 2021 to RM94.4 million in FYE 2022. This was mainly contributed by the decrease in sales volume of our GCC products by 10.1% or approximately 20,000 tonnes from 196,503 tonnes in FYE 2021 to 176,588 tonnes in FYE 2022, largely attributed by lower sales volume from export customers, particularly India, in the first half of 2022. The decrease in sales volume was mainly due to the increase in selling prices of our GCC product attributed by higher sea freight rates and chemical costs, particularly in the first half of 2022. In the first half of 2022, our average monthly sea freight rate was USD51/tonne which deterred some export customers from importing from us. As such, our sales volume of GCC in the first half of 2022 decreased by approximately 30,000 tonnes compared to the first half of 2021.

However, this was partially offset by the increase in sales volume of GCC products in the second half of 2022 where it recovered and grew by approximately 10,000 tonnes compared to the second half of 2021 attributed mainly by the lower average monthly sea freight rates in the second half of 2022 of USD30/tonne which attracted back sales from export customers.

(ii) Decrease in revenue from production of CC dispersion by 10.2% or RM1.5 million from RM14.9 million in FYE 2021 to RM13.4 million in FYE 2022. This was mainly contributed by the decrease in revenue by 21.4% from PCC dispersion attributed to lower sales volume from rubber glove manufacturers amidst the lower demand for medical gloves in FYE 2022 as COVID-19 pandemic conditions started to improve. In addition, our average selling price of PCC dispersion was about 91.0% higher than GCC dispersion. The decrease in sales from PCC dispersion was partially moderated by higher sales volume of the GCC dispersion that increased by 8.4% in FYE 2022 driven by higher demand from rubber glove manufacturers.

(iii) Decrease in revenue from production of kaolin dispersion by 33.0% or RM0.8 million from RM2.4 million in FYE 2021 to RM1.6 million in FYE 2022. This was mainly due to the decrease in sales volume from rubber glove manufacturers amidst lower demand for synthetic rubber gloves in FYE 2022 as COVID-19 pandemic conditions started to improve.

The overall decrease in revenue in FYE 2022 was partially offset by an increase in revenue from other business activities by 9.3% or RM0.3 million from RM3.4 million in FYE 2021 to RM3.7 million in FYE 2022. This was mainly due to the increase in revenue from PCC powder by 30.6% mainly due to the increase in sales volume by 13.7% in FYE 2022 attributed to increase in demand from existing export customers in the second half of 2022 following the decline in sea freight rates amidst recovery from COVID-19.

Comparison between FPE 2022 and FPE 2023

Our revenue increased by 9.8% or RM8.1 million from RM83.0 million in FPE 2022 to RM91.1 million in FPE 2023. This was mainly due to the increase in revenue from the production of GCC. The revenue from production of GCC increased by 16.1% or RM11.0 million from RM68.3 million in FPE 2022 to RM79.3 million in FPE 2023. This was mainly contributed by the increase in sales volume of our GCC products by 33.5% or approximately 41,700 tonnes from 124,684 tonnes in FPE 2022 to 166,424 tonnes in FPE 2023, largely attributed to higher sales volume from customers in India. Despite the increase in sales volume, the average selling prices of GCC decreased by 13.0% from RM547/tonne in FPE 2022 to RM476/tonne in FPE 2023, mainly arising from the decline in sea freight rates during the FPE 2023. In this respect, this had an impact on the average selling prices as the export sales are based on CIF pricing which takes into account the sea freight rates. In the first 9 months of 2023, our average monthly sea freight rate was USD14/tonne which was lower compared to USD48/tonne for the corresponding period.

The overall increase in revenue in FPE 2023 was partially offset by the decrease in revenue from production of CC dispersion and kaolin dispersion by 25.8% or RM2.8 million, and by 23.6% or RM0.3 million, respectively. This was mainly attributed to the decrease in sales volume from rubber glove manufacturers amidst lower demand for rubber gloves in FPE 2023.

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12. FINANCIAL INFORMATION *(Cont'd)*

(b) Cost of sales, GP and GP margin

Analysis of cost of sales by cost component

The breakdown of our Group's cost of sales by cost component are as follows:

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Material costs	30,495	50.8	31,054	52.4	33,689	55.3	24,104	54.7	28,160	51.0
Factory overheads	22,496	37.5	21,319	35.9	20,023	32.8	14,882	33.8	20,870	37.8
Direct labour costs	7,057	11.8	6,920	11.7	7,232	11.9	5,108	11.6	6,170	11.2
Total	**60,048**	**100.0**	**59,293**	**100.0**	**60,944**	**100.0**	**44,094**	**100.0**	**55,200**	**100.0**

Analysis of cost of sales by business activities

The breakdown of our Group's cost of sales by business activities are as follows:

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Production of:										
- GCC	48,684	81.1	46,387	78.2	49,185	80.7	34,849	79.0	47,037	85.2
- CC dispersion	9,071	15.1	9,663	16.3	8,753	14.4	7,071	16.0	5,969	10.8
- Kaolin dispersion	452	0.7	973	1.6	550	0.9	476	1.1	388	0.7
Others	1,841	3.1	2,270	3.8	2,456	4.0	1,698	3.9	1,806	3.3
Total	**60,048**	**100.0**	**59,293**	**100.0**	**60,944**	**100.0**	**44,094**	**100.0**	**55,200**	**100.0**

(i) Material costs

Material costs include cost of input materials such as limestone rocks and chips, PCC, kaolin powder, stearic acid and dispersing agents, as well as packaging materials and consumables.

Material costs constituted the largest component of our cost of sales which accounted for 50.8%, 52.4%, 55.3% and 51.0% of total cost of sales for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

For FYE 2021, our material costs increased by 1.8% or RM0.6 million from RM30.5 million in FYE 2020 to RM31.1 million in FYE 2021 mainly due to the increase in chemicals cost particularly stearic acid used in the production of coated GCC. We experienced an increase in the average purchase price of stearic acid by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021. This was mainly attributed to the shortage of palm oil feedstock supply amidst labour shortage during the COVID-19 period in FYE 2021.

For FYE 2022, our material costs increased by 8.5% or RM2.6 million from RM31.1 million in FYE 2021 to RM33.7 million in FYE 2022 mainly due to the increase in chemical costs particularly stearic acid used in the production of coated GCC. We experienced a further increase in average purchase price of stearic acid by 27.5% from RM4.91/kg in FYE 2021 to RM6.26/kg in FYE 2022. This was mainly attributed to the increase in demand for palm oil when the supply chain of sunflower oil was hampered by the ongoing conflict between Russia and Ukraine in the early of 2022.

For FPE 2023, our material costs increased by 16.8% or RM4.1 million from RM24.1 million in FPE 2022 to RM28.2 million in FPE 2023 mainly due to the increase in input materials consumed for our GCC production to meet the higher orders of our GCC products. This was also reflected in the revenue and sales volume growth from our production of GCC in FPE 2023.

(ii) Factory overheads

Factory overheads mainly consists of electricity cost, depreciation of property, plant and equipment and rights-of-use assets, upkeep of property, plant and equipment, subcontractor cost for extraction of limestone from our quarry and royalties paid to land office.

For FYE 2021, our factory overheads decreased by 5.2% or RM1.2 million mainly due to the decrease in electricity cost by RM1.5 million arising from electricity bill rebates given by TNB and decrease in upkeep of property, plant and equipment by RM0.6 million due to lower utilisation of our plant and machinery in FYE 2021. This was partially offset by the increase in our subcontractor cost for limestone extraction by RM0.3 million and royalties paid to land office by RM0.4 million as we extracted more limestone in FYE 2021 compared to FYE 2020 due to interruptions caused by lockdown measures in FYE 2020.

For FYE 2022, our factory overheads decreased by 6.1% or RM1.3 million mainly due to the decrease in subcontractor cost for limestone extraction by RM0.4 million and royalties paid to land office by RM0.1 million as we extracted less limestone in FYE 2022 mainly due to a temporary shutdown instruction by authorities in March 2022 issued to all quarries in the vicinity due to a landslide incident at another quarry. The decrease in factory overheads was also due to the decrease in upkeep of property, plant and equipment by RM0.3 million due to lower utilisation of our plant and machinery in FYE 2022.

For FPE 2023, our factory overheads increased by 40.2% or RM6.0 million from RM14.9 million in FPE 2022 to RM20.9 million in FPE 2023 mainly attributed to higher electricity costs from GCC production to meet the higher orders in FPE 2023. This was also reflected in the increase in sales volume of the GCC products by 33.7% in FPE 2023 compared to the corresponding period. Furthermore, the higher electricity costs were partly attributed to an increase in electricity tariff during the FPE 2023.

(iii) Direct labour costs

Direct labour costs consist of salaries, bonus and allowances, and employee contribution plans for employees who were involved in the production operations of our Group.

For FYE 2021, our direct labour costs decreased by 1.9% or RM0.1 million mainly due to the decrease in production floor workers mainly in Zantat Perak Plant from 142 employees as at 31 December 2020 to 129 employees as at 31 December 2021 arising from the expiry of foreign worker working permit between January and December 2021. This was partially offset by the increment of salaries of our other production floor workers.

For FYE 2022, our direct labour costs increased by 4.5% or RM0.3 million mainly due to the increase in the minimum wage from May 2022. This was partially offset by the decrease in production floor workers mainly in Calrock Perak Plant from 129 employees as at 31 December 2021 to 125 employees as at 31 December 2022.

For FPE 2023, our direct labor costs increased by 20.8% or RM1.1 million from RM5.1 million in FPE 2022 to RM6.2 million mainly due to the increase in production floor workers from 114 employees as at 30 September 2022 to 127 employees as at 30 September 2023.

Analysis of GP and GP margin by business activities and products

	Audited								
	FYE 2020			FYE 2021			FYE 2022		
	GP RM'000	%	% GP margin	GP RM'000	%	% GP margin	GP RM'000	%	% GP margin
Production of:									
- GCC	39,812	84.4	45.0	52,408	87.1	53.1	45,168	86.7	47.9
- CC dispersion	5,749	12.2	38.8	5,246	8.7	35.2	4,634	8.9	34.6
- Kaolin dispersion	637	1.4	58.5	1,422	2.4	59.4	1,054	2.0	65.7
Others	963	2.0	34.3	1,095	1.8	32.5	1,223	2.4	33.2
Total	**47,161**	**100.0**	**44.0**	**60,171**	**100.0**	**50.4**	**52,079**	**100.0**	**46.1**

	Unaudited			Audited		
	FPE 2022			FPE 2023		
	GP RM'000	%	% GP margin	GP RM'000	%	% GP margin
Production of:						
- GCC	33,401	85.9	48.9	32,199	89.7	40.6
- CC dispersion	3,954	10.2	35.9	2,209	6.2	27.0
- Kaolin dispersion	856	2.2	64.3	629	1.8	61.8
Others	672	1.7	28.4	852	2.4	32.1
Total	**38,883**	**100.0**	**46.9**	**35,889**	**100.0**	**39.4**

Analysis of GP and GP margin by geographical markets

	Audited								
	FYE 2020			FYE 2021			FYE 2022		
	GP RM'000	%	% GP margin	GP RM'000	%	% GP margin	GP RM'000	%	% GP margin
Malaysia	10,200	21.6	33.2	9,910	16.5	30.2	6,848	13.1	19.5
Foreign countries									
India	31,318	66.4	46.7	42,908	71.3	56.8	37,653	72.3	55.9
Other foreign countries	5,643	12.0	60.1	7,353	12.2	66.2	7,578	14.6	72.2
Total	**47,161**	**100.0**	**44.0**	**60,171**	**100.0**	**50.4**	**52,079**	**100.0**	**46.1**

	Unaudited			Audited		
	FPE 2022			FPE 2023		
	GP RM'000	%	% GP margin	GP RM'000	%	% GP margin
Malaysia	6,762	17.4	25.0	6,816	19.0	23.5
Foreign countries						
India	27,027	69.5	56.4	24,554	68.4	45.3
Other foreign countries	5,094	13.1	63.6	4,519	12.6	57.8
Total	**38,883**	**100.0**	**46.9**	**35,889**	**100.0**	**39.4**

Comparison between FYE 2020 and FYE 2021

Our GP increased by 27.6% or RM13.0 million from RM47.2 million in FYE 2020 to RM60.2 million in FYE 2021 while our GP margin improved from 44.0% in FYE 2020 to 50.4% in FYE 2021. This was mainly due to the following:

(i) Increase in GP and GP margin from the production of GCC where its GP grew by 31.6% or RM12.6 million in FYE 2021 and GP margin improved from 45.0% in FYE 2020 to 53.1% in FYE 2021. The increase in GP and GP margin was due to the increase in its revenue by 11.6% and average selling prices caused by the increased sea freight rates. As the majority of our GCC products are exported and priced CIF, the increased sea freight rates is reflected in the pricing of the product. Meanwhile, the logistic costs (including freight charges) are reflected in our selling and distribution expenses, which is below GP. The improvement in GP margin was also partly due to the different product mix where there were higher sales of GCC products which command a higher margin.

(ii) Increase in GP from the production of kaolin dispersion which grew by 123.2% or RM0.8 million in FYE 2021. Its GP margin remained relatively consistent from 58.5% in FYE 2020 to 59.4% in FYE 2021.

(iii) Increase in GP from other business activities by 13.7% or RM0.1 million in FYE 2021 mainly due to the increase in GP of the trading of talcum powder in line with the increase in its revenue in FYE 2021. Meanwhile, the GP margin from other business activities decreased from 34.3% in FYE 2020 to 32.5% in FYE 2021 mainly due to the decrease in GP margin from processing of PCC powder attributed to the increase in average purchase price of PCC powder imported from China. In FYE 2021, our average purchase price of the PCC powder increased by 22.6%.

The increase in our overall GP and GP margin in FYE 2021 was partially offset by the decrease in GP from the production of CC dispersion. Our GP from CC dispersion decreased by 8.7% or RM0.5 million mainly due to decrease in GP from PCC dispersion by 26.1% or RM0.7 million. This was in line with the decrease in revenue of PCC dispersion by 8.1% or RM0.7 million caused by lower sales volume from rubber glove manufacturers. This was partially offset by the increase in GP from GCC dispersion by 8.4% attributed to the increase in its revenue by 11.1% as the demand for this product increased from rubber glove manufacturers. Its GP margin remained relatively consistent from 34.3% in FYE 2020 to 32.5% in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our GP decreased by 13.4% or RM8.1 million from RM60.2 million in FYE 2021 to RM52.1 million in FYE 2022 while our GP margin decreased from 50.4% in FYE 2021 to 46.1% in FYE 2022. This was mainly due to the following:

(i) Decrease in GP and GP margin from the production of GCC where its GP decreased by 13.8% or RM7.2 million in FYE 2022 and GP margin decreased from 53.1% in FYE 2021 to 47.9% in FYE 2022. The decrease in GP was mainly due to the decrease in GP of coated GCC by 15.5% attributed to the decrease in its revenue by 5.0% caused by lower sales volume coupled with an increase in its cost of sales by 6.5% mainly due to increase in chemical costs particularly stearic acid, a main input material used in the production of coated GCC.

Meanwhile, the decrease in GP margin for GCC was mainly due to the increase in chemical costs particularly stearic acid. Our average purchase price of stearic acid grew by 27.5% from RM4.91/kg in FYE 2021 to RM6.26/kg in FYE 2022. Please refer to Section 12.2.2 (b) of this Prospectus for further details on the increases in raw material costs. Despite the increased selling prices of coated GCC in March 2022, the higher product costs with lower sales volume in FYE 2022 had contributed to the decline in GP margin of GCC.

(ii) Decrease in GP from the production of CC dispersion by 11.7% or RM0.6 million in FYE 2022 while GP margin was relatively consistent from 35.2% in FYE 2021 to 34.6% in FYE 2022. The decrease in GP was mainly due to the decrease in GP from PCC dispersions by 29.6% or RM0.6 million in line with the decrease in its revenue attributed to lower sales volume from rubber glove manufacturers.

(iii) Decrease in GP from the production of kaolin dispersion where its GP decreased by 26.0% or RM0.4 million in FYE 2022 while GP margin increased from 59.4% in FYE 2021 to 65.7% in FYE 2022. The decrease in GP was mainly due to the decrease in revenue by 33.0% or RM0.8 million attributed to lower sales volume from rubber glove manufacturers in Malaysia. Meanwhile, the improvement of GP margin was mainly due to the decrease in purchase price of kaolin raw material.

The decrease in overall GP was partially offset by the increase in GP from other business activities which increased by 11.7% or RM0.1 million in FYE 2022, while GP margin remains relatively consistent from 32.5% in FYE 2021 to 33.2% in FYE 2022. The increase in GP from other business activities was mainly due to the increase in GP from the processing of ultrafine PCC powder by 57.0% or RM0.2 million, in line with the increase in its revenue by 30.6% or RM0.5 million driven by increased sales from existing customers.

Comparison between FPE 2022 and FPE 2023

Our GP decreased by 7.7% or RM3.0 million from RM38.9 million in FPE 2022 to RM35.9 million in FPE 2023 while our GP margin decreased from 46.9% in FPE 2022 to 39.4% in FPE 2023. This was mainly due to the following:

(i) Decrease in GP and GP margin from the production of GCC where its GP decreased by 3.6% or RM1.2 million in FPE 2023 and GP margin decreased from 48.9% in FPE 2022 to 40.6% in FPE 2023. The decrease in GP was mainly due to the increase in cost of sales for the production of GCC by 35.0% as reflected in the sales volume of GCC which increased by 33.5% in FPE 2023. Meanwhile, the decline in GP margin was mainly due to the lower average selling prices of GCC which decreased by 13.0% in FPE 2023 attributed to the impact of lower sea freight rates that was factored into the product pricing for those export sales.

(ii) Decrease in GP from the production of CC dispersion by 43.3% or RM1.7 million in FPE 2023 while GP margin decreased from 35.9% in FPE 2022 to 27.0% in FPE 2023. The decrease in GP was mainly due to the decrease in revenue from CC dispersions by 25.8% or RM2.8 million attributed to lower sales volume from rubber glove manufacturers. Meanwhile, the decrease in GP margin was mainly due to the higher cost per tonne which increased by 7.4% in FPE 2023 attributed to a decline in sales volume of 21.4% in FPE 2023. The decrease in GP margin also partly attributed to lower average selling prices of CC dispersion which decreased by 5.7% in FPE 2023.

(iii) Decrease in GP from the production of kaolin dispersion where its GP decreased by 26.5% or RM0.2 million in FPE 2023 while GP margin decreased from 64.3% in FPE 2022 to 61.8% in FPE 2023. The decrease in GP was mainly due to the decrease in revenue by 23.6% or RM0.3 million attributed to lower sales volume from rubber glove manufacturers in Malaysia. Meanwhile, the decrease in GP margin was mainly due to the higher cost per tonne which increased by 14.8% in FPE 2023 attributed to a decline in sales volume of 29.0% in FPE 2023.

(c) Other income

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
Other income	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Realised gain on foreign exchange	145	21.7	639	55.0	1,332	78.0	1,276	59.1	280	16.9
Unrealised gain on foreign exchange	-	-	219	18.8	-	-	550	25.5	1,028	61.9
Gain on disposal of property, plant and equipment	32	4.8	124	10.7	180	10.5	155	7.2	184	11.1
Interest income on fixed deposits	180	27.0	97	8.3	66	3.9	48	2.2	85	5.1
Wage subsidy	272	40.8	-	-	-	-	-	-	-	-
Others[1]	38	5.7	84	7.2	129	7.6	131	6.1	83	5.0
Total	**667**	**100.0**	**1,163**	**100.0**	**1,707**	**100.0**	**2,160**	**100.0**	**1,660**	**100.0**

Note:

(1) Includes sales of scrap namely used machinery spare parts and packaging materials, insurance claims on damaged container and sundry income.

Comparison between FYE 2020 and FYE 2021

Our other income increased by 74.4% or RM0.5 million in FYE 2021 mainly due to an increase in realised and unrealised gains on foreign exchange by RM0.5 million and RM0.2 million, respectively, arising from the strengthening of USD against RM in FYE 2021. In addition, in FYE 2021, there was also an increase in gains on disposal of property, plant and equipment by RM0.1 million relating to the disposal of 1 unit of wheel loader, 1 unit of motor vehicle and 2 units of forklifts.

The increase in other income was partially offset by the decrease in wage subsidy in FYE 2021. We did not receive any wage subsidy in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our other income increased by 46.8% or RM0.5 million in FYE 2022 mainly due to the increase in realised gains on foreign exchange by RM0.7 million arising from the strengthening of USD against RM in FYE 2022. Additionally, in FYE 2022, there was an increase in gains on disposal of property, plant and equipment by RM0.1 million relating to the disposal of 1 unit of forklift, 1 unit of wheel loader and 2 units of motor vehicles.

The increase in other income was partially offset by the decrease in unrealised gains on foreign exchange of RM0.2 million.

Comparison between FPE 2022 and FPE 2023

Our other income decreased by 23.1% or RM0.5 million in FPE 2023 mainly due to the realised gains on foreign exchange attributed to the movement of the foreign exchange arising from the export sales that were mainly transacted in USD.

(d) Selling and distribution expenses

Selling and distribution expenses	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Logistic costs	24,392	95.4	37,660	98.0	33,324	98.2	25,755	98.5	18,687	96.0
SST expenses(1)	358	1.4	390	1.0	-	-	-	-	-	-
Sales commission	285	1.1	266	0.7	249	0.7	169	0.6	250	1.3
Travelling and entertainment expenses	122	0.5	101	0.3	228	0.7	153	0.6	223	1.1
Advertisement and exhibition expenses	390	1.5	13	#	110	0.3	61	0.2	283	1.5
Others(2)	12	0.1	9	#	20	0.1	16	0.1	30	0.2
Total	**25,559**	**100.0**	**38,439**	**100.0**	**33,931**	**100.0**	**26,154**	**100.0**	**19,473**	**100.0**

Notes:

Less than 0.1%

(1) Refers to the provision of SST expenses for the erroneous claim on SST exemption on packaging materials. The said SST expenses was paid off in FYE 2022.

(2) Comprising mobile phone expenses and samples for customers.

Comparison between FYE 2020 and FYE 2021

Our selling and distribution expenses grew by 50.4% or RM12.9 million from RM25.6 million in FYE 2020 to RM38.4 million in FYE 2021 mainly due to the increase in logistic costs by 54.4% or RM13.3 million in line with the increase in our export sales coupled with an increase in average sea freight rates in FYE 2021.

The increase was partially offset by the decrease in advertisement and exhibition expenses by RM0.4 million as we did not participate in any exhibitions in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our selling and distribution expenses decreased by 11.7% or RM4.5 million from RM38.4 million in FYE 2021 to RM33.9 million in FYE 2022, mainly due to the decrease in logistic costs by 11.5% or RM4.3 million. The decrease in logistic costs was in line with the decrease in our export sales coupled with the decrease in average sea freight rates in FYE 2022. Additionally, in FYE 2022, there was no further provision of erroneous claim for SST expenses.

The decrease was partially offset by the increase in travelling and entertainment expenses, and advertisement and exhibition expenses by RM0.1 million and RM0.1 million in FYE 2022, respectively. This was mainly due to an increase in travelling and exhibition activities in FYE 2022 as the global COVID-19 travel restrictions were lifted.

Comparison between FPE 2022 and FPE 2023

Our selling and distribution expenses decreased by 25.5% or RM6.7 million from RM26.2 million in FPE 2022 to RM19.5 million in FPE 2023, mainly due to the decrease in logistic costs by 27.4% or RM7.1 million. The decrease in logistic costs was largely due to the decrease in sea freight rates during the FPE 2023.

The decrease was partially offset by the increase in advertisement and exhibition expenses by RM0.2 million due to increase in exhibition activities during the FPE 2023.

(e) Administrative expenses

The table below presents the breakdown of our administrative expenses:

Administrative expenses	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff related costs	4,039	37.3	4,211	36.7	3,971	41.5	2,779	38.8	3,222	38.6
Directors' fees and remunerations	5,266	48.6	5,265	45.9	2,832	29.6	2,262	31.6	2,564	30.7
Professional fees(1)	93	0.9	196	1.7	625	6.5	580	8.1	1,035	12.4
Office and upkeep expenses(2)	512	4.7	570	5.0	582	6.1	433	6.0	492	5.9
Consultancy fee(3)	295	2.7	641	5.6	569	6.0	452	6.3	182	2.2
License, certification, insurance and quit rent expenses	389	3.6	430	3.7	447	4.7	359	5.0	370	4.4
Others(4)	246	2.3	168	1.5	534	5.6	298	4.2	482	5.8
Total	**10,840**	**100.0**	**11,481**	**100.0**	**9,560**	**100.0**	**7,163**	**100.0**	**8,347**	**100.0**

Notes:

(1) Mainly includes audit, tax consultant, secretary, legal and filing fees. In FYE 2022, FPE 2022 and FPE 2023, it includes IPO related expenses of RM0.4 million, RM0.4 million and RM0.9 million, respectively.

(2) Mainly includes upkeep of office equipment and motor vehicles, postage, printing and stationery, phone and landscaping expenses.

(3) Mainly being consultancy services by a company mainly for the business development of new products such as our ultrafine-grade GCC and bioplastic compounds including providing advice on R&D results, potential markets and product applications. The consultancy services provided include sharing research findings for our product development, practical applications and provide insights and advice on emerging technologies to our R&D team. The services were completed in August 2022.

(4) Mainly includes travelling and entertainment expenses, training fees, membership fees, donation and corporate social responsibility expenses and bank charges. In FYE 2022, FPE 2022 and FPE 2023, it includes R&D expenses of RM0.2 million, approximately RM19,800, and RM0.2 million, respectively.

Comparison between FYE 2020 and FYE 2021

Our administrative expenses grew by 5.9% or RM0.6 million from RM10.8 million in FYE 2020 to RM11.5 million in FYE 2021. This was mainly due to the increase in consultancy fee by RM0.4 million mainly for the business development of our ultrafine grade GCC, as well as an increase in staff related costs by RM0.2 million arising from increment of staff salaries.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses decreased by 16.7% or RM1.9 million from RM11.5 million in FYE 2021 to RM9.6 million in FYE 2022. This was mainly due to the decrease in directors' remuneration by RM2.4 million attributed to the decrease in salaries by RM0.8 million, director fees by RM0.7 million, and bonus by RM0.8 million including for Teh Ah Soon @ Teh Soon Tick, Chan Hup Ooi and Lee Mei Choon, all of who became non-executive directors in FYE 2022 in line with their retirement. The decrease in administrative expenses was also due to the decrease in staff costs by RM0.2 million attributed to the decrease in staff bonus.

The decrease in administrative expenses was partially offset by the increase in professional fees by RM0.4 million mainly from IPO related expenses of RM0.4 million that was recognised in FYE 2022, as well as an increase in other administrative expenses by RM0.4 million mainly attributed to the recognition of R&D expenses in FYE 2022 of RM0.2 million, and increase in training fees by RM0.1 million mainly for fees to attend training courses and conferences.

Comparison between FPE 2022 and FPE 2023

Our administrative expenses increased by 16.5% or RM1.2 million from RM7.1 million in FPE 2022 to RM8.3 million in FPE 2023. This was mainly due to the increase in professional fees by RM0.5 million largely contributed by the increase in IPO related expenses, as well as an increase in staff related costs by RM0.4 million arising from the increase in number of employees and increment of staff salaries. The increase was also contributed by the increase in directors' fees and remunerations by RM0.3 million mainly due to the increase in bonus by RM0.2 million.

(f) Other expenses

The table below presents the breakdown of our other expenses:

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
Other expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Depreciation of property, plant and equipment	754	61.8	535	58.7	522	37.7	393	55.4	514	56.9
Depreciation of right-of use assets	365	29.9	374	41.1	414	29.9	311	43.9	311	34.5
Unrealised loss on foreign exchange	92	7.6	-	-	429	30.9	-	-	-	-
Others[(1)]	9	0.7	2	0.2	21	1.5	5	0.7	78	8.6
Total	**1,220**	**100.0**	**911**	**100.0**	**1,386**	**100.0**	**709**	**100.0**	**903**	**100.0**

Note:

(1) Includes property, plant and equipment written off and loss on disposal of property, plant and equipment. In FPE 2023, it includes the expenses for the commissioning of bioplastic compounding machines.

Comparison between FYE 2020 and FYE 2021

Our other expenses decreased by 25.3% or RM0.3 million from RM1.2 million in FYE 2020 to RM0.9 million in FYE 2021. This was mainly due to the decrease in depreciation of property, plant and equipment by RM0.2 million where several units of motor vehicles were fully depreciated in 2020. Additionally, the decrease in other expenses was also due to the decrease in unrealised loss on foreign exchange by RM0.1 million.

Comparison between FYE 2021 and FYE 2022

Our other expenses increased by 52.1% or RM0.5 million from RM0.9 million in FYE 2021 to RM1.4 million in FYE 2022. This was mainly due to the increase in unrealised losses on foreign exchange by RM0.4 million which arose due to weakening of USD against RM at the end of FYE 2022.

Comparison between FPE 2022 and FPE 2023

Our other expenses increased by 27.4% or RM0.2 million from RM0.7 million in FPE 2022 to RM0.9 million in FPE 2023. This was mainly due to the increase in depreciation of property, plant and equipment by RM0.1 million, as well as increase in expenses for the commissioning of bioplastic compounding machines and loss on disposal of property, plant and equipment.

(g) Finance costs

The table below presents the breakdown of our finance costs:

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
Finance costs	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Term loan interest	711	42.4	514	36.9	505	32.2	372	31.9	377	38.0
Hire purchase interest	225	13.4	228	16.4	365	23.3	311	26.6	100	10.1
Bank charges	451	27.0	420	30.2	306	19.5	224	19.2	260	26.2
Trade facilities interest(1)	255	15.2	214	15.4	381	24.3	250	21.4	226	22.8
Lease liabilities interest	34	2.0	16	1.1	11	0.7	10	0.9	29	2.9
Total	**1,676**	**100.0**	**1,392**	**100.0**	**1,568**	**100.0**	**1,167**	**100.0**	**992**	**100.0**

Note:

(1) Includes interest expenses on bankers' acceptances, revolving credit, post shipment buyer loan and discounting charges.

Comparison between FYE 2020 and FYE 2021

Our finance costs decreased by 16.9% or RM0.3 million from RM1.7 million in FYE 2020 to RM1.4 million in FYE 2021. This was mainly due to the decrease in interest expense on term loans due to the reducing balance of our borrowings following our scheduled repayment of loans. Furthermore, our effective interest rates for term loans were lower in FYE 2021 compared to the previous financial year, being the full year's effect of the reduced overnight policy rate by BNM since FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by 12.6% or RM0.2 million from RM1.4 million in FYE 2021 to RM1.6 million in FYE 2022. This was mainly due to the increase in trade facilities interest expense by RM0.2 million due to the higher effective interest rates in FYE 2022 amidst the increase in overnight policy rate by BNM during the financial year.

Additionally, there was an increase in interest expense on hire purchase payables by RM0.1 million attributed to additional expense accrued in FYE 2022 for the deferment of hire purchase instalment between July 2021 and January 2022 resulting from the loan moratorium provided by BNM.

Comparison between FPE 2022 and FPE 2023

Our finance costs decreased by 15.0% or RM0.2 million from RM1.2 million in FPE 2022 to RM1.0 million in FPE 2023. This was mainly due to the decrease in interest expense on hire purchase payables by RM0.2 million due to lower outstanding hire purchase payables arising from full settlement of two hire purchases as well as scheduled repayment of hire purchase payables.

(h) PBT, taxation and PAT

The table below presents our PBT, effective tax rate and PAT:

	Audited			Unaudited	Audited
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
PBT (RM'000)	8,533	9,111	7,341	5,850	7,834
PBT margin (%)	8.0	7.6	6.5	7.1	8.6
Tax expense (RM'000)	2,298	2,607	1,922	1,430	2,163
Effective tax rate (%)	26.9	28.6	26.2	24.4	27.6
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0
PAT (RM'000)	6,235	6,504	5,419	4,420	5,671
PAT margin (%)	5.8	5.4	4.8	5.3	6.2

Comparison between FYE 2020 and FYE 2021

Our PBT grew by 6.8% or RM0.6 million from RM8.5 million in FYE 2020 to RM9.1 million in FYE 2021. This was mainly due to the increase in GP by 27.6% or RM13.0 million and revenue by 11.4% driven mainly by the increase in the average selling prices of our exported GCC products caused by increased logistic costs. However, this was partially offset by the increase in selling and distribution expenses by RM12.9 million attributed to the increase in the abovementioned logistic costs.

Additionally, the increase in our PBT was due to the increase in other income by 74.4% or RM0.5 million, mainly from an increase in realised and unrealised gains on foreign exchange by RM0.7 million coupled with the decrease in other expenses and finance costs by RM0.3 million and RM0.3 million respectively as explained above.

Following the improvement in our PBT, our total PAT had also improved by 4.3% or RM0.3 million from RM6.2 million in FYE 2020 to RM6.5 million in FYE 2021.

Our PBT margin decreased from 8.0% in FYE 2020 to 7.6% in FYE 2021. Although our GP margin grew from 44.0% in FYE 2020 to 50.4% in FYE 2021, however in FYE 2021, we experienced higher logistic costs caused by the increase in sea freight rates amidst the COVID-19 pandemic. As such, this contributed to the lower PBT margin in FYE 2021. Correspondingly, our PAT margin decreased from 5.8% in FYE 2020 to 5.4% in FYE 2021.

For the FYE 2021, our tax expenses increased from RM2.3 million in FYE 2020 to RM2.6 million in FYE 2021 due to the increase in our overall PBT. The effective tax rate in FYE 2021 was 28.6% which was higher than the statutory tax rate of 24.0%. This was mainly due to non-deductible expenses of RM0.4 million mainly depreciation of non-qualifying assets and sales tax returned.

Comparison between FYE 2021 and FYE 2022

Our PBT decreased by 19.4% or RM1.8 million from RM9.1 million in FYE 2021 to RM7.3 million in FYE 2022. This was mainly due to the decrease in GP by 13.4% or RM8.1 million attributed to the decrease in revenue by 5.4% or RM6.4 million coupled with an increase in the cost of sales by 2.8% or RM1.6 million. The decrease in revenue was largely due to the decrease in sales volume for our GCC from customers in India, as well as CC and kaolin dispersion from customers in Malaysia. Meanwhile, the increase in cost of sales was mainly due to the increase in stearic acid costs in FYE 2022.

Following the decrease in our PBT, our total PAT had also decreased by 16.7% or RM1.1 million from RM6.5 million in FYE 2021 to RM5.4 million in FYE 2022.

Our PBT margin decreased from 7.6% in FYE 2021 to 6.5% in FYE 2022. This was attributed to the decrease in our GP margin from 50.4% in FYE 2021 to 46.1% in FYE 2022 mainly due to the increase in average purchase price of stearic acid used in the production of coated GCC in FYE 2022. Although we had increased the selling prices of coated GCC in March 2022, the higher product costs with lower sales volume in FYE 2022 had contributed to the decline in GP margin of GCC. Correspondingly, our PAT margin decreased from 5.4% in FYE 2021 to 4.8% in FYE 2022.

For the FYE 2022, our tax expenses decreased from RM2.6 million in FYE 2021 to RM1.9 million in FYE 2022 due to the decrease in our overall PBT. The effective tax rate in FYE 2022 was 26.2% which was higher than the statutory tax rate of 24.0%. This was mainly due to the tax effects of the under provision of deferred tax liability of RM0.4 million coupled with non-deductible expenses of RM0.2 million in FYE 2022 mainly IPO related expenses and depreciation of non-qualifying assets. This was partially offset by the overprovision of current tax for the previous year of assessment by RM0.5 million.

Comparison between FPE 2022 and FPE 2023

Our PBT increased by 33.9% or RM2.0 million from RM5.8 million in FPE 2022 to RM7.8 million in FPE 2023. This was mainly due to the lower selling and distribution expenses which decreased by 25.5%. This was attributed to the lower logistic costs arising from the declining sea freight rates during the FPE 2023.

Following the increase in our PBT, our total PAT has also increased by 28.3% or RM1.3 million from RM4.4 million in FPE 2022 to RM5.7 million in FPE 2023.

Our PBT margin improved from 7.1% in FPE 2022 to 8.6% in FPE 2023 mainly attributed to the lower selling and distribution expenses as mentioned above. This was also reflected in the lower proportion of selling and distribution expenses against revenue which decreased from 31.5% in FPE 2022 to 21.4% in FPE 2023. Correspondingly, our PAT margin improved from 5.3% in FPE 2022 to 6.2% in FPE 2023.

For the FPE 2023, our tax expenses increased from RM1.4 million in FPE 2022 to RM2.2 million in FPE 2023 due to the increase in our overall PBT. The effective tax rate in FPE 2022 was 24.4% which was relatively similar to the statutory tax rate of 24.0%. Meanwhile, the effective tax rate in FPE 2023 was 27.6% which was higher than the statutory tax rate of 24.0% mainly due to the tax effects of the non-deductible expenses of RM0.4 million in FPE 2023 mainly IPO related expenses, and under provision of deferred tax liability of RM0.2 million. This was partially offset by the overprovision of current tax for the previous year of assessment by RM0.3 million.

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12.2.4 Review of financial position

(a) Assets

	Audited			
	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	53,049	49,917	51,375	48,880
Right-of-use assets	7,279	7,195	7,430	7,066
Total non-current assets	**60,328**	**57,112**	**58,805**	**55,946**
Current assets				
Inventories	6,866	8,198	8,595	7,843
Trade receivables	18,112	21,999	21,250	22,593
Other receivables, deposits and prepayments	836	2,604	1,086	1,225
Current tax assets	294	849	1,503	145
Fixed deposit with licensed banks	5,673	5,061	3,442	4,018
Cash and bank balances	5,311	2,058	4,531	4,500
Total current assets	**37,092**	**40,769**	**40,407**	**40,324**
TOTAL ASSETS	**97,420**	**97,881**	**99,212**	**96,270**

Comparison between 31 December 2020 and 31 December 2021

Non-current assets

Our non-current assets decreased by RM3.2 million from RM60.3 million as at 31 December 2020 to RM57.1 million as at 31 December 2021. This was mainly due to the decrease in our property, plant and equipment by RM3.1 million arising mainly from the depreciation charges of RM5.5 million in FYE 2021, offset by additional purchases of property, plant and equipment of RM2.3 million. This includes the following:

- Plant and machinery amounting to RM0.5 million comprising mainly 1 unit of wheel loader, 1 unit of jaw crusher, 1 unit of rotary arm pallet wrapper, and 1 unit of furnace with dryer;

- Plant and machinery under installation amounting to RM0.3 million comprising 1 unit of compact film blowing machine, 1 unit of rotary arm pallet wrapper, 1 unit of automatic robotic palletising system, and 1 unit of humidity chamber;

- Building amounting to RM0.4 million comprising the purchase a double-storey house for workers' accommodation at Tasek, Ipoh, Perak;

- Building-in-progress amounting to RM0.6 million comprising the construction of a workers' hostel building at our Zantat Perak Plant 1;

- Forklifts and lorries amounting to RM0.3 million comprising 1 unit of lorry and 2 units of forklifts; and

- The remaining RM0.3 million includes factory tools and equipment, electrical equipment and fittings, office equipment, furniture and fittings and air-conditioners.

Additionally, our right-of-use assets also decreased by RM0.1 million mainly due to depreciation charges of RM0.5 million during the financial year and offset by the increase in lease liabilities of RM0.4 million due to the renewal of our tenancy agreements.

Current assets

Our current assets increased by RM3.7 million from RM37.1 million as at 31 December 2020 to RM40.8 million as at 31 December 2021, mainly due to the increase in trade receivable balances by RM3.9 million arising from slower collections from some of our customers due to the effects of the COVID-19 pandemic, as well as increase in other receivables, deposits and prepayments by RM1.8 million mainly from increases in prepayments paid for 3 units of bioplastic compounding machines and IPO related expenses.

Comparison between 31 December 2021 and 31 December 2022

Non-current assets

Our non-current assets increased by RM1.7 million from RM57.1 million as at 31 December 2021 to RM58.8 million as at 31 December 2022. This was mainly due to the increase in our property, plant and equipment by RM1.5 million arising mainly from the purchases of property, plant and equipment of RM6.8 million, offset by depreciation charges of RM5.3 million in FYE 2022. This includes the following:

- Plant and machinery under installation amounting to RM5.2 million comprising mainly machinery and equipment for our bioplastic compounding activity;
- Factory tools and equipment amounting to RM0.3 million comprising mainly infrastructure works for our crusher plant;
- Electrical equipment and fittings amounting to RM0.1 million comprising electrical system for the workers' hostel building at our Zantat Perak Plant 1;
- Building amounting to RM0.2 million comprising renovation of storage area for Calrock Perak Plant;
- Forklifts and lorries amounting to RM0.2 million comprising mainly 2 units of lorries; and
- The remaining RM0.8 million includes motor vehicles, plant and machinery, office equipment, building in progress and air-conditioners.

Additionally, our right-of-use assets also increased by RM0.2 million mainly due to the increase in lease liabilities of RM0.8 million due to the renewal of tenancy agreements in FYE 2022 and offset by the depreciation charges of RM0.6 million during the financial year.

Current assets

Our current assets decreased by RM0.4 million from RM40.8 million as at 31 December 2021 to RM40.4 million as at 31 December 2022, mainly due to the decrease in other receivables, deposits and prepayments by RM1.5 million. This was mainly from decreases in prepayments of RM1.5 million due to the recognition of prepayments for the purchases of 3 units of bioplastic compounding machines of RM1.2 million and IPO related expenses of RM0.4 million during the FYE 2022.

The decrease in current assets was also contributed by the decrease in trade receivable balances by RM0.7 million attributed to higher collections from customers during the last quarter of FYE 2022.

Comparison between 31 December 2022 and 30 September 2023

Non-current assets

Our non-current assets decreased by RM2.9 million from RM58.8 million as at 31 December 2022 to RM55.9 million as at 30 September 2023. This was mainly due to the decrease in our property, plant and equipment by RM2.5 million arising mainly from depreciation charges of RM4.0 million in FPE 2023, and offset by additions of property, plant and equipment of RM1.5 million, as follows:

- Plant and machinery under installation amounting to RM0.8 million comprising mainly machinery and equipment for our bioplastic compounding activity;
- Forklifts and lorries amounting to RM0.4 million comprising 4 units of forklifts;
- Factory tools and equipment amounting to RM0.2 million comprising mainly testing equipment; and
- The remaining RM0.2 million includes office equipment, plant and machinery, furniture and fittings, building-in-progress, air conditioners, and renovation.

Additionally, our right-of-use assets also decreased by RM0.3 million mainly due depreciation charges of RM0.4 million during the financial year.

Current assets

Our current assets decreased by RM0.1 million from RM40.4 million as at 31 December 2022 to RM40.3 million as at 30 September 2023, mainly due to the decrease in current tax assets by RM1.4 million and inventories by RM0.8 million.

This was partially offset by the increase in trade receivables by RM1.3 million mainly due to higher billings in FPE 2023 attributed to higher sales during the financial period, coupled with the revaluation of trade receivable balances in USD as at the end of 30 September 2023. There was also an increase in fixed deposit balances by RM0.6 million.

(b) Liabilities

	Audited			
	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Long-term borrowings	13,999	10,653	8,034	5,276
Deferred tax liabilities	2,389	2,389	3,024	3,412
Lease liabilities	34	11	413	131
Total non-current liabilities	**16,422**	**13,053**	**11,471**	**8,819**
Current liabilities				
Trade payable	9,303	8,519	8,039	8,298
Other payables and accruals	3,400	5,503	6,368	8,472
Lease liabilities	351	418	392	430
Short-term borrowings	11,137	15,371	15,535	6,707
Current tax liabilities	-	29	-	466
Total current liabilities	**24,191**	**29,840**	**30,334**	24,373
TOTAL LIABILITIES	**40,613**	**42,893**	**41,805**	**33,192**

<u>Comparison between 31 December 2020 and 31 December 2021</u>

Non-current liabilities

Our non-current liabilities decreased by RM3.4 million from RM16.4 million as at 31 December 2020 to RM13.1 million as at 31 December 2021. This was mainly due to the decrease in borrowings by RM3.3 million due to scheduled repayment of term loans and hire purchase payables.

Current liabilities

Our current liabilities increased by RM5.6 million from RM24.2 million as at 31 December 2020 to RM29.8 million as at 31 December 2021. This was mainly due to the increase in short-term borrowings by RM4.2 million arising mainly from the increase in revolving credit by RM2.2 million, bankers' acceptances by RM1.2 million, post shipment buyer loan by RM0.9 million and term loans by RM0.2 million.

In addition, our other payables and accruals also increased by RM2.1 million arising from the increase in accruals by RM1.3 million for accrued handling charges in FYE 2021 pending billing from the sales facilitator in India and other payables by RM0.8 million mainly due to amount payable for SST, advance payment received from customers, and non-trade payables for purchase of laboratory equipment.

This was partially offset by the decrease in trade payables by RM0.8 million mainly due to the lower purchases of stearic acid in December 2021 by RM0.6 million compared to December 2020. The decrease in trade payables was also attributed to the lower electricity bill in December 2021 by RM0.6 million as compared to December 2020.

Comparison between 31 December 2021 and 31 December 2022

Non-current liabilities

Our non-current liabilities decreased by RM1.6 million from RM13.1 million as at 31 December 2021 to RM11.5 million as at 31 December 2022. This was mainly due to the decrease in borrowings by RM2.6 million due to scheduled repayment of term loans and hire purchase payables. This was partially offset by the increase in deferred tax liabilities of RM0.6 million and lease liabilities by RM0.4 million.

Current liabilities

Our current liabilities increased by RM0.5 million from RM29.8 million as at 31 December 2021 to RM30.3 million as at 31 December 2022. This was mainly due to the increase in other payables and accruals arising from the increase in accruals by RM1.7 million mainly for the accruals of handling charges in FYE 2022 pending billing from the sales facilitator in India. This was offset by the decrease in other payables of RM0.9 million mainly due to the decrease in sales tax payables.

In addition, our short-term borrowings increased by RM0.2 million arising mainly from the increase in bankers' acceptances by RM1.2 million, invoice financing by RM0.4 million, and post shipment buyer loan by RM0.2 million for working capital financing. However, this was partially offset by the decrease in revolving credit by RM1.0 million and term loans by RM0.6 million.

Comparison between 31 December 2022 and 30 September 2023

Non-current liabilities

Our non-current liabilities decreased by RM2.7 million from RM11.5 million as at 31 December 2022 to RM8.8 million as at 30 September 2023. This was mainly due to the decrease in borrowings by RM2.7 million due to scheduled repayment of term loans and hire purchase payables. This was partially offset by the increase in deferred tax liabilities of RM0.4 million.

Current liabilities

Our current liabilities decreased by RM5.9 million from RM30.3 million as at 31 December 2022 to RM24.4 million as at 30 September 2023. This was mainly due to the decrease in short-term borrowings by RM8.8 million arising mainly from the decrease in bankers' acceptances by RM5.5 million, revolving credit by RM1.4 million, invoice financing by RM0.4 million, and post shipment buyer loan by RM0.8 million for working capital financing. In addition, the decrease was also contributed by repayment of term loan and hire purchase by RM0.2 million and RM0.5 million, respectively.

This was partially offset by the increase in other payables and accruals by RM2.1 million mainly due to the increase in accruals by RM1.1 million for accrued handling charges and provision for bonus amounting to RM0.7 million.

12.2.5 Review of cash flows

12.2.5.1 Cash flows summary

The table below sets out the summary of our combined and consolidated statements of cash flows for the FYE 2020 to FYE 2022 and FPE 2023 and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	12,728	7,284	12,063	13,696
Net cash for investing activities	(4,206)	(7,951)	(5,110)	(1,269)
Net cash for financing activities	(8,888)	(3,226)	(4,554)	(11,882)
Net (decrease) / increase in cash and cash equivalents	(366)	(3,893)	2,399	545
Cash and cash equivalents at beginning of the financial year / period	9,833	9,467	5,574	7,973
Cash and cash equivalents at end of the financial year / period	**9,467**	**5,574**	**7,973**	**8,518**
Represented by:				
- Cash and bank balances	5,311	2,058	4,531	4,500
- Fixed deposits with licenced bank	5,673	5,061	3,442	4,018
Less:				
- Fixed deposits pledged as securities	(1,517)	(1,545)	-	-
Cash and cash equivalents at the end of financial year / period	**9,467**	**5,574**	**7,973**	**8,518**

<u>**FYE 2020**</u>

Net cash from operating activities

For the FYE 2020, our net cash generated from operating activities was RM12.7 million after taking into account the following:

(a) Increase in trade and other receivables of RM2.2 million, mainly due to the increase in trade receivables by RM2.7 million contributed by higher sales and billings in the last quarter of FYE 2020 compared to the corresponding period in FYE 2019. This was offset by a decrease in other receivables, deposits and prepayments by RM0.6 million mainly due to the decrease in goods and services tax recoverables and prepayments.

(b) Increase in trade and other payables of RM2.5 million, mainly due to the increase in trade payables of RM2.1 million mainly arising from higher freight and forwarding charges by RM1.3 million and higher purchases of stearic acid by RM0.5 million as at the end of December 2020, compared to the previous financial year end, as well as increase in other payables and accruals of RM0.5 million.

(c) Decrease in inventories by RM0.1 million.

Other payments include income tax payment of RM2.3 million and interest payment of RM1.2 million.

Net cash for investing activities

For the FYE 2020, our net cash used for investing activities was RM4.2 million. This was mainly attributed to the following:

(a) RM2.0 million of cash was used to acquire 100% equity interest in Zantat Light from the individual shareholders;

(b) RM1.5 million of cash was used to fund the purchase of plant and machinery mainly comprising our crushing plant at Zantat Perak Plant 2, 1 unit of automatic robotic palletising system, 1 unit of digital weighbridge system, 1 unit of thermal analyser and 1 unit of humidity chamber;

(c) RM0.3 million of cash was used to fund the construction of factory building namely the office building at Zantat Perak Plant 2;

(d) RM0.2 million of cash was used to fund the construction of building-in-progress namely a new worker's accommodation located at Zantat Perak Plant 1; and

(e) RM0.3 million of cash was mainly used to fund the purchase of factory tools and equipment, furniture, fittings, office equipment, electrical equipment and fittings, air conditioners as well as renovation works for Calrock Perak Plant.

This was partially offset mainly by interest income of RM0.2 million.

Net cash for financing activities

For the FYE 2020, our net cash used for financing activities was RM8.9 million. This was mainly attributed to the following:

(a) Dividend payment of RM4.5 million;

(b) Repayment of hire purchase payables of RM1.5 million used to finance the purchase of plant, machinery and motor vehicles;

(c) Repayments of term loans of RM1.0 million which were mainly used to finance the construction of our Zantat Perak Plant 1 and 2, acquisition of land for Zantat Perak Plant 2 and Perak Quarry 2 in 2015 as well as working capital purposes; and

(d) Net repayments of post shipment buyer loan of RM0.8 million, revolving credit of RM0.5 million and banker's acceptance of RM0.3 million, which were used to finance our working capital for the purchase of raw materials.

FYE 2021

Net cash from operating activities

For the FYE 2021, our net cash generated from operating activities was RM7.3 million after taking into account the following:

(a) Increase in trade and other receivables of RM4.2 million, mainly due to the increase in trade receivables of RM3.9 million resulting from slower collection from some of our customers, as well as increase in other receivables, deposits and prepayments by RM0.3 million from increases in prepayments, mainly for the IPO related expenses.

(b) Increase in trade and other payables of RM1.3 million, mainly resulting from an increase in accruals by RM1.3 million for accrued handling charges in FYE 2021 pending billing from the sales facilitator in India and other payables by RM0.8 million mainly due to amount payable for SST, advance payment received from customers, and non-trade payables for purchase of lab equipment. This was partially offset by the decrease in trade payables by RM0.8 million mainly due to the lower purchases of stearic acid in December 2021 by RM0.6 million compared to December 2020. The decrease in trade payables was also attributed to the lower electricity bill in December 2021 by RM0.6 million as compared to December 2020.

(c) Increase in inventories of RM1.3 million mainly due to the increase in the volume for limestone, PCC powder, chemicals and packaging materials as at 31 December 2021 coupled with an increase in the respective average purchase price in FYE 2021.

Other payments include income tax payment of RM3.1 million and interest payment of RM1.0 million.

Net cash for investing activities

For the FYE 2021, our net cash used for investing activities was RM8.0 million. This was mainly attributed to the following:

(a) RM4.6 million of cash was used to acquire 100% equity interest in Calrock from the individual shareholders;

(b) RM1.2 million of cash was used to fund the prepayment for 3 units of bioplastic compounding machines;

(c) RM0.8 million of cash was used to fund the purchase of plant and machinery, and plant and machinery under installation mainly comprising 1 unit of wheel loader, 1 unit of jaw crusher, 1 unit of rotary arm pallet wrapper, 1 unit of furnace with dryer, 1 unit of compact film blowing machine, 1 unit of rotary arm pallet wrapper, 1 unit of automatic robotic palletising system, and 1 unit of humidity chamber;

(d) RM0.4 million of cash was used to fund the purchase of a new double-storey house for workers' accommodation located in Tasek, Ipoh, Perak;

(e) RM0.6 million of cash was used to fund the construction of a workers' hostel building at our Zantat Perak Plant 1; and

(f) RM0.6 million of cash was used to fund the purchase of forklifts, lorries, factory tools and equipment, motor vehicles, electrical equipment and fittings, office equipment, furniture, fittings and air conditioners.

This was partially offset by an interest income of RM0.1 million and sale proceeds from the disposal of property, plant and equipment namely plant and machinery, motor vehicles, forklifts and lorries amounting to RM0.1 million.

Net cash for financing activities

For the FYE 2021, our net cash used for financing activities was RM3.2 million. This was mainly attributed to the following:

(a) Payment of dividends of RM3.7 million;

(b) Repayment of hire purchase payables of RM1.7 million used to finance the purchase of plant, machinery and motor vehicles; and

(c) Net repayment of term loans of RM1.7 million, which were mainly used to finance the construction of our Zantat Perak Plant 1 and 2, acquisition of land and Perak Quarry 2 in 2015 as well as working capital purposes.

This was partially offset by the net drawdown of revolving credit of RM2.2 million, banker's acceptance of RM1.1 million and post shipment buyer loan of RM0.9 million, which were used to finance our purchase of raw materials.

<u>FYE 2022</u>

Net cash from operating activities

For the FYE 2022, our net cash generated from operating activities was RM12.1 million after taking into account the following:

(a) Decrease in trade and other receivables of RM0.7 million, mainly due to the decrease in trade receivable balances by RM0.7 million attributed to higher collections from customers at the last quarter of FYE 2022, compared to the corresponding last quarter of FYE 2021.

(b) Increase in inventories of RM0.4 million mainly due to the increase in raw materials balance as the end of FYE 2022 by RM0.4 million mainly attributed to the increase in stock holding of PCC powder by RM1.1 million in anticipation of our Chinese supplier's closure of operations for 2 months during the Chinese New Year season.

(c) Increase in trade and other payables of RM0.2 million mainly resulting from an increase in accruals by RM1.7 million mainly for accrued handling charges in FYE 2022 pending billing from the sales facilitator in India. This was offset by the decrease in other payables by RM0.9 million mainly due to the decrease in sales tax payables, and decrease in trade payables by RM0.5 million mainly due to shorter credit terms given by forwarders and ship liners in line with increasing sea freight rates. In FYE 2022, our freight suppliers provided us with a cash and 7 days credit terms, as compared to a 15 days credit term in the previous financial year.

Other payments include income tax payment of RM2.0 million and interest payment of RM1.1 million.

Net cash for investing activities

For the FYE 2022, our net cash used for investing activities was RM5.1 million. This was mainly attributed to the following:

(a) RM3.9 million of cash was used to fund the purchase of plant and machinery under installation, and plant and machinery mainly comprising the machinery and equipment for our bioplastic compounding activity;

(b) RM0.3 million of cash was used to fund the purchase of factory tools and equipment comprising mainly infrastructure works for our crusher plant;

(c) RM0.1 million of cash was used to fund the purchase of electrical equipment and fittings comprising electrical system for the workers' hostel building at our Zantat Perak Plant 1;

(d) RM0.2 million of cash was used to fund the renovation of storage area for Calrock Perak Plant;

(e) RM0.2 million of cash was used to fund the purchase of forklifts and lorries comprising mainly 2 units of lorries; and

(f) RM0.7 million of cash was used to fund the purchase of motor vehicles, plant and machinery, office equipment, building in progress, air-conditioners and furniture and fittings.

This was partially offset by sale proceeds from the disposal of property, plant and equipment namely plant and machinery, motor vehicles, forklifts and lorries amounting to RM0.2 million, and interest income received of RM0.1 million.

Net cash for financing activities

For the FYE 2022, our net cash used for financing activities was RM4.6 million. This was mainly attributed to the following:

(a) Payment of dividends of RM6.0 million;

(b) Repayment of hire purchase payables of RM2.5 million which were used to finance the purchase of plant, machinery and motor vehicles; and

(c) Net repayment of revolving credit of RM1.0 million, which were mainly used to finance working capital.

This was partially offset by the following:

(a) Proceeds from issuance of ordinary shares of RM3.0 million;

(b) Net drawdown of banker's acceptance of RM1.2 million, invoice financing of RM0.4 million and post shipment buyer loan of RM0.2 million, which were used to finance our working capital for the purchase of raw materials; and

(c) Net drawdown of term loans of RM0.6 million, which were used to finance the purchase of bioplastic compounding machines.

<u>FPE 2023</u>

Net cash from operating activities

For the FPE 2023, our net cash generated from operating activities was RM13.7 million after taking into account the following:

(a) Increase in trade and other receivables of RM0.5 million mainly due to the higher in trade receivable contributed largely by the higher billings in FPE 2023 attributed to higher sales during the financial period.

(b) Decrease in inventories of RM0.7 million mainly due to the lower inventory of raw materials mainly PCC powder for CC dispersion operations which declined during the financial period.

(c) Increase in trade and other payables of RM2.4 million mainly resulting from an increase in accruals by RM1.1 million mainly for accrued handling charges in FPE 2023 pending billing from the sales facilitator in India, as well as provision for bonus of RM0.7 million.

Other payments include mainly interest payment of RM0.7 million.

Net cash for investing activities

For the FPE 2023, our net cash used for investing activities was RM1.3 million. This was mainly attributed to cash used of RM1.5 million to purchase of property, plant and equipment, as follows:

(a) RM0.7 million of cash was used to fund the purchase of plant and machinery mainly comprising the machinery and equipment for our bioplastic compounding activity;

(b) RM0.4 million of cash was used to fund the purchase of forklift and lorries comprising 4 units of forklifts;

(c) RM0.2 million of cash was used to fund the purchase of factory tools and equipment comprising mainly testing equipment; and

(d) RM0.2 million of cash was used to fund the purchase of office equipment, plant and machinery under installation, furniture and fittings, building-in-progress, air conditioners, and renovation.

This was partially offset by sale proceeds from the disposal of property, plant and equipment namely 2 forklifts and 1 motor vehicle amounting to RM0.2 million, and interest income received of RM0.1 million.

Net cash for financing activities

For the FPE 2023, our net cash used for financing activities was RM11.9 million. This was mainly attributed to the following:

(a) Net repayment of bankers' acceptances of RM5.5 million, revolving credit of RM1.4 million, post shipment buyer loan of RM0.8 million and invoice financing of RM0.3 million, which were used to finance our working capital for the purchase of raw materials;

(b) Net repayment of term loans of RM1.8 million and hire purchase payables of RM1.6 million; and

(c) Repayment of lease liabilities of RM0.3 million.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

Our business is financed by both internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations and shareholders' equity, while our external sources were mainly credit facilities from financial institutions. These funds were used for our business operations and growth.

Our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, having taken into consideration the following:

(a) our cash and bank balances of RM13.1 million as at LPD;

(b) our banking facilities (excluding hire purchase) of RM46.3 million comprising term loans and trade facilities, of which RM23.9 million has yet to be utilised as at LPD;

(c) expected future cash flow from operations; and

(d) our pro forma NA position and gearing level as at 30 September 2023 after the Proposed Acquisition of Zantat, Proposed Public Issue and utilisation of proceeds of RM75.3 million and 0.1 times, respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity.

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12.4 BORROWINGS AND INDEBTEDNESS

We utilise banking facilities such as term loan to finance purchase of land, plant and machinery, construction of factory building and working capital. Hire purchase payables are used to finance the plant and machineries, and motor vehicles. Our total outstanding borrowings as at 30 September 2023 stood at RM12.0 million, details of which are set out below. All our borrowings are secured/guaranteed, interest-bearing and denominated in RM.

	Purpose	Number of borrowing / facility / indebtedness	Tenure of facility	Security	Effective Interest rate	As at 30 September 2023
					% per annum	RM'000
Current						
Term loans	To part finance the purchase of land, plant and machine, construction of factory building, and working capital	5	5 to 8 years	Land, building, corporate guarantee and personal guarantee by directors(1)	4.8 to 6.6	2,272
Post shipment buyer loan	To finance working capital	1	120 days	Land	4.2 to 4.3	1,249
Revolving credit	To finance working capital	1	90 days	Land	4.5	100
Banker's acceptance	To finance working capital	1	120 days	Land and personal guarantee by directors(1)	4.1 to 4.2	1,283
Hire purchase payables	To part finance the purchase of plant and machinery, and motor vehicles	3	5 years	Plant and machinery, motor vehicles and personal guarantee by directors(1)	4.4 to 5.5	1,803
					Total current borrowing	6,707
Non-current						
Term loans	To part finance the purchase of land, construction of factory building, plant and machinery and working capital	5	5 to 8 years	Land, building, corporate guarantee and personal guarantee by directors(1)	4.8 to 6.6	5,266
Hire purchase payables	To part finance the purchase of plant and machinery, and motor vehicles	3	5 years	Plant and machinery, motor vehicles and personal guarantee by directors(1)	4.4 to 5.5	10

Purpose	Number of borrowing / facility / indebtedness	Tenure of facility	Security	Effective Interest rate	As at 30 September 2023
				% per annum	RM'000
				Total non-current borrowing	5,276
				Total borrowing	11,983
Pro forma gearing (times)					
Before the Public Issue					0.2
After the Public Issue and utilisation of proceeds					0.1

Note:

(1) Personal guarantee by directors will be converted to corporate guarantee by Zantat Holdings upon successful listing. Please refer to Section 10.2.2 (b) of this Prospectus for further details.

As at LPD, we do not have any borrowings which are non-interest bearing. Our Group has not defaulted on payments of principal sums and/or interests concerning any borrowings for the FYE 2020, FYE 2021, FYE 2022, FPE 2023 and up to the LPD. From FYE 2020 to FYE 2022 and FPE 2023, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

As at LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investments by holders or securities in our Company.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4 of this Prospectus above and our foreign currency hedging facilities, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used for the purchase of property, plant and equipment and working capital requirements. As at 30 September 2023, save for hire purchase payables which are based on fixed rates, all our other facilities with licensed financial institutions are based on base rate plus or minus a rate which varies depending on the type of facility.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, our Group's material capital commitment are as follows:

	To be funded from Public Issue	To be funded internally or via bank borrowings	Total
	RM'000	RM'000	RM'000
Approved and contracted for:			
- TNB substation for Calrock Perak Plant, and equipment	-	1,187	1,187
Approved but not contracted for:			
- Purchase additional GCC production line(1)	-	1,500	1,500
- Upgrading of R&D facilities(2)	3,830	750	4,580
- Investment in higher efficiency machine components and industrial automation(3)	1,350	-	1,350
- Upgrading of Calrock Perak Plant's infrastructure(4)	1,000	-	1,000
- Installation of roof-top solar PV system(5)	-	2,900	2,900
	6,180	**6,337**	**12,517**

Notes:

(1) We plan to purchase an additional GCC production line for the production of fine-grade coated GCC namely our "Zancarb" series.

(2) We plan to upgrade our R&D facilities through the renovation to expand the current size of our current R&D centre at Zantat Perak Plant 1, and through the purchase of testing equipment.

(3) We plan to purchase 1 set of fully integrated automatic robotic palletising system and 49 units of high-efficiency motors.

(4) We plan to upgrade and improve Calrock Perak Plant and build a new office building.

(5) We plan to install roof-top solar PV system on Zantat Perak Plant 2.

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

Our key financial ratios are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Average trade receivables turnover period (days)[(1)]	57	61	70	66
Average trade payables turnover period (days)[(2)]	50	55	50	40
Average inventory turnover period (days)[(3)]	42	46	50	41
Current ratio (times)[(4)]	1.5	1.4	1.3	1.7
Gearing ratio (times)[(5)]	0.4	0.5	0.4	0.2

Notes:

(1) Computed based on average trade receivables multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by total revenue:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	15,416	18,112	21,999	21,250
Closing trade receivables	18,112	21,999	21,250	22,593
Revenue	107,209	119,464	113,023	91,089

(2) Computed based on average trade payables multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by cost of sales:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Opening trade payable	7,221	9,303	8,519	8,039
Closing trade payable	9,303	8,519	8,039	8,298
Cost of sales	60,048	59,293	60,944	55,200

(3) Computer based on average inventory multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by cost of sales:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening inventory	6,945	6,866	8,198	8,595
Closing inventory	6,866	8,198	8,595	7,843
Cost of sales	60,048	59,293	60,944	55,200

(4) Computed based on current assets over current liabilities as at the end of the respective financial years / period.

(5) Computed based on the total borrowings over total equity as at the end of the respective financial years / period.

12.8.1 Trade receivables turnover

A summary of our trade receivables for the FYE 2020 to FYE 2022 and FPE 2023 are set out as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
Trade receivables (RM'000)	18,112	21,999	21,250	22,593
Revenue (RM'000)	107,209	119,464	113,023	91,089
Average trade receivables turnover period (days)(1)	**57**	**61**	**70**	**66**

Note:

(1) Based on average trade receivables multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by total revenue.

For the FYE 2020, FYE 2021 and FYE 2022, the credit terms granted to our customers range from 30 to 120 days. For the FPE 2023, the credit terms granted to our customers range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The factors that are taken into consideration when determining the credit period granted to customers include their creditworthiness, payment history, quantum of amount owing to us and length of relationship with us.

As part of our credit control process, our finance team closely monitors our ageing report and regularly assess the collectability of trade receivables on an individual customer basis to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

For the FYE 2021, our average trade receivables turnover period increased from 57 days in FYE 2020 to 61 days in FYE 2021. This was mainly attributed to slower collections from some major customers from India in FYE 2021 which were subsequently collected after FYE 2021.

For the FYE 2022, our average trade receivables turnover period increased from 61 days in FYE 2021 to 70 days in FYE 2022. Overall, collection levels have resulted in a consistent balance of trade receivables, notwithstanding the decrease in revenue in FYE 2022. This resulted in a relatively higher trade receivables turnover period.

For the FPE 2023, our average trade receivables turnover period decreased from 70 days in FYE 2022 to 66 days. Overall, in view of our higher revenue earned for FPE 2023 due to business growth, our trade receivables balance as at FPE 2023 did not increase substantially as our collection levels were marginally better overall. This has resulted in a relatively consistent balance of trade receivables, and in turn, a relatively lower trade receivables turnover period.

The ageing analysis of our trade receivables as at 30 September 2023 and the subsequent collections up to LPD are set out below:

		Within credit period	Exceeding credit period				Total
			1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
Trade receivables (RM'000)	A	13,877	6,422	1,584	458	252	**22,593**
% of trade receivables (%)		*61.4*	*28.4*	*7.0*	*2.0*	*1.1*	***100.0***
Subsequent collections up to LPD (RM'000)	B	(13,877)	(6,422)	(1,584)	(458)	(75)	(22,416)
% of subsequent collections up to LPD (%)	*C = B / A*	100.0	100.0	100.0	100.0	29.8	99.2
Outstanding trade receivables (RM'000)	**D = A - B**	**-**	**-**	**-**	**-**	**177**	**177**

As at LPD, RM22.4 million or 99.2% of our total trade receivables as at 30 September 2023 has been collected. The remaining RM0.2 million or 0.8% of our total trade receivables as at 30 September 2023 is still outstanding as at LPD.

Our management closely monitors the recoverability of the trade receivables on a regular basis, and, when appropriate, provides for specific impairment of these trade receivables. Our Board is of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration our relationship with customers as well as our effort to improve collection with various credit control measures to reduce the potential exposure on credit risk.

12.8.2 Trade payables turnover

A summary of our trade payables for the FYE 2020 to FYE 2022 and FPE 2023 are set out as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade payables (RM'000)	9,303	8,519	8,039	8,298
Cost of sales (RM'000)	60,048	59,293	60,944	55,200
Average trade payables turnover period (days)[(1)]	**50**	**55**	**50**	**40**

Note:

(1) Based on the average trade payables of the respective financial years / period over total cost of sales of the respective financial years / period and multiplied by 365 days and 273 days.

Our suppliers generally grant us cash terms or credit terms of 90 days.

For FYE 2021, our average trade payables turnover period increased from 50 days in FYE 2020 to 55 days in FYE 2021. This was mainly due to the increase in amount owing to our sea freight suppliers due to the increase in sea freight rates.

For FYE 2022, our average trade payables turnover period decreased from 55 days in FYE 2021 to 50 days in FYE 2022. This was mainly due to the decrease in amount owing to our sea freight suppliers due to the shorter credit terms provided which was in line with the increased sea freight rates in FYE 2022. In FYE 2022, our sea freight suppliers provided us with cash and 7 days credit terms compared to a 15 days credit terms in the previous financial year.

For FPE 2023, our average trade payables turnover period decreased from 50 days in FYE 2022 to 40 days. Overall, despite increasing cost of sales in FPE 2023 in line with our business growth, our trade payable balances as at FPE 2023 did not increase substantially in FPE 2023, as our payment levels were marginally quicker overall. This has resulted in a relatively consistent balance of trade payables vis-à-vis increase in cost of sales in FPE 2023, and has therefore resulted in a relatively lower trade payables turnover period.

The ageing analysis of our trade payables as at 30 September 2023 is as follows:

		Within credit period	Exceeding credit period				
			1 to 30 days	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
Trade payables (RM'000)	A	5,546	2,504	248	-	-	8,298
% of total trade payables (%)		*66.8*	*30.2*	*3.0*	*-*	*-*	*100.0*
Subsequent payments up to LPD (RM'000)	B	5,546	2,504	248	-	-	-
% of subsequent payments up to LPD (%)	*C = B / A*	100.0	100.0	100.0	-	-	100.0
Outstanding trade payables (RM'000)	**D = A - B**	**-**	**-**	**-**	**-**	**-**	**-**

As at LPD, all our trade payables as at 30 September 2023 has been paid.

As at LPD, there are no disputes in respect of any trade payables and our Board confirms that there has been no legal action initiated by our suppliers to demand for payment from us in the past and present.

12.8.3 Inventory turnover period

The breakdown of our inventories for the FYE 2020 to FYE 2022 and FPE 2023 are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
Total inventory (RM'000)	6,866	8,198	8,595	7,843
Consisting of (RM'000):				
- Raw material	3,161	4,496	4,876	3,702
- Finished goods	2,029	1,940	1,853	2,170
- Consumables	1,192	1,382	1,626	1,100
- Goods-in-transit	484	380	240	871
Cost of sales (RM'000)	60,048	59,293	60,944	55,200
Inventories turnover period (days)(1)	42	46	50	41

Note:

(1) Based on average inventory of the respective financial years over total cost of sales of the respective financial years / period and multiplied by 365 days and 273 days, respectively.

Our inventory comprises the following:

(a) raw materials including limestone rocks and chips, PCC powder, kaolin powder and stearic acid;

(b) finished goods including GCC, CC dispersions, kaolin dispersion, and ultrafine PCC powder packed and ready for final delivery to customers, as well as other industrial minerals such as talcum powder and titanium dioxide for our trading operations;

(c) consumables including packaging materials, machinery spare parts and grinding aids; and

(d) goods-in-transit including our products being in transit to be delivered to our customers locally or overseas.

Our Group's inventory turnover period ranges from 42 days to 50 days over the FYE 2020 to FPE 2023. Our Group's practice is to maintain at least 2 weeks inventory level for the finished products to fulfil any incoming orders and to reduce lead time of delivery of our calcium carbonate products, particularly to our overseas customers.

For FYE 2021, our average inventory turnover period increased from 42 days in FYE 2020 to 46 days in FYE 2021 mainly due to the increase in the balance volume for limestone, PCC power, chemicals and packaging materials as at 31 December 2021 coupled with an increase in the respective average purchase price in FYE 2021.

For FYE 2022, our average inventory turnover period increased from 46 days in FYE 2021 to 50 days in FYE 2022 mainly due to the increase in raw material balances as at the end of FYE 2022. This was largely attributed to the increase in stock holding of PCC powder by RM1.1 million in anticipation of our Chinese supplier's closure of operations for 2 months during the Chinese New Year season.

For FPE 2023, our average inventory turnover period decreased from 50 days in FYE 2022 to 41 days mainly due to the decrease in stock holding of PCC powder as at the end of 30 September 2023 in comparison to the stock balance as at the end of 31 December 2022.

12.8.4 Current ratio

The summary of our Group's current ratio for the FYE 2020 to FYE 2022 and FPE 2023 are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
Current assets (RM'000)	37,092	40,769	40,407	40,324
Current liabilities (RM'000)	24,191	29,840	30,334	24,373
Current ratio (times)[1]	1.5	1.4	1.3	1.7

Note:

(1) Based on current assets over current liabilities.

As at 31 December 2021, our current ratio was 1.4 times, which was lower compared to 1.5 times as at 31 December 2020. This was mainly due to the increase in short-term borrowings of RM4.2 million used mainly for working capital financing purposes as well as increases in other payables and accruals of RM2.1 million.

As at 31 December 2022, our current ratio was 1.3 times, which was lower compared to 1.4 times as at 31 December 2021. This was mainly due to the increase in other payables and accruals of RM0.9 million as well as increase in short-term borrowings of RM0.2 million used mainly for working capital financing purposes.

As at 30 September 2023, our current ratio was 1.7 times, which was higher compared to 1.3 times as at 31 December 2022. This was mainly due to the decrease in short-term borrowings by RM8.8 million used mainly for working capital financing purposes.

12.8.5 Gearing ratio

The summary of our Group's gearing ratio for the FYE 2020 to FYE 2022 and FPE 2023 are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
Total borrowings (RM'000)	25,136	26,024	23,569	11,983
Shareholders' equity[1] (RM'000)	56,807	54,988	57,407	63,078
Gearing ratio[2] (times)	0.4	0.5	0.4	0.2

Notes:

(1) Includes share capital, merger deficit and retained profits.

(2) Based on total borrowings over total equity.

As at 31 December 2021, our gearing ratio was 0.5 times, which was higher compared to 0.4 times as at 31 December 2020. This was mainly due to an increase in total borrowings by RM0.9 million which were mainly used to finance our working capital, coupled with the decrease in shareholders' equity by RM1.8 million resulting from the RM4.6 million consolidation adjustment arising from the acquisition of Calrock.

As at 31 December 2022, our gearing ratio was 0.4 times, which was lower compared to 0.5 times as at 31 December 2021. This was mainly due to the increase in shareholders' equity by RM2.4 million mainly attributed to the issuance of ordinary shares of RM3.0 million, coupled with a decrease in total borrowings of RM2.5 million, mainly attributed to the schedule repayments of term loans and hire purchase payables.

As at 30 September 2023, our gearing ratio was 0.2 times, which was lower compared to 0.4 times as at 31 December 2022. This was mainly due to the decrease in total borrowings by RM11.6 million mainly attributed to repayment of short-term borrowings and schedule repayments of term loans and hire purchase payables, coupled with the increase in shareholders' equity by RM5.7 million mainly due retention of earnings.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which materially affected our financial performance for the FYE 2020 to FYE 2022 and FPE 2023 except for the various movement restrictions imposed as detailed in Section 7.7 of this Prospectus.

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 of this Prospectus.

12.10 IMPACT OF INFLATION

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operations. However, any significant increase in future inflation may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers.

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12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

12.11.1 Impact of foreign exchange rates

We are mainly exposed to transactional currency exposure as our revenue and purchase are denominated in USD, CNY, SGD and EUR. Any significant change in foreign exchange rates may affect our financial results.

For FYE 2020 to FYE 2022 and FPE 2023, our gains from foreign exchange fluctuations are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised gain on foreign exchange	145	639	1,332	280
Unrealised (loss) / gain on foreign exchange	(93)	219	(427)	1,028
Net gain	**52**	**858**	**905**	**1,308**

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 September 2023 indicates that, in the event of a 5.0% fluctuation of USD against RM, our PAT for FPE 2023 would fluctuate by RM0.4 million, while the effects of fluctuations in CNY, SGD and EUR are negligible.

We maintain foreign currency accounts to receive sales proceeds in foreign currencies. In addition, we also mitigate foreign exchange risk through natural hedging of our foreign currency accounts used to pay for foreign currency denominated payments for freight charges, and maintain a USD hedging facility of up to RM18 million. Notwithstanding the above, there is no assurance that any fluctuation in foreign exchange rates would not have an impact on our financial performance.

12.11.2 Impact of interest rates

Our exposure to changes in interest rate relates primarily to our borrowings from banks. We do not hedge interest rate risk.

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of our Group.

Our Group's financial results for FYE 2020 to FYE 2022 and FPE 2023 were not materially affected by fluctuations in interest rates. However, should we undertake significant bank borrowings, a major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

12.11.3 Impact of commodity prices

Some of our input materials such as stearic acid are indirectly impacted by commodity prices including palm oil prices. The increase in stearic acid price since 2020 was due to the increase in crude palm oil (CPO) prices by 226.1% between May 2020 and March 2022 attributed to factors such as supply disruptions caused by the COVID-19 pandemic, which resulted in labour shortages and subsequently reduced palm oil output.

CPO prices were also affected by the increase in the demand for palm oil as it served as a substitute for sunflower oil amidst the supply chain disruption due to the Russia-Ukraine war. Since March 2022, the average prices of CPO have declined by 47.3% to RM3,659/tonne in December 2023 (Source: IMR Report).

Any significant increase in future commodity prices such as palm oil may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers.

12.12 SIGNIFICANT CHANGES

Save for the COVID-19 pandemic as disclosed in Section 7.10.1 of this Prospectus, there are no other 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. Please refer to Section 7.10.2 of this Prospectus for further details on the impact of the COVID-19 pandemic on our Group's business and financial performance.

12.13 ORDER BOOK

We do not maintain an order book as we are involved in the production and trading of industrial minerals mainly calcium carbonate whereby our sales are carried out based on purchase orders received from our customers on an on-going basis.

12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) our Group's revenue will be sustainable with an upward growth trend based on the increased sales volume and revenue of GCC products for the second half of 2022 and in the first 9 months of 2023 as set out in Section 12.2.3 and Section 7.10.2(c) of this Prospectus, as well as the positive outlook of the calcium carbonate industry as set out in the IMR Report in Section 8 of this Prospectus. Our upward growth trend in the second half of 2022 reflects the normalisation of our business operations resulting from the easing of the impact of COVID-19;

(b) our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our future plans and business strategies as stated in Section 7.18 of this Prospectus; and

(c) our financial resources will strengthen, taking into account the amount 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.

In addition to the above, our Board confirms that there are no known circumstances which would result in a significant decline of our revenue and GP margins, or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.15 TREND INFORMATION

Saved as disclosed in this section and in Sections 7 and 9 of this Prospectus, to the best of our Board's knowledge and belief:

(a) there are no other known trends, demands, commitments, events, factors or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations;

(b) there are no material commitments for capital expenditure;

(c) there are no unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;

(d) there are no known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profits;

(e) there are no known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position; and

(f) there are no known trends, demand, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

12.16 DIVIDEND POLICY

We do not have a fixed dividend policy. However, it is the intention of our Board to maintain a stable stream of dividends, and at the same time preserve adequate reserves for our future growth.

As we are an investment holding company, our ability to pay dividends is dependent on our subsidiaries, which in turn will depend on:

(a) their respective financial performance and condition;

(b) their respective working capital needs and availability of cash;

(c) their respective capital expenditure and business expansion plans;

(d) their respective loan agreements and covenants therein; and

(e) the general economic and business conditions, and such other relevant factors.

In addition, we may only make a distribution to our shareholders if we comply with the requirements as set out in Sections 131 and 132 of the Act, which require:

(a) our distribution to be made out of profits available; and

(b) our Group is solvent and able to pay our debts as and when they become due within 12 months immediately after our distribution.

12. FINANCIAL INFORMATION *(Cont'd)*

Save for certain banking restrictive covenants which our subsidiaries are subject to, there are no legal, financial, or economic restriction on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances as at LPD.

Our future dividends are at our Board's discretion. You should note that the foregoing statement on the payment of dividends merely describes our Company's present intention. This shall not constitute a legally binding obligation or statement on our Company and a guarantee by our Board.

The dividends declared and paid by our Group for FYE 2020 to FYE 2022, FPE 2023 and up to the LPD are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023	From 1 October 2023 and up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends declared and paid	4,500	3,723	6,000	-	-

The dividends declared and paid in FYE 2020 to FYE 2022 were funded via internally generated funds. Additionally, it should be noted that, of the RM6.0 million dividends declared in FYE 2022, RM3.0 million was utilised to reinvest in Zantat via the issuance of ordinary shares. Please refer to Section 15.2.1 of this Prospectus for further details. Further, we do not intend to declare and pay any dividends from the LPD up to the point of our Listing.

The level of dividends declared in the past should not be treated as an indication of our Group's future dividend payout. Actual dividends proposed and declared may vary depending on our Group's financial performance and cash flows, and may not be proposed and declared if the payment of the dividends would adversely affect our cash flows and operations.

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12.17 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness as at 10 January 2024 after taking into consideration the effects of our IPO and utilisation of proceeds from our Public Issue:

		(I)	(II)
	Unaudited as at 10 January 2024	**After the Public Issue**	**After (I) and use of proceeds**
	RM'000	**RM'000**	**RM'000**
Indebtedness			
Current liabilities			
Secured and guaranteed			
Term loans	2,020	2,020	1,218
Hire purchase payables	1,199	1,199	1,199
Post shipment buyer loan	588	588	588
Bankers' acceptance	2,804	2,804	2,804
Secured and unguaranteed			
Hire purchase payables	61	61	61
Unsecured and unguaranteed			
Lease liabilities	384	384	384
	7,056	**7,056**	**6,254**
Non-current liabilities			
Secured and guaranteed			
Term loans	4,768	4,768	2,180
Unsecured and unguaranteed			
Lease liabilities	447	447	447
	5,215	**5,215**	**2,627**
Total indebtedness	**12,271**	**12,271**	**8,881**
Capitalisation			
Shareholders' equity	**71,301**	**85,301**	**83,733**
Total capitalisation and indebtedness	**83,572**	**97,572**	**92,614**
Gearing ratio (times)[1]	0.2	0.1	0.1

Note:

(1) Computed based on total indebtedness over our shareholders' equity.