NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SENG FONG HOLDINGS BERHAD ("SENG FONG" OR "COMPANY") DATED 14 JUNE 2022 ("ELECTRONIC PROSPECTUS")

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

Website

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

Availability and Location of Paper/Printed Prospectus

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

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

The IPO and the distribution of the Electronic Prospectus are subject to the laws of Malaysia. Bursa Securities, the Company, Directors, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent have not authorised anyone and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. No action has been taken to permit any offering of the IPO Shares based on the Electronic Prospectus in any jurisdiction other than Malaysia. The Electronic Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of our IPO Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation. Prospective applicants who may be in possession of the Electronic Prospectus are required to take note, to inform themselves and to observe such restrictions.

Close of Application

Applications for the IPO Shares will be accepted from **10.00 a.m.** on **14 June 2022** and will close at **5.00 p.m.** on **24 June 2022**. Any change to the timetable will be advertised by Seng Fong in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

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

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

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

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

SENG FONG HOLDINGS BERHAD

12, (Tingkat Bawah), Taman Sri Jeram,
Jalan Bakri, 84000 Muar, Johor,
Malaysia.
Tel : 606 - 9864 268 / 606 - 9864 269
Fax : 606 - 9864 272
Email : enquiry@sengfongholdings.com

PROSPECTUS / SENG FONG HOLDINGS BERHAD

PROSPECTUS

SENG FONG HOLDINGS BERHAD
(Registration No. 202101022910 (1423210-X))
(Incorporated in Malaysia under the Companies Act, 2016)

INITIAL PUBLIC OFFERING ("**IPO**") OF 160,874,300 ORDINARY SHARES IN SENG FONG HOLDINGS BERHAD ("**SENG FONG**" OR "**COMPANY**") ("**SHARES**") COMPRISING PUBLIC ISSUE OF 90,814,700 NEW SHARES AND OFFER FOR SALE OF 70,059,600 EXISTING SHARES (COLLECTIVELY, "**IPO SHARES**") AT AN ISSUE / OFFER PRICE OF RM0.75 PER IPO SHARE PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED SHARES OF SENG FONG ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") IN THE FOLLOWING MANNER:

(A) RETAIL OFFERING OF 42,198,000 IPO SHARES TO BE ALLOCATED IN THE FOLLOWING MANNER:

(I) 25,948,000 IPO SHARES TO THE MALAYSIAN PUBLIC; AND

(II) 16,250,000 IPO SHARES TO THE ELIGIBLE DIRECTORS AND EMPLOYEES OF SENG FONG AND ITS SUBSIDIARIES ("**GROUP**") AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE GROUP;

(B) INSTITUTIONAL OFFERING OF 118,676,300 IPO SHARES TO BE ALLOCATED IN THE FOLLOWING MANNER:

(I) 64,870,000 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND

(II) 53,806,300 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO OTHER INSTITUTIONAL AND SELECTED INVESTORS.

Principal Adviser, Underwriter and Placement Agent

HongLeong Investment Bank

Hong Leong Investment Bank Berhad
(Registration No. 197001000928 (10209-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

THE SC HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR OUR IPO UNDER SECTION 214(1) OF THE CAPITAL MARKETS AND SERVICES ACT, 2007. THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 167.

LISTING SOUGHT: MAIN MARKET OF BURSA SECURITIES

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

THIS PROSPECTUS IS DATED 14 JUNE 2022

All defined terms used in this Prospectus are defined under "Presentation of Information", "Definitions" and "Glossary of Technical Terms" commencing on pages ix, xi and xviii, respectively.

RESPONSIBILITY STATEMENTS

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

HLIB, being our Principal Adviser, Underwriter and Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for our Listing. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Forms, have also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any person in relation to our Company.

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

Our Shares are classified as Shariah-compliant by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

You should note that any agreement by our Underwriter to underwrite our Shares under the Retail Offering is not to be taken as an indication of the merits of our Shares being offered.

Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent, or any of their respective directors or any other persons involved in our IPO.

This Prospectus has been prepared and published in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia. Our Company, Directors, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia. No action has been taken to permit a public offering of our Shares based on this Prospectus in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase any of our Shares being offered in our IPO in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability whether or not any enquiry or investigation is made in connection to it. It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in this Prospectus and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection to it.

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

It will be your sole responsibility to consult your legal or other professional adviser on the laws to which our IPO or you are or might be subjected. Neither we nor our Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent nor any other advisers in relation to our IPO accept any responsibility or liability if any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

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

You are advised that the internet is not a fully secure medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in any doubt about the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC will prevail.

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

(i) we and our Principal Adviser do not endorse and are not affiliated in any way to the Third-Party Internet Sites. Accordingly, we and our Principal Adviser are not responsible for any availability of or the content or any data, information, files or other material provided on the Third-Party Internet Sites. You bear all risks associated with the access to or use of the Third-Party Internet Sites;

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

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

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

(a) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;

(b) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and

(c) the Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party’s personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time / date
Issuance of the Prospectus/Opening of application for our IPO Shares	10:00 a.m., 14 June 2022
Closing of application for our IPO Shares	5:00 p.m., 24 June 2022
Balloting of applications for our IPO Shares	29 June 2022
Allotment/Transfer of our IPO Shares to successful applicants	6 July 2022
Listing	7 July 2022

If there is any change to the timetable, we will advertise the notice of changes in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

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PRESENTATION OF INFORMATION

All references to “our Company” or “the Company” or “Seng Fong” in this Prospectus are to Seng Fong Holdings Berhad. All references to “our Group” or “the Group” or “Seng Fong Group” are made to our Company and our subsidiaries taken as a whole. All references to “we”, “us”, “our” and “ourselves” are to our Company and where the context otherwise requires, our Group. Unless the context otherwise requires, references to “management” are to our Directors and Key Senior Management as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our management.

All references to “you” are to our prospective investors.

All references to “Government” are to the Government of Malaysia.

The word “approximately” used in this Prospectus indicates that a number is not an exact one, but that number is usually rounded off to the nearest thousandth or 1 decimal places. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding adjustments. Certain acronyms, technical terms and other abbreviations used in this Prospectus are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus.

Words denoting the singular will, where applicable, include the plural and vice versa and words denoting the masculine gender will, where applicable, include the feminine and/or neuter genders and vice versa. References to persons will, where applicable, include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of stock exchange will (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to a date and time will be a reference to Malaysian time, unless otherwise stated. All references to the “LPD” in this Prospectus are to 18 May 2022, being the latest practicable date prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the market and industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each case, the source is stated in this Prospectus. Where there is no source stated, it can be assumed that the information originates from us or is extracted from the IMR Report prepared by Smith Zander, the executive summary of which is included in Section 8 of this Prospectus. We have appointed Smith Zander to provide an independent market and industry review. In compiling its data for the review, Smith Zander had relied on its research methodology, industry sources, published materials, its own private databanks and direct contacts within the industry.

We believe that the information on the industry as contained in this Prospectus and other statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the market and industry in which we operate. Third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurance can be given that the estimated figures will be achieved and you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus. If there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions and include all statements that are not historical facts.

Forward-looking statements include, without limitation, statements relating to:

(i) our future overall business development and operations plans;

(ii) our future earnings, cash flow and liquidity;

(iii) potential growth opportunities;

(iv) our business strategies, trends and competitive position; and

(v) the general industry environment, including the demand and supply of our products.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitations, those discussed in Section 9 of this Prospectus on “Risk Factors” and Section 12.3 of this Prospectus on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Such forward-looking statements are made only as at the date of this Prospectus. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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DEFINITIONS

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

Acquisition	:	The Company's acquisition of the entire issued share capital of SFT, together with STG (a wholly-owned subsidiary of SFT) from the Vendors for a purchase consideration of RM77,844,599 as described in Section 6.2.1 of this Prospectus
ADA	:	Authorised Depository Agent
Admission	:	Admisson of our Shares to the Official List of the Main Market of Bursa Securities
AGM	:	Annual General Meeting
Application	:	Application for our Issue Shares by way of Application Forms, Electronic Share Application or Internet Share Application
Application Form(s)	:	Application form(s) for the application of our IPO Shares under the Retail Offering accompanying this Prospectus
ASP	:	Average selling price
ATM	:	Automated Teller Machine
Auditors or Reporting Accountants	:	Crowe Malaysia PLT (Registration No. 201906000005 (LLP0018817-LCA) & AF 1018)
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application in respect of the payment for our IPO Shares
Biomass System	:	Wood chips gasification hot air systems as described in Section 7.17.3 of this Prospectus
BMI	:	Bao Man Industrial Co. Ltd
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CA 1965	:	Companies Act, 1965
CA 2016 or Act	:	Companies Act, 2016
CAGR	:	Compound annual growth rate
CCC or CF	:	Certificate of completion and compliance or Certificate of fitness for occupation or such certificate by any other name issued by the relevant authority or person under the Street, Drainage and Building Act 1974 and any by-laws made under it or such relevant legislation applicable at the material time

CDS	:	Central Depository System
CDS Account	:	Securities account established by Bursa Depository for a depositor for the recording of deposits of securities and dealings in such securities by the depositor
CMSA	:	Capital Markets and Services Act, 2007
Constitution	:	Constitution of our Company as may be amended from time to time
COS	:	Cost of sales
COVID-19	:	Coronavirus disease (COVID-19), an infectious disease caused by a newly discovered strain of coronavirus. The first outbreak of this new virus and disease was reported in December 2019 and it is now a pandemic affecting many countries globally. The disease was named by a combination of "CO" which stands for corona, "VI" for virus and "D" for disease.
Director(s)	:	Director(s) of our Company
DOE	:	Department of Environment Malaysia
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet, and/or an electronic storage medium, including but not limited to CD-ROMs (Compact Disc – Read Only Memory)
Electronic Share Application	:	Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATMs
Eligible Persons	:	The eligible Directors, employees of our Group and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering, collectively
EPS	:	Earnings per share
EQA	:	Environmental Quality Act, 1974
ESG	:	Environmental, social and governance
Equity Guidelines	:	Equity Guidelines issued by the SC
Executive Director(s)	:	Er Hock Lai, E Tak Bin and Er Tzer Nam, being the executive directors of our Company, collectively
Factory 1, Factory 2 and Factory 3	:	Factories owned by our Group located at Lot 13240 (previously Lot PT 2402), Sungai Gemas Industrial Estate, 73400 Gemas, Negeri Sembilan Darul Khusus

Factory Closure	:	Closure of our factories in Gemas for 7 days from 12 November 2021 until 18 November 2021 pursuant to the order from the MOH on 12 November 2021
Financial Years Under Review	:	FYE 2019, FYE 2020 and FYE 2021, collectively
FP	:	Financial period
FPE	:	6-month financial period ended/ending 31 December, as the case may be
FRS	:	Financial Reporting Standards
FYE	:	Financial year ended/ending 30 June, as the case may be
FY	:	Financial year
GP	:	Gross profit
HLIB or Principal Adviser or Underwriter or Placement Agent	:	Hong Leong Investment Bank Berhad (Registration No. 197001000928 (10209-W))
IMR or Smith Zander	:	Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)), an independent market researcher
IMR Report	:	Independent market research report dated 27 May 2022 prepared by Smith Zander
Initial Public Offering or IPO	:	Public Issue and Offer for Sale, collectively
Institutional Offering	:	Offering of 118,676,300 IPO Shares at the IPO Price subject to clawback and reallocation provisions, to be allocated in the following manner: (i) 64,870,000 IPO Shares to Bumiputera investors approved by the MITI; and (ii) 53,806,300 IPO Shares to other institutional and selected investors
Internet Participating Financial Institution	:	Participating financial institution for the Internet Share Application
Internet Share Application	:	Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
IPO Price	:	Issue / offer price of RM0.75 for each IPO Share
IPO Shares	:	Issue Shares and the Offer Shares, collectively
Issue Shares	:	90,814,700 new Shares to be issued by our Company under the Public Issue
Issuing House	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))

ISO	:	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
Key Senior Management	:	Key senior management personnel of our Group comprising Tan Se Shir, Chong Wah Kiat, Er Chen Aik and Ivy Bang
Listing	:	Listing of and quotation for the entire enlarged issued Shares on the Main Market
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	18 May 2022, being the latest practicable date prior to the registration of this Prospectus
Main Market	:	Main Market of Bursa Securities
Malaysian Public	:	Malaysian citizens, companies, cooperatives, societies and institutions incorporated and organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading of securities
MCCG	:	Malaysian Code on Corporate Governance 2021
MCO	:	Movement control order issued under the Prevention and Control of Infectious Disease Act 1988 and the Police Act 1967
MITI	:	Ministry of International Trade and Industry
MOH	:	Ministry of Health Malaysia
N/A	:	Not applicable
NA	:	Net assets
NBV	:	Net book value
NL	:	Net liabilities
NRIC	:	Malaysian National Registration Identity Card
Offeror(s)	:	Sumber Panji, E Tak Bin, Er Koon Hong and Er Koon Chuan, collectively
Offer for Sale	:	Offer for sale of the Offer Shares at the IPO Price by our Offerors
Offer Shares	:	70,059,600 existing Shares to be offered by our Offeror under the Offer for Sale
Official List	:	A list specifying all securities listed on Bursa Securities
Participating Financial Institution	:	A participating financial institution for the Electronic Share Application

PAT	:	Profit after tax
PBT	:	Profit before tax
Pink Application Form	:	Application form for the application of our Issue Shares under the Retail Offering by the Eligible Persons accompanying this Prospectus
Pink Form Allocations	:	Allocation of 16,250,000 IPO Shares to the Eligible Persons
Placement Agreement	:	The placement agreement dated 13 May 2022 entered into by our Company, our Offerors and our Placement Agent in respect of such number of IPO Shares to be offered under the Institutional Offering
Pre-IPO Exercise	:	Restructuring exercise involving the Acquisition and Share Split, collectively
Processing Segment	:	Operating segment of our Group which involves the processing and sale of natural rubber of various grades, principally SMR Grade and Premium Grade block rubber
Promoter(s)	:	Sumber Panji, Er Hock Lai, E Tak Bin, Er Tzer Nam and Er Jin Hoo, collectively
Prospectus	:	This Prospectus dated 14 June 2022 issued by our Company
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public Issue	:	Public issue of the Issue Shares at the IPO Price by our Company, subject to the terms and conditions of this Prospectus
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Retail Offering	:	Offering of 42,198,000 IPO Shares at the IPO Price, subject to clawback and reallocation provisions, to be allocated in the following manner: (i) 25,948,000 IPO Shares made available for application by the Malaysian Public via balloting; and (ii) 16,250,000 IPO Shares made available for application by the Eligible Persons
RRIM	:	Rubber Research Institute of Malaysia
Rules of Bursa Depository	:	The rules of Bursa Depository as issued under the SICDA
SAC	:	Shariah Advisory Council of the SC
SC	:	Securities Commission Malaysia
Seng Fong or Company	:	Seng Fong Holdings Berhad (Registration No. 202101022910 (1423210-X))

Seng Fong Group or Group	:	Seng Fong and its subsidiaries, collectively
Seng Fong Share(s) or Share(s)	:	Ordinary share(s) in Seng Fong
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
Share Split	:	The subdivision of every existing 2 Shares into 11 new Shares as described in Section 6.2.2 of this Prospectus
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Solar System	:	Ground Mounted Grid Connected Photovoltaic Systems as described in Section 7.17.2 of this Prospectus
SOP	:	Standard operating procedure
Substantial Shareholder(s)	:	Sumber Panji, Er Hock Lai and E Tak Bin, collectively
Sumber Panji	:	Sumber Panji Sdn Bhd (Registration No. 200701001325 (759323-V))
SSA	:	Share sale agreement dated 3 September 2021 for purposes of the Acquisition under the Pre-IPO Exercise
Trading Segment	:	Operating segment of our Group which involves trading of various grades of natural rubber
UMC	:	Unit material cost of raw materials represents the sum of both costs of cup lump and semi-processed rubber (i.e. excluding indirect and packing materials costs) divided by the total sales quantity in MTS for the said FY/FP
USA	:	United States of America
Underwriting Agreement	:	Underwriting agreement dated 23 May 2022 between our Company and the Underwriter for the underwriting of our IPO Shares under the Retail Offering
Vendor(s)	:	Sumber Panji, E Tak Bin, Er Koon Hong and Er Koon Chuan, collectively
White Application Form	:	Application form for the application of our Issue Shares under the Retail Offering by the Malaysian Public accompanying this Prospectus

Subsidiaries

SFT	:	Seng Fong Trading Sdn Bhd (Registration No. 197501002671 (24361-A))
STG	:	Syarikat Tenaga (Gemas) Sdn Bhd (Registration No. 198101002330 (68443-P)), a wholly-owned subsidiary of SFT

Currencies, units and others

RM and sen	:	Ringgit Malaysia and sen, the legal tender of Malaysia
SGD	:	Singapore Dollar, the legal tender of Singapore
USD	:	United States Dollar, the legal tender of United States of America
%	:	Per centum
kCal	:	Kilocalorie
kWp	:	Kilowatt-power
MTS	:	Metric tonnes
sq ft	:	Square foot

Conversion rate

1 acre	:	43,560 sq ft

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GLOSSARY OF TECHNICAL TERMS

This glossary contains the explanation of certain terms used throughout this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings usage of these terms.

Block rubber	:	Also known as Technically Specified Rubber, natural rubber that is processed based on internationally recognised technical specifications and compressed into a block
Compounding	:	The addition of chemicals to raw natural rubber to obtain the desired properties
Crepe rubber	:	Coagulated rubber sap that is crushed, pressed and rolled into sheets
Crepeing	:	The process of flattening rubber granules to form rubber blankets
Cup lump	:	Coagulated rubber sap left in the collection cup to form a solid dry rubber
Dry Rubber Content or DRC	:	The ratio of the weight of rubber particles to the total weight of the raw material. Component of raw material that is not rubber particles, for example water is excluded from it
MRB	:	Malaysian Rubber Board, being the custodian of the rubber industry in Malaysia
MRB Quote	:	Prices of SMR Grade quoted on MRB according to the type of block rubber (i.e. SMR5, SMRGP, SMR10 and SMR20)
Natural rubber	:	An elastic hydrocarbon polymer that is derived from latex, which is the sap produced from rubber trees/plants. The sap is collected either in its liquid form to produce rubber latex or cup lump
Plasticity	:	A measure of the rubber’s ease of being deformed/ shaped
Polybag	:	A polyethylene bag used for packaging and shipping goods
Premastication	:	A process of crushing and grounding to physically break down block rubber
Premium Grade	:	Derivative of SMR Grade, a customised grade block rubber with value-added additives such as semi-processed rubber (e.g. RSS and synthetic rubber) and value-added addititves (e.g. other chemicals), to meet additional specifications of customers with specific requirements. Examples of such Premium Grade block rubber produced are as follows:

Term	Product name
CV Grade	Constant viscosity grade (i.e. Syarikat Tenaga (“**ST**”)5CV, ST10CV, ST20CV)
MSSR(RSS)-P	Mixtures of natural rubber and synthetic rubber (ribbed smoked sheet) - Premium
CRUCB	Compound rubber unvulcanised-compounded with carbon black

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Remilled crepe	:	A natural rubber product processed from cured latex, unsmoked latex sheets and cup lump
RSS	:	Ribbed smoked sheet, a natural rubber product processed from coagulating latex and then dried with smoking to form smoked rubber sheets
Semi-processed rubber	:	A natural rubber product that is used as an intermediate component for the production of Premium Grade block rubber
Shearing effect	:	Tearing of the rubber into smaller pieces for cleaning
SICOM	:	Singapore Commodity Exchange Limited
SICOM Quote	:	Price of TSR20 rubber futures contracts quoted on SICOM
SMR or SMR Grade	:	Standard Malaysia Rubber, which refers to natural rubber grade that fulfils the technical specifications of Malaysian grade block rubber as set out by MRB under the SMR Scheme. SMR is used when reference is made to one type of block rubber and SMR Grade is used when reference is made to more than one type of block rubber. The numbering attached to the SMR Grade is used to indicate the dirt and ash content as well as the plasticity retention of the block rubber. The lower the number indicates better quality of the block rubber. Standard Malaysia Rubber General Purpose (SMRGP), on the other hand, belongs to a different category of block rubber whereby it includes the measurement on the viscosity of the rubber
SMR Scheme	:	An ecosystem pioneered by the MRB in 1965
Synthetic rubber	:	Man-made rubber that resembles natural rubber in properties
Tolling fees	:	Refers to processing fees of converting raw material into finished goods
TSR	:	Technically Specified Rubber is a general term used to refer to natural rubber processed to an internationally recognised standard and is ready for use by end consumers. Under TSR, only TSR20 is defined and used as a benchmark across the industry internationally. Examples of countries which produce TSR according to such standard have named their block rubber as follows:

	Block rubber	
Origin	**Name**	**Abbreviation**
Thailand	Standard Thailand Rubber	STR
Indonesia	Standard Indonesia Rubber	SIR
Vietnam	Standard Vietnam Rubber	SVR
Cambodia	Cambodia Standard Rubber	CSR
Guatemala	Standard Guatemalan Rubber	SGR

For example, SMR20, STR20 and SIR20 is the equivalent to TSR20.

TSR20	:	Refers to TSR grade 20 of block rubber processed in the various producing countries

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Viscosity	:	Viscosity is resistance to flow of a fluid or viscoelastic material (e.g. rubber and plastic). High viscosity fluids or viscoelastic materials are thicker and resist deformation
Wintering period	:	An annual resting period within the natural cycle of rubber trees where the metabolism of rubber trees and latex production are affected

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Gender)	Designation	Nationality	Address
Ng Ah Bah @ Kok Yee (M)	Independent Non-Executive Chairman	Malaysian	A2-20-5, Bukit Utama 1, No 3, Changkat Bukit Utama, PJU 6 Bandar Utama, 47800 Petaling Jaya, Selangor
Er Hock Lai (M)	Managing Director	Malaysian	54 Jalan Seri 3, Taman Sri Bakri 2, Jalan Bakri, 84000 Muar, Johor
E Tak Bin (M)	Non-Independent Executive Director	Malaysian	319 Jalan Indah 12, Taman Indah Sungai Abong, 84000 Muar, Johor
Er Tzer Nam (M)	Non-Independent Executive Director	Malaysian	No. 18, Taman Seri Orkid, Jalan Dato Haji Hassan, 84000 Muar, Johor
Chong Yeaw Kiong (M)	Independent Non-Executive Director	Malaysian	No. 369, Jalan Timor, Bukit Bakri, 84200 Muar, Johor
Lim See Tow (F)	Independent Non-Executive Director	Malaysian	No. 341, Jalan 12, Pasir Pinji, 31650 Ipoh, Perak
Lim May Wan (F)	Independent Non-Executive Director	Malaysian	No. 47, Jalan Perdana, Taman Junid Perdana, 84000 Muar, Johor

M = Male
F = Female

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1. CORPORATE DIRECTORY (CONT'D)

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Lim See Tow	Chairperson	Independent Non-Executive Director
Chong Yeaw Kiong	Member	Independent Non-Executive Director
Lim May Wan	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Chong Yeaw Kiong	Chairperson	Independent Non-Executive Director
Lim See Tow	Member	Independent Non-Executive Director
Lim May Wan	Member	Independent Non-Executive Director

NOMINATING COMMITTEE

Name	Designation	Directorship
Lim May Wan	Chairperson	Independent Non-Executive Director
Lim See Tow	Member	Independent Non-Executive Director
Chong Yeaw Kiong	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES	:	Ng Mei Wan Professional qualification: Malaysian Institute of Accountants ("**MIA**") (MIA membership no.: 28862) SSM Practicing Certificate No.: 201908000801 Tan Hui Khim Professional qualification: Licenced Secretary (License no.: LS 0009936) SSM Practicing Certificate No.: 201908000859 No. 7 (1st Floor), Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar, Johor Malaysia Tel No.: (06) 9541 705 Fax No.: (06) 9541 707
REGISTERED OFFICE	:	No. 7 (1st Floor), Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar, Johor Malaysia Tel No.: (06) 9541 705 Fax No.: (06) 9541 707
HEAD OFFICE	:	No. 12, (Tingkat Bawah), Taman Sri Jeram Jalan Bakri, 84000 Muar, Johor Malaysia Tel. No.: (06) 9864 268 / (06) 9864 269 Fax No: (06) 9864 272 Website: http://sengfongholdings.com/ E-mail: enquiry@sengfongholdings.com
PRINCIPAL ADVISER, UNDERWRITER AND PLACEMENT AGENT	:	**Hong Leong Investment Bank Berhad** Level 28, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia Tel. No.: (03) 2083 1800 Fax No. : (03) 2083 1761

1. CORPORATE DIRECTORY (CONT'D)

AUDITORS AND REPORTING ACCOUNTANTS	:	**Crowe Malaysia PLT** 201906000005 (LLP0018817-LCA) & AF 1018 No. 8, Jalan Pesta 1/1 Taman Tun Dr Ismail 1 Jalan Bakri 84000 Muar, Johor Malaysia Tel. No.: (06) 9524 328 Fax. No.: (06) 9527 328 Partner-in-charge: Ng Kim Kiat Professional qualification: Bachelor of Accountancy (Hons) Universiti Pertanian Malaysia, Chartered Accountant, Malaysian Institute of Accountants (MIA membership no.: 13115)
LEGAL ADVISERS	:	**Rosli Dahlan Saravana Partnership** Level 16, Menara 1 Dutamas, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur Malaysia Tel. No.: (03) 6209 5400 Fax No.: (03) 6209 5498
INDEPENDENT MARKET RESEARCHER	:	**Smith Zander International Sdn Bhd** 15-01, Level 15, Menara MBMR, 1, Jalan Syed Putra, 58000 Kuala Lumpur Malaysia Tel. No.: (03) 2732 7537 Name of signing partner: Dennis Tan Tze Wen Professional qualification: Bachelor of Science Memorial University of Newfoundland, Canada *(Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner)*

1. CORPORATE DIRECTORY (CONT'D)

ISSUING HOUSE AND SHARE REGISTRAR	:	Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur W.P. Kuala Lumpur Malaysia Tel. No.: (03) 2783 9299 Fax. No.: (03) 2783 9222
LISTING SOUGHT	:	Main Market
SHARIAH STATUS	:	Approved by the SAC

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2. PROSPECTUS SUMMARY

This Prospectus summary only highlights the key information from other parts of this Prospectus. It does not contain all of the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding whether to invest in our Shares.

2.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO involves the Public Issue of 90,814,700 Issue Shares and Offer for Sale of 70,059,600 Offer Shares, representing approximately 31.0% of our enlarged number of issued Shares, at the IPO Price of RM0.75 per IPO Share. A summary of our IPO Shares to be allocated under our IPO (subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus) is as follows:

Categories	No. of IPO Shares	% of enlarged share capital(1)
Retail Offering		
(i) Malaysian Public *(via balloting)*		
- Bumiputera	12,974,000	2.5
- Non-Bumiputera	12,974,000	2.5
(ii) Eligible Persons	16,250,000	3.1
Institutional Offering *(by way of private placement)*		
(i) Bumiputera investors approved by the MITI	64,870,000	12.5
(ii) Other institutional and selected investors	53,806,300	10.4
Total	**160,874,300**	**31.0**

Note:

(1) Based on the enlarged total number of 518,960,000 Shares after our IPO.

The entire shareholdings in our Company held by our Promoters and Substantial Shareholders and Voluntary Moratorium Shareholders (as defined in Section 3.2 of this Prospectus) after our IPO are subject to moratorium for 6 months from the date of our Listing. Further details of the moratorium on our Shares are set out in Section 3.2 of this Prospectus.

Please refer to Section 4 of this Prospectus for further details of our IPO.

2.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Act on 1 July 2021 as a private limited company under the name of Seng Fong Holdings Sdn Bhd. On 9 September 2021, our Company was converted into a public limited company and we assumed our present name. Subsequently we completed the Acquisition on 18 May 2022 which resulted in SFT becoming our wholly-owned subsidiary and STG becoming our wholly-owned indirect subsidiary, followed by the Share Split on 19 May 2022. Please refer to Section 6.3 of this Prospectus for further details on our Group structure.

We are principally an investment holding company and engaged in provision of management services.

Through our subsidiaries, we are principally involved in the following business segments:

Company	Principal activities
SFT	Investment holding and trading of various grades of natural rubber
Subsidiary of SFT	
STG	Processing and sale of natural rubber of various grades, principally SMR Grade and Premium Grade block rubber

2. PROSPECTUS SUMMARY (CONT'D)

Our operations are located in Malaysia. The business model of our Group is depicted as follows:

	Our Group	
Segment	Processing Segment	Trading Segment
Revenue contribution	FYE 2021: 96.0% FPE 31 December 2021: 97.5%	FYE 2021: 4.0% FPE 31 December 2021: 2.5%
Principal activities	Block rubber processing	Block rubber trading
Our suppliers	Domestic and international rubber traders	International rubber traders and natural rubber processors
Raw materials used/purchased	• Cup lump • Semi-processed rubber • Value-added additives	• Block rubber
Our products	• SMR Grade • Premium Grade block rubber	• CSR • SGR
Our customers	• Tyre manufacturers • International rubber traders	• Tyre manufacturers

Note:

- *STG is involved in the processing and trading of block rubber as well as sourcing of raw materials from local and overseas suppliers, while SFT sources raw materials from local suppliers for STG.*

Our Group, through our subsidiaries, is principally involved in the processing of cup lump into block rubber. We source cup lump primarily from domestic and international rubber traders; and semi-processed rubber (e.g. RSS and synthetic rubber) and value-added additives (e.g. other chemicals) mainly from international rubber traders, to produce SMR Grade and Premium Grade block rubber (Processing Segment). Our Group also trades block rubbers which are sourced from international rubber traders and/or natural rubber processors (Trading Segment). Block rubbers produced in our factory are sold directly to end-user customers, majority of which are tyre manufacturers, and are also sold to international rubber traders. Block rubbers which are sourced from international rubber traders, for trading purposes, are sold to tyre manufacturers.

For information purpose, all 3 factories of our Group, namely Factory 1, 2 and 3, including the production facilities, are based in Gemas, Negeri Sembilan. For further details of our Group and business, please refer to Sections 6 and 7 of this Prospectus respectively.

We have an export-oriented business as our Group's revenue under the Financial Years Under Review and the FPE 31 December 2021 is segmented by principal markets as follows:

	FYE 2019		FYE 2020		FYE 2021		FPE 31 December 2021	
Countries	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
China	320,718	50.4	298,839	48.5	448,455	58.4	186,307	46.5
Hong Kong (Republic of China)	240,119	37.7	171,544	27.8	144,251	18.8	81,271	20.3
Singapore	62,894	9.9	95,760	15.5	138,988	18.1	124,283	31.0
Taiwan	10,767	1.7	49,013	8.0	35,487	4.6	3,224	0.8
Others	2,336	0.3	1,279	0.2	996	0.1	5,405	1.4
Total revenue	**636,834**	**100.0**	**616,435**	**100.0**	**768,177**	**100.0**	**400,490**	**100.0**

Please refer to Section 12.3.3(i) of this Prospectus for further details on the geographical locations of our customers.

2.3 OUR COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

(i) We have an established history and track record, with over 36 years of experience in the rubber processing industry

Proven by our recurring and longstanding relationship with our customers, we have successfully established ourselves as a reputable natural rubber processor and a reliable supplier of SMR Grade and Premium Grade block rubber with consistent quality. In addition, despite the 1998 Asian Financial crisis and 2007-2008 Global Financial crisis, our Group remained profitable and continued to expand our production capacity.

(ii) We have an export-oriented business and long-standing relationships with our customers

Through efforts on expanding our export markets and international customer base, we have successfully gained in-roads to various export markets over the years such as China, Taiwan and India, amongst others. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, export sales contributed to approximately 99.9%, 99.9%, 100.0% and 99.9% of our Group's revenue respectively. Our established market reputation is further evidenced by our long-standing relationship that we have forged with our customers over the years.

(iii) The quality of our products is attested by our adherence to stringent quality control measures and our compliance to internationally recognised standards

The quality of our products is further attested by MRB through MRB's authorisation of our laboratory for SMR Grade testing, grading and certification, our adherence to stringent quality control measures for every batch of block rubber produced in our factories. We have received ISO certifications that attest to our compliance to internationally recognised processing standards and product quality.

(iv) We have developed and maintained long-term business relationships with our suppliers of raw materials

Our Group is supported by our long-term business relationships with our suppliers, primarily local and international traders. As part of our Group's risk management policy in diversifying our supply risk, it is our practice to purchase cup lump and semi-processed rubber from multiple suppliers.

(v) We have a technically strong and experienced management team

Our Group is led by our Managing Director, Er Hock Lai, who has 40 years of experience in the rubber trading and processing industry. He is supported by our Key Senior Management who have also accumulated years of experience in their respective field and key expertise, industry experience and in-depth knowledge of our business operations.

For further details on our competitive strengths, please refer to Section 7.5 of this Prospectus.

2.4 IMPACT OF THE COVID-19 PANDEMIC

(a) Impact on our business operations

During the imposition of the 1st MCO throughout Malaysia from 18 March 2020 to 3 May 2020, our business operations were closed from 18 March 2020 to 22 March 2020, and resumed on 23 March 2020 as our business activities are deemed as essential services, subject to a set of SOPs. Nevertheless, we had reduced our workforce capacity to 50% of our Group's total workforce as per the SOP set out by MITI. Further, we reduced the working hours of our business operations from 12 hours a day to 8 hours a day.

Subsequent to that, different forms of MCO were imposed from 4 May 2020 until 24 May 2021. While our Group was allowed to operate at our usual operating hours and capacity, we are required to comply with the changes in SOP throughout this period. Nevertheless, this did not result in major disruptions to our operations and production output. Following the resurgence of COVID-19 cases since the first half of 2021, MCO was reimposed on 25 May 2021 in Negeri Sembilan where our operations are located, which was subsequently revised to a four-phase recovery plan, known as the National Recovery Plan. We had on 25 May 2021 reduced our workforce capacity to 60% of our Group's total workforce until 31 October 2021. Notwithstanding that, in order to mitigate the reduction in total workforce capacity, we had extended our production hours and also rearranged the allocation of workers to comply with the SOP. Subsequently on 1 November 2021, our Group had resumed operations at full workforce capacity.

On 12 November 2021, our Group had received an order from the MOH to close all 3 factories in Gemas for 7 days from 12 November 2021 until 18 November 2021 as 47 foreign workers had contracted COVID-19. Further to 12 November 2021, our Group carried out additional COVID-19 tests on all our employees and there were another 80 foreign workers and 2 local employees who had tested positive for COVID-19. All 3 factories were allowed to resume operations on 19 November 2021. The loss in production output arising from the Factory Closure and reduced workforce capacity amounted to approximately 4,000 MTS with an estimated value of RM29.0 million and is not expected to have any material effect on our Group's performance for FYE 2022 as we will be able to increase our production hours in the subsequent months to recoup such loss in production output.

(b) Impact on our Group's supplies, order delivery and financial performance

Our Group had not experienced any major disruptions in the procurement and receipt of supplies and there were no shortages in supplies for the fulfilment of orders. On the other hand, our Group's production capacity was affected due to reduction in workforce capacity to 50% during the 1st MCO. Coupled with port congestion, this in turn delayed the fulfilment of orders for some overseas customers. As a result of this, our Group's revenue of approximately RM13.2 million could only be recognised in 1st quarter of FYE 2021 instead of prior to 4th quarter of FYE 2020. In respect to the delayed shipments arising from the Factory Closure and reduced workforce capacity resulting from the COVID-19 cases between 12 November 2021 and 2 December 2021, the initial scheduled shipments in mid-November 2021 to the affected customers were rescheduled to December 2021 and January 2022. Notwithstanding that, we did not receive any cancellation of orders resulting from the COVID-19 pandemic since 18 March 2020 and up to the LPD.

However, the surge in COVID-19 cases in China in March 2022 had resulted in varying levels of lockdown at certain cities within the country which had caused a delay in the presentation of shipping documents. As China is the principal market for our export sales, the lockdown had resulted in a delay in the collectability of certain trade receivables which exceeded their credit term of 21 days as payments are made only upon presentation of shipping documents. Nonetheless, the trade receivables affected by the lockdown which remain uncollected as at the LPD was subsequently collected in May 2022. On the other hand, we were not affected by the increase in transportation cost, including air freight and sea freight costs, resulted from the COVID-19 pandemic as the transportation cost arising from the purchasing of raw material and selling of our block rubber has been factored into the selling price of our block rubber.

(c) Impact to our business and earnings prospect

According to the IMR Report, approximately 70% of the global natural rubber is used for tyre manufacturing, hence block rubber as one of the main raw materials for tyre manufacturing is driven by the automotive industry. As the economy gradually recovers from the impact of COVID-19 pandemic and upliftment of lockdown measures, vehicle production increased by 3.9% year-on-year to 80.0 million units in 2021. The world vehicle sector is expected to grow further with the increase of vehicle production, supported by the stimuluses introduced by governments which are expected to contribute positively to our earnings prospect.

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

Our Group has established a committee to oversee the adherence of infection control measures based on the guidelines and SOPs issued by MITI. Further, our Group has put in place contingency measures implemented in the event of any infection cases at our business premise.

For further details on the impact of the COVID-19 pandemic, please refer to Section 7.4.4 of this Prospectus.

2.5 BUSINESS STRATEGIES AND PROSPECTS

Our business strategies and prospects are as set out below:

(i) **We intend to optimise our production by increasing our total annual capacity by 16.9% from approximately 142,000 MTS as at LPD to approximately 166,000 MTS per year by FYE 2023**

We intend to increase the production hours to 17 hours a day in Factory 2 and Factory 3 by adding a second working shift, thus increasing our production hours from 12 hours a day to 17 hours a day for Factory 2 and 10.5 hours a day to 17 hours a day for Factory 3. This will require an additional 48 and 45 new workers in Factory 2 and Factory 3, which we intend to implement by 2nd quarter of 2023 and 2nd quarter of 2022 respectively.

(ii) **We intend to increase profitability by reducing electricity expenses through the installation of Solar System to supply electricity to our factories**

This is aimed at achieving cost-saving measures by reducing overall electricity expenses while consuming the same amount of electricity in our factories. Our Solar System is expected to be fully commissioned by the 2nd quarter of 2022. Upon commissioning, it is estimated to result in savings of approximately RM2.6 million per annum to our Group's COS. It also allows our Group to hedge against future increases in electricity tariff, and at the same time receive incentives from the Malaysian Investment Development Authority in the form of green investment tax allowance. This is also in line with our Group's ESG initiatives in achieving environmental sustainability and reducing greenhouse gas emissions.

(iii) **We intend to increase profitability by reducing diesel expenses through the installation of Biomass System**

This is aimed at achieving cost-saving measures by reducing overall diesel expenses while consuming the same amount of energy used by our dryer system. Our Biomass System is expected to be fully commissioned in 3rd quarter of 2022. Upon commissioning, it is estimated to result in savings of approximately RM3.5 million per annum to our Group's COS. This is also in line with our Group's ESG initiatives in achieving environmental sustainability.

Please refer to Section 7.17 of this Prospectus for further details of our business strategies and prospects.

2.6 RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. Before deciding to invest in our Shares, you should carefully consider all the information contained in this Prospectus, including the risk factors set out in Section 9 of this Prospectus, the key risks of which have been summarised as follows:

(i) **We are dependent on export markets and our major customers who contribute substantially to our Group's revenue**

In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our export sales contributed approximately 99.9%, 99.9%, 100.0% and 99.9% to our Group's revenue respectively, and our top 5 major customers contributed 80.3%, 83.5%, 84.3% and 91.0% to our Group's revenue, respectively. Any delay or decrease in the value of orders from our major customers or any loss of these major customers without timely replacement could have an adverse effect on our financial performance.

(ii) We are dependent on licenses granted by MRB to operate our business

Failure to comply with the relevant requirements, regulations and conditions imposed by MRB may result in our license being revoked, suspended or not renewed, and this will result in our Group being restricted or prohibited from purchasing, storing, selling, processing, packing and exporting our processed rubber. This in turn may cause cancellation of orders and impact our relationships with our customers. In such event, our business, financial position and prospects may be materially and adversely affected.

(iii) We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

The revenue generated from our Group's export sales and part of our purchases on the import of raw materials are denominated in USD (for the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our USD-denominated purchases contributed 54.2%, 64.0%, 67.9% and 67.7% to our Group's total purchase of raw materials respectively). Any adverse movements in the foreign exchange markets may have an adverse impact on our financial performance.

(iv) Our business is exposed to unexpected interruptions or delays caused by equipment failures, fire, outbreak of pandemic as well as environmental factors (including natural disasters), some of which may be beyond our control, which may lead to interruptions in our operations

This includes interruptions or suspension of our production activities caused by equipment failures, damages and environmental factors, as well as temporary interruptions caused by the COVID-19 pandemic resulting in reduced workforce capacity and working hours. Any prolonged interruptions to our production activities will affect our ability in adhering to our production schedule and cause delays in our product delivery to customers. This could adversely impact our relationships with customers, financial performance and industry reputation.

(v) We are exposed to the risk of environmental safety breach that may subject our Group to penalties

We employ a closed-system treatment to manage the effluents produced from our factories. While we have taken necessary measures to prevent potential leakages, there is no assurance that any accident or unexpected damages to our system, which are beyond our control, will not result in the effluent being discharged to the environment. In the event of such occurrence of non-compliance of the EQA, our Group may be subject to the penalties as set out in Section 9.1.7 of this Prospectus. Further, any negative publicity on our Group due to environmental breaches may damage our reputation and our compliance to ESG standards, which may, in turn, affect our customer's confidence towards the credibility of our Group in environmental protection.

(vi) We are exposed to the price volatility and availability of our raw materials

The processing of block rubber is contingent on the availability of raw materials. As an intermediary rubber processor, we are able to pass on the price increase to our customers as our products are quoted based on prevailing market prices. In other words, our Group as a natural rubber processor adopts a cost-plus approach. Nevertheless, there can be no assurance that we are able to consistently pass on the increase in cost of raw materials in a timely manner. Further, in the event that there is a decline in supply due to natural environmental conditions, there can be no assurance that we will be able to source for our raw materials from other suppliers in a timely manner.

(vii) **We are dependent on the availability of foreign workers for our production activities**

As at the LPD, we have 144 foreign workers, accounting for 51.2% of our total workforce. The hiring freeze was uplifted beginning 10 January 2022. However, should there be any re-imposition of the hiring freeze in the future, it may affect our Group's anticipated business growth which is subject to the expansion of our production activities where we would require a corresponding increase in foreign labour. The failure to hire sufficient local workers will result in disruption to our expansion plan and our anticipated business growth.

2.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and/or Substantial Shareholders and their respective shareholdings in our Company before our IPO (after completion of the Pre-IPO Exercise) and after our IPO are as follows:

		Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
Name	Nationality / Country of Incorporation	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Promoters and Substantial Shareholders									
Sumber Panji	Malaysia	368,510,709	86.0	-	-	308,209,421	59.3	-	-
Er Hock Lai	Malaysian	5	*	(3)368,510,709	(3)86.0	5	*	(3)308,209,421	(3)59.3
E Tak Bin	Malaysian	42,814,530	10.0	-	-	35,808,570	6.9	-	-
Promoters									
Er Tzer Nam	Malaysian	-	-	-	-	(4)600,000	0.1	-	-
Er Jin Hoo	Malaysian	-	-	-	-	-	-	-	-

Notes:

(1) Based on the total number of 428,145,300 Shares after the completion of the Pre-IPO Exercise.

(2) Based on the enlarged total number of 518,960,000 Shares after our IPO.

(3) Deemed interested by virtue of his shareholding in Sumber Panji pursuant to Section 8(4) of the CA 2016.

(4) Assuming he fully subscribe for his allocations under the Pink Form Allocations and assuming he does not apply for any excess IPO Shares.

* *Negligible*

Please refer to Section 5.1 of this Prospectus for further details of our Promoters and Substantial Shareholders.

2.8 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
Ng Ah Bah @ Kok Yee	Independent Non-Executive Chairman
Er Hock Lai	Managing Director
E Tak Bin	Non-Independent Executive Director
Er Tzer Nam	Non-Independent Executive Director
Chong Yeaw Kiong	Independent Non-Executive Director
Lim See Tow	Independent Non-Executive Director
Lim May Wan	Independent Non-Executive Director
Key Senior Management	
Tan Se Shir	Chief Financial Officer
Chong Wah Kiat	Senior Manager (Development & Production)
Er Chen Aik	Senior Manager (Purchasing)
Ivy Bang	Laboratory Manager

Please refer to Sections 5.2 and 5.4 of this Prospectus, respectively, for further details on our Directors and Key Senior Management.

2.9 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue of approximately RM68.1 million in the following manner:

Details of use of proceeds	Section	RM'000	%	Estimated timeframe for the use of proceeds from date of Listing
Working capital	4.7.1	19,722	28.9	Within 12 months
Repayment of bank borrowings	4.7.2	37,862	55.6	Within 6 months
Installation of Biomass System	4.7.3	6,250	9.2	Within 12 months
Estimated listing expenses	4.7.4	4,277	6.3	Within 2 months
Total		**68,111**	**100.0**	

There is no minimum subscription in terms of proceeds to be raised from our IPO. The gross proceeds of up to approximately RM52.5 million from the Offer for Sale will accrue entirely to our Offerors.

Please refer to Section 4.7 of this Prospectus for further details on our use of proceeds from the Public Issue.

2.10 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The key historical information of the combined financial statements of our Company for the Financial Years Under Review and FPE 31 December 2020 and 2021 is set out below:

Combined statements of profit or loss and other comprehensive income

	<------------ Audited ------------>			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 31 December 2020	FPE 31 December 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	636,834	616,435	768,177	337,116	400,490
GP	45,103	39,591	73,887	25,892	37,394
Other income	1,074	4,226	563	2,473	378
PBT	18,850	16,180	45,832	17,229	23,928
PAT[(1)] attributable to:					
Owners of our Company	14,546	13,355	34,622	13,229	17,956
Non-controlling interests	(200)	(617)	-	-	-
	14,346	**12,738**	**34,622**	**13,229**	**17,956**
GP margin[(2)] (**%**)	7.1	6.4	9.6	7.7	9.3
PBT margin[(3)] (**%**)	3.0	2.6	6.0	5.1	6.0
PAT margin[(4)] (**%**)	2.3	2.1	4.5	3.9	4.5

Combined statements of financial position

	<---------------------------------- Audited ---------------------------------->			
	<-------------------- As at 30 June ------------------>			As at 31 December
	2019 RM'000	2020 RM'000	2021 RM'000	2021 RM'000
Bank borrowings	77,082	77,435	76,799	92,266
Deposit, bank and cash balances	(29,020)	(23,549)	(13,453)	(1,541)
Net debt[(5)]	**48,062**	**53,886**	**63,346**	**90,725**
Total equity/ NA	98,821	75,723	87,845	95,801
Current ratio (**times**)[(6)]	1.6	1.6	1.5	1.5
Gearing ratio (**times**)[(7)]	0.8	1.0	0.9	1.0
Net gearing ratio (**times**)[(8)]	0.5	0.7	0.7	0.9

Notes:

(1) In accordance with Malaysian Financial Reporting Standards 5 – Non-Current Assets Held for Sale and Discontinued Operations, the operations of BMI have not been classified as a discontinued operation in the combined financial statements because its operations and cash flows could not be clearly distinguished, operationally and for financial reporting purposes, from the rest of entities within our Group as BMI sold all its processed natural block rubber, Cambodia Standard Rubber, to STG within our Group.

For the FYE 2019 and 11-month financial period ended 31 May 2020, the revenue of BMI were RM49,364,385 and RM24,377,373 respectively which were eliminated on consolidation in our Group's financial statements. This is due to all the finished products of BMI were sold to STG for the FYE 2019 and 11-month financial period ended 31 May 2020 were treated as our COS. Therefore, there is no revenue contribution by BMI to our Group.

The disposal of BMI was completed on 11 June 2020.

(2) *Computed as GP divided by revenue.*

(3) *Computed as PBT divided by revenue.*

(4) *Computed as PAT divided by revenue.*

(5) *Computed based on total borrowings less deposit, bank and cash balances as at the end of each FY/FP.*

(6) *Computed based on current assets over current liabilities exclude assets and liabilities of BMI classified as held for sale.*

(7) *Computed as total borrowings divided by total equity.*

(8) *Computed based on total borrowings less deposit, bank and cash balances divided by total equity.*

Further details on the financial information are set out in Sections 12.1 and 13 of this Prospectus.

2.11 DIVIDEND POLICY

No inference should be made from any of the following statements as to our actual future profitability or our ability to pay dividends in the future.

Our ability to pay dividends is dependent upon various factors including but not limited to our financial performance, cash flow requirements and capital expenditure plans. Our Board intends to recommend and distribute dividend(s) of at least 50% of our annual audited consolidated PAT attributable to our shareholders. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

For information purpose, the table below sets out the dividend pay-out ratio of our Group for the Financial Years Under Review and FPE 31 December 2021:

	<------------------------------ Audited ---------------------------->			
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**FPE 31 December 2021 RM'000**
Dividend declared	17,000	22,860	27,000	10,000
Dividend paid out[(1)]	5,000	29,360	22,500	10,000
PAT	14,346	12,738	34,622	17,956
Dividend pay-out ratio[(2)]	34.9%	230.5%	65.0%	55.7%

Notes:

(1) *The source of payment for the dividends paid during the Financial Years Under Review and FPE 31 December 2021 were from the retained profits of our Group.*

(2) *Computed based on dividend paid out divided by PAT during the FY/FP.*

Further details of our dividend policy are set out in Section 12.14 of this Prospectus.

3. APPROVALS AND CONDITIONS

3.1 APPROVALS AND CONDITIONS

3.1.1 SC

The SC has, via its letter dated 8 April 2022, approved our IPO and Listing under Section 214(1) of the CMSA, subject to compliance with the following conditions:

No.	Details of conditions imposed	Status of compliance
(i)	HLIB and Seng Fong to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of our Listing	To be complied

In addition, the SC has also via the same letter approved the resultant equity structure of our Company pursuant to our Listing under the Bumiputera equity requirement for public listed companies. The effects of our Listing on the equity structure of our Company are as follows:

	As at 31 October 2021		After our Listing	
Category of shareholders	**No. of Shares**	**% of issued Shares**	**No. of Shares**	**% of enlarged issued Shares**
Bumiputera				
- Malaysian Public via balloting	-	-	(1)12,974,000	2.5
- Bumiputera investors to be approved by MITI	-	-	(1)64,870,000	12.5
Total Bumiputera	**-**	**-**	**77,844,000**	**15.0**
Non-Bumiputera	1	100.0	441,116,000	85.0
Total Malaysian	**1**	**100.0**	**518,960,000**	**100.0**
Foreigner	-	-	-	-
Total	**1**	**100.0**	**518,960,000**	**100.0**

Note:

(1) Based on the assumption that the Shares allocated to Bumiputera investors to be approved by MITI and Bumiputera public investors via balloting shall be fully subscribed.

3. APPROVALS AND CONDITIONS (CONT'D)

3.1.2 Bursa Securities

Bursa Securities has, via its letter dated 31 May 2022, resolved to approve the Admission and our Listing, subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(i)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements.	To be complied
(ii)	Furnish Bursa Securities on the first day of listing a copy of the schedule of distribution showing compliance to the public share spread requirements based on the entire issued shares of Seng Fong.	To be complied

3.1.3 MITI

MITI has, via its letter dated 21 March 2022, stated that it has taken note and has no objection to our Listing.

3.1.4 SAC

The SAC has, via its letter dated 31 March 2022, classified our Shares as Shariah-compliant securities based on our latest audited financial information for the FYE 2021 and the pro-forma combined statements of financial position as at 30 June 2021.

3.2 MORATORIUM ON OUR SHARES

In accordance with Paragraph 5.29(a), Part II of the Equity Guidelines, our Shares held by the following shareholders whose Shares are subject to moratorium:

(i) Sumber Panji and Er Hock Lai in their capacity as our controlling shareholders;

(ii) E Tak Bin in his capacity as an Executive Director and a Substantial Shareholder; and

(iii) Er Jin Hoo and Er Tzer Nam, being persons connected to Er Hock Lai,

will not be allowed to sell, transfer or assign any of their respective shareholdings in our Company as at the date of our Listing, for a period of 6 months from the date of our Listing ("**Moratorium Period**").

In addition, the Shares held by the Vendors (other than Sumber Panji and E Tak Bin who are already Promoters and Substantial Shareholders) (collectively "**Voluntary Moratorium Shareholders**") pursuant to the Pre-IPO Exercise will be placed under voluntary moratorium during the Moratorium Period. The details of our Shares which will be held under moratorium are set out below:

	<------------- Direct -------------->		<----------- Indirect ------------>	
Name	**No. of Shares to be held under the moratorium**	**(1)%**	**No. of Shares to be held under the moratorium**	**(1)%**
Promoters and Substantial Shareholders				
Sumber Panji	308,209,421	59.3	-	-
Er Hock Lai	5	*	(2)308,209,421	(2)59.3
E Tak Bin	35,808,570	6.9	-	-

3. APPROVALS AND CONDITIONS (CONT'D)

Name	<------------- Direct --------------> No. of Shares to be held under the moratorium	[1]%	<----------- Indirect ------------> No. of Shares to be held under the moratorium	[1]%
Promoters				
Er Jin Hoo	-	-	-	-
Er Tzer Nam	[3]600,000	0.1	-	-
Voluntary Moratorium Shareholders				
Er Koon Hong	7,033,852	1.4	-	-
Er Koon Chuan	7,033,852	1.4	-	-
Total	**358,685,700**	**69.1**	**308,209,421**	**59.3**

Notes:

(1) Based on the enlarged total number of 518,960,000 Shares after our IPO.

(2) Deemed interested by virtue of his shareholding in Sumber Panji pursuant to Section 8(4) of the CA 2016.

(3) Assuming he fully subscribe for his allocations under the Pink Form Allocations and assuming he does not apply for any excess IPO Shares.

* *Negligible*

Save for Er Jin Hoo who does not hold any Share in our Company, our Promoters, Substantial Shareholders and the Voluntary Moratorium Shareholders have provided their written undertakings that they will not sell, transfer or assign any of their respective shareholdings in our Company during the Moratorium Period, in accordance with the Equity Guidelines.

In accordance with Paragraph 5.30, Part II of the Equity Guidelines, the shareholders of Sumber Panji, namely Er Hock Lai, Er Jin Hoo, Alex Er Yong Fong and Er Yong Hua, have also provided their written undertakings that they will not sell, transfer or assign their respective shareholdings in Sumber Panji during the Moratorium Period. The detailed shareholders and their respective shareholdings in Sumber Panji is set out in Section 5.1.2(i) of this Prospectus.

The above moratorium restrictions are specifically endorsed on the share certificates representing our Shares held by our Promoters, Substantial Shareholders and Voluntary Moratorium Shareholders which are under moratorium to ensure that our Share Registrar does not register any transfer that contravenes such restriction. In compliance with the restrictions, Bursa Depository will, on our Share Registrar's instructions in the prescribed forms, ensure that the trading of these Shares is not permitted during the Moratorium Period.

4. DETAILS OF OUR IPO

4.1 INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time / date
Issuance of the Prospectus/Opening of application for our IPO Shares	10:00 a.m., 14 June 2022
Closing of application for our IPO Shares	5:00 p.m., 24 June 2022
Balloting of applications for our IPO Shares	29 June 2022
Allotment/Transfer of our IPO Shares to successful applicants	6 July 2022
Listing	7 July 2022

If there is any change to the timetable, we will advertise the notice of changes in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia.

4.2 PARTICULARS OF OUR IPO

4.2.1 Public Issue and Offer for Sale

Our Public Issue of 90,814,700 Issue Shares and Offer for Sale of 70,059,600 Offer Shares, representing approximately 31.0% of our enlarged number of issued Shares, at the IPO Price is subject to the terms and conditions of this Prospectus and shall be allocated in the following manner:

(i) Malaysian Public

25,948,000 IPO Shares, representing 5.0% of our enlarged number of issued Shares will be made available for application by the Malaysian Public through a balloting process, of which 50.0% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

(ii) Eligible Persons

16,250,000 IPO Shares (being Pink Form Allocations), representing approximately 3.1% of our enlarged number of issued Shares, are reserved for application by the Eligible Persons in the following manner:

Eligible Persons	No. of Eligible Persons	Aggregate no. of Pink Form Allocations
Eligible Directors[(1)]	4	1,500,000
Eligible employees[(2)]	101	6,650,000
Persons who have contributed to the success of our Group[(3)]	40	8,100,000
Total	**145**	**16,250,000**

Notes:

(1) The criteria of allocation to our eligible Directors is based on, amongst others, their respective roles, responsibilities, past contribution to our success and potential contribution to our Group in the future. The allocation of IPO Shares to our Directors is as follows:

Name	***Designation***	***No. of Pink Form Allocations***
Ng Ah Bah @ Kok Yee	*Independent Non-Executive Chairman*	*300,000*
Chong Yeaw Kiong	*Independent Non-Executive Director*	*300,000*
Lim May Wan	*Independent Non-Executive Director*	*300,000*
Er Tzer Nam	*Non-Independent Executive Director*	*600,000*
	Total	***1,500,000***

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

(a) the eligible employee must be a full-time confirmed employee and on the payroll of our Group and who has not submitted his/her resignation as at the LPD; and

(b) the number of IPO Shares allocated to the eligible employee is based on, amongst others, seniority within our Group, length of service, as well as past performance and contributions made to our Group.

The number of IPO Shares to be allocated to our Key Senior Management is as follows:

Name	***Designation***	***No. of Pink Form Allocations***
Tan Se Shir	*Chief Financial Officer*	*500,000*
Chong Wah Kiat	*Senior Manager (Development & Production)*	*400,000*
Er Chen Aik	*Senior Manager (Purchasing)*	*400,000*
Ivy Bang	*Laboratory Manager*	*400,000*
	Total	***1,700,000***

(3) The criteria for allocation to persons who have contributed to the success of our Group, comprising our suppliers and business associates, is based on, amongst others, their length of business relationship with our Group, past contribution to our success and/or potential contribution to our Group in the future.

As at the LPD, save as disclosed in Section 4.2.1 of this Prospectus, to the extent known to our Company:

(a) there are no Substantial Shareholders, Directors or Key Senior Management of our Company who intend to subscribe for our IPO Shares save for the IPO Shares made available for application under the Pink Form Allocations; and

(b) there are no person who intends to subscribe for more than 5.0% of our IPO Shares.

(iii) Private placement

118,676,300 IPO Shares, representing approximately 22.9% of our enlarged number of issued Shares, will be made available by way of private placement to Bumiputera investors approved by the MITI as well as other institutional and selected investors.

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4.2.2 Offerors

Our Offerors will offer 70,059,600 Offer Shares, representing approximately 16.4% of our existing total number of Shares after completion of the Pre-IPO Exercise or 13.5% of our enlarged number of issued Shares, at the IPO Price by way of private placement as described in Section 4.2.1(iii) above.

The details of our Offerors are as follows:

		Before our IPO		Offer for Sale		After our IPO	
Name	**Nature of relationship with our Group**	**No. of Shares**	**(1)%**	**No. of Shares**	**(2)%**	**No. of Shares**	**(2)%**
Sumber Panji	Promoter and Substantial Shareholder	368,510,709	86.0	60,301,288	11.6	308,209,421	59.3
E Tak Bin	Promoter, Non-Independent Executive Director and Substantial Shareholder	42,814,530	10.0	7,005,960	1.3	35,808,570	6.9
Er Koon Hong	Shareholder of our Company	8,410,028	2.0	1,376,176	0.3	7,033,852	1.4
Er Koon Chuan	Shareholder of our Company	8,410,028	2.0	1,376,176	0.3	7,033,852	1.4

Notes:

(1) Based on the total number of 428,145,300 Shares after completion of the Pre-IPO Exercise.

(2) Based on the enlarged total number of 518,960,000 Shares after our IPO.

Based on the IPO Price, the Offer for Sale will raise gross proceeds of approximately RM52.5 million, which will accrue entirely to our Offerors. Our Offerors will bear all the expenses relating to the Offer for Sale. The Offer Shares are not underwritten but will be made available by way of private placement to Bumiputera investors approved by MITI as well as other institutional and selected investors.

4.2.3 Underwriting and allocation of our IPO Shares

A summary of our IPO Shares to be allocated under our IPO (subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus) is as follows:

	Public Issue		Offer for Sale		Total	
Categories	**No. of IPO Shares**	**% of enlarged share capital[(1)]**	**No. of IPO Shares**	**% of enlarged share capital[(1)]**	**No. of IPO Shares**	**% of enlarged share capital[(1)]**
Retail Offering						
(i) Malaysian Public *(via balloting)*						
- Bumiputera	12,974,000	2.5	-	-	12,974,000	2.5
- Non - Bumiputera	12,974,000	2.5	-	-	12,974,000	2.5
(ii) Eligible Persons	16,250,000	3.1	-	-	16,250,000	3.1
Institutional Offering *(by way of private placement)*						
(i) Bumiputera investors approved by the MITI	48,616,700	9.4	16,253,300	3.1	64,870,000	12.5
(ii) Other institutional and selected investors	-	-	53,806,300	10.4	53,806,300	10.4
Total	**90,814,700**	**17.5**	**70,059,600**	**13.5**	**160,874,300**	**31.0**

Note:

(1) Based on the enlarged total number of 518,960,000 Shares after our IPO.

The Retail Offering is fully underwritten. The Institutional Offering is not underwritten. Irrevocable undertakings have been or will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

The completion of the Retail Offering and the Institutional Offering are inter-conditional. Our IPO is also subject to the public shareholding spread requirement under the Listing Requirements as approved by Bursa Securities as set out in Section 4.2.5 of this Prospectus.

The number of IPO Shares will not increase via any over-allotment or "greenshoe" option.

4.2.4 Clawback and reallocation

The Retail Offering and Institutional Offering will be subject to the following clawback and reallocation provisions:

(i) if our IPO Shares allocated to the Bumiputera investors approved by the MITI ("**MITI Tranche**") are not fully taken up, such IPO Shares will be allocated to other institutional investors under the Institutional Offering;

(ii) after the reallocation described in item (i) above, if the MITI Tranche is still under-subscribed under the Institutional Offering and there is an over-subscription under the Retail Offering, our IPO Shares may be clawed back from the MITI Tranche and reallocated to the Retail Offering in the following order of priority:

(a) firstly, to the Bumiputera public investors under the Retail Offering, and thereafter to the other Malaysian Public under the Retail Offering; and

(b) secondly, to the Eligible Persons allocated on a fair and equitable basis in the manner as set out in item (vii) below.

Any remaining MITI Tranche which are not subscribed after items (a) and (b) above will then be made available to selected investors via private placement;

(iii) subject to items (i) and (ii) above, if there is an over-subscription in the Retail Offering and an under-subscription in the Institutional Offering, our IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering;

(iv) subject to items (v), (vi) and (vii) below, if there is an over-subscription in the Institutional Offering and an under-subscription in the Retail Offering, our IPO Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering;

(v) any IPO Shares allocated to the Bumiputera public investors under the Retail Offering but not taken up by them will first be made available for application by the Malaysian Public and/or the Eligible Persons, and thereafter be offered to other institutional and selected investors under the Institutional Offering;

(vi) any IPO Shares allocated to the Malaysian Public but not taken up by them will first be made available for application by Bumiputera public investors under the Retail Offering and/or the Eligible Persons, and thereafter be offered to other institutional and selected investors under the Institutional Offering; and

(vii) any IPO Shares allocated to the Eligible Persons but not taken up by them will be made available for application by the other Eligible Persons who have applied for excess IPO Shares ("**Excess IPO Shares**") and allocated on a fair and equitable basis and in the following priority:

(a) firstly, allocation on a pro-rata basis to the eligible Directors and eligible employees of our Group who have applied for the Excess IPO Shares based on the number of Excess IPO Shares applied for;

(b) secondly, allocation of any Excess IPO Shares after (a) above on a pro-rata basis to persons who have contributed to the success of our Group who have applied for the Excess IPO Shares based on the number of Excess IPO Shares applied for; and

(c) thirdly, to minimise odd lots.

Our Board reserves the right to allocate to the Eligible Persons who have applied for Excess IPO Shares on top of their pre-determined allocation in such manner as it deems fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept or reject any Excess IPO Shares applied for, in full or in part, without assigning any reason.

Thereafter, any Excess IPO Shares which are not fully taken up by or allocated to the Eligible Persons will first be made available for application by the Malaysian Public under the Retail Offering, and subsequently offered to other institutional and selected investors under the Institutional Offering. Thereafter, any remaining IPO Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

There will be no clawback and reallocation if there is an over-subscription or under-subscription in both the Institutional Offering and the Retail Offering or an under-subscription in either the Institutional Offering or the Retail Offering but no over-subscription in the other.

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirement of Bursa Securities and to establish a liquid market for our Shares.

4.2.5 Minimum subscription level

There is no minimum subscription in terms of proceeds to be raised from our IPO. However, to comply with the public spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of Shares will be the number of Shares required to be held by public shareholders of our Company to comply with the public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, a minimum of 25% of our Shares are required to be held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the public spread requirement is not met, we may not be permitted to proceed with our Listing. In such event, monies paid in respect of any application for our IPO Shares will be returned in full, without interest or any share of revenue or benefits arising therefrom. If such monies are not returned in full within 14 days after we become liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

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4.3 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

4.3.1 Share capital

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

	No. of Shares	RM
Issued share capital after the completion of the Pre-IPO Exercise	428,145,300	77,844,600
New Shares to be issued under the Public Issue	90,814,700	68,111,025
Enlarged issued share capital upon Listing	**518,960,000**	**145,955,625**
Offer for Sale	70,059,600	52,544,700
IPO Price		0.75
Market capitalisation upon Listing (based on IPO price and enlarged number of issued Shares upon Listing)		389,220,000

The Offer for Sale would not have any effect on our issued share capital as the Offer Shares are already in existence prior to our IPO.

4.3.2 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of shares, being ordinary shares in our Company.

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing issued Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares, subject to any applicable rules of the Bursa Depository.

The Offer Shares rank equally in all respects with our existing issued Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares, subject to any applicable rules of the Bursa Depository.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders will, in proportion to the number of Shares held by them, be entitled to share in the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At every general meeting of our Company, a resolution put to the vote of the meeting shall be decided by way of poll. Each shareholder will be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

On a show of hands, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative will have 1 vote. On a poll, each shareholder present either in person, by proxy, by attorney or other duly authorised representative will have 1 vote for each Share held or represented.

4.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES

Our Directors, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent have determined and agreed on the IPO Price of RM0.75 per IPO Share based on the following factors:

(i) our pro forma combined NA per Share of approximately RM0.30 as at 31 December 2021 based on our enlarged number of 518,960,000 issued Shares upon Listing and subsequent to the use of proceeds raised from our Public Issue;

(ii) our Group's EPS of approximately 6.7 sen based on our PAT of approximately RM34.6 million for FYE 2021 and our enlarged number of 518,960,000 issued Shares upon Listing, which translate into a price-to-earnings multiple of approximately 11.2 times;

(iii) our competitive strengths as set out in Section 7.5 of this Prospectus; and

(iv) our business strategies and prospects as set out in Section 7.17 of this Prospectus.

You should note that the market price of our Shares upon Listing is subject to vagaries market forces and other uncertainties. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are also reminded to consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4.5 DILUTION

Dilution is the amount by which the price paid by retail, institutional and selected investors for our Shares exceeds our pro forma combined NA per Share after our IPO.

Our pro forma combined NA per Share as at 31 December 2021 was approximately RM0.21 per Share, based on our existing total number of 428,145,300 Shares after adjusting for the declared interim dividend for FYE 2022 and the Pre-IPO Exercise prior to our Listing.

After taking into account our enlarged number of issued Shares from the issuance of 90,814,700 Issue Shares under the Public Issue, and after adjusting for the use of proceeds from our IPO, our pro forma combined NA per Share as at 31 December 2021 (based on our enlarged number of 518,960,000 Shares and adjusted after the declared interim dividend for FYE 2022) would be RM0.30 per Share. This represents an immediate increase in pro forma combined NA per Share of RM0.09 or 42.9% to our existing shareholders and for illustrative purposes, an immediate dilution in our pro forma combined NA per Share as at 31 December 2021 of RM0.45 or 60.0% from the IPO Price to our new investors.

The table below illustrates such dilution on a per Share basis:

	RM
IPO Price	0.75
Pro forma combined NA per Share as at 31 December 2021 after the Pre-IPO Exercise but before the Public Issue (adjusted after dividend)	0.21
Pro forma combined NA per Share as at 31 December 2021 after the Public Issue and the intended use of proceeds (adjusted after dividend)	0.30
Increase in pro forma combined NA per Share to existing shareholders	0.09
Dilution in pro forma combined NA per Share to new investors	0.45
Dilution in pro forma combined NA per Share to new investors as a percentage of the IPO Price	60.0%

4. DETAILS OF OUR IPO (CONT'D)

Save as disclosed below, none of our Promoters, Substantial Shareholders, Directors, Key Senior Management or persons connected with them have acquired or have entered into any transaction which grants them the right to acquire any of our Shares in the past 3 years prior to the LPD:

Promoters, Substantial Shareholders and Directors	Date of allotment	No. of Shares	(A) Total consideration RM	(B) No. of Shares held after the Share Split	(C) = (A)/(B) Average Effective cost per Share RM
Sumber Panji	18 May 2022[(i)]	67,001,947	67,001,947	368,510,709	0.18
Er Hock Lai	1 July 2021[(ii)]	1	1	5	0.20
E Tak Bin	18 May 2022[(i)]	7,784,460	7,784,460	42,814,530	0.18

Notes:

(i) Issuance of Shares pursuant to the Acquisition of SFT as set out in Section 6.2.1 of this Prospectus.

(ii) Subscriber's Shares pursuant to the incorporation of our Company.

4.6 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

(i) to enable our Group to raise funds for the purposes set out in Section 4.7 of this Prospectus;

(ii) to enable our Group to gain access to the capital market to raise funds for future business growth opportunities;

(iii) to provide an opportunity for the Eligible Persons as well as the Malaysian Public to participate in the future performance of our Group by way of equity participation; and

(iv) to gain recognition through our listing status which will enhance our reputation so as to assist us in expanding our customer base globally, and retaining and attracting new skilled employees in our rubber processing industry.

4.7 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue of approximately RM68.1 million in the following manner:

Details of use of proceeds	Reference	RM'000	%	Estimated timeframe for the use of proceeds from date of Listing
Working capital	4.7.1	19,722	28.9	Within 12 months
Repayment of bank borrowings	4.7.2	37,862	55.6	Within 6 months
Installation of Biomass System	4.7.3	6,250	9.2	Within 12 months
Estimated listing expenses	4.7.4	4,277	6.3	Within 2 months
Total		**68,111**	**100.0**	

Further details of the proposed use of the gross proceeds from the Public Issue are as follows:

4.7.1 Working capital

We have allocated RM19.7 million from the Public Issue proceeds to fund our working capital requirements, which include, but are not limited to, purchase of raw materials and general administrative and daily operational expenses such as staff-related costs, utilities, statutory payments and any other overhead expenditures.

The breakdown of such utilisation has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation. Notwithstanding that, and on best estimate basis, the percentage of the allocation of the proceeds to be utilised for each component of the working capital are as follows:

	Estimated allocation of proceeds	
	RM'000	**%**
Purchase of raw materials(1)	18,000	91.3
General administrative and daily operational expenses(2)	1,722	8.7
Total	**19,722**	**100.0**

Notes:

(1) The estimated purchase of raw materials is broken down to approximately 81.1% and 18.9% for the purchase of cup lump and semi-processed rubber, respectively. The actual allocation depends on the operating requirement at the time of utilisation.

(2) Including the hiring of additional workers to meet our increased production hours.

In view of the substantial usage of raw materials such as cup lump (71.1%, 64.6%, 74.1% and 72.0% of the COS for the past 3 FYEs 2019 to 2021 and FPE 31 December 2021), semi-processed rubber (20.2%, 27.0%, 13.3% and 17.8% of the COS for the past 3 FYEs 2019 to 2021 and FPE 31 December 2021) being the major COS, our Group has allocated approximately 91.3% of the proceeds earmarked for working capital requirements to purchase raw materials.

The allocation on working capital requirements is in line with our Group's business plan to maximise the utilisation of our production capacity by increasing the production hours which requires additional workers and raw materials to increase the amount of rubber processed. A total of 93 additional new workers are required in order to increase our production output in line with our Group's business plan to achieve our target increase in production capacity by FYE 2023. Please refer to Section 7.17.1 of this Prospectus for further details on the said business plan.

Our Board shall have the absolute discretion to decide on the allocation between the purchase of raw materials, general administrative and daily operational expenses, as well as hiring of additional workers, depending on the operating requirements at the time of utilisation.

4.7.2 Repayment of bank borrowings

We have allocated RM37.9 million from the Public Issue proceeds to partially repay our existing bank borrowings as follows:

Banking facility	Purpose	Interest rate / Maturity date	Outstanding amount as at the LPD RM'000	Proposed repayment RM'000	Illustrated interest savings per annum RM'000
Hong Leong Bank Berhad (Trade financing facilities with limit of RM106.0 million)	Working capital requirement for purchase of raw materials	1.10% – 2.17% per annum / Up to 120 days	37,328	27,862	(3)-
Ambank Islamic Berhad (Term loan of 5 years with facility limit of USD 2.5 million (equivalent to approximately RM10.0 million))	Installation of Solar System(1)	3.54% per annum (based on 1.0% per annum above the bank's cost of funds(2) / 28 September 2026	(1)9,372	10,000	354
		Total	**46,700**	**37,862**	**354**

Notes:

(1) *The installation of the Solar System, which has an estimated total cost of approximately RM12.8 million, is aimed at achieving cost-saving measures by reducing overall electricity expenses which will result in savings estimated to be approximately RM2.6 million per annum to our COS. The term loan of RM10.0 million obtained is to part-finance the said installation, while the balance of approximately RM2.8 million will be funded via internally generated fund. The repayment of the term loan will not result in any prepayment penalty being incurred to our Group. The Solar System is still pending the final testing and evaluation of its performance. The Solar System is expected to be fully commissioned by the 2nd quarter of 2022 and we expect the said facility to be fully drawn down then. Please refer to Section 7.17.2 of this Prospectus for further details on the Solar System project.*

(2) *Based on a cost funding rate of approximately 2.54% per annum as at the LPD.*

(3) *No interest saving as we settle the financing upon maturity (i.e. 3 months for settlement) and the interest rate of trade bills is fixed upfront.*

The actual interest savings may vary depending on the then applicable interest rate. Based on the above, the expected annual interest savings is estimated to be approximately RM0.4 million and the repayment of bank borrowings is expected to reduce our gearing position from 1.0 times as at 31 December 2021 to a pro forma gearing position of 0.4 times at 31 December 2021 after the Public Issue and the intended use of proceeds (adjusted after dividend).

4.7.3 Installation of Biomass System

We have allocated RM6.3 million from the Public Issue proceeds for the installation of the Biomass System in our processing factories located in Gemas which consists of 2 units of Biomass System as follows:

No.	Item	Cost RM'000
1.	4.8mil kCal wood gasifier	2,300
2.	7.2mil kCal wood gasifier	3,950
Total		**6,250**

The total costs for the installation of the 2 units of Biomass System are fully funded by the Public Issue proceeds. The Biomass System is installed to generate gas from wood chips as a fuel source for our dryer system. Upon commissioning of the Biomass System, the usage of diesel as a fuel source for our dryer system will be replaced by the gas generated from wood chips. Nevertheless, our dryer system can still continue to use diesel as back up in the event of failure to the Biomass System. The installation of the Biomass System is aimed at achieving cost-saving measures by reducing overall fuel costs, resulting in savings estimated to be approximately RM3.5 million per annum to our COS. The Biomass System is expected to be fully commissioned in 3rd quarter of 2022. Upon Listing, our Company will make the necessary disclosures in our financial reports to be announced to our shareholders on the status of progress on the installation and/or any update in the expected commissioning timeframe for the Biomass System.

Please refer to Section 7.17.3 of this Prospectus for further details on the Biomass System project.

4.7.4 Estimated listing expenses

We have allocated RM4.3 million of our proceeds from the Public Issue for our listing expenses as follows:

	RM'000
Professional fees	2,175
Brokerage, underwriting and placement fees	1,680
Regulatory fees	142
Printing, advertising and other miscellaneous expenses relating to our IPO[(1)]	280
Total	**4,277**

Note:

(1) Other incidental or related expenses in connection with our IPO.

If the actual listing expenses are higher than estimated, the shortfall will be funded from the proceeds allocated for working capital purposes as set out in Section 4.7.1 of this Prospectus and vice versa.

Pending the eventual use of the gross proceeds from the Public Issue for the above intended purposes, we will place such funds in interest-bearing fixed deposit accounts with licensed financial institutions or in short-term money market instruments as our Directors may deem appropriate.

We will not receive any proceeds from the Offer for Sale. The gross proceeds of approximately RM52.5 million from the Offer for Sale will accrue entirely to our Offerors. Our Offerors will be bearing the entire incidental expenses and fees relating to the Offer for Sale, which is estimated to be approximately RM1.1 million.

4.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.8.1 Brokerage

We will pay brokerage in respect of our IPO Shares under the Retail Offering at the rate of 1.0% of the IPO Price in respect of all successful Applications which bear the stamp of HLIB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Placement Agent is entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission under the Institutional Offering will not be payable by us or our Offerors.

4.8.2 Underwriting commission

HLIB, as our Underwriter has agreed to underwrite up to 42,198,000 IPO Shares made available for application under the Retail Offering ("**Underwritten Shares**") for an underwriting commission of 2.0% of the total value of the underwritten IPO Shares at the IPO Price in accordance with the terms of the Underwriting Agreement.

4.8.3 Placement fee

HLIB, as our Placement Agent has agreed to place out 118,676,300 IPO Shares to Bumiputera investors approved by the MITI and/or other institutional and selected investors. We will pay our Placement Agent a placement fee of up to 2.0% of the value of 48,616,700 Issue Shares at the IPO Price in accordance with the terms of the Placement Agreement.

The placement fee for the 70,059,600 Offer Shares placed out at the IPO Price will be fully borne by our Offerors.

The brokerage, underwriting commission and placement fee in respect of the IPO Shares will be paid proportionately by us and our Offerors.

4.9 DETAILS OF UNDERWRITING AGREEMENT

This section sets out the salient terms contained in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement.

4.9.1 Conditions precedent for underwriting

(i) The obligations of our Underwriter under the Underwriting Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:

   (a) Bursa Securities having approved our Listing and such approval together with the approval of the SC in relation to our Listing having been obtained, and all approvals remain in full force and effect and that all conditions (except for any which can only be complied with after our IPO has been completed) have been complied with;

(b) the offer and issuance of our IPO Shares having been approved by the shareholders of our Company;

(c) the lodging with the CCM of a copy of the Prospectus for lodgement in accordance with the requirements of Section 234 of the CMSA together with copies of all documents required under the CMSA;

(d) the registration with the SC of the Prospectus and the submission to the SC of accompanying documents on or before our issue, circulation or distribution to the public;

(e) all necessary approvals and consents required in relation to our Initial Public Offering including but not limited to governmental approvals having been obtained and are in full force and effect and that all conditions to the approvals (except for any which can only be complied with after our Initial Public Offering has been completed) have been complied with;

(f) the Prospectus being issued not later than 14 June 2022 or such later date as may be agreed by our Underwriter;

(g) the delivery of the signed legal opinion issued by the legal counsel to our Underwriter on the last day and time for the acceptance of and payment for the Retail Offering in accordance with the Prospectus and Application Form(s) ("**Closing Date**");

(h) the execution of the Placement Agreement and the Placement Agreement not having been terminated or rescinded pursuant to the provisions thereof;

(i) our Initial Public Offering and the offering and subscription of our IPO Shares in accordance with the provisions hereof not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);

(j) there not being, on or prior to the Closing Date, any change or any development involving a prospective change in our Company or our Group or from the information set out in the Prospectus which is likely to give rise to, in our Underwriter's opinion, any event, change or development involving an adverse effect, or that will or is likely to prejudice or have an adverse effect, whether individually or in the aggregate and whether or not arising in the ordinary course of business: (i) on the condition (financial or otherwise), earnings, general affairs, management, shareholders' equity, business, assets, liquidity, liabilities, prospects, properties or results of operations of our Company or our Group, (ii) on the ability of our Company or our Group to perform in any respect its obligations under or with respect to, or to consummate the transactions contemplated by, the Prospectus, the Application Form(s), the Placement Agreement or the Underwriting Agreement, or (iii) on our IPO ("**Material Adverse Event**"); and

(k) there not having occurred on or prior to the Closing Date and/or the date of delivery of the Application Form(s) together with the remittance of subscription monies payable on the application of the unsubscribed Shares by our Underwriter ("**Settlement Date**") any breach of and/or failure to perform any of the representations, warranties and undertakings by our Company contained in the Underwriting Agreement; and

(l) the delivery to our Underwriter on the Closing Date and Settlement Date, respectively a certificate in the agreed form of our Company, signed by a duly authorised officer of our Company, dated the Closing Date and the Settlement Date, to the effect that the person who provides such certificate has carefully examined the Underwriting Agreement and that: (i) the representations, warranties and undertakings of our Company are true, accurate and correct and not misleading in all respects on and as of the Closing Date and Settlement Date (as the case may be), as though they had been given and made on the Closing Date and the Settlement Date (as the case may be), and our Company has complied with all the terms of the Underwriting Agreement and satisfied all the conditions on our part under the Underwriting Agreement to be performed and satisfied on or prior to the Closing Date and the Settlement Date (as the case may be); (ii) since the date of the Underwriting Agreement, there has been no change or development that may give rise to a Material Adverse Event; and (iii) the allotment and issuance of the Retail Offering under the Initial Public Offering are not being prohibited by any statutes or regulations promulgated or issued by any legislative or regulatory body in Malaysia.

(ii) In the event any of the conditions set forth in Section 4.9.1(i) above are not satisfied on or prior to the Closing Date which in any case shall not be later than 24 June 2022 or such later date as consented to in writing by our Underwriter, our Underwriter, subject as mentioned below, shall thereupon be entitled to terminate the Underwriting Agreement by notice in writing to our Company;

(iii) In the event of termination pursuant to Section 4.9.1(ii) above, except for the liability of our Company for payment of:

(a) (i) the underwriting commission, if the non-fulfilment of the relevant condition is due to or arising from the fault of our Company or matters within our Company's control; or (ii) the broken funding cost, being the amount of interest which our Underwriter claiming such cost would have been able to receive based on the Underwriter's cost of funds on an amount equivalent to the Underwriting Commitment (as defined below) for the period commencing from the date of the Underwriting Agreement and expiring on the termination of the Underwriting Agreement, if the non-fulfilment of the relevant condition is not due to or arising from the fault of our Company or matters within our Company's control; and

(b) the reasonable costs and expenses incurred by our Underwriter on or prior to or in connection with such termination,

and our Company continuing to be liable to indemnify our Underwriter pursuant to the terms of the Underwriting Agreement, the parties will be released and discharged from their respective obligations under the Underwriting Agreement upon such termination save for antecedent breaches by any party and claims arising therefrom.

(iv) To the extent permitted by law, our Underwriter may at its sole discretion, upon request by our Company, waive compliance with any provision of Section 4.9.1(i) above without prejudice to its other powers, rights and remedies under the Underwriting Agreement. Any condition so waived by our Underwriter in writing shall be deemed to have been satisfied in relation to it. For avoidance of doubt, there is no waiver from compliance with any provision of Section 4.9.1(i) unless such waiver is expressed in writing and signed by our Underwriter.

4.9.2 Termination by our Underwriter upon the occurrence of adverse changes and consequence thereof

(i) Notwithstanding anything contained in the Underwriting Agreement, our Underwriter, may by notice in writing to our Company given at any time before the date of Listing, terminate, cancel and withdraw its agreement, subject to clawback and reallocation, to subscribe and/or procure the subscription for the Underwritten Shares that have not been validly subscribed on the Closing Date ("**Underwriting Commitment**") if in the opinion of our Underwriter:

(a) there is any breach by our Company of any of the representations, warranties, undertakings or any other provisions set out in the Underwriting Agreement or which is contained in any certificate under or in connection with the Underwriting Agreement in any respect; and where such misrepresentation or breach is capable of remedy, the same not being remedied within five (5) Market Days or on such other day which the parties may mutually agree in writing, but in any event no later than the Closing Date from the provision of a written notice to our Company, as the case may be, by our Underwriter;

(b) without prejudice to Section 4.9.2(i)(a) above, there is failure on the part of our Company to perform any of our obligations contained in the Underwriting Agreement;

(c) our Company withholds any information from our Underwriter, which, in the opinion of our Underwriter, is likely to give rise to a Material Adverse Event;

(d) there shall have occurred, happened or come into effect any event or series of events beyond the control of our Underwriter by reason of Force Majeure which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of our IPO or which is reasonably likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms or our Company shall sustain any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, in each case, that has caused or could reasonably be expected to give rise to a Material Adverse Event.

"**Force Majeure**" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:

(1) wars, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;

(2) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or

(3) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics, pandemics, escalation of the current pandemic (such diseases or epidemics to include but not be limited to avian flu and COVID-19) or other acts of God;

(e) any government requisition, mandatory control orders or restrictions in movement or other occurrence of any nature whatsoever which results in or is likely to give rise to, a Material Adverse Event;

(f) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the opinion of our Underwriter is likely to give rise to a Material Adverse Event (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

(1) on or after the date of the Underwriting Agreement; and

(2) prior to the date of Listing,

lower than 90%, of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

(g) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more;

(h) any new law or regulation or change in law, regulation, directive, policy or ruling in any applicable jurisdiction which causes or is likely to give rise to, a Material Adverse Event;

(i) any part of the IPO is stopped or delayed by our Company or any regulatory authorities for any reason whatsoever (unless such stoppage or delay has been approved in writing by our Underwriter);

(j) any commencement of legal proceedings or action against any member of our Group or any of our Directors, which causes, or is likely to give rise to, a Material Adverse Event or make it impracticable to market our IPO or to enforce contracts to allot and /or transfer the IPO Shares;

(k) the Listing does not take place on or before 7 July 2022 or such other extended date as may be agreed by our Underwriter in writing;

(l) the Placement Agreement shall have been terminated or rescinded in accordance with the terms thereof or any of the conditions precedent set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Placement Agent therein in accordance with its terms;

(m) approval for the Initial Public Offering is withdrawn, modified or is varied or supplemented subject to terms and conditions not acceptable to our Underwriter; or

(n) the Closing Date does not take place on or before 24 June 2022 or any later date as our Company and our Underwriter may mutually agree upon in writing.

(ii) Upon such notice of termination being given under Section 4.9.2(i) herein, our Underwriter will be released and discharged of its obligations without prejudice to its rights under the Underwriting Agreement and the Underwriting Agreement will thereafter be of no further force or effect, and save for antecedent breaches and claims arising therefrom, no party will be under any liability to any other in respect of the Underwriting Agreement, except that our Company, as the case may be, will remain liable in respect of our obligations and liabilities under the terms and conditions of the Underwriting Agreement and, our Company shall be liable to our Underwriter for the payment of the underwriting commission which our Underwriter is entitled to duly claim under the Underwriting Agreement together with all costs and expenses already incurred by our Underwriter up to the date on which such notice was given, including but not limited to those incurred in the event the Closing Date is extended, and for the payment of any taxes, duties or levies to be borne by our Company pursuant to applicable laws, and our Company shall refund to our Underwriter the subscription monies including interests accrued thereon, if any, paid by our Underwriter pursuant to its subscription for the Underwritten Shares pursuant to the terms and conditions of the Underwriting Agreement not later than seven (7) days after our Company's receipt of the termination notice from our Underwriter.

(iii) Notwithstanding the other provisions in the Underwriting Agreement, our Underwriter and our Company may however confer with a view to defer our IPO or amend its terms or the terms of the Underwriting Agreement or enter into a new underwriting agreement accordingly. However, our Company and our Underwriter are not under any obligation whatsoever to enter into a new underwriting agreement.

4.10 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS (which is operated by Bursa Depository). This will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, our Company will not deliver share certificates to the subscribers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to the respective CDS accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS accounts may not be withdrawn from the CDS except in the following instances:

(i) to facilitate a share buy-back;

(ii) to facilitate conversion of debt securities;

(iii) to facilitate company restructuring process;

(iv) where a body corporate is removed from the Official List of Bursa Securities;

(v) to facilitate a rectification of any error; and

4. DETAILS OF OUR IPO (CONT'D)

(vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares will trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the 2nd Market Day following the transaction date, and payment for the securities is generally settled on the 2nd Market Day following the transaction date.

It is expected that our IPO Shares will not commence trading on Bursa Securities until about 10 Market Days after the close of the Retail Offering. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters and Substantial Shareholders' shareholdings

The details of our Promoters and/or Substantial Shareholders and their respective shareholdings in our Company before our IPO (after completion of the Pre-IPO Exercise) and after our IPO are as follows:

		Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
Name	Nationality / Country of Incorporation	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Promoters and Substantial Shareholders									
Sumber Panji	Malaysia	368,510,709	86.0	-	-	308,209,421	59.3	-	-
Er Hock Lai	Malaysian	5	*	(3)368,510,709	(3)86.0	5	*	(3)308,209,421	(3)59.3
E Tak Bin	Malaysian	42,814,530	10.0	-	-	35,808,570	6.9	-	-
Promoters									
Er Tzer Nam	Malaysian	-	-	-	-	(4)600,000	0.1	-	-
Er Jin Hoo	Malaysian	-	-	-	-	-	-	-	-

Notes:

(1) *Based on the total number of 428,145,300 Shares after the completion of the Pre-IPO Exercise.*

(2) *Based on the enlarged total number of 518,960,000 Shares after our IPO.*

(3) *Deemed interested by virtue of his shareholding in Sumber Panji pursuant to Section 8(4) of the CA 2016.*

(4) *Assuming he fully subscribe for his allocations under the Pink Form Allocations and assuming he does not apply for any excess IPO Shares.*

* *Negligible*

Our Promoters and Substantial Shareholders do not have different voting rights from other shareholders of our Company as all our Shares before and after our IPO are of the same class.

5.1.2 Profiles of our Promoters and Substantial Shareholders

(i) Sumber Panji
Promoter and Substantial Shareholder

Sumber Panji, our Promoter and Substantial Shareholder, was incorporated as a private limited company in Malaysia on 15 January 2007 under the CA 1965 and deemed registered under the CA 2016. As at the LPD, Sumber Panji's issued share capital is RM3,075,000 comprising 375,000 ordinary shares. The principal activity of Sumber Panji is as an investment holding solely to invest in SFT.

As at the LPD, the directors of Sumber Panji are Er Hock Lai, E Tak Bin and Er Tzer Nam. The shareholders and their respective direct shareholdings in Sumber Panji as at LPD are as follows:

Name	Nationality	No. of Shares	%
Er Hock Lai	Malaysian	289,419	77.2
Er Jin Hoo	Malaysian	34,233	9.0
Alex Er Yong Fong(1)	Malaysian	25,674	6.9
Er Yong Hua(1)	Malaysian	25,674	6.9
Total		**375,000**	**100.0**

Note:

(1) Please refer to Section 5.5 of this Prospectus for the details of associations or family relationships between Alex Er Yong Fong and Er Yong Hua with our Directors, Promoters, Substantial Shareholders and Key Senior Management.

(ii) Er Hock Lai
Promoter, Managing Director and Substantial Shareholder

Er Hock Lai, a Malaysian, aged 67, is our Managing Director. Please refer to Section 5.2.2(ii) of this Prospectus for details of Er Hock Lai's profile.

(iii) E Tak Bin
Promoter, Non-Independent Executive Director and Substantial Shareholder

E Tak Bin, a Malaysian, aged 73, is our Non-Independent Executive Director. Please refer to Section 5.2.2(iii) of this Prospectus for details of E Tak Bin's profile.

(iv) Er Tzer Nam
Promoter and Non-Independent Executive Director

Er Tzer Nam, a Malaysian, aged 45, is our Non-Independent Executive Director. Please refer to Section 5.2.2(iv) of this Prospectus for details of Er Tzer Nam's profile.

(v) Er Jin Hoo
Promoter

Er Jin Hoo, a Malaysian, aged 75, is our Promoter. He has over 51 years of experience in the rubber industry since he started working for a local rubber trader in the 1970s where he was involved in the purchasing of raw natural rubber from smallholders or small traders and distributing them to rubber processing factories. Thereafter, he started assisting in his family-owned rubber trading business and was employed under Chop Hock Guan, where he held the same responsibilities.

He subsequently assisted his brothers in Kilang Getah Hock Guan, a partnership founded by his brothers where he was overseeing the purchasing of raw materials and the rubber processing operation. As Kilang Getah Hock Guan was subsequently acquired by SFT in July 1989, he was employed under SFT where he was primarily involved in sourcing and managing clients. He was then employed under STG in May 1996 when SFT acquired STG, where he held the same responsibilities and eventually became a director in SFT and STG in February 2007 and in December 2015, respectively.

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5.1.3 Changes in our Promoters' and Substantial Shareholders' shareholding in our Company

The table below sets out the changes in our Promoters' and Substantial Shareholders' shareholdings since incorporation and up to the completion of our IPO:

	At the date of incorporation				After the Acquisition / Before the Share Split			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**[1]%**	**No. of Shares**	**[1]%**
Promoters and Substantial Shareholders								
Sumber Panji	-	-	-	-	67,001,947	86.0	-	-
Er Hock Lai	1	100.0	-	-	1	*	[4]67,001,947	[4]86.0
E Tak Bin	-	-	-	-	7,784,460	10.0	-	-
Promoters								
Er Tzer Nam	-	-	-	-	-	-	-	-
Er Jin Hoo	-	-	-	-	-	-	-	-

	After the Share Split				After our IPO			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares**	**[2]%**	**No. of Shares**	**[2]%**	**No. of Shares**	**[3]%**	**No. of Shares**	**[3]%**
Promoters and Substantial Shareholders								
Sumber Panji	368,510,709	86.0	-	-	308,209,421	59.3	-	-
Er Hock Lai	5	*	[4]368,510,709	[4]86.0	5	*	[4]308,209,421	[4]59.3
E Tak Bin	42,814,530	10.0	-	-	35,808,570	6.9	-	-
Promoters								
Er Tzer Nam	-	-	-	-	[5]600,000	0.1	-	-
Er Jin Hoo	-	-	-	-	-	-	-	-

Notes:

(1) Based on the total number of 77,844,600 Shares after completion of the Acquisition.

(2) Based on the total number of 428,145,300 Shares after the completion of the Pre-IPO Exercise.

(3) Based on the enlarged total number of 518,960,000 Shares after our IPO.

(4) Deemed interested by virtue of his shareholding in Sumber Panji pursuant to Section 8(4) of the CA 2016.

(5) Assuming he fully subscribe for his allocations under the Pink Form Allocations and assuming he does not apply for any excess IPO Shares.

* *Negligible*

As of the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

5.1.4 Persons exercising control over the corporation

Save for our Promoters and Substantial Shareholders, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company. There is no arrangement between our Company and our shareholders with any third parties, the operation of which may result in a change in control of our Company.

5.1.5 Amounts and benefits to Promoters and Substantial Shareholders

Save for the issuance of our Shares as consideration for the Acquisition, the dividends paid by SFT, and the aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group in all capacities to our Group, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and Substantial Shareholders within the 2 years preceding the date of this Prospectus.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 BOARD OF DIRECTORS

5.2.1 Directors' shareholdings

The details of our Directors and their respective shareholdings in our Company before our IPO (after completion of the Pre-IPO Exercise) and after our IPO (assuming full subscription of the IPO Shares allocated for our Directors under the Pink Form Allocations) are as follows:

		Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
Name/ Designation	Nationality	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Ng Ah Bah @ Kok Yee/ Independent Non-Executive Chairman	Malaysian	-	-	-	-	300,000	0.1	-	-
Er Hock Lai/ Managing Director	Malaysian	5	*	(3)368,510,709	(3)86.0	5	*	(3)308,209,421	(3)59.3
E Tak Bin/ Non-Independent Executive Director	Malaysian	42,814,530	10.0	-	-	35,808,570	6.9	-	-
Er Tzer Nam/ Non-Independent Executive Director	Malaysian	-	-	-	-	600,000	0.1	-	-
Chong Yeaw Kiong/ Independent Non-Executive Director	Malaysian	-	-	-	-	300,000	0.1	-	-
Lim See Tow/ Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-
Lim May Wan/ Independent Non-Executive Director	Malaysian	-	-	-	-	300,000	0.1	-	-

Notes:

(1) Based on the total number of 428,145,300 Shares after completion of the Pre-IPO Exercise.

(2) Based on the enlarged total number of 518,960,000 Shares after our IPO.

(3) Deemed interested by virtue of his shareholding in Sumber Panji pursuant to Section 8(4) of the CA 2016.

** Negligible*

Subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, our Directors may also subscribe for additional excess Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.

Other than Er Hock Lai, E Tak Bin and Er Tzer Nam, none of our Directors are representatives of our corporate shareholder.

5.2.2 Profiles of our Directors

The profiles of our Directors are as follows:

(i) Ng Ah Bah @ Kok Yee
Independent Non-Executive Chairman

Ng Ah Bah @ Kok Yee ("**Ng Ah Bah**"), a Malaysian aged 81, is our Independent Non-Executive Chairman. He was appointed to our Board on 9 September 2021 and is a member of the Institute of Corporate Directors Malaysia ("**ICDM**") since March 2022.

Ng Ah Bah obtained a Bachelor of Arts (Hons) majoring in Statistics from the University of Malaya in early 1968. He subsequently graduated with a Master of Science in Experimental Statistics from the University of the Philippines in January 1973.

He currently serves as an Arbitrator in the Panel of Arbitrators under the Malaysian Rubber Exchange ("**MRE**") of the Malaysian Rubber Board ("**MRB**") for natural rubber trading and contractual disputes in domestic and international cases. He served as a committee member, representing Malaysia, to the Expert Group on the Establishment of a Regional Rubber Market ("**EGERRM**") of International Tripartite Rubber Council from 2015 to 2019. He was also involved as a committee member under the MRB for the amendments of MRE Arbitration Rules.

Ng Ah Bah began his career as a Statistics Lecturer in Universiti Teknologi MARA Shah Alam ("**UiTM**") (formerly known as MARA Institute of Technology) after his undergraduate. Over the period of 7 years when he was with UiTM, he obtained his Masters and had served as part-time lecturer at several other universities.

Subsequently, he left his lecturing career in 1975 to join the Malaysian Rubber Exchange and Licensing Board ("**MRELB**") (currently known as MRB as a result of the merger with the Malaysian Rubber Research and Development Board and the RRIM in 1998) as the Head of the Market Development Division where he was involved in the market development and promotion of Malaysian natural rubber. He was then promoted to the position of Deputy Chairman cum Chief Executive Officer of the MRELB in November 1992 where he was responsible for overseeing the functions of the MRE, such as promoting international trade, market services, issuance of rubber licences and regulatory and enforcement work.

In May 1997, he left MRELB to join the International Natural Rubber Organisation ("**INRO**") as a Senior Buffer Stock Officer and Acting Buffer Stock Manager where he was responsible for managing the buffer stock of natural rubber for the stabilisation of natural rubber prices. He retired subsequently when the INRO ceased to exist in mid-2001.

As at the LPD, Ng Ah Bah also sits on the board of a private limited company in Malaysia, details of which are set out in Section 5.2.3 of this Prospectus.

(ii) Er Hock Lai
Managing Director

Er Hock Lai, a Malaysian, aged 67, is the Managing Director of our Company. He was appointed to our Board on 1 July 2021 and is a member of the ICDM since December 2021. He has 40 years of experience in the rubber trading and processing industry and is pivotal to the operations of our Group since its establishment. He oversees the sales and marketing division as well as the overall operations of our Group, including formulating business strategies for our Group. Through his entrepreneurial leadership and experience, our Group has grown to become one of the major exporters of processed natural rubber in Malaysia.

Er Hock Lai obtained his Lower Certificate of Education from Sekolah Menengah Kebangsaan Sri Muar in 1971. Er Hock Lai is a member of the Malaysian Rubber Processors Association (formerly known as Malaysian SMR Rubber Processors Association) since its formation in November 1995. He had served as the Assistant Treasurer from October 2009 and subsequently as the Secretary in 2014, a position he holds until today.

In 1982, Er Hock Lai started his career in the rubber industry when he was employed under Chop Hock Guan, his family-owned rubber trading business, where he was in charge of purchasing raw natural rubber from smallholders or small traders and distributing them to rubber processing factories. Er Hock Lai became one of the partners of Chop Hock Guan in August 1984 where he ran the business with his brothers. In June 1986, he founded Kilang Getah Hock Guan, a partnership with his brothers where they were involved in the rubber processing business before Kilang Getah Hock Guan ceased operation in June 1994 subsequent to the acquisition by SFT. He was mainly responsible for managing and monitoring the day-to-day business operations of the partnership.

With the intention to expand its rubber processing and trading business to include shipping of processed rubber for exports, Er Hock Lai spearheaded the acquisition of SFT by Kilang Getah Hock Guan in July 1989 to reap the benefit of the export license held by SFT. In order to facilitate the functional integration of its expanding business operations, he spearheaded the acquisition of all the assets, business and undertakings of Kilang Getah Hock Guan by SFT in August 1994. Subsequently in May 1996, he initiated the acquisition of STG by SFT with the aim of expanding its rubber processing factories to increase its production capacity in block rubber. The business expansion under the leadership of Er Hock Lai, have led our Group to increase its production capacity from 3,000 MTS per year in 1986 to 141,480 MTS per year as at the LPD.

As at the LPD, Er Hock Lai also sits on the board of several private limited companies in Malaysia, details of which are set out in Section 5.2.3 of this Prospectus.

(iii) E Tak Bin
Non-Independent Executive Director

E Tak Bin, aged 73, is the Non-Independent Executive Director of our Company. He was appointed to our Board on 9 September 2021 and is a member of the ICDM since December 2021. He has 46 years of experience in the rubber industry and has mostly dealt with sourcing of cup lump and semi-processed rubber. His experience has honed his skills in identifying dry rubber content of cup lump through visual assessment, ensuring the quality of rubber purchased is controlled. He currently oversees the purchase of raw material for our Group.

He started his career in the rubber industry as a partner in Hock Guan Trading Company in August 1976, a business principally involved in rubber trading. In July 1982, he left Hock Guan Trading Company to join Chop Hock Guan, then Kedai Getah Dan Kelapa Sawit Panchor, both of which are his family-owned rubber trading business. Throughout his past experience in the 3 companies, he was responsible in the purchasing of cup lumps from small estate holders. In June 1986, he co-founded Kilang Getah Hock Guan, a partnership with his brothers where they were involved in the rubber processing business which has then developed over time to form our Group. He was also involved in the business of rubber trading during his partnership with Chop Tong Lee from January 1988 until the ceasing of its operations in April 1991. He became a Director at SFT in February 1995 and a Director at STG in May 1996 where he assumed his current responsibilities.

As at the LPD, E Tak Bin also sits on the board of a private limited company in Malaysia, details of which are set out in Section 5.2.3 of this Prospectus.

(iv) Er Tzer Nam
Non-Independent Executive Director

Er Tzer Nam, a Malaysian, aged 45, is the Non-Independent Executive Director of our Company. He was appointed to our Board on 9 September 2021 and is a member of the ICDM since December 2021. He is responsible for the risk management and corporate planning, sales and marketing as well as human resource of our Group.

Er Tzer Nam obtained his Bachelor of Business Administration from the University of Central Oklahoma, U.S.A in 2000. He has a certificate in Internal Quality Auditing to ISO 9001 issued by Inter Technology Link Consultants obtained in June 2001 where he learnt to assess the effectiveness of the quality management system in the organisation.

He commenced his career in marketing with Sern Kou Furniture Sdn Bhd ("**Sern Kou**"), a furniture manufacturer, in 2001, where he was responsible for procuring orders and managing the after-sales services. In late 2003, he left Sern Kou to work as a freelance sales agent where he assisted clients in procuring furniture directly from factories. Subsequently, Er Tzer Nam established his own furniture company under Furncrest Enterprise in April 2004, then Furncrest Sdn Bhd ("**Furncrest SB**") in November 2004, where both are exporters of home furniture, mainly dining, living and bedroom sets. He was actively involved in procuring the furniture sets from local manufacturers and thereon exports them overseas until he joined our Group in December 2017.

He took on the responsibilities of overseeing the operational and administrative aspects of our Group since December 2017 when he was appointed as director of both SFT and STG, his responsibilities have since then grown over the years to include sales and marketing as well as risk management of the Group. Notwithstanding his existing shareholding in Furncrest SB, Er Tzer Nam has resigned as a director of Furncrest SB in February 2020 to focus on his role in our Group and is no longer involved in the day-to-day operations of Furncrest SB.

As at the LPD, Er Tzer Nam also sits on the board of several private limited companies in Malaysia, details of which are set out in Section 5.2.3 of this Prospectus.

(v) Chong Yeaw Kiong
Independent Non-Executive Director

Chong Yeaw Kiong, a Malaysian aged 49, is our Independent Non-Executive Director. He was appointed to our Board on 9 September 2021 and is an affiliate of the ICDM since December 2021. He is also the Chairperson of our Remuneration Committee, and a member of our Audit and Risk Management Committee and Nominating Committee.

Chong Yeaw Kiong graduated with a Bachelor of Laws (Hons) from the University of Malaya in August 1997. He was admitted as an advocate and solicitor of the High Court of Malaya in February 1998. He is currently a member of the Malaysian Bar Council and has been a certified notary public since March 2015.

In May 1998, Chong Yeaw Kiong joined Messrs. M. Jayasingam & Co. as a Legal Assistant until he left to join Messrs. Ooi Sam Heng & Associates as a Legal Assistant in April 2005. In January 2006, he joined Messrs. Junaida Afuan & Quek as a Legal Assistant until July 2006 before he joined his current firm, Messrs. J.A. Nathan & Co as a Partner, and became the Managing Partner subsequently, where he is primarily responsible for the overall management of the firm.

His scope of work from the commencement of his legal practice until present includes rendering advice to companies and individuals in relation to corporate and commercial matters, conveyancing as well as general litigation, including but not limited to personal injury, debt recovery, civil and criminal matters.

(vi) Lim See Tow
Independent Non-Executive Director

Lim See Tow, a Malaysian aged 47, is our Independent Non-Executive Director. She was appointed to our Board on 9 September 2021 and is a fellow of the ICDM since November 2021. She is also the Chairperson of our Audit and Risk Management Committee and a member of our Remuneration Committee and Nominating Committee.

She graduated with an Advanced Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College, Malaysia in October 1999. She was a Member of the Association of Chartered Certified Accountant ("**ACCA**"), a status she obtained in May 2003. Currently, she is a Chartered Accountant and has been a member of the Malaysian Institute of Accountants ("**MIA**") since 2003.

In November 1999, she began her career in Kassim Chan & Co/Deloitte Touche Tohmatsu (currently known as Deloitte PLT) and left in September 2003 as an Audit Senior where she was responsible for leading a group of auditors in conducting financial audit, audit planning and financial due diligence.

In September 2003, she joined Debut Supreme Capital Sdn Bhd as a Consultant and was reassigned to TAP Partners Sdn Bhd in 2004. Over the years, she was involved in project management for corporate exercises relating to equity issuance and corporate restructuring, as well as improvements of their operational management and corporate governance practices. She was an Associate Director in TAP Partners Sdn Bhd before she left in 2006.

She joined Clear Water Developments Sdn Bhd in November 2006 as Chief Operating Officer, a position she currently holds where she is responsible for the overall operations' management and planning of property development projects.

In January 2007, she was appointed as Consultant for Finance and Special Project to Antah Holding Berhad, where she was in charge of the restructuring exercise carried out by Antah Holding Berhad prior to the reverse takeover by Sino Hua-An International Berhad (currently known as Techna-X Berhad) in March 2007.

As at the LPD, Lim See Tow also sits on the Board of Techna-X Berhad and Mobilia Holdings Berhad, companies listed on Bursa Securities, as an Independent Non-Executive Director, a position she held since January 2008 and June 2020, respectively. Details of other directorships in which she holds in several private limited companies in Malaysia are set out in Section 5.2.3 of this Prospectus.

(vii) Lim May Wan
Independent Non-Executive Director

Lim May Wan, a Malaysian aged 48, is our Independent Non-Executive Director. She was appointed to our Board on 9 September 2021 and is a member of the ICDM since December 2021. She is also the Chairperson of our Nominating Committee and a member of our Audit and Risk Management Committee and Remuneration Committee.

Lim May Wan obtained a Diploma in Accounting from RIMA College in December 1993. She was admitted as an Associate of the Chartered Institute of Management Accountants, UK ("**CIMA**") in September 2002, where she became a Chartered Management Accountant. She is a Chartered Accountant and has been a member of the MIA since July 2018.

In May 1995, she started her career as a Management Trainee in Universal Cable (M) Bhd and was promoted to Financial Analyst in November 1995. She resigned in May 1996 to further pursue her studies as a management accountant under CIMA. She joined Teknion Furniture Systems (M) Sdn Bhd in August 1998 as a Financial Analyst, where she was exposed to financial forecasting, auditing, administration responsibilities and taxation computation. She left in April 1999 and joined Teletron Industries Sdn Bhd as a Cost Accountant where she was involved in cost cutting measures by analysing process flow and components cost of the company.

Later, she joined Tunku Abdul Rahman College (Johore Branch Campus) as a full-time lecturer in August 2001, where she gave lectures on accounting subjects before leaving in January 2003. She founded Excel Edu2003 Sdn Bhd in February 2003, an educational centre.

In April 2012, she sold Excel Edu2003 Sdn Bhd and has been actively involved in community and charity work. She joined Befrienders Muar in March 2014 and subsequently Friends of Befrienders in 2018, a non-profit organisation providing emotional support.

5.2.3 Principal directorships and principal business activities of our Directors outside our Group

Save as disclosed below, none of our Directors have any principal directorship and principal business activity performed outside our Group in the past 5 years up to the LPD:

(i) Ng Ah Bah @ Kok Yee

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement						
Union Goal Sdn Bhd	Property investment, import, export and wholesale of seeds, plant and fertilizers	Director / Shareholder	19 July 1999	-	30.0	-

(ii) Er Hock Lai

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement						
Weng Tex Sdn Bhd	Oil palm plantation and investment holding	Director / Shareholder	30 October 2013	-	<0.1	70.0[(1)]
Kosmo Tropika Sdn Bhd	Oil palm plantation and investment holding	Director / Shareholder	17 May 2005	-	50.0	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held Direct (%)	Equity interest held Indirect (%)
Present involvement (Cont'd)						
Hok Guwan Sdn Bhd	Oil palm plantation and investment holding	Director / Shareholder	2 November 1993	-	75.0	-
Sumber Panji	Investment holding with subsidiaries involved in trading, processing and sale of various grades of natural rubber	Director / Shareholder	15 December 2009	-	77.2	-
Furncrest SB	Exporter of furniture and furniture parts	Shareholder	-	-	30.0	-
Past involvement						
Citra Teguh Sdn Bhd	Construction work *(dissolved on 14 June 2019)*	Director / Shareholder	1 July 2002	-	30.0	-

Note:

(1) Deemed interested by virtue of his direct shareholding in Kosmo Tropika Sdn Bhd pursuant to Section 8(4) of the CA 2016.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) E Tak Bin

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement						
Sumber Panji	Investment holding with subsidiaries involved in trading, processing and sale of various grades of natural rubber	Director	22 December 2015	-	-	-

(iv) Er Tzer Nam

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement						
Taman Seri Orkid Homeowners Berhad	Management and maintenance of security and amenities for the community area of Taman Seri Orkid, Muar on behalf of its homeowners pursuant to the related Deed of Mutual Covenants.	Director	30 December 2013	-	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement (Cont'd)						
Sumber Panji	Investment holding with subsidiaries involved in trading, processing and sale of various grades of natural rubber	Director	1 July 2020	-	-	-
Furncrest SB	Exporter of furniture and furniture parts	Shareholder	-	-	55.0	-
Past involvement						
Furncrest SB	Exporter of furniture and furniture parts	Director	23 November 2004	25 February 2020	-	-
Acacia Home Furnishing Sdn Bhd	Furniture trading	Director	12 January 2012	31 July 2018	-	-

(v) Chong Yeaw Kiong

As at the LPD, Chong Yeaw Kiong does not have any principal directorships and principal business activities performed outside of our Group.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(vi) Lim See Tow

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement						
Yew Lee Pacific Group Berhad	Activities of holding companies with subsidiaries principally involved in manufacturing of industrial and household brushes, trading and distribution of industrial hardware and machinery parts	Director	6 August 2021	-	-	-
Techna-X Berhad	Investment holding with subsidiaries involved in the manufacture and sale of metallurgical coke and other related by-products	Director	18 January 2008	-	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement (Cont'd)						
Mobilia Holdings Berhad	Management and investment holding with subsidiaries involved in designing and manufacturing of home furniture	Director	15 June 2020	-	-	-
Be Urban Wellness Sdn Bhd	Provision of beauty, wellness, health therapy and nutraceuticals product and services	Shareholder	-	-	99.9	-
Project HEA Sdn Bhd	Manufacturing, marketing, distributing and retailing of health based products and related goods	Director / Shareholder	1 July 2014	-	50.0	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	**Indirect (%)**
Past involvement						
CS Global Consultancy (M) Sdn Bhd	Organisers, consultants, managers and agents of event and promotion; Purchase, rent, lease and let out for hire AV and sound system *(dissolved on 3 August 2020)*	Director / Shareholder	29 December 2009	-	33.0	-
Clearwater Xperience Sdn Bhd	Dormant, activities of investment holding companies intended to invest in food, beverage and restaurant services	Director / Shareholder	23 October 2020	1 March 2022	50.0	-
Bluedot Mummy Sdn Bhd (Formerly known as Project M Media Sdn Bhd)	Retailing, distributing and supplying of garments, apparels and accessories	Director	11 October 2012	3 July 2018	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held Direct (%)	Equity interest held Indirect (%)
Past involvement (Cont'd)						
Clear Water Developments Sdn Bhd	Property development	Director	18 February 2008	12 October 2019	-	-
Taska Riang Cemerlang Sdn Bhd	Pre-primary education (private) / kindergarten	Director	27 June 2016	10 December 2019	-	-

(vii) Lim May Wan

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held Direct (%)	Equity interest held Indirect (%)
Past involvement						
Muar Chong Hwa Associated Chinese Schools	Management of Chinese schools and to provide for, promote and support the education of students of the said schools	Director	2 March 2021	7 November 2021	-	-
Pusat Bahasa ELC	Language centre *(terminated on 8 July 2021)*	Partner	15 October 2020	-	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

The involvement of our Directors in the above business activities outside our Group will not affect their contributions to our Group and does not give rise to any actual or potential conflict of interest situation with our business, as:

(a) our Non-Executive Directors are not involved in the day-to-day operations of our Group. Their involvement in the business activities outside our Group will not affect their contributions to our Group as the principal activities of these companies are not similar to our Group's business nor are they customers or suppliers to our Group; and

(b) our Executive Directors' involvement in business activities outside our Group does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors on which they serve. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management. Further, their involvement in the business activities outside our Group will not affect their contributions to our Group as the principal activities of these companies are not similar to our Group's business nor are they customers or suppliers to our Group.

As such, our Board is of the view that although they are involved in other businesses as set out above, they are able to devote sufficient time and attention to the affairs of our Group to carry out their respective duties.

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5.2.4 Remuneration and material benefits-in-kind of our Directors

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2021 and FYE 2022 are as follows:

FYE 2021

Director	Directors' Fees	Salaries	Bonuses	Contributions to Employees Provident Fund and Social Security Organisation	Allowances	Benefits in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors							
Er Hock Lai	-	360	2,415	32	30	16	2,853
E Tak Bin	-	210	53	1	30	18	312
Er Tzer Nam	-	81	21	17	30	-	149
Non-Executive Directors							
Ng Ah Bah @ Kok Yee	-	-	-	-	-	-	-
Chong Yeaw Kiong	-	-	-	-	-	-	-
Lim See Tow	-	-	-	-	-	-	-
Lim May Wan	-	-	-	-	-	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Proposed for FYE 2022

Director	Directors' Fees	Salaries	Bonuses	Contributions to Employees Provident Fund and Social Security Organisation	Allowances	Benefits in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors							
Er Hock Lai	-	378	2,135	48	30	16	2,607
E Tak Bin	-	221	70	1	30	18	340
Er Tzer Nam	-	150	40	27	30	-	247
Non-Executive Directors							
Ng Ah Bah @ Kok Yee	50	-	-	-	-	-	50
Chong Yeaw Kiong	40	-	-	-	-	-	40
Lim See Tow	50	-	-	-	-	-	50
Lim May Wan	40	-	-	-	-	-	40

5.3 BOARD PRACTICES

5.3.1 Board

Our Board is committed to inculcating good corporate governance practices in our Group from time to time in accordance with the practices and guidance based on the MCCG. Our Board believes that corporate governance is extremely important to the success of our Group's business.

Our Board has the overall responsibility for the long-term success of our Group and delivery of sustainable value to our stakeholders. Our Board must act with integrity, lead by example, keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of our Company. In discharging its fiduciary duties and responsibilities, our Board has adopted a charter which sets out, among others, the following:

(i) together with senior management, promoting good corporate governance culture within our Group which reinforces ethical, prudent and professional behaviour;

(ii) reviewing and setting a strategic plan for our Group to ensure that the strategic plan of our Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;

(iii) reviewing, challenging and deciding on management's proposals for our Group, and monitoring its implementation by management;

(iv) overseeing the conduct of our Group's business to ensure it is properly managed, including supervising and assessing corporate behaviour and conduct of the business of our Group;

(v) identifying the principal risks and ensuring implementation of appropriate internal controls and mitigation measures to achieve a proper balance between risks incurred and potential returns to shareholders;

(vi) reviewing the information and risk management and internal control system and the effectiveness of our management;

(vii) ensuring there is an orderly succession of senior management positions who are of high talent and have the necessary skills and experience. Our Board delegates to our Nominating Committee and Remuneration Committee to review succession plans and remuneration packages for our Directors respectively. Our Board also ensures that there are appropriate policies for training, appointment and performance monitoring of management positions;

(viii) developing and implementing an investor relations programme or shareholders' communications policy for our Group to enable effective communication with stakeholders;

(ix) reviewing and approving financial statements;

(x) reviewing and approving our Audit and Risk Management Committee, Nominating Committee and Remuneration Committee reports at the end of each FY;

(xi) reviewing and approving our Company's annual report;

(xii) ensuring the integrity of our Company's financial and non-financial reporting;

(xiii) undertaking a formal and objective annual evaluation to determine the effectiveness of our Board, our Board committees and each individual Director;

(xiv) ensure a collaborative and constructive relationship between our Board and senior management; and

(xv) ensure that our Group adheres to high standards of ethics and corporate behaviour.

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

Name	Age	Designation	Date of appointment as Director	Date of expiration of the current term in office	Approximate no. of years in office as at LPD
Ng Ah Bah @ Kok Yee	81	Independent Non-Executive Chairman	9 September 2021	At the AGM in year 2022	Less than 1 year
Er Hock Lai	67	Managing Director	1 July 2021	At the AGM in year 2022	Less than 1 year
E Tak Bin	73	Non-Independent Executive Director	9 September 2021	At the AGM in year 2022	Less than 1 year
Er Tzer Nam	45	Non-Independent Executive Director	9 September 2021	At the AGM in year 2022	Less than 1 year
Chong Yeaw Kiong	49	Independent Non-Executive Director	9 September 2021	At the AGM in year 2022	Less than 1 year
Lim See Tow	47	Independent Non-Executive Director	9 September 2021	At the AGM in year 2022	Less than 1 year
Lim May Wan	48	Independent Non-Executive Director	9 September 2021	At the AGM in year 2022	Less than 1 year

5.3.2 Audit and Risk Management Committee

The current members of our Audit and Risk Management Committee are as follows:

Name	Position	Directorship
Lim See Tow	Chairperson	Independent Non-Executive Director
Chong Yeaw Kiong	Member	Independent Non-Executive Director
Lim May Wan	Member	Independent Non-Executive Director

The key duties and responsibilities of our Audit and Risk Management Committee are, among others, the following:

(i) reviewing the quarterly results and the year-end financial statements of our Group before submission to our Board for approval, focusing on amongst others, changes in or implementation of major accounting policy changes, significant matters highlighted including financial reporting issues, significant judgement made by our management, significant and unusual events or transactions and how these matters are addressed and compliance with accounting standards, regulatory and other legal requirements;

(ii) reviewing and providing advice on whether the financial statements taken as a whole provide a true and fair view of our Company's financial position and performance;

(iii) ensuring that the financial statements are consistent with operational and other information, when there are significant matters requiring judgement;

(iv) considering and recommending to our Board on the appointment or re-appointment of external auditors and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process;

(v) assessing the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established;

(vi) reviewing the audit plan, audit report and evaluating system of internal controls with the external auditors and reporting the same to our Board;

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

(viii) reviewing the internal audit plan, programme, processes, and the reporting structure;

(ix) reviewing the findings of the internal auditor's reports, investigations undertaken and whether or not appropriate actions are taken by our management, based on the recommendations of the internal auditors;

(x) reviewing the appraisal or assessment of the performance of the internal audit function on an annual basis;

(xi) establishing an adequate and effective risk management and internal control framework for our Group;

(xii) reviewing and assessing our Group's level of risk appetite and risk tolerance;

(xiii) reviewing the risk management framework, policies and processes, including identifying, managing, monitoring, treating and mitigating significant risks of our Group, and recommending for approval by our Board;

(xiv) reviewing significant risks identified (including operational, financial, regulatory compliance, sustainability and reputational risks) and assess the mitigating actions put in place to manage these risks;

(xv) reviewing the adequacy of resources for managing the risk management and internal control framework of our Group;

(xvi) establishing comprehensive procedures for identifying, evaluating, approving reporting related party transactions and recurrent related party transactions, and monitoring conflict of interest situations;

(xvii) reviewing and establishing whether all recurrent related party transactions have been carried out in accordance with the mandate approved by our shareholders and are on commercial terms no more favourable to the related parties than those available to the public;

(xviii) reviewing all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of our Company and are not to the detriment of our minority shareholders;

(xix) periodically reviewing the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy; and

(xx) reviewing regulatory and compliance reports and any other reports within the purview of the Audit and Risk Management Committee.

5.3.3 Remuneration Committee

The current members of our Remuneration Committee are as follows:

Name	Position	Directorship
Chong Yeaw Kiong	Chairperson	Independent Non-Executive Director
Lim See Tow	Member	Independent Non-Executive Director
Lim May Wan	Member	Independent Non-Executive Director

The key duties and responsibilities of our Remuneration Committee are, among others, the following:

(i) implementing our Group's policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and senior management and recommend to our Board for approval;

(ii) reviewing policies and procedures on remuneration of Directors and senior management to ensure that remuneration packages are determined on the basis of individual's merit, qualification and competence, after taking into consideration the complexity of our Group's business and performance, individual's responsibilities, comparable market statistics, and their roles in addressing our Company's material sustainability risks and opportunities and achieving sustainability targets;

(iii) reviewing the compensation policy of Directors and senior management, and ensure the compensations offered are in line with market practice;

(iv) recommending to our Board any performance related pay schemes for our Company or our Group;

(v) recommending to our Board on the appointment of experts or consultants, where necessary to fulfil its responsibilities; and

(vi) overseeing any major changes in employee remuneration and benefit structures throughout our Group.

5.3.4 Nominating Committee

The current members of our Nominating Committee are as follows:

Name	Position	Directorship
Lim May Wan	Chairperson	Independent Non-Executive Director
Lim See Tow	Member	Independent Non-Executive Director
Chong Yeaw Kiong	Member	Independent Non-Executive Director

The key duties and responsibilities of our Nominating Committee are, among others, the following:

(i) identifying, considering and recommending to our Board suitable candidates for appointment of Directors. Our Nominating Committee shall not solely rely on recommendations from existing board members, management or major shareholders, but will also utilise independent sources to identify suitably qualified candidates;

(ii) recommending to our Board the re-election of Directors who retired by rotation pursuant to our Constitution and re-appointment of Directors who retired pursuant to relevant sections of the CA 2016;

(iii) recommending to our Board the appointment of members of each Board committee;

(iv) recommending to our Board any appointment, cessation, suspension, dismissal and/or any staff movement including re-designation, re-deployment, transfer or secondment of senior management of our Group;

(v) assessing and reviewing annually the effectiveness of our Board as a whole, Board committees, and the contribution of each individual Director and Chief Executive Office including his/her character, competence, experience and time commitment;

(vi) reviewing the tenure of each Director and ensuring that the annual re-election of a Director is based on satisfactory evaluation of the Director's performance and contribution to our Board;

(vii) evaluating and reviewing the performance of our Board and senior management including the performance of our Board and senior management in addressing the Company's material sustainability risks and opportunities;

(viii) reviewing and assessing the independence of our independent Directors on an annual basis;

(ix) reviewing our Board's and senior management's succession plans and overseeing the development of a diverse pipeline for our Board's and management's succession, including the future Chairman, Executive Directors and Chief Executive Officer;

(x) considering and recommending to our Board for approval, the appropriate size of our Board and Board Committees to facilitate effective decision making after taking into consideration the scope and nature of the operations of our Group;

(xi) establishing gender diversity policy for our Board and senior management and to ensure that our Company takes concrete action to achieve the numerical targets as stated in the policy; and

(xii) reviewing annually the term of office, effectiveness and performance of our Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and its members have carried out their duties in accordance with their terms of reference.

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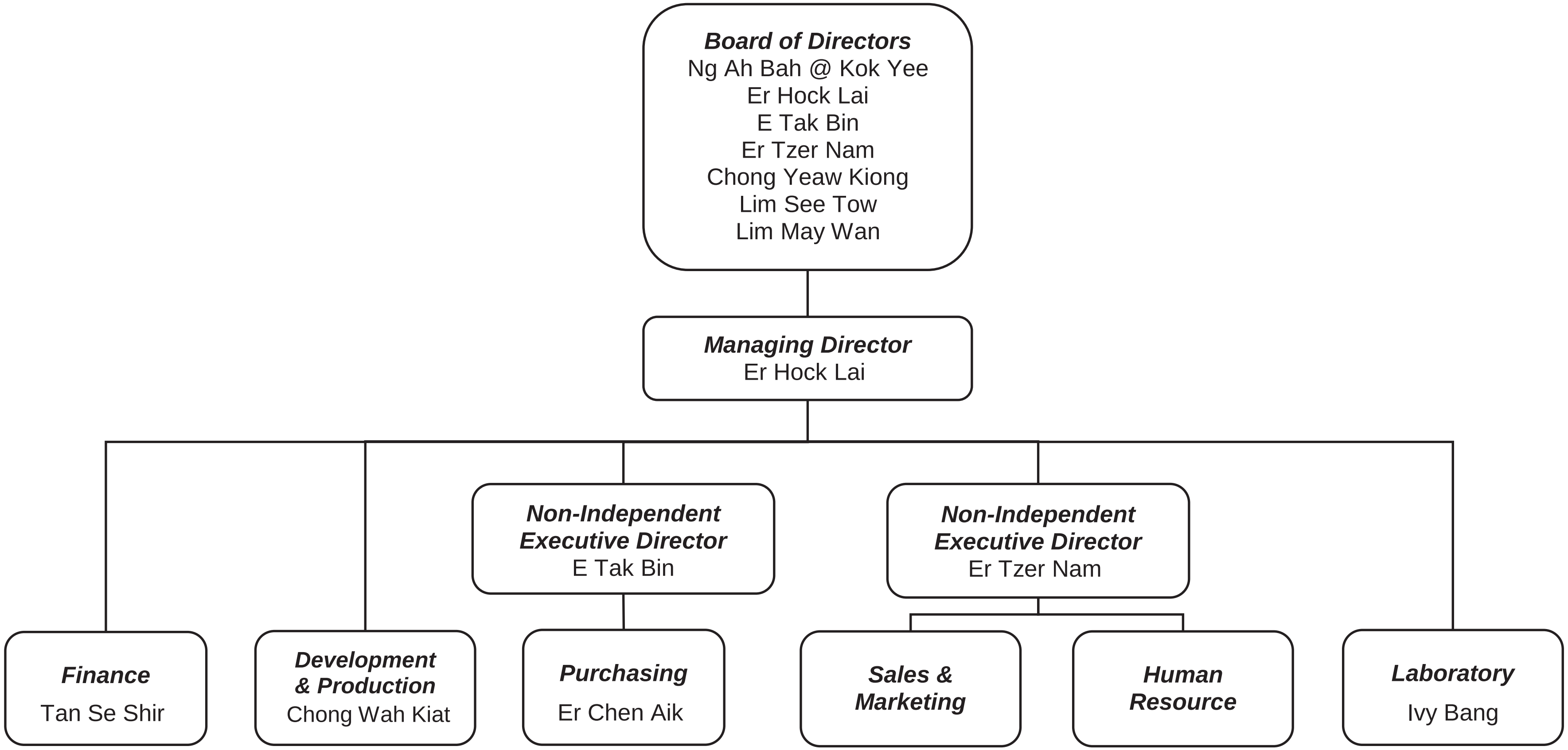
5.4 KEY SENIOR MANAGEMENT

5.4.1 Management Reporting Structure

Our Group's management reporting structure is as follows:



5.4.2 Key Senior Management's shareholdings

The details of our Key Senior Management and their respective shareholdings in our Company before our IPO (after completion of the Pre-IPO Exercise) and after our IPO (assuming full subscription of the IPO Shares allocated for our Key Senior Management under the Pink Form Allocations) are as follows:

			As at the LPD				After our IPO			
			Direct		Indirect		Direct		Indirect	
Name	Designation	Nationality	No. of Shares	[(1)]%	No. of Shares	[(1)]%	No. of Shares	[(2)]%	No. of Shares	[(2)]%
Tan Se Shir	Chief Financial Officer	Malaysian	-	-	-	-	500,000	0.1	-	-
Chong Wah Kiat	Senior Manager (Development & Production)	Malaysian	-	-	-	-	400,000	0.1	-	-
Er Chen Aik	Senior Manager (Purchasing)	Malaysian	-	-	-	-	400,000	0.1	-	-
Ivy Bang	Laboratory Manager	Malaysian	-	-	-	-	400,000	0.1	-	-

Notes:

(1) Based on the total number of 428,145,300 Shares after completion of the Pre-IPO Exercise.

(2) Based on the enlarged total number of 518,960,000 Shares after our IPO.

Subject to the clawback and reallocation provisions as set out in Section 4.2.4 of this Prospectus, our Key Senior Management may also subscribe for additional excess Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.

None of our Key Senior Management are representatives of any corporate shareholders.

5.4.3 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:

(i) Tan Se Shir (Philip)
Chief Financial Officer

Philip, a Malaysian, aged 48, is the Chief Financial Officer of our Company. He first joined our Group in February 2011 as a Senior Accountant for STG, where he was responsible for preparing the financial and management reports as well as dealing with external auditors in relation to the statutory audit of STG. In January 2020 he was promoted to Chief Financial Officer and his responsibilities extended to reviewing the overall performance of our Group as well as preparing the financial and management reports of our Group. He has been with our Group for more than 11 years and is instrumental in overseeing the daily financial operational activities of our Group.

Philip obtained a Diploma in Accounting awarded by the London Chamber of Commerce and Industry in 1994. He also obtained the ACCA accreditation in August 2001. He was subsequently admitted as a member of the ACCA in June 2002 and was admitted as a Fellow in June 2007.

Philip started his career in an audit firm in 1998 where he was responsible for carrying out audit work as well as analysing and evaluating financial-related information and reviewing financial statements. Subsequently, he left in November 2002 to join Lii Hen Industries Berhad, a furniture manufacturer, under internal audit to ensure compliance in policies and procedures by individual departments of the company. In July 2005, he was reassigned to Favourite Design Sdn Bhd, a related company within the same group, where he was responsible for preparing and submitting financial statements to the group accountant.

In April 2006, he left to join Poh Huat Resources Holdings Berhad, a company listed on the Main Market, as an Accountant, where he was responsible for submitting monthly management accounts to the board of directors and attending to meetings with the Audit Committee relating to the financial results of the group. In August 2007, he joined Mahkota Medical Centre Sdn Bhd, a healthcare private hospital, as Senior Accountant where he was responsible for preparing the board papers and consolidating the accounts of the group for management reporting purposes. He subsequently left Mahkota Medical Centre Sdn Bhd to join our Group in February 2011.

(ii) Chong Wah Kiat
Senior Manager (Development & Production)

Chong Wah Kiat, a Malaysian, aged 40, is the Senior Manager for the Development & Production department of our Company. He is responsible in overseeing the overall production process of our Group, and also formulates innovative solutions to improve our production lines.

He obtained his Bachelor of Electrical Engineering from Kolej Universiti Tun Hussein Onn Malaysia in July 2005. He then obtained a Master of Engineering (Electrical - Electronic and Telecommunications) from Universiti Teknologi Malaysia in March 2007.

Following his graduation from Universiti Teknologi Malaysia, he started his career with STMicroelectronics Pte Ltd, an electronic chip manufacturer based in Singapore. He was responsible for providing process engineering support in product operations and integrating process improvements into the operating procedures to meet quality, delivery, cost and business objectives. He then left STMicroelectronics Pte Ltd in October 2010 to join IM Flash Singapore LLP (now known as Micron Semiconductor Asia Pte Ltd), a semiconductor manufacturer located in Singapore, where he managed the manufacturing machines' parameters to support changes in the manufacturing process to cater for new production lines and new products. His responsibilities also include setting up of new equipment, testing of operating procedure and transferring of processing method. Subsequently he left in November 2011 to join a direct selling company of cosmetics products in Singapore, where he was responsible in managing sales and marketing in the region. Later, he joined our Group as a Project Development Manager in January 2016 and was subsequently promoted to Senior Manager of the Development & Production department in January 2020.

(iii) Er Chen Aik
Senior Manager (Purchasing)

Er Chen Aik, a Malaysian, aged 43, is the Senior Manager for the Purchasing department of our Company. He is responsible in managing and leading the team in the purchasing of cup lump and synthetic rubbers for our Group. He has been with our Group for 19 years since he first joined in 2003.

Upon completing his Sijil Pelajaran Malaysia ("**SPM**") in 1998 from Sekolah Menengah Kebangsaan St. Andrew, Muar, he was first exposed to the rubber industry under the guidance of his father, Er Hock Lai where he shadowed his father in the workplace until October 2000. Subsequently, he ventured into a food and beverages business in November 2000 where he and a partner started a café.

He then returned to the rubber processing industry when he joined STG in July 2003 as a Rubber Purchaser in the Production and Purchasing department where he assisted the supervisors in the production line and purchasing of raw materials. He was tasked to work closely with the production department to ensure production of quality products and was given the responsibility to deal with suppliers directly and to ensure that the quality of raw materials sourced is controlled. He was promoted to his current position in our Company in January 2020.

(iv) Ivy Bang
Laboratory Manager

Ivy Bang, a Malaysian, aged 58, is the Laboratory Manager of our Company. She has been with our Group for 12 years since 2010. She is responsible in the overall management of the laboratory operations and quality control for SMR testing and grading of the rubber specimens produced by our Group. She is a licensed laboratory manager who is authorised to approve test reports and issue test certificates for the block rubbers in accordance with the regulations set out by MRB before our Group exports our products. She is also responsible to ensure that all laboratory equipment are calibrated and fit to use before carrying out any tests.

She completed her SPM from Sekolah Menengah Jenis Kebangsaan Convent Holy Infant Jesus, Melaka in December 1981.

Thereafter, she started her career as a laboratory tester in Lam Joo Sdn Bhd where she assisted the laboratory supervisor with laboratory work and testing of rubber specimens. She passed the SMR Examination for SMR Laboratory Supervisors organised by the RRIM to be an approved signatory in June 1988, where she was then promoted to be a laboratory supervisor. She was in charge of managing the overall operations of the laboratory in SMR testing, approving of test reports and issuance of test certificates.

Subsequently, she left in 1992 to join Hock Hin Muar Rubber Co. Sdn Bhd, another rubber processing company, as a Laboratory Supervisor for 4 years. Then, she left to join Kota Trading Co. Sdn Bhd as a Quality Officer in January 1997 until she resigned in 1998 where she took a career break for a few years. In January 2002, she resumed work at Hock Hin Muar Rubber Co. Sdn Bhd as a Laboratory Supervisor and worked for over 6 years before she resigned in April 2008. She had a switch in career from working in rubber processing companies to becoming a freelance insurance agent. In May 2010, she joined our Group as a Laboratory Manager, a position she assumes to present.

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5.4.4 Principal directorships and principal business activities of our Key Senior Management outside our Group

Save as disclosed below, none of our Key Senior Management have any principal directorship and principal business activity performed outside our Group in the past 5 years up to the LPD:

(i) Tan Se Shir

As at the LPD, Tan Se Shir does not have any principal directorships and principal business activities performed outside our Group.

(ii) Chong Wah Kiat

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement						
Kammah Rubber Stamp Maker & Printing Sdn Bhd	Rubberstamp maker, hot stamping and printing	Shareholder	-	-	15.0	-
EHE FNB Group Sdn Bhd	Restaurant	Shareholder	-	-	20.0	-
Past involvement						
FYF Kopitiam Sdn Bhd	Restaurant	Director	4 December 2018	12 March 2021	-	-
EHE FNB Group Sdn Bhd	Restaurant	Director	29 November 2018	12 March 2021	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Er Chen Aik

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Present involvement						
Furncrest SB	Exporter of furniture and furniture parts	Shareholder	-	-	15.0	-
Past involvement						
Furncrest SB	Exporter of furniture and furniture parts	Director	23 November 2004	25 February 2020	-	-

(iv) Ivy Bang

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
Past involvement						
Duos Nyonya Kitchen	Restaurant *(terminated on 29 August 2019)*	Partner	19 October 2018	-	-	-

Our Board is of the view that the involvement of our Key Senior Management as shareholders in business activities outside our Group, if any, will not affect their continued contributions to the day-to-day management of our Group and does not give rise to any actual or potential conflict of interest situation with our business, as:

(a) the principal activities of these companies are not similar to our Group's business nor are they customers or suppliers to our Group; and

(b) the management and day-to-day operations of these businesses or corporations are managed by the other shareholders or have their own independent management team.

5.4.5 Remuneration and material benefits-in-kind of our Key Senior Management

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for the FYE 2021 and FYE 2022 are as follows:

	Remuneration band (in bands of RM50,000)	
Key Senior Management	**FYE 2021**	**Proposed for FYE 2022**
Tan Se Shir	150,000 - 200,000	200,000 - 250,000
Chong Wah Kiat	150,000 - 200,000	150,000 - 200,000
Er Chen Aik	150,000 - 200,000	150,000 - 200,000
Ivy Bang	100,000 - 150,000	100,000 - 150,000

5.5 ASSOCIATIONS OR FAMILY RELATIONSHIPS BETWEEN OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT

Save as disclosed below, there are no other family relationships and/or association between any of our Directors, Promoters, Substantial Shareholders and Key Senior Management as at the LPD:

Name	Relationship
Director, Promoter and Substantial Shareholder	
E Tak Bin	▪ Brother of Er Hock Lai and Er Jin Hoo ▪ Uncle of Er Tzer Nam, Alex Er Yong Fong, Er Yong Hua and Er Chen Aik
Directors and Promoters	
Er Hock Lai	▪ Brother of E Tak Bin and Er Jin Hoo ▪ Father of Er Tzer Nam and Er Chen Aik ▪ Uncle of Alex Er Yong Fong and Er Yong Hua
Er Tzer Nam	▪ Son of Er Hock Lai ▪ Nephew of E Tak Bin and Er Jin Hoo ▪ Brother of Er Chen Aik ▪ Cousin of Alex Er Yong Fong and Er Yong Hua
Promoters	
Sumber Panji	Directors ("**D**") and Shareholders ("**S**") of Sumber Panji as at the LPD are set out below: ▪ Er Hock Lai (D & S), E Tak Bin (D), Er Tzer Nam (D), Er Jin Hoo (S) *(as disclosed herein)* ▪ Alex Er Yong Fong (S) (a) Brother of Er Yong Hua (b) Nephew of E Tak Bin, Er Hock Lai and Er Jin Hoo (c) Cousin of Er Tzer Nam and Er Chen Aik

Name	Relationship
	▪ Er Yong Hua (S) (a) Brother of Alex Er Yong Fong (b) Nephew of E Tak Bin, Er Hock Lai and Er Jin Hoo (c) Cousin of Er Tzer Nam and Er Chen Aik
Er Jin Hoo	▪ Brother of Er Hock Lai and E Tak Bin ▪ Uncle of Er Tzer Nam, Alex Er Yong Fong, Er Yong Hua and Er Chen Aik
Key Senior Management	
Er Chen Aik	▪ Son of Er Hock Lai ▪ Nephew of E Tak Bin and Er Jin Hoo ▪ Brother of Er Tzer Nam ▪ Cousin of Alex Er Yong Fong and Er Yong Hua

5.6 DECLARATIONS BY OUR DIRECTORS, PROMOTERS AND KEY SENIOR MANAGEMENT

As at LPD, none of our Directors, Promoters and Key Senior Management is or has been involved in any of the following events (whether within or outside Malaysia):

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

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

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

(iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on such person's part, involving a breach of any law or regulatory requirement that relates to the capital market;

(v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on such person's part that relates to the capital market;

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

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

(viii) any unsatisfied judgment against such person.

5.7 SERVICE CONTRACTS

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or Key Senior Management with our Group which provide for benefits upon termination of employment.

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6. INFORMATION OF OUR GROUP

6.1 OUR GROUP

6.1.1 History and background

Our Company was incorporated in Malaysia under the Act on 1 July 2021 as a private limited company under the name of Seng Fong Holdings Sdn Bhd.

On 9 September 2021, our Company was converted into a public limited company and we assumed our present name. Subsequently on 19 May 2022, we completed the Pre-IPO Exercise which resulted in SFT becoming our wholly-owned subsidiary and STG becoming our wholly-owned indirect subsidiary.

We are principally an investment holding company and engaged in provision of management services. Through our subsidiaries, we are principally involved in the following business segments:

Company	Principal activities
SFT	Investment holding and trading of various grades of natural rubber
Subsidiary of SFT	
STG	Processing and sale of natural rubber of various grades, principally SMR Grade and Premium Grade block rubber

6.1.2 Share capital

After the Pre-IPO Exercise, our issued share capital is RM77,844,600, comprising 428,145,300 Shares. Save as disclosed below, there has been no change in our issued share capital since the date of our incorporation up to 19 May 2022:

Date of allotment / subdivision	No. of Shares allotted	Consideration	Nature of transaction	Cumulative share capital	
				No. of Shares	RM
1 July 2021	1	Cash	Subscriber's shares	1	1
18 May 2022	77,844,599	Other than cash	Acquisition of SFT	77,844,600	77,844,600
19 May 2022	N/A	Nil	Share Split	428,145,300	77,844,600

Upon the completion of our IPO, our enlarged issued share capital will increase to RM145,955,625 comprising 518,960,000 Shares.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Please refer to Section 6.4 of this Prospectus for further information on our subsidiaries.

6.2 THE FORMATION OF OUR GROUP

6.2.1 Acquisition of SFT

The Company had on 3 September 2021 entered into a conditional SSA with the Vendors to acquire the entire issued share capital of SFT, together with STG which is a wholly-owned subsidiary of SFT, for a purchase consideration of RM77,844,599. The purchase consideration was satisfied via the issuance of 77,844,599 new Shares at an issue price of RM1.00 per Share to the Vendors as follows:

Vendors	No. of shares acquired	% of share capital	Purchase consideration (RM)	No. of new Shares issued
Sumber Panji	3,227,678	86.0	67,001,947	67,001,947
E Tak Bin	375,000	10.0	7,784,460	7,784,460
Er Koon Hong	73,661	2.0	1,529,096	1,529,096
Er Koon Chuan	73,661	2.0	1,529,096	1,529,096
Total	**3,750,000**	**100.0**	**77,844,599**	**77,844,599**

The said conditional SSA is subject to the following, all of which have been fulfilled:

(i) the SC and any other relevant approvals from the regulatory authorities in relation to listing of our Group; and

(ii) all relevant approvals, consents and provisions required in relation to the Acquisition.

The Acquisition was completed on 18 May 2022.

The purchase consideration of RM77,844,599 was arrived at on a willing-buyer willing-seller basis after taking into consideration the adjusted consolidated NA of SFT as at 30 June 2021 as follows:

SFT	RM'000
Audited consolidated NA as at 30 June 2021	87,845
Less: Payment of final dividend by SFT(1)	(10,000)
Adjusted consolidated NA as at 30 June 2021	**77,845**

Note:

(1) The final dividend of RM10.0 million was paid on 3 September 2021 out of the retained profits of SFT.

6.2.2 Share Split

Prior to our IPO, our Company have undertaken the Share Split as part of the Pre-IPO Exercise which involves the subdivision of every existing 2 Shares into 11 Shares.

Upon completion of the Share Split, the resultant issued share capital of our Company is RM77,844,600 comprising 428,145,300 Shares where the shareholding structure of our Company before and after the Share Split is as follows:

	After the Acquisition / Before the Share Split				After the Share Split			
	Direct		Indirect		Direct		Indirect	
Existing shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Sumber Panji	67,001,947	86.0	-	-	368,510,709	86.0	-	-
Er Hock Lai	1	*	(1)67,001,947	(1)86.0	5	*	(1)368,510,709	(1)86.0
E Tak Bin	7,784,460	10.0	-	-	42,814,530	10.0	-	-
Er Koon Hong	1,529,096	2.0	-	-	8,410,028	2.0	-	-
Er Koon Chuan	1,529,096	2.0	-	-	8,410,028	2.0	-	-
Total	**77,844,600**	**100.0**			**428,145,300**	**100.0**		

Note:

(1) *Deemed interested by virtue of his shareholding in Sumber Panji pursuant to Section 8(4) of the CA 2016.*

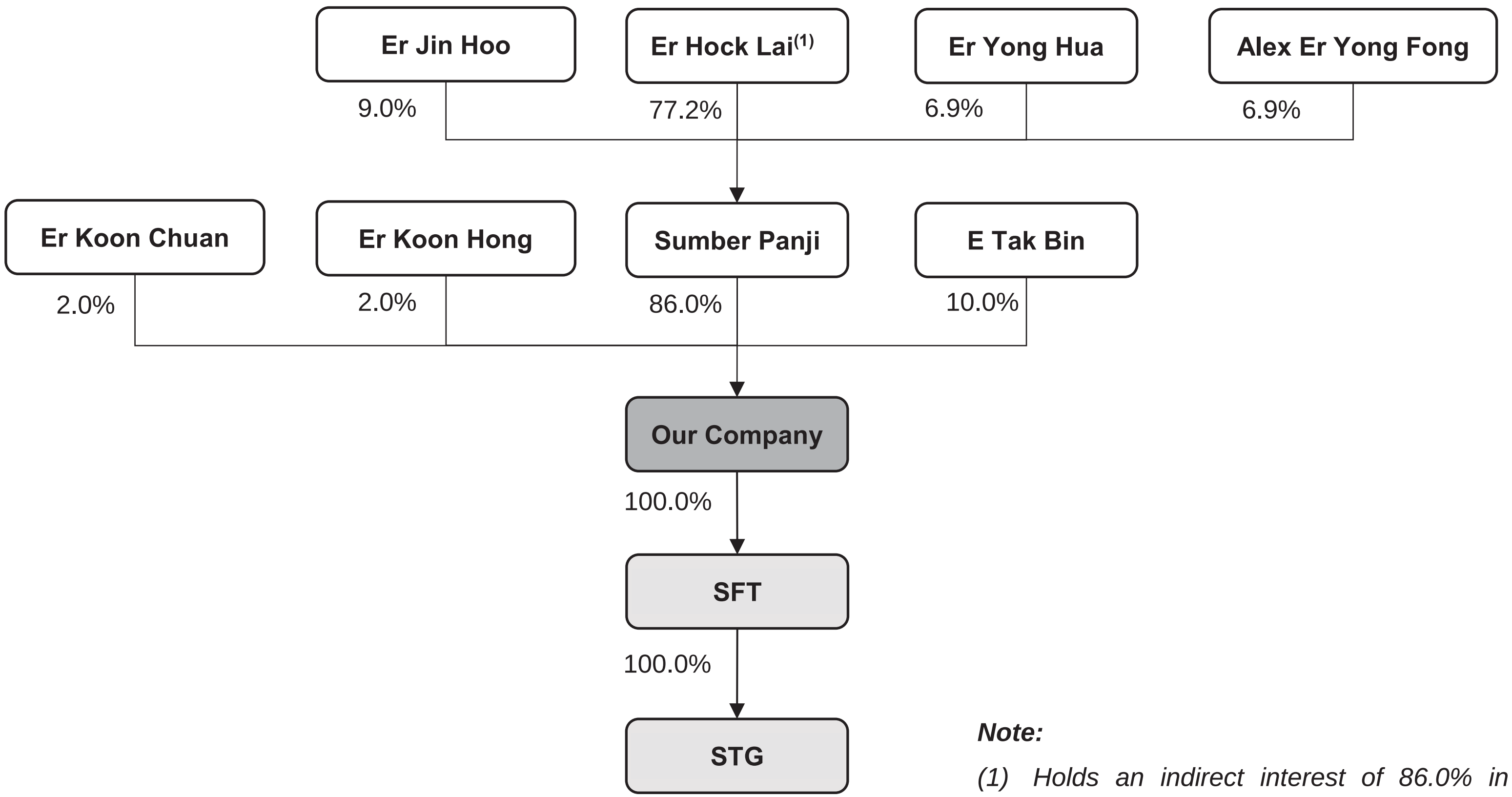
* *Negligible*

6. INFORMATION OF OUR GROUP (CONT'D)

6.3 OUR GROUP STRUCTURE

Our Group structure before and after our IPO are set out below:

After the Pre-IPO Exercise and before our IPO

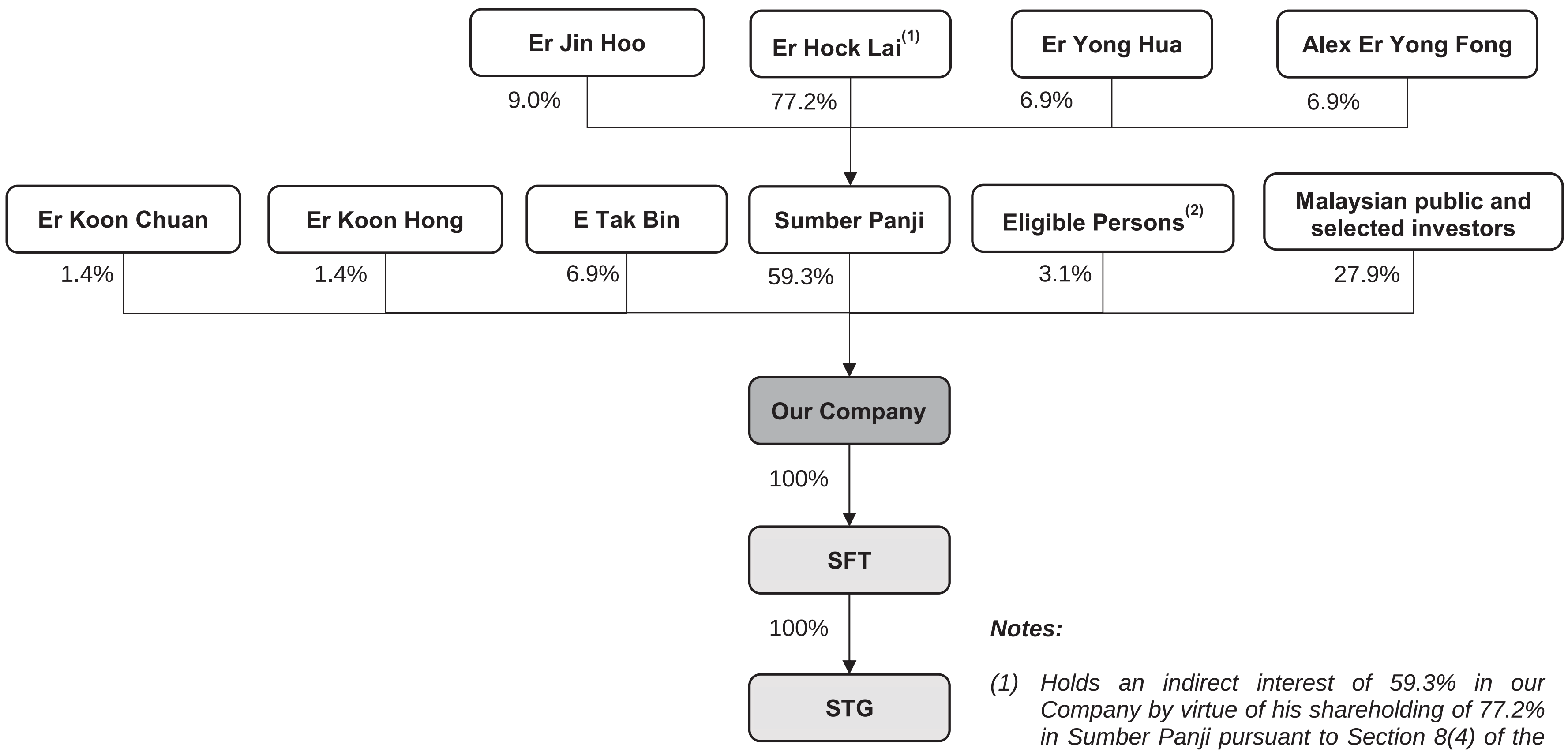


Note:

(1) Holds an indirect interest of 86.0% in our Company by virtue of his shareholding of 77.2% in Sumber Panji pursuant to Section 8(4) of the CA 2016. He also holds a negligible 5 Shares in Seng Fong directly.

6. INFORMATION OF OUR GROUP (CONT'D)

<u>After our IPO</u>



Notes:

(1) Holds an indirect interest of 59.3% in our Company by virtue of his shareholding of 77.2% in Sumber Panji pursuant to Section 8(4) of the CA 2016. He also holds a negligible 5 Shares in Seng Fong directly.

(2) Assuming that our eligible Directors and employees fully subscribe for their entitlement under the Pink Form Allocations.

6. INFORMATION OF OUR GROUP (CONT'D)

6.4 OUR SUBSIDIARIES

Our subsidiaries as at the LPD are as follows:

Name and registration no.	Date and country of incorporation	Principal place of business	Issued share capital RM	Effective equity interest %	Principal activities
Subsidiary					
SFT / 197501002671 (24361-A)	6 September 1975 / Malaysia	Malaysia	6,000,000	100.0	Investment holding and trading of various grades of natural rubber
Subsidiary of SFT					
STG / 198101002330 (68443-P)	16 March 1981 / Malaysia	Malaysia	7,250,000	100.0	Processing and sale of natural rubber of various grades, principally SMR Grade and Premium Grade block rubber

As at the LPD, we do not have any joint venture or associated company.

Further details of our subsidiaries as at the LPD are set out below:

6.4.1 SFT

SFT was incorporated in Malaysia under the CA 1965 on 6 September 1975 as a private limited company under the name of Seng Fong Trading Sdn Bhd and is deemed registered under the CA 2016. SFT is principally involved in investment holding and trading of various grades of natural rubber.

SFT's issued share capital as at the LPD is RM6,000,000 comprising 3,750,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of SFT for the past 3 FYs preceding the LPD:

Date	No. of ordinary shares allotted	Consideration	Nature of transaction	Cumulative share capital No. of ordinary shares	Cumulative share capital RM
31 January 2019	Nil	Nil	Amalgamation of share premium account to share capital(1)	3,750,000	6,000,000

***Note**:*

(1) Pursuant to the Act which came into effect on 31 January 2017 and the abolishment of the par value regime under the Act, the concept of share premium was no longer applicable and the amount standing to the credit of SFT's share premium account of RM 2,250,000 had become part of the company's share capital.

As at the LPD, SFT does not have any outstanding warrants, options, convertible securities and uncalled capital.

6.4.2 STG

STG was incorporated in Malaysia under the CA 1965 on 16 March 1981 as a private limited company under the name of Syarikat Tenaga (Gemas) Sdn Bhd and is deemed registered under the CA 2016. STG is a wholly-owned subsidiary of SFT. STG is principally involved in the processing and sale of natural rubber of various grades, principally SMR Grade and Premium Grade block rubber.

STG's issued share capital as at the LPD is RM7,250,000 comprising 7,250,000 ordinary shares. There has been no change to the issued share capital of STG during the past 3 FYs and up to LPD.

As at the LPD, STG does not have any outstanding warrants, options, convertible securities and uncalled capital.

6.5 MATERIAL INVESTMENTS AND DIVESTITURES

Save as disclosed below, we do not have any other material investments and divestitures for the Financial Years Under Review, FPE 31 December 2021 and up to the LPD:

	FYE 2019	FYE 2020	FYE 2021	FPE 31 December 2021	1 January 2022 up to the LPD
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Investment costs					
Property plant and equipment					
- Leasehold land and building[(1)]	1,150	102	1,869	15	-
- Plant, machinery and equipment[(2)]	2,612	2,091	1,741	91	43
- Capital work-in-progress [(3)]	-	-	2,657	10,847	1,071
Total	**3,762**	**2,193**	**6,267**	**10,953**	**1,114**
Divesture proceeds					
Disposal of BMI[(4)]	-	11,915	-	-	-
Total	**-**	**11,915**	**-**	**-**	**-**

Notes:

*(1) The costs incurred on leasehold land and building were mainly due to expansion and upgrading expenses of the concrete flooring on certain areas of the existing land of the 3 factories in Gemas, Negeri Sembilan, being used for storage of cup lump, office space and for installation of new machineries under the wet processing line during the FYE 2019 and FYE 2021. Other expenses relate to construction of a workers' quarter (identified as "**Workers' Quarter 2**" in Section 7.14.1 of this Prospectus) which were incurred during the FYE 2020, FYE 2021 and FPE 31 December 2021.*

(2) Plant, machinery and equipment comprise factory equipment, furniture, fittings, laboratory facilities, vehicles, plant and machinery which were used for our day-to-day business operations.

(3) Capital work-in-progress in relation to the following:

(i) installation of Biomass System; and

(ii) installation of Solar System.

(4) The disposal of SFT's entire 60% equity interest in BMI held indirectly through STG which was completed in the FYE 2020. Please refer to Section 7.1 of this Prospectus for details on the disposal of BMI in FYE 2020.

The above material investments were primarily financed by a combination of bank borrowings and internally generated funds.

Other than the material capital commitment as disclosed in Section 12.5.1 of this Prospectus, there are no material investments or divestitures currently in progress in Malaysia.

6.6 PUBLIC TAKE-OVERS

Since the beginning of the FYE 2021 up to LPD, there has been:

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

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

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7. BUSINESS OVERVIEW

7.1 HISTORY AND MILESTONES

Expansion of business, factory and production capacity

The history of our Group can be traced back to 15 June 1986 when Kilang Getah Hock Guan, a partnership, was established by Er Hock Lai together with his brothers, namely E Tak Bin, Er Hoon Eng and Er Ley Tee. Kilang Getah Hock Guan was initially involved in the processing of crepe rubber from a rented factory located in Muar, Johor with an initial production capacity of approximately 3,000 MTS per year. The products of Kilang Getah Hock Guan were sold to the domestic market.

On 3 July 1989, all the partners in Kilang Getah Hock Guan collectively acquired 100% equity interest representing 400,000 shares in SFT, from non-related parties to our Group, for a purchase consideration of RM0.4 million. SFT is a company involved in the trading of various grades of crepe rubber and house grade block rubber, which held license granted by the MRB to purchase, store, sell, process and pack natural rubber for export. This was a significant development which enabled our Group to further expand our business to include exports to overseas markets. We export mainly to China, Taiwan and India, amongst others, details of which are set out in Section 7.3.3 of this Prospectus. In 1993, we ceased processing crepe rubber and replaced with the production of house grade block rubber as the demand for block rubber had been increasing over the years.

In order to consolidate the business operations of both entities, SFT acquired all the assets and business of Kilang Getah Hock Guan on 30 August 1994. Kilang Getah Hock Guan ceased its business operations thereafter. In 1994, SFT continued to operate from the rented factory and was producing house grade block rubber at approximately 6,000 MTS per year.

On 23 May 1996, SFT acquired 100% equity interest representing 750,000 shares in STG, from non-related parties to our Group, for a purchase consideration of RM2.4 million. At that time, STG held a 40-acre leasehold industrial land in Gemas, Negeri Sembilan (“**Gemas Land**”) and license granted by MRB to purchase, store, sell, process and pack natural rubber for export. With the purchase of STG, our Group constructed Factory 1 with a production floor space of approximately 128,000 sq ft on our Gemas Land. The construction of Factory 1 was completed in March 1997. Following that, we relocated our operations from the rented factory to Factory 1, and with that our production capacity increased to approximately 20,000 MTS per year. We started producing SMR Grade in the same year.

In February 2000, we purchased 1 set of dry rubber processing machinery for our new production line and commenced testing and calibration of the new machinery. During the period of testing and calibration, we gradually increased our production capacity to approximately 50,000 MTS per year when our new production line was fully commissioned. Please refer to Section 7.4.3 of this Prospectus for the list of machinery and equipment categorised under a set of dry processing line, which was purchased in 2000. In July 2003, we received our first ISO certification which was the ISO 9001:2000 certification from Lloyd’s Register Quality Assurance Inc. as a testimony of quality control of our product standards for export purposes. Since then, our ISO certifications have been regularly renewed following the latest ISO standards.

In May 2005, in order to support our production capacity expansion, we expanded our warehouse in Factory 1 and set up our laboratory to conduct quality control testing on our products to meet MRB’s specification on SMR Grade and in-house research and development (“**R&D**”) activities on the specifications of Premium Grade block rubber upon request by our customers. In December 2005, we completed the construction of our second factory, Factory 2, on our Gemas Land, comprising a production floor space of approximately 101,000 sq ft. The production capacity of Factory 2 was 25,000 MTS per year, bringing our total production capacity to approximately 75,000 MTS per year.

In March 2007, our laboratory was approved by MRB as an authorised SMR laboratory which enables us to conduct in-house quality control inspection and issue quality control inspection certifications for our block rubber. In the same year, we continued to expand our production line through the purchase and installation of new machinery in Factory 2. With this purchase, 25,000 MTS was added to our production capacity, bringing our total production capacity to approximately 100,000 MTS per year.

In December 2008, we completed the construction of our third factory, Factory 3, on Gemas Land, comprising a production floor space of 90,000 sq ft and subsequently constructed an effluent treatment pond on a 15-acre land next to the Gemas Land. Factory 3 remained as a storage warehouse until 2012 when we installed a new machinery line for block rubber production, thus bringing the total production capacity of our Group to approximately 142,000 MTS per year, the current capacity of our factory.

On 27 April 2016, BMI was incorporated in Cambodia with STG holding 60% of equity interest and the remaining 40% equity interest held by non-related parties to our Group. BMI was involved in the processing of TSR, known in Cambodia as Cambodia Standard Rubber ("**CSR**") (i.e. CSR10 and CSR20), in which it was exported to our Group's customers who are based in Hong Kong and China, through STG. The production capacity of BMI was 11,840 MTS per year. In June 2020, STG completed the disposal of its entire shareholdings in BMI to Dataleap Sdn Bhd, a non-related party to our Group, as BMI was unable to make a profit since its incorporation in year 2016, and Er Hock Lai and Er Tzer Nam subsequently ceased their directorships in BMI.

7.2 PRINCIPAL BUSINESS ACTIVITIES

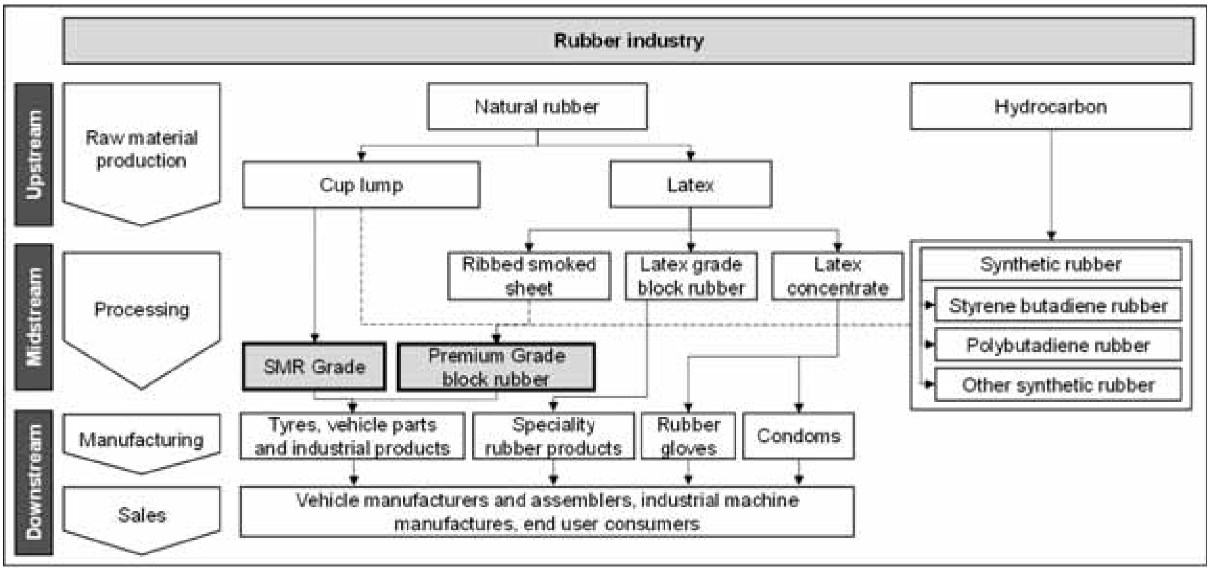
Our Group, through our subsidiaries, is principally involved in the processing of cup lump into block rubber. We own and operate a rubber processing business in Gemas, Negeri Sembilan, comprising 3 factories with a total production floor space of approximately 319,000 sq ft, and a total production capacity of approximately 142,000 MTS per year. Upon request by our customers, our Group also trades block rubber based on the type of block rubber specified by our customers. The block rubber traded by our Group are block rubber that we do not produce in our factory such as CSR and Standard Guatemalan Rubber ("**SGR**"). Hence, our processing segment and trading segment are complementary to each other.

In 1965, the RRIM introduced the SMR Scheme which revolutionised the presentation, quality and marketing of natural rubber. Under this scheme, rubber is graded based on technical specifications instead of the traditional visual grading system used for rubber sheets and remilled crepes, and it is termed as SMR Grade. This is to benchmark the standards of rubber produced by various block rubber processing industry players, as well as provide block rubber purchasers with a set of prescribed criteria from which the quality can be ascertained, enabling them to purchase block rubber with technical properties which correspond to the intended applications. Subsequently, other major block rubber processing countries (e.g. Thailand, Indonesia and Vietnam) adopted the SMR Scheme and label block rubber produced according to the country of origin, for example, Standard Thai Rubber ("**STR**") for block rubber produced in Thailand, Standard Indonesia Rubber ("**SIR**") for block rubber produced in Indonesia and Standard Vietnam Rubber ("**SVR**") for block rubber produced in Vietnam. In general, all technically specified rubber produced under the scheme and meet the same technical parameters and properties is known as TSR (i.e. SMR20, STR20, SIR20 and SVR20 must meet the same technical parameters and properties and are known as TSR20 in general).

7. BUSINESS OVERVIEW (CONT'D)

As a block rubber processor, our Group is categorised under the midstream sector of the rubber industry and produces various grades of block rubber. The primary raw materials that we purchase are cup lump, semi-processed rubber (e.g. RSS and synthetic rubber) and value-added additives (e.g. other chemicals). We process cup lump into various grades of SMR; and a mixture of cup lump with semi-processed rubber and/or value-added additives into Premium Grade block rubber. The different composition of semi-processed rubber and/or value-added additives, when mixed with cup lump, will form different grades of Premium Grade block rubber with varying product specifications and properties. Further details on our SMR Grade and Premium Grade block rubber are as set out in Section 7.3.1 and Section 7.3.2 of this Prospectus respectively.

Block rubbers are intermediate products generally sold to downstream rubber manufacturers such as manufacturers of tyres, vehicle parts and industrial rubber products, as well as rubber traders, amongst others. The value chain of the rubber industry is illustrated in the chart below:



Notes:

- denotes the type of block rubber produced by our Group.
- ----► denotes the combined blend of raw materials to produce Premium Grade block rubber.

Sources: Our Group, IMR Report

7.2.1 Business Model

We source cup lump primarily from domestic and international rubber traders; and semi-processed rubber (e.g. RSS and synthetic rubber) and value-added additives (e.g. other chemicals) mainly from international rubber traders, to produce SMR Grade and Premium Grade block rubber (Processing Segment). Our Group also trades block rubbers which are sourced from international rubber traders and/or natural rubber processors (Trading Segment), upon request by our customers.

7. BUSINESS OVERVIEW (CONT'D)

	Our Group	
Segment	Processing Segment	Trading Segment
Revenue contribution	FYE 2021: 96.0% FPE 31 December 2021: 97.5%	FYE 2021: 4.0% FPE 31 December 2021: 2.5%
Principal activities	Block rubber processing	Block rubber trading
Our suppliers	Domestic and international rubber traders	International rubber traders and natural rubber processors
Raw materials used/purchased	• Cup lump • Semi-processed rubber • Value-added additives	• Block rubber
Our products	• SMR Grade • Premium Grade block rubber	• CSR • SGR
Our customers	• Tyre manufacturers • International rubber traders	• Tyre manufacturers

Note:

- *STG is involved in the processing and trading of block rubber as well as sourcing of raw materials from local and overseas suppliers, while SFT sources raw materials from local suppliers for STG.*

Block rubbers produced in our factory are sold directly to end-user customers, majority of which are tyre manufacturers, and are also sold to international rubber traders. Upon request by our customers, we also source block rubber that we do not produce in our factory such as CSR and SGR for trading purposes, in which revenue contribution from block rubber trading contributed 0.2%, 4.0% and 2.5% of our revenue in FYE 2019, FYE 2021 and FPE 31 December 2021 respectively. There is no revenue from the Trading Segment during the FYE 2020 as there is no order from our customers. Our Trading Segment is mainly to complement our Processing Segment. Block rubbers which are sourced from international rubber traders and/or natural rubber processors, for trading purposes, are sold to tyre manufacturers.

In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our direct sales to tyre manufacturers (including affiliates of the tyre manufacturers which may be a trading entity) contributed to 66.9%, 80.9%, 76.2% and 65.7% of our Group's total revenue respectively. This direct distribution approach enables our Group to foster business relationships with our customers and to work closely with our customers to evaluate and obtain better understanding of their requirements which serves as feedback for our Group to continuously improve our products.

Our indirect sales to tyre manufacturers through international rubber trader contributed another 32.8%, 18.8%, 23.6% and 32.9% to our Group's total revenue in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 respectively. This method is useful for our Group to indirectly serve small and medium-sized customers (e.g. tyre manufacturers) as these customers purchase directly from international rubber traders. Further, engaging with international rubber traders is effective in expanding our network and enabling our Group to penetrate new markets as international rubber traders have wide customer networks. The remaining sales of less than 1.5% to international rubbers traders were contributed by other end-users (e.g. manufacturers of rubber products for general purpose), other than tyre manufacturing.

The products of our Group are typically priced at a premium to SICOM Quote. On the other hand, purchases of raw materials, such as cup lump from domestic suppliers and foreign suppliers are priced at a discount to MRB Quote and SICOM Quote respectively, while semi-processed rubber is imported and priced at a discount to SICOM Quote. As a general practice, any increase in the purchase price of raw materials (i.e. cost of raw materials) will be passed on to our customers. In other words, our Group as a natural rubber processor adopts a cost-plus approach.

7.3 PRINCIPAL PRODUCTS AND MARKETS

The primary product produced by our Group is block rubber and it can be categorised into the following grades:

(i) SMR Grade; and

(ii) Premium Grade block rubber

SMR Grades are block rubbers that fulfil the technical specifications of the SMR Scheme determined by MRB. Premium Grade block rubbers are derivatives of SMR Grades which contain the technical specifications of SMR Grades but with additional value-added specifications.

SMR Grade which is made out of 100% natural rubber has high resistance to tearing and fatigue, high tensile strength and low heat accumulation. However, in making a tyre, there are various components and the composition of tyres does not only have natural rubber but other materials (i.e. synthetic rubber and other chemicals) as well. The reason is that synthetic rubber possesses resistance to abrasion, aging and heat. As such, tyre manufacturing companies blend natural and synthetic rubbers to make different type of tyres, amongst other materials, to acquire the favourable properties of both rubbers.

Hence, a tyre manufacturer may purchase SMR Grade from our Group as part of its manufacturing material or purchase Premium Grade block rubber with value-added additives (i.e. other chemicals) based on the specification for their tyre production. The purchase of Premium Grade block rubber would also assist tyre manufacturers by improving their production efficiency and cost-saving.

Further details on our SMR Grade and Premium Grade block rubber are as set out in Section 7.3.1 and Section 7.3.2 of this Prospectus respectively.

7.3.1 SMR Grade

In Malaysia, block rubber produced in accordance to the SMR Scheme is under the purview of MRB. This is to benchmark the standards of rubber produced by various block rubber processing industry players, as well as provide block rubber purchasers with a set of prescribed criteria from which the quality can be ascertained, enabling them to purchase block rubber with technical properties which correspond to the intended applications. The current SMR Grades available in the market are SMR5, SMRGP, SMR10CV, SMR10, SMR20CV and SMR20 which are of different technical parameters and properties.

SMR is produced by treating cup lump with a series of pre-treatment for size reduction and removal of dirt under the wet processing line. Subsequently, granular-sized cup lump is dried and compressed into blocks of solid rubber under the dry processing line, with standard dimension measuring 330 mm by 670 mm by 170 mm, as determined by MRB, which gives the block rubber an approximate weight of 33kg to 35kg each.

The different grades of SMR are produced by controlling the quality of raw materials input (e.g. dry rubber content of cup lump) and the drying process. Further details on the processing of block rubber are as set out in Section 7.4.1 of this Prospectus. The grading of SMR is based on the following parameters:

Parameters	Description
Dirt	Dirt content is a measurement of insoluble impurities such as wood, leaf, sand and earth. Lower SMR Grade number indicates lower dirt content and higher cleanliness of the block rubber, thus translating to better quality of the block rubber (i.e. SMR5 has the lowest dirt content, thus has better quality than SMR10 and SMR20)
Ash	Ash content is a measurement of rubber soluble impurities such as chalk. Lower SMR Grade number indicates lower ash content and higher cleanliness of the block rubber, thus translating to better quality of the block rubber (i.e. SMR5 has the lowest ash content, thus has better quality than SMR10 and SMR20)
Nitrogen	Nitrogen content is a measurement on the quantity of nitrogenous materials which exist in the form of proteins and their derivatives in the block rubber. Higher nitrogen content indicates higher rate of wear and tear of the block rubber. The nitrogen content that has to be achieved by the block rubber is kept at the same level for SMR5, SMRGP, SMR10 and SMR20
Volatile matter	Volatile matter is a measurement on the amount of moisture in the block rubber. Lower moisture content indicates better quality of block rubber. The volatile matter that has to be achieved by the block rubber is kept at the same level for SMR5, SMRGP, SMR10 and SMR20
Wallace rapid Plasticity ("**P_o**")	P_o is used to measure the hardness of SMR5, SMR10 and SMR20. It is a measurement on the plasticity of the block rubber which indirectly gives the estimated molecular weight. Higher P_o indicates greater hardness of the block rubber, which requires more blending to soften the block rubber. The P_o that has to be achieved by the block rubber is kept at the same level for SMR5, SMR10 and SMR20
Plasticity retention Index ("**PRI**")	PRI test is designed to measure the oxidation resistance of block rubber, in other words, the resistance of block rubber to wear and tear. Lower SMR Grade number indicates higher PRI which refers to higher resistance of the block rubber to wear and tear, thus translating to better quality of the block rubber (i.e. SMR5 has the highest PRI, thus has better quality than SMR10 and SMR20)

Parameters	Description
Mooney Viscosity	Mooney Viscosity is used to measure the hardness of SMRGP. It is a measurement on the molecular weight of the block rubber, whereby block rubber with high Mooney Viscosity is required to undergo premastication, in other words, crushing and grounding to physically break down the rubber before compounding. The range of Mooney Viscosity is a naturally occurring event that is resulted from the aging of the block rubber. Greater aging constitutes to higher Mooney Viscosity which translates to increased hardness of the block rubber. The Mooney Viscosity of the block rubber is controlled during the production stage of SMRGP. Hence, value-added additives have to be added to control the Mooney Viscosity within the required range during production. The Mooney Viscosity and P_o of the block rubber are mutually exclusive whereby only one of the parameters can be controlled at a time. For example, when the Mooney Viscosity of the block rubber is controlled at the required range, the P_o of the block rubber cannot be controlled as the addition of value-added additives to control the range of Mooney Viscosity also affects the P_o

Source: MRB, our management team

Variations in each parameter will yield different grades of SMR. As at the LPD, our Group produces the following grades of SMR:

Parameters	SMR5	SMRGP	SMR10	SMR20	Consumer limit(2)
	Sheet material(1)	Blend(1)	Field grade material(1)		
Dirt (Max % WT)(3)	0.05	0.08	0.08	0.16	N/A
Ash (Max % WT)(3)	0.60	0.75	0.75	1.00	N/A
Nitrogen (Max % WT)(3)	0.55	0.55	0.55	0.55	0.60
Volatile matter (Max % WT)(3)	0.50				0.80
Wallace rapid plasticity (P_o) (Min)(4)	30	N/A	30	30	N/A
Plasticity retention index (PRI)(Min)(5)	60	50	50	40	Mean 10 units above
Mooney Viscosity ML (1'+4') 100ºC(6)	N/A	65 (+7/-5)	N/A	N/A	N/A

Source: MRB

Notes:

(1) Refers to the different types of material blending determined by MRB.

(2) As certain properties of block rubber may continue to change after production, the consumer limit is an allowance determined by MRB and provided to factor in these changes in properties when customers receive the block rubber. A test report containing the results of the sample properties for the block rubber as tested on the production date will be furnished to the customers. If the consumer limit is exceeded or not met, the block rubber cannot be sold at the particular SMR Grade.

(3) *Max % WT is a measurement indicating that contaminants found in the block rubber does not exceed the stated percentage value of composition.*

(4) *Min P_o is a measurement indicating the minimum plasticity achieved by the block rubber.*

(5) *Min PRI is a measurement indicating the minimum aging resistance against oxidation (i.e. resistance of block rubber to wear and tear) achieved by the block rubber. Typical rubber aging ranges between 40 PRI to 80 PRI. Mean 10 units and above refers to the requirement for the block rubber to achieve 10 units and above the stated properties for the respective grades on production date.*

(6) *Mooney Viscosity ML (1'+4') 100ºC measures the Viscosity of the block rubber through twisting test.*

7.3.2 Premium Grade block rubber

Premium Grade block rubber is said to be a customised product because the additional components are blended into SMR Grade based on the specification required by customers. Hence, the properties and composition of Premium Grade block rubber varies from the SMR Grade. The production of Premium Grade block rubber is not under the purview of MRB. The addition of value-added additives allows the processed block rubber to achieve greater consistency (i.e. the properties of the block rubber produced follows the required specification closely, thus generating a narrow range of variation in the Mooney Viscosity which translates to greater consistency). Premium Grade block rubbers offered by our Group are customised according to individual customer's requirements and specifications. Hence, the properties of the Premium Grade block rubber, based on the parameters described in Section 7.3.1 of this Prospectus, may differ from customer to customer.

Variations in each parameter will yield different Premium Grade block rubber. Some examples of the common Premium Grade block rubber produced and sold by our Group in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 are as follows:

Parameters	ST5CV	ST10CV	ST20CV	Consumer limit[(2)]
	Field grade material[(1)]			
Dirt (Max % WT)[(3)]	0.05	0.07	0.14	N/A
Ash (Max % WT)[(3)]	0.60	0.75	1.00	N/A
Nitrogen (Max % WT)[(3)]	0.55	0.55	0.55	0.60
Volatile matter (Max % WT)[(3)]	0.50			0.80
Plasticity retention index (PRI)(Min)[(4)]	60	50	50	Mean 10 units above
Mooney Viscosity ML (1'+4') 100ºC[(5)]	67(±3)	67(+7/-5)	66(±3)	N/A

Notes:

(1) *Refers to the different types of material blending determined by customers.*

(2) *As certain properties of block rubber may continue to change after production, the consumer limit is an allowance determined by customers and provided to factor in these changes in properties when customers receive the block rubber. A test report containing the results of the sample properties for the block rubber as tested on the production date will be furnished to the customers. If the consumer limit is exceeded or not met, the block rubber cannot be sold at the particular Premium Grade block rubber.*

(3) *Max % WT is a measurement indicating that contaminants found in the block rubber does not exceed the stated percentage value of composition.*

(4) *Min PRI is a measurement indicating the minimum aging resistance against oxidation (i.e. resistance of block rubber to wear and tear) achieved by the block rubber. Typical rubber aging ranges between 40 PRI to 80 PRI. Mean 10 units and above refers to the requirement for the block rubber to achieve 10 units and above the stated properties for the respective grades on production date.*

(5) *Mooney Viscosity ML (1'+4') 100ºC measures the Viscosity of the block rubber through twisting test.*

In addition, our Group also produces other Premium Grade block rubber which are less common (i.e. MSSR(RSS)-P and CRUCB) and varies in parameters which are customised according to customers' requirement.

The demand for Premium Grade block rubber is driven by the advantages these products offer in the downstream manufacturing process, such as cost savings to tyre manufacturers from shortening the manufacturing process (i.e. tyre manufacturers do not need to undertake additional processing to achieve the required specification before manufacturing) due to the consistency of properties. Hence, Premium Grade block rubber is often marketed at higher prices as compared to SMR Grade.

7.3.3 Geographic and business segmentation

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

	FYE 2019		FYE 2020		FYE 2021		FPE 31 December 2021	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Processing Segment								
SMR Grade	376,704	59.2	347,530	56.4	384,529	50.1	206,424	51.5
Premium Grade block rubber	258,818	40.6	268,905	43.6	352,771	45.9	183,869	46.0
Trading Segment	1,312	0.2	^-	^-	30,877	4.0	10,197	2.5
Total revenue	**636,834**	**100.0**	**616,435**	**100.0**	**768,177**	**100.0**	**400,490**	**100.0**

Note:

^ *There is no revenue from the Trading Segment during the FYE 2020 as there is no order from our customers.*

Our Group's main revenue contributor is from the processing and sale of SMR Grade and Premium Grade block rubber (Processing Segment) while our revenue derived from the trading of block rubbers (Trading Segment) is minimal. For the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, the sale of SMR Grade was slightly more than half of our revenue contributor to our Group as it contributed 59.2%, 56.4%, 50.1% and 51.5% to our Group's total revenue respectively.

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

	FYE 2019		FYE 2020		FYE 2021		FPE 31 December 2021	
Countries	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
China[(1)]	320,718	50.4	298,839	48.5	448,455	58.4	186,307	46.5
Hong Kong (Republic of China)[(2)]	240,119	37.7	171,544	27.8	144,251	18.8	81,271	20.3
Singapore[(3)]	62,894	9.9	95,760	15.5	138,988	18.1	124,283	31.0
Taiwan[(4)]	10,767	1.7	49,013	8.0	35,487	4.6	3,224	0.8
Others[(5)]	2,336	0.3	1,279	0.2	996	0.1	5,405	1.4
Total revenue	**636,834**	**100.0**	**616,435**	**100.0**	**768,177**	**100.0**	**400,490**	**100.0**

Notes:

(1) All our sales to China were derived from tyre manufacturers and international rubber traders based in China whom are either affiliates of tyre manufacturers in China or independent traders who ship directly to China.

(2) All our sales to Hong Kong were derived from international rubber traders based in Hong Kong (i.e. affiliates of tyre manufacturers in China or independent traders) who purchased block rubbers from us for onward shipment or sales to their customers in China.

(3) All our sales to Singapore were derived from international rubber traders based in Singapore. Majority of our sales from Singapore were derived from one of our major customers, R1 International Pte Ltd, who purchased block rubbers from us for onward sales to their customers mainly in India, as well as to customers in China, USA and Argentina. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our sales from R1 International Pte Ltd contributed 95.3%, 99.9%, 100.0% and 94.3% respectively, to our sales from Singapore.

(4) All our sales to Taiwan were derived from tyre manufacturers and international rubber traders based in Taiwan (i.e. independent traders), for direct shipment to Taiwan and China.

(5) Others include sales to international rubber traders based in Indonesia, British Virgin Islands, Australia, Singapore, Netherlands and Malaysia who shipped the products to Indonesia, Australia, Malaysia, Turkey, Poland and Germany.

Our block rubber is mainly sold to overseas customers. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, export sales contributed to approximately 99.9%, 99.9%, 100.0% and 99.9% of our Group's revenue respectively. Our sales are mainly derived from exports to customers based in China, Hong Kong and Singapore. As our customers consist of international rubber traders, please refer to Notes (1) to (5) above for further details on the respective destination country of the end-customers receiving our block rubber.

According to the IMR Report, approximately 70% of global natural rubber is used for tyre manufacturing, hence block rubber as one of the main raw materials for tyre manufacturing is driven by the automotive industry. Amongst the top 10 countries of vehicle production in 2021 were China, USA, Japan, India, South Korea, Germany, Mexico, Brazil, Spain and Thailand. Hence, the rationale of our Group to focus on the export market is due to the demand for block rubber for tyre manufacturing.

7.4 DESCRIPTION OF OUR BUSINESS

7.4.1 Our production process

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

Sales

Receipt of order and offer contract

↓

Order confirmation

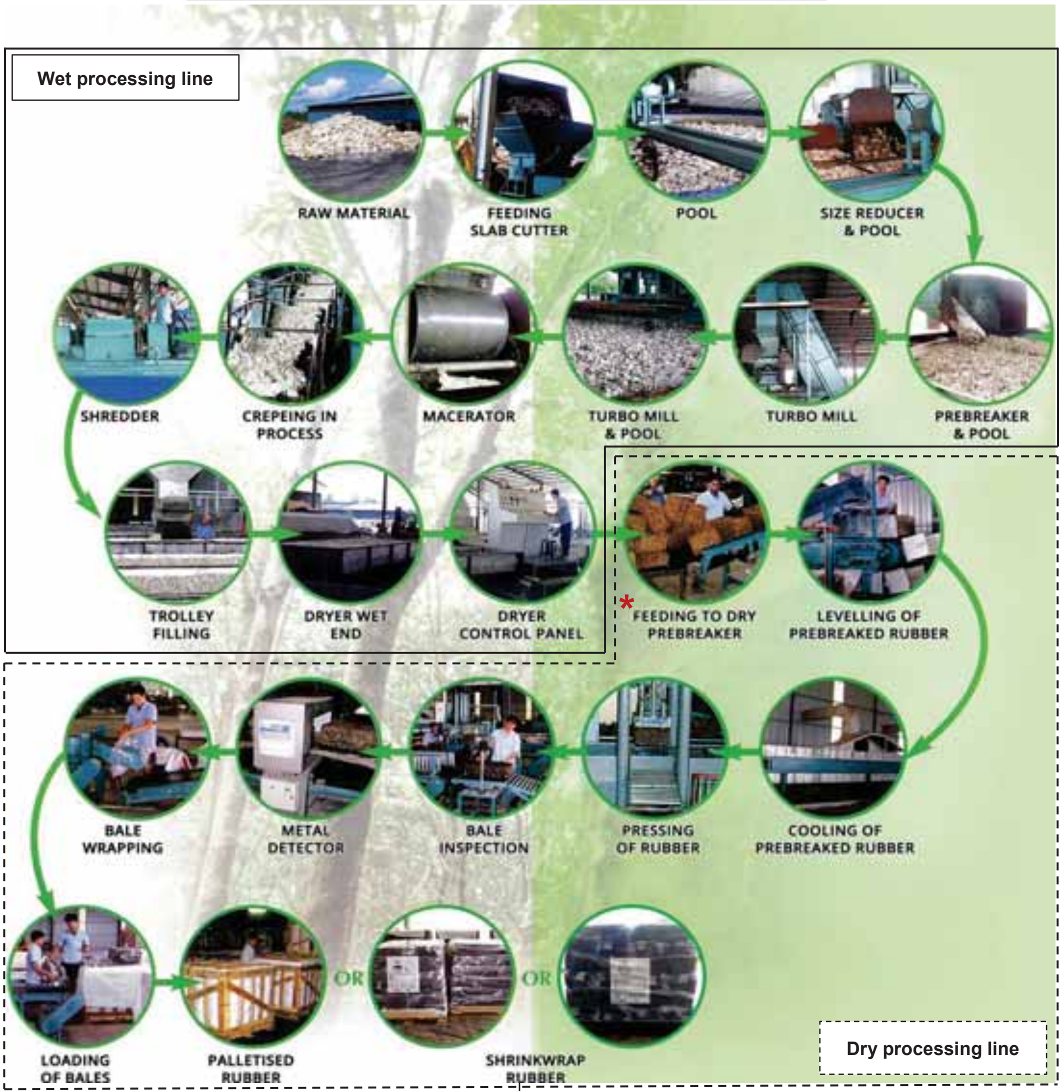
↓

Production

Inventory level assessment and raw materials procurement

↓

Production



↓

Delivery

Delivery and invoicing

↓

Collection of payment

Note:

* *For the production of Premium Grade block rubber, additional components such as semi-processed rubber (e.g. RSS and synthetic rubber) and value-added additives (e.g. other chemicals) are added in this stage where the dry processing line starts.*

Sales

Upon the receipt of order from our customer, we will offer a quotation to the customer based on the type of block rubber and quantity required, and the delivery destination. We will discuss with our customer on the expected delivery lead time. For sales contracts, upon confirmation of order, we typically sign a 6-month to 12-month contract under which an agreed quantity of our products will be delivered to our customer each month. In addition, we will also sign a monthly contract with our customers to determine the price of the block rubber to be delivered. For spot contracts, upon confirmation of order, we will sign a one-off contract with our customers for the delivery of block rubber. Further details on our sales contract and spot contract are as set out in Section 7.19 of this Prospectus.

Upon the confirmation of order, our production team will be informed of the confirmed order for production planning purposes. We do not collect deposits from our customers upon the confirmation of order. For new customers, we will request for a Letter of Credit from our customers.

Production

We will develop a production schedule based on the contract and our inventory level. We carry out procurement activities on a daily basis based on our production schedule, and also inventory level assessment on a daily basis to monitor our inventory level in order to prevent disruptions to our production. In accordance with our inventory policy, we will manage our procurement activities to ensure that the inventory level of our raw materials is maintained at a supply of approximately 1.5 months. Our raw materials, which are primarily cup lump and semi-processed rubber, can be stored for long period without deterioration. Hence, the shelf life of raw materials does not constitute as a risk to our Group.

Our production process is broken down into 2 stages of processing, primarily through the wet processing line and the dry processing line. The wet processing line focuses on the use of water to wash and clean the rubber from contaminants; while the dry processing line focuses on drying the rubber crumbs and blending them into block rubber, with the additions of semi-processed rubber and/or value-added additives for production of Premium Grade block rubber, based on the required specifications. Detailed processes of the wet processing line and dry processing line are set out below:

1. <u>Processes under the wet processing line</u>

(i) Reception (Raw material and blending)

Block rubber processing starts with the reception of cup lump, the raw material to be processed into block rubber. The cup lump is weighed at the weighing bridge and unloaded at the designated area. All batches of cup lump received are assessed and samples are taken to determine the dry rubber content to evaluate the properties, as the quality of raw rubber materials differs from one supplier to another. Thus, it is necessary for cup lump to be blended thoroughly before processing in order to achieve a uniform distribution of quality. Upon reception, batches of cup lump are first stored at open areas for 2 to 3 weeks to remove moisture and to improve plasticity before being processed.

(ii) Initial size reduction (Feeding slab cutter and pre-cleaning pool)

Cup lump is fed into the slab cutter to undergo the first stage of size reduction. The slab cutter breaks the different sizes of cup lump into smaller pieces of rubber granules. Subsequently, the rubber granules are mixed in the circular pre-cleaning pool by a crumb stirrer to remove the dirt.

(iii) Intermediate size reduction (Size reducer and cleaning pool)

Rubber granules are then conveyed from the pre-cleaning pool to the size reduction and pre-treatment machine. The cutting machine further reduces the size of the rubber granules and releases dirt from the internal portion of the rubber. The smaller granules will fall into a second circular cleaning pool for further mixing and cleaning.

(iv) Wet pre-breaking (Wet pre-breaker and cleaning pool)

The rubber is then conveyed to the next pre-treatment machine, which is the wet pre-breaker, for further size reduction and dirt removal to prepare the rubber for crepeing process. The rubber is then sent to the third circular cleaning pool for more thorough cleaning.

(v) Size reduction (Turbo mill and cleaning pool)

The rubber is then sent to the turbo mill for another round of granule size reduction and for more efficient removal of dirt. The final circular cleaning pool, which is the additional cleaning pool, receives the rubber for further cleaning.

(vi) Crepeing (Macerator and creper)

Rubber granules from the final circular cleaning pool is fed into the macerator, a roller used to form rubber blankets for continuous crepeing process by the crepers. The rubber blankets are flatted into long blankets in the creper. At the same time, the roller grooves of the creper produce a shearing effect on the rubber, which further cleanse the rubber from dirt.

(vii) Final size reduction (Shredder, crumb washing pool and static separator)

Rubber crepes are fed into the shredder which is the final size reduction machine. The shredder produces fine crumbs which will be sent to the crumb washing pool. The crumb washing pool is the final stage for washing any traces of dirt and contaminants from the size reduction process. Subsequently, the crumbs, which are uniform in size, clean and free from contamination, are then pumped up to the static separator. The static separator separates water from the rubber crumbs and these rubber crumbs are dropped into the waiting trolley.

2. <u>Processes under the dry processing line</u>

(viii) Drying (Dryer)

Trolleys that are filled with wet crumbs are set aside to drip dry for approximately 5 minutes before being placed into the dryer. In the dryer, circulation of hot air at temperature between 100°C to 150°C is used to dry the wet crumbs. The temperature and frequency of trolley movement are closely monitored at the dryer control panel. The dry rubber, in the form of dry biscuit crumbs, are extracted from the trolleys manually which are then placed onto the conveyor belt to be fed into the dry pre-breaker.

(ix) Dry pre-breaking (Dry pre-breaker)

The types of block rubber (e.g. SMR Grade and Premium grade block rubber) with their respective technical properties and composition are manipulated at this stage. For the production of Premium Grade block rubber, additional components such as semi-processed rubber (e.g. RSS and synthetic rubber) and value-added additives (e.g. other chemicals) are added in this stage. The 2 sets of dry pre-breakers which are placed side by side are fed with specific type of rubber on each side. The conveyor belt on both dry pre-breakers carries the proportionately measured rubber simultaneously and feeds it into a single lane dry pre-breaker. The dry rubber is thoroughly blended and levelled in these pre-breakers in order to produce rubber of uniform appearance and properties.

(x) Cooling and packing (Hydraulic baling press and metal detector)

The dry rubber then passes through a long cooling conveyor fitted with high-powered exhaust fans to facilitate the cooling of the pre-break dry rubber. The dry rubber, in batches of 35 kg each, are pressed into bales by the twin chamber hydraulic baling press. The bales are then conveyed through a metal detector to ensure that they are free from metal contaminants. At this stage, samples are taken to undergo quality control checks and for certification purposes. Pressed bales that have passed the quality control test are packed into polybags and arranged onto wooden pallets which are then wrapped with shrink wrap. Pallets of block rubber are temporarily stored in warehouse and our inventory policy on the storage of block rubber is typically for 14 days as arrangements for deliveries are made. Block rubber typically has a shelf life of 6 months.

Delivery

We will make the necessary logistics arrangement to deliver the block rubber to our customers according to the pre-agreed schedule and issue the invoice for payment collection. Subject to the pre-agreed payment terms, payments will be made by our customer either by Letter of Credit, Document Against Payment or Cash Against Document. The lead time from the receipt of orders to the delivery of block rubber to our customers typically ranges from 60 days to 90 days.

7.4.2 Production capacities, output and utilisation

We are primarily involved in the production of block rubber comprising SMR Grade and Premium Grade block rubber. Our production capability is dependent on the maximum production capacity of the machineries installed at our factories as listed in Section 7.4.3 of this Prospectus.

Our annual total capacity, actual total output and utilisation rates for the past 3 FYEs 2019 to 2021, and 6-month FPE 31 December 2021 are as follows:

	Annual total capacity[(1)] (MTS)	Actual total output[(2)] (MTS)	Utilisation rate (%)
FYE 2019[(3)]	153,320	110,149	71.8
FYE 2020[(3)]	153,320	105,034	68.5
FYE 2021	141,480	121,404	85.8
6-month FPE 31 December 2021	70,740[(4)]	54,412	76.9

Notes:

(1) The annual total capacity is computed based on the following assumptions:

- *Total production hours of 12 hours per day for Factory 1 and Factory 2, and 10.5 hours per day for Factory 3, and 8 hours per day for BMI. The assumption on the maximum operating hours of 12 hours per day for Factory 1 and Factory 2, 10.5 hours per day for Factory 3, and 8 hours per day for BMI is made based on our available workforce;*
- *An estimated production capacity of 12 MTS per hour for Factory 1 and Factory 2, and 10 MTS per hour for Factory 3, and 5 MTS per hour for BMI; and*
- *A total of 360 working days a year for Factory 1, Factory 2 and Factory 3, and 296 working days a year for BMI, after factoring in the downtime for machinery maintenance.*

(2) The actual total output is based on our Group's sales volume under the Processing Segment for the respective FYEs and FPE.

(3) Includes the annual total capacity and actual total output for BMI which was disposed in FYE 2020. The total output and utilisation rate of BMI for the FYE 2019 and FYE 2020 are as follows:

Year	**Annual total capacity (MTS)**	**Actual total output (MTS)**	**Utilisation rate (%)**
FYE 2019	*11,840*	*4,605*	*38.9*
FYE 2020	*11,840*	*4,234*	*35.8*

(4) Calculated based on similar assumptions used in Note (1) for a 6-month period.

In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our utilisation rate based on our annual total capacity was 71.8%, 68.5%, 85.8% and 76.9% respectively.

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7.4.3 Key machinery and equipment

The key machinery and equipment used by our Group are categorised into wet processing line and dry processing line. Further details on the list of machinery and equipment categorised under a wet processing line and dry processing line, as well as a summary of the wet processing line and dry processing line owned and used by our Group to facilitate our daily business operations are as set out below:

(1) **A wet processing line** comprises slab cutter, pre-cleaning pool, size reduction and pre-treatment machine, cleaning pool, wet pre-breaker, turbo mill, macerator, creper, shredder, crumb washing pool, static separator and trolley. The wet processing line, through these machinery and equipment, repeatedly reduces the size of cup lump and cleanses it from contaminants to get clean rubber crumbs; and

(2) **A dry processing line** comprises dryer, dry pre-breaker, cooling conveyor system, hydraulic baling press and metal detector. The dry processing line dries wet rubber crumbs into dry rubber, blends and cools the dry rubber, and presses the dry rubber into bales for packing.

						FYE 30 June 2021			6-month FPE 31 December 2021		
Machinery and equipment	**Useful lifespan[(1)]**	**Year of purchase[(2)]**	**Average age[(2)]**	**Cost as at 31 December 2021 (RM'000)**	**Carrying amount as at 31 December 2021 (RM'000)**	**Annual total capacity (MTS)**	**Actual total output (MTS)**	**Utilisation rate (%)**	**Total capacity (MTS)**	**Actual total output (MTS)**	**Utilisation rate (%)**
Factory 1											
1 set of wet rubber processing machinery	30 years	1996	25 years	3,764	-*	51,840	45,343	87.5	25,920	18,903	72.9
1 set of dry rubber processing machinery		1996									
1 set of dry rubber processing machinery		2000									

7. BUSINESS OVERVIEW (CONT'D)

Machinery and equipment	Useful lifespan[(1)]	Year of purchase[(2)]	Average age[(2)]	Cost as at 31 December 2021 (RM'000)	Carrying amount as at 31 December 2021 (RM'000)	FYE 30 June 2021 Annual total capacity (MTS)	FYE 30 June 2021 Actual total output (MTS)	FYE 30 June 2021 Utilisation rate (%)	6-month FPE 31 December 2021 Total capacity (MTS)	6-month FPE 31 December 2021 Actual total output (MTS)	6-month FPE 31 December 2021 Utilisation rate (%)
Factory 2											
1 set of dry rubber processing machinery	30 years	2005	16 years	6,462	68	51,840	47,193	91.0	25,920	21,092	81.4
1 set of wet rubber processing machinery		2006									
1 set of dry rubber processing machinery		2007									
Factory 3											
1 set of dry rubber processing machinery	30 years	2012	7 years	7,779	5,090	37,800	28,868	76.4	18,900	14,417	76.3
1 set of dry rubber processing machinery		2014									
1 set of wet rubber processing machinery		2018									
			Total	**18,005**	**5,158**	**141,480**	**121,404**	**85.8**	**70,740**	**54,412**	**76.9**

7. BUSINESS OVERVIEW (CONT'D)

Notes:

(1) Refers to the useful lifespan of the machinery steel structure/frame and concrete structure. The machinery steel structure/frame and concrete structure refers to the multiple parts of the wet/dry rubber processing machinery that are integrated to one another to form the main body of the wet/dry rubber processing machinery to function as a line. The spare parts that support the machinery needs to be repaired and replaced as and when required but this does not replace the main machinery steel structure/frame and concrete structure. Hence, the useful lifespan is calculated based on the machinery steel structure/frame and concrete structure.

As part of our scheduled maintenance, our Group will assess the entire machinery steel structure/frame and concrete structure to determine its functionality, and to plan for the replacement and/or repair of the machinery steel structure/frame and concrete structure where required, before the end of its useful lifespan. The replacement and/or repair of the machinery steel structure/frame and concrete structure will be carried out by sections. This allows our Group to keep our machinery steel structure/frame and concrete structure well maintained and remain in use despite being in use for an average of 25 years for Factory 1. Based on our Group's experience on the machineries and equipment for the wet and dry rubber processing line in Factory 1, the entire machinery steel structure/frame and concrete structure are well maintained and are expected to be still useful upon the expiry of the useful lifespan. The replacement and/or repair of the machinery steel structure/frame and concrete structure is conducted on days that have been allocated for maintenance purposes, being the scheduled major maintenance of 5 times a year as further explained below, and it is not expected to cause disruptions to our business operations.

(2) Year of purchase and the average machinery age exclude spare parts such as motor and gearbox which can be repaired and replaced by parts when required.

* *NBV of RM1 as at 31 December 2021.*

It is our Group's policy to carry out scheduled minor maintenance that takes approximately 2 hours on a weekly basis to upkeep our machinery and equipment. We also undertake scheduled major maintenance that takes approximately 12 hours on our machinery and equipment, 5 times a year for each factory. The scheduled maintenance carried out on our machinery and equipment, including those that are fully depreciated, is aimed at preventing major failures that may cause material disruptions to our production schedule.

In accordance with our disposal policy, a fixed asset is disposed and written off when the asset is sold, lost, destroyed, donated, stolen or permanently withdrawn from use. Further, an asset is said to be obsolete or non-performing when the asset is not viable to operate economically, the asset is not functioning up to expectation, or the asset has broken-down and is beyond economical repair. Fixed assets which are obsolete or non-performing may be disposed-off in accordance with the procedures for disposal. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, save for the disposal of spare parts that were non-performing, our Group had not disposed any machineries and equipment for our wet and dry processing lines.

7.4.4 Interruption to business and operations

Save as disclosed below, our Group has not experienced any interruption that have had a significant impact on our operations during the past 12 months. Our business and operations experienced interruption due to the COVID-19 pandemic are as set out below:

(a) Impact on our business operations

Pursuant to the COVID-19 pandemic, the Government of Malaysia had imposed a 1st MCO throughout Malaysia from 18 March 2020 to 3 May 2020 to curb the spread of the COVID-19 virus, where it had resulted in the mandatory closure of all government and private premises, except those involved in essential services unless written permission is obtained. Subsequent to that, our business operations were closed from 18 March 2020 to 22 March 2020. We resumed operations on 23 March 2020 as our business activities are deemed as essential services, subject to a set of SOPs. Nevertheless, throughout the period of the 1st MCO, we faced temporary disruptions to our business operations as we had to reduce our workforce capacity to 50% of our Group's total workforce as per the SOP set out by MITI. Further, we reduced the working hours of our business operations to 8 hours a day, from 12 hours a day.

Subsequent to that, the Government of Malaysia had implemented different forms of movement control orders from 4 May 2020 until 24 May 2021. While our Group was allowed to operate at our usual operating hours and capacity, we are required to comply with the changes in SOP outlined by MITI throughout this period. Nevertheless, this did not result in major disruptions to our operations and production output.

Following the resurgence of COVID-19 cases since the first half of 2021, the Government of Malaysia had reimposed a nationwide lockdown. In Negeri Sembilan where our operations are located, MCO was reimposed on 25 May 2021, which was subsequently revised to a four-phase recovery plan, known as the National Recovery Plan ("**NRP**"). The Phase 1 NRP was effective from 1 June 2021 to 25 August 2021. We had on 25 May 2021 reduced our workforce capacity to 60% of our Group's total workforce until 31 October 2021. Notwithstanding that, in order to mitigate the reduction in total workforce capacity, we had extended our production hours by up to 2 hours a day, 7 days a week and also rearranged the allocation of workers to comply with the SOP. Hence, our business operations and production output were not affected during this period. Subsequently on 1 November 2021, our Group had resumed operations at full workforce capacity.

On 12 November 2021, our Group had received an order from the MOH to close all 3 factories in Gemas for 7 days from 12 November 2021 until 18 November 2021 as 47 foreign workers had contracted COVID-19. All 3 factories were allowed to resume operations on 19 November 2021. Further to 12 November 2021, our Group carried out additional COVID-19 tests on all our employees and there were another 80 foreign workers and 2 local employees who had tested positive for COVID-19. All the 127 foreign workers and 2 local employees (i.e. amounting to 45.9% of our total workforce as at the LPD) who had tested positive for COVID-19 were put under 10 days of quarantine. None of the said infected employees had severe symptoms and they were all fully vaccinated with 2 doses of vaccination during the Factory Closure. All our infected employees had resumed work at our factory by 3 December 2021 upon receiving clearance from the doctor from MOH. We have also implemented additional measure to minimise physical contact between our workers and our raw material suppliers' delivery personnel to prevent recurrence of similar possible infection.

Due to the Factory Closure and the reduced workforce capacity resulting from the COVID-19 cases, our production activities were temporarily disrupted. The loss in production output arising from the disruption between 12 November 2021 and 2 December 2021 amounted to approximately 4,000 MTS with an estimated value of RM29.0 million. This is not expected to have material effect on our Group's performance for FYE 2022 as we will be able to increase our production hours in the subsequent months to recoup such loss in production output.

Since March 2020 and up to the LPD, we have a total of 132 reported positive cases of COVID-19 among our employees. Nonetheless, save as disclosed above, there were no major disruptions to our operations and production output since 18 March 2020 and up to the LPD due to the timely rearrangement of workers' allocation and operating hours to cater to the latest SOP announced.

(b) Impact on our Group's supplies

Despite the implementation of various lockdown/ physical distancing measures since 18 March 2020, our Group had not experienced any major disruptions in the procurement and receipt of supplies as our suppliers were also allowed to operate; and there were no major disruptions or delays in our suppliers' logistics which resulted in shortages of supplies to our operations. We also did not face any shortages in supplies for the fulfilment of orders since 18 March 2020 and up to the LPD as we had adequate inventory and continued to source for raw materials to meet the demand of our orders and our production output, in accordance with our production schedule. During the Factory Closure, we had also managed to secure supplies of raw materials to be delivered upon uplifting of the closure order to facilitate the expected increase in production output in subsequent months to fulfil the delayed orders.

(c) Impact on our Group's order delivery and financial performance

As a result of the 1st MCO whereby our workforce capacity was reduced to 50%, our production output was affected which in turn delayed the fulfilment of our orders. We experienced a delay in the fulfilment of 23 orders for 3 overseas customers namely Megarun Tyre Co. Ltd, Federal Corporation (a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation) and R1 International Pte Ltd. The delivery to these customers was initially scheduled to be fulfilled in May 2020 and June 2020, but due to the impact of the 1st MCO and the delay due to port congestion, these orders were fulfilled between June 2020 and August 2020. As a result of this, our Group's revenue of approximately RM13.2 million could only be recognised in 1st quarter of FYE 2021 instead of prior to 4th quarter of FYE 2020.

Between 12 November 2021 and 2 December 2021, the Factory Closure and reduced workforce capacity resulting from the COVID-19 cases had delayed the shipment of 21 orders for 5 overseas customers, mainly to R1 International Pte Ltd, Wanli Group and Jiangsu General Science Technology Co., Ltd. The initial scheduled shipment in mid-November 2021 to the affected customers was rescheduled and fulfilled in December 2021 and January 2022.

We have notified our customers of such delay due to the COVID-19 situation and our customers did not initiate any penalty claims against our Group. Notwithstanding that, we did not receive any cancellation of orders resulting from the COVID-19 pandemic during the 1st MCO and the Factory Closure.

Save as disclosed above, we did not experience any major adverse impact on our sales and delivery, and we also did not receive any cancellation of orders resulting from the COVID-19 pandemic since 18 March 2020 and up to the LPD.

The surge in COVID-19 cases in China in March 2022 had resulted in varying levels of lockdown at certain cities within the country which had impacted the country's economic activities. Consequently, there was a delay in the presentation of shipping documents. As China is the principal market for our export sales, the lockdown had resulted in a delay in the collectability of certain trade receivables which exceeded their credit term of 21 days as payments are made only upon presentation of shipping documents. The collection of these delayed trade receivables which have been due for more than 21 days and remains uncollected as at the LPD amounts to RM5.5 million. Nonetheless, the said outstanding was subsequently collected in May 2022.

Save as disclosed above, there were no material impact on the collectability of our trade receivables arising from business interruptions as a result of the COVID-19 pandemic.

The selling price of our products is typically priced at a premium to the prevailing SICOM Quote; while our purchases of raw materials from domestic suppliers and foreign suppliers are priced at a discount to the prevailing MRB Quote and SICOM Quote respectively. Our Group passes all transportation cost, including air freight and sea freight costs, incurred during purchasing of raw materials and selling of our block rubber to our customers. Hence, we were not affected by the increase in transportation cost including, air freight and sea freight costs, resulted from the COVID-19 pandemic as the transportation cost arising from the purchasing of raw material and selling of our block rubber has been factored into the selling price of our block rubber.

Further details on our cash and bank balances as well as our credit facilities are as set out in Section 12.4.1 of this Prospectus. Our Board is confident that, after taking into account our cash and bank balances as well as the credit facilities currently available to our Group, our working capital will be sufficient for our capital/operating expenditure and to sustain our business.

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

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

(d) Impact to our business and earnings prospect

According to the IMR Report, approximately 70% of the global natural rubber is used for tyre manufacturing, hence block rubber as one of the main raw materials for tyre manufacturing is driven by the automotive industry. With increasing number of vehicles produced and sold as well as replacement of worn-out tyres during vehicle maintenance, the demand for tyres increases, which drives the rubber processing industry. Amongst the top 10 countries of vehicle production in 2021 were China, USA, Japan, India, South Korea, Germany, Mexico, Brazil, Spain and Thailand. In 2021, China was the largest producer of vehicles, at 26.1 million units. With the large amount of production as well as the need for tyres to support its replacement market, China (excluding Hong Kong) imported 5.3 million MTS of block rubber, including 0.7 million MTS of block rubber from Malaysia in 2021. Majority of our block rubber (i.e. 88.1%, 76.3%, 77.2% and 66.8% of our total revenue in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, respectively) were exported to China (including our sales to Hong Kong which were derived from international rubber traders (i.e. affiliates of tyre manufacturers in China or independent traders) who purchased block rubber from us for onward shipment or sales to their customers in China), indicating a positive prospect for our Group's block rubber as we are able to meet the specification required by tyre manufacturers from the top vehicle producing country.

The COVID-19 pandemic led to the imposition of movement controls/lockdowns amongst citizens in countries around the world to reduce infection rate. Due to the movement controls/lockdowns, vehicle sales reduced, which led to the decrease of vehicle production from 96.0 million units in 2018 to 77.0 million units in 2020, at a CAGR of -10.4%. Nevertheless, in 2021, as the economy gradually recovers from the impact from the COVID-19 pandemic and upliftment of lockdown measures, consumer sentiment and purchasing power improved. As a result, vehicle production increased by 3.9% year-on-year to 80.0 million units in 2021. The world vehicle sector is expected to grow further with the increase of vehicle production from 80.0 million units in 2021 to 105.0 million units in 2025, at a CAGR of 7.0%, supported by the stimuluses introduced by governments. As such, despite the temporary impact of the COVID-19 pandemic, the abovementioned factors are expected to contribute positively to our Group's earnings prospect.

(e) Strategy and steps taken to address the impact of COVID-19

In response to the COVID-19 pandemic, our Group has established a committee to oversee the adherence of infection control measures based on the guidelines and SOPs issued by MITI. The infection control measures include, amongst others:

(i) wearing of face masks in work places;

(ii) sanitising hands before entering work places and all employees are encouraged to sanitise and wash their hands with soap and water frequently throughout the day;

(iii) sanitising all common areas of work places 3 times a day (i.e. before commencement of work, after lunch and after close of business);

(iv) practising 1 metre social distancing at work places;

(v) implementation of physical distancing and daily sanitising measures in foreign workers' dormitories made available by our Group; and

(vi) issuance of memorandum to restrict our raw material suppliers from exiting their vehicles when delivering raw materials at our factories.

In line with the MOH's initiatives, we have provided the vaccination booster dose to our foreign workers. Following the incident, we continued to adhere to the infection control measures set out by MITI where we conduct daily sanitisation of our factories and foreign workers' dormitories. In the event that any of our foreign workers or employees are tested positive for COVID-19, we will report to the MOH and undergo quarantine as per MOH directives.

Notwithstanding the above, our Group has put in place contingency measures in the event of any infection cases at our business premise, which is summarised as follows:

(i) Employee relief

Each employee has been assigned with a relief person for their tasks. Both personnel in-charge are not allowed to make any external appointments or business trips together to mitigate the risk of infection as well as to ensure that there is a person to back up the tasks in case of a confirmed infection or suspected infection.

(ii) **Production back-up**

We have 3 factories and each factory is equipped with their own production line. In the event of a positive infected case in one of our factories and we are required to temporarily shut down that factory for sanitisation, our production activities can be executed at the other 2 factories as back-up. Our foreign workers are assigned to work within their designated station and are not allowed to mingle with other workers from different stations and factories. Physical distancing measures are in place for common areas such as canteens and restrooms.

We also ensure that our foreign workers' quarters are spaced out to minimise the spread of possible infection whereby our 144 foreign workers, as at the LPD, are housed in 2 workers' quarters that can accommodate 216 workers. Each room within the workers' quarter can be used to house up to 9 workers but we have reduced the number of workers in a workers' quarter to 6 to 7 workers.

Save for the above, our Group had not experienced any other interruptions in our operations which had a significant effect on our operations during the past 12 months preceding the LPD. To comply with the SOPs imposed since March 2020 and up to the LPD, our Group has incurred testing costs and disinfection costs amounting to approximately RM575,000 which is not material to our Group. While our Group has incurred costs in adhering to the infection control measures as per the SOPs issued by MITI, the cost is not expected to have a material impact on our Group's financial results going forward. Other than the aforementioned cost, we did not incur any other costs associated with the infection control measures undertaken by our Group as per the SOPs issued by MITI. Our Group has not been in breach of any laws relating to COVID-19 restrictions and/or SOPs as issued by the relevant authorities as at the LPD. In 2020, our Group has also participated in the Wage Subsidy Programme initiated by the Government of Malaysia to cushion the economic impact of the COVID-19 pandemic. Between May 2020 and October 2020, we received wage subsidy payments amounting to RM5,400.

7.5 COMPETITIVE STRENGTHS

7.5.1 We have an established history and track record, with over 36 years of experience in the rubber processing industry

We have an established history as a natural rubber processor that spans over 36 years. Proven by our recurring and long-standing relationship with our customers as set out in Section 7.5.2 of this Prospectus, we have successfully established ourselves as a reputable natural rubber processor and a reliable supplier of SMR Grade and Premium Grade block rubber with consistent quality.

In addition, the scale of our business operations has grown substantially over the years and our growth is proven by our increasing production capacity, from 3,000 MTS per year in 1986 (at Kilang Getah Hock Guan) to approximately 142,000 MTS per year in FYE 2021. For the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our Group has achieved utilisation rates between 68.5% and 85.8% of our total production capacity. This demonstrates our Group's ability to continue securing sales in line with our capacity expansion.

Armed with a 36-year business history in the rubber processing industry, our Group has been through business and economic cycles and have successfully demonstrated our resilience in weathering fluctuation in rubber price as well as adverse economic and market conditions. Further, despite the 1998 Asian Financial crisis and 2007-2008 Global Financial crisis, our Group remained profitable and continued to expand our production capacity. We also remained profitable in the aftermath of the said crisis which had caused the closure of countless businesses.

7.5.2 We have an export-oriented business and long-standing relationships with our customers

Upon obtaining a license in 1989 that allows our Group to export our block rubbers, we have been focusing on expanding our export markets and international customer base. Through these efforts, we have successfully gained in-roads to various export markets over the years such as China, Taiwan and India, amongst others.

In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, export sales contributed to approximately 99.9%, 99.9%, 100.0% and 99.9% of our Group's revenue respectively. Our success in securing sales from international customers is attested by our strong sales and marketing team, and consistency of our products which provide confidence to international customers on the quality of our products. Our Group believes that by continuously strengthening our sales and marketing team as well as consistently adhering to high production standards, we will be able to continue to penetrate into more foreign markets and enhance our international presence.

Further, as our block rubbers are mainly sold to tyre manufacturers, direct business relationship with these customers enhances our Group's knowledge, industry expertise and capability in meeting our customer's requirements. Being engaged in continuous networking activities and keeping abreast on industry updates through feedbacks from our customers, aids in ensuring that our products are competitive to compete with other block rubber processing industry players. Our Group believes that this effort has been pivotal in maintaining our reputation and customer's trust towards our capability in producing quality block rubber. This is evidenced by the growing demand for our block rubbers from our top 5 major customers which collectively recorded revenue contribution of RM511.3 million, RM514.9 million, RM646.8 million and RM364.6 million respectively in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021.

Our established market reputation is further evidenced by the long-standing relationships that we have forged with our customers over the years. For the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our relationship with our top 5 major customers spans between 5 to 15 years. Further details on the length of business relationship with our top 5 major customers are as set out in Section 7.19 of this Prospectus.

7.5.3 The quality of our products is attested by our adherence to stringent quality control measures and our compliance to internationally recognised standards

Our ability to consistently produce quality block rubber is critical in building confidence in our customers to create customer satisfaction, maximise customer loyalty and minimise reputational risks.

Over the years, we have gained vast experience and equipped ourselves with knowledge of the industry and hence, this provides our Group with the confidence in the quality of our products sold to customers. The quality of our products is further attested by MRB through MRB's authorisation of our laboratory for SMR Grade testing, grading and certification, and the stringent quality control measures undertaken for every batch of block rubber produced in our factories. Products that do not meet our internal quality standards will be rejected during quality control stage and will not be sold to our customers. The average internal rejection rate for products that do not meet our internal quality standards (i.e. block rubber that are sent for reprocessing) in the past 3 FYEs 2019 to 2021 were 1.1%, 1.4% and 0.1% respectively. In the FPE 31 December 2021, all block rubber produced met our internal quality standards and as such, there was no internal rejection recorded. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, we did not receive any product rejection from our customers. Further details on our quality control procedures are as set out in Section 7.11.1 of this Prospectus.

In order to enhance the efficiency of our current facilities to produce quality products, we have established stringent quality control systems in all our factories. Quality control checks as set out in Section 7.11.1 of this Prospectus are conducted at various stages of the production process to ensure that the properties of the processed block rubber are in accordance to our customer's desired specifications and required standards. All batches of block rubber produced in our factories are fully tested and certified by our laboratory, which is authorised by MRB, prior to receiving clearance for delivery to customers. Batches of block rubber that do not meet our internal quality standards will be rejected internally during quality control stage and will not be sold to our customers.

As a further testament to our quality standards, we have received ISO certifications that attest to our compliance to internationally recognised processing standards and product quality. Please refer to Section 7.11 of this Prospectus for further details on our quality control procedures and certifications.

7.5.4 We have developed and maintained long-term business relationships with our suppliers of raw materials

The growth and expansion of our Group in the block rubber processing industry is supported by our long-term business relationships with our suppliers, primarily local and international traders. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, purchases of cup lump contributed to 73.9%, 73.3%, 84.9% and 81.1% respectively of our total purchase of raw materials; while semi-processed rubber contributed to 26.1%, 26.7%, 15.1% and 18.9% respectively of our total purchase of raw materials.

In view that cup lump and semi-processed rubber are our main purchases, it is critical that we maintain long-term business relationships with our suppliers. This is to ensure that our Group is able to receive consistent supply of raw materials from our suppliers to prevent major disruptions to our operations. Further, building such business relationships with our suppliers is essential for our Group to effectively manage our monthly production planning.

As part of our Group's risk management policy in diversifying our supply risk, it is our practice to purchase cup lump and semi-processed rubber from multiple suppliers. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, purchases from our top 5 major suppliers contributed to 49.9%, 54.1%, 64.2% and 54.7% of our Group's purchases of raw materials respectively and as such, our Group understands the importance of maintaining long-term business relationship with these major suppliers to ensure the sustainability and growth of our business. The increase in purchases from our top 5 major suppliers were mainly due to the increase in raw materials imported, whereby imports comprising cup lump and semi-processed rubber from our top 5 major suppliers increased from 34.7% in the FYE 2019 to 57.7% in the FYE 2021, and to 54.7% in the FPE 31 December 2021. Notwithstanding the policy, we were required to import more raw materials in the FYE 2020 and FYE 2021 as well as in the FPE 31 December 2021, thus resulted in the increase in foreign purchases from a few suppliers. Further, the increase in the FYE 2021 was also resulted from the emergence of a new supplier, Olam International Limited, in which the value of purchases contributed 16.9% to our Group's purchases in the FYE 2021. Further details on the length of business relationship with our top 5 major suppliers are as set out in Section 7.20 of this Prospectus.

7.5.5 We have a technically strong and experienced management team

Our Group is led by our Managing Director, Executive Directors and Key Senior Management that have accumulated years of experience in their respective field and key expertise, industry experience and in-depth knowledge of our business operations. Through the leadership of our directors and key senior management, we have established our industry reputation as attested by our capability to produce products that are of quality and consistently meeting the specifications specified by our customers. The industry reputation that we have established over the years have also been instrumental to our Group in attracting new customers and maintaining business relationships with existing customers.

Our Managing Director, Er Hock Lai, has 40 years of experience in the rubber trading and processing industry. His technical and industry knowledge is instrumental in determining the overall strategic direction and business development of our Group. He is supported by the following Executive Directors and Key Senior Management:

Name	Designation	Total years of working experience	Total years of experience in the rubber industry
E Tak Bin	Non-Independent Executive Director	46	46
Er Tzer Nam	Non-Independent Executive Director	21	5
Tan Se Shir	Chief Financial Officer	24	11
Chong Wah Kiat	Senior Manager – Development and Production	15	6
Er Chen Aik	Senior Manager - Purchasing	23	20
Ivy Bang	Laboratory Manager	37	35

Our Executive Directors and Key Senior Management have in-depth knowledge and capabilities with years of experience in their respective fields. The profiles of our Executive Directors and Key Senior Management are as set out in Section 5.2.2 and Section 5.4.3 of this Prospectus respectively. Further, each of our Key Senior Management takes an active, hands-on role in spearheading their respective departments to support the growth of our Group. As a result, there is a transference of skills and knowledge to employees at all levels in our organisational structure. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand.

7.6 SEASONAL OR CYCLICAL EFFECTS

Our Group does not experience any significant seasonality in terms of business activity, with revenue being stable throughout the year. In addition, the wintering period of rubber trees in Malaysia does not constitute to the seasonality of our business as we are able to source for raw materials from other countries to meet our production demand. Further details on the wintering period of rubber trees are as set out in Section 7.7 of this Prospectus.

7.7 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

Our Group's purchases are mainly raw materials for block rubber production. The breakdown of our purchases during the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 are as follows:

		FYE 2019		FYE 2020		FYE 2021		FPE 31 December 2021	
Category	**Source**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Cup lump	Local and imported[(1)]	381,056	73.9	404,840	73.3	553,161	84.9	282,615	81.1
Semi-processed rubber[(2)]	Imported[(3)]	134,257	26.1	147,435	26.7	98,614	15.1	65,742	18.9
Total purchases[(4)]		**515,313**	**100.0**	**552,275**	**100.0**	**651,775**	**100.0**	**348,357**	**100.0**

Notes:

(1) *While our Group sources for cup lump from our suppliers who are located in countries such as Australia, Belgium, Malaysia, Singapore and Switzerland, the countries of origin for the cup lump purchased are from countries such as Ivory Coast, Guinea, the Philippines, Congo and Papua New Guinea. Our suppliers in Malaysia may also source for cup lump from other countries such as Thailand.*

The breakdown of our cup lump purchases by local and import is further detailed below:

	FYE 2019		*FYE 2020*		*FYE 2021*		*FPE 31 December 2021*	
Source	***RM'000***	***%***	***RM'000***	***%***	***RM'000***	***%***	***RM'000***	***%***
Local	*202,029*	*53.0*	*184,638*	*45.6*	*179,284*	*32.4*	97,605	34.5
Import	*179,027*	*47.0*	*220,202*	*54.4*	*373,877*	*67.6*	185,010	65.5
Total	***381,056***	***100.0***	***404,840***	***100.0***	***553,161***	***100.0***	**282,615**	**100.0**

(2) *Inclusive of synthetic rubber purchases amounting RM2.7 million, RM1.0 million and RM2.7 million in the past 3 FYEs 2019 to 2021 respectively. We did not purchase synthetic rubber in the FPE 31 December 2021.*

(3) *While our Group sources for semi-processed rubber from our suppliers who are located in countries such as Belgium, British Virgin Islands, Cambodia, Singapore, Switzerland and Taiwan, the countries of origin for the semi-processed rubber purchased are from countries such as Ivory Coast, Ghana, Myanmar, Guinea, Cambodia and the Philippines.*

(4) *The increase in the total purchases of raw materials for the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 as illustrated in the table above is mainly due to the increase in quantity of raw materials purchased.*

The raw materials that we use, mainly cup lump, are readily available and are sourced from local and foreign suppliers. However, our Group has been increasing our purchases of cup lump from foreign suppliers in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 mainly due to insufficient supply of locally produced cup lump to cater to the demand for cup lump in the block rubber processing industry in Malaysia. In the event that the supply of locally produced cup lump continues to be insufficient, our Group foresees that higher import of cup lump will be a trend moving forward. Please refer to "Key Industry Risks and Challenges" in the IMR Report of this Prospectus for reasons in the decrease in production of cup lump in Malaysia.

The pricing of cup lump purchased from domestic suppliers are based on MRB Quote while the pricing of cup lump purchased from foreign suppliers are based on SICOM Quote, all of which are priced at a discount to MRB Quote and SICOM Quote respectively. Hence, the price of cup lump is subjected to fluctuation of market forces.

We are not dependent on any of our suppliers as cup lump and semi-processed rubber are readily available and can be sourced from other local or foreign suppliers that are mainly international rubber traders.

We generally take into account suppliers' lead time (i.e. time required for the suppliers to process our orders and to deliver the orders to our premises which is subject to the logistics arrangement that varies from supplier to supplier) to prevent potential major disruptions to our production. This is also necessary to ensure that the inventory level of our raw materials is maintained at a supply of approximately 1.5 months, which is in line with our inventory policy. All suppliers are evaluated in terms of pricing, production capacities, dry rubber content of cup lump, ability to meet our quality requirements for semi-processed rubber, as well as the ability to deliver in a timely manner. For local supply of raw materials, our Group purchases only from local suppliers who are licensed by the MRB.

As rubber is a commodity, it is exposed to price volatility which is a reflection of supply and demand of rubber. However, due to the nature of the rubber processing industry, our Group does not experience any material impact from the volatility of rubber prices as we are able to pass on the increase in cost to our customers via the increase in our selling prices as we quote based on the prevailing market rates (i.e. a premium over the SICOM Quote). It is an industry practice to pass on the increase in cost to customers via the increase in selling prices, quoted based on the prevailing market rates, and as such, our Group does not undertake other actions to mitigate the price fluctuation of rubber. Subsequently, we do not experience any material impact to our profitability as a result of rubber price volatility. Further details on our business model are as set out in Section 7.2.1 of this Prospectus.

However, due to the natural cycle of rubber trees, during the annual wintering period, the metabolism of the trees slows down which reduces rubber production. The wintering period differs from country to country. In Malaysia, the annual wintering period typically falls between February and May. Nevertheless, our Group is not affected by the decline in rubber supply during the wintering period as we are able to source from other countries to meet our production demand as well as to ensure that the inventory level of our raw materials is continuously maintained at a supply of approximately 1.5 months, which is in line with our inventory policy.

7.8 SALES AND MARKETING

Our Group's sales and marketing team is primarily responsible for planning and executing sales and marketing activities, serving existing customers, and attending to enquiries from potential customers. Our Group's sales and marketing activities are carried out through the following channels:

(i) Direct approach and referrals

We secure new customers through direct contact with potential customers and/or through referral from our business associates. We have a dedicated team of sales and marketing personnel to carry out business development activities for our Group, which is led by our Managing Director, Er Hock Lai and assisted by Er Tzer Nam.

Our sales and marketing personnel are responsible in collecting marketing information in order to identify potential customers. Further, our sales and marketing personnel are also responsible in keeping abreast on industry updates to ensure that our products are competitive which gives us the competitive edge to compete and market our products to potential customers. Our sales and marketing personnel are also constantly involved in building business relationships with existing customers as our Group believes that such networking is crucial in maintaining our reputation and customer-base that we have built over the years.

In addition, we leverage on the expertise of a few of our customers who are rubber traders that have distribution networks on an international scale to secure new customers. By maintaining good business relationship with these customers, we are able to capture new sales opportunities and broaden our exposure to industry players within the rubber industry value chain.

(ii) Corporate and brand website

We have established a corporate website at *http://www.sengfongholdings.com* which provides immediate searchable information on our Group as well as the details on our products. The current widespread use of the internet as a source of information enables us to cross geographical borders and facilitates access from any part of the world and thus, enhances our potential market reach and exposure.

7.9 RESEARCH AND DEVELOPMENT

Block rubber is an intermediate product largely used by tyre manufacturers to manufacture products for use by end-consumers, such as automobile. Due to the nature of the industry, block rubber is typically processed in accordance to the specifications set out by MRB. Hence, our Group does not carry out R&D activities unless requested by our customers to produce Premium Grade block rubber. It is an industry norm that block rubber processors do not typically undertake R&D activities as such R&D activities for the rubber industry are mainly carried out by MRB.

7.10 TECHNOLOGY USED

As a natural rubber processor, our Group utilises standard block rubber processing technologies in our operations. Block rubber processing relies on the use of pre-treatment machines such as slab cutter, pre-breakers and turbo mill for initial size reduction to expose the interior of the raw material and to remove traces of dirt. Cleaning pools with stirrers for each size reduction machine facilitates the cleaning process by settling dirt residue as well as provides thorough blending at the initial stages of production. The macerator and creper are used to form rubber blankets for the continuous crepeing process, and the shredder is the final size reduction machine used to shred the rubber blankets into fine rubber crumbs. Temperature controlled dryer is used to dry the rubber crumbs to remove water content from the rubber crumbs. Dry pre-breakers are used to blend the dry biscuit crumbs to produce more uniform and consistent properties in the block rubber.

Further, all batches of block rubber are required to undergo lab testing that employs various chemical test to determine the specifications and properties of the block rubber produced.

These multiple technologies involved are critical in the production process to obtain the desired specification and properties in the block rubber. Please refer to Section 7.4.1 of this Prospectus for further details on our production processes.

7.11 QUALITY CONTROL MANAGEMENT AND CERTIFICATIONS

7.11.1 Quality control procedures

As part of our Group's commitment to ensure the quality of our block rubber, all batches of block rubber produced are required to undergo quality control testing in our MRB-authorised laboratory prior to receiving clearance for delivery to customers. This is to ensure that our products consistently meet our customers' desired specifications and standards, so as to uphold our commitment in providing quality products to our customers.

We continuously review and upgrade our quality procedures to ensure that our block rubbers conform and adhere to the stringent quality standards set out by MRB and the specifications set out by our customers, as well as our processes involved are in accordance to the ISO standards. Each batch of block rubber is subject to stringent quality control checks and clearance that begins with the reception of raw materials and ends with the packing of products for delivery.

The stringent quality standards that our Group adheres to is attested by the following procedures adopted:

(i) Raw materials reception

- Every batch of cup lump received are visually inspected for its cleanliness and dry rubber content.
- A sample of the raw material is randomly selected from each batch and processed into small batches of rubber before being tested for its dry rubber content. Batches of cup lump, with samples passing the quality control test, will receive clearance to proceed to undergo processing at full commercial scale into the required grade of block rubber.
- Semi-processed rubber received will be sent for lab test to determine its specification and properties.
- Cup lump and semi-processed rubber that do not meet our requirement will be rejected and returned to suppliers.

(ii) Production processes

- Segregation of raw materials according to its cleanliness and dry rubber content for processing into the respective grades of block rubber.
- Throughout the entire process of size reduction, in-process materials are inspected for uniformity of crepe thickness as well as consistency in blending and crumb size, in order to ensure that they conform to the parameters required in the drying stage and to reduce the chances of rejection.
- Dry rubber, in the form of dry biscuit crumbs, will be inspected for any contaminants and drying uniformity upon exiting the dryer and before being sent to the dry pre-breaker for further processing.
- Samples of dried block rubber are sent for quality control test at hourly intervals to ensure that properties of the block rubber are within the acceptable level of specified parameters. This is also to ensure that any shortfalls in achieving the required parameters can be rectified immediately.
- Final visual checks of the final products, in the form of bales, are conducted on the pressed dry rubber. The bales are conveyed through a metal detector to detect for the presence of metal contaminants embedded in the bales. Bales containing metal contaminants will be sent for reprocessing.
- Before packing and labelling the bales, random samples are taken at predetermined intervals for testing based on MRB's and our customers' requirements at our laboratory. Upon being certified as conforming to the required parameters, the block rubber will be packed for delivery.

The MRB Inspectorate makes random checks, typically up to 2 times a year, at our factories to ensure that the processing operations meet all the requirements for quality block rubber production. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, we have received feedbacks from MRB arising from the random checks for improvement purposes such as to ensure clear labelling on our block rubber. Save for the aforementioned, we have not encountered any major issues arising from the random checks that result in our Group being penalised by MRB in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021.

In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, we have not received any complaints or request for product return in relation to the quality of our block rubber.

7.11.2 Standards and Certifications

As a testament to our Group's emphasis and commitment to the quality of our block rubber, we have received the following internationally-recognised quality certification:

Standard/ Certification[1]	Certification body	Date first awarded	Current validity period	Scope of certification
ISO 9001:2015	Llyod's Register Quality Assurance Limited	29 July 2003	29 July 2021 – 28 July 2024	Manufacture and marketing of SMRGP, SMR5, SMR10, SMR20, premium and compound grades rubber products

Note:

(1) The first certification received in 29 July 2003 was ISO 9001:2000, in which our Group had regularly renewed the certification in accordance to the latest ISO standards.

7.12 MATERIAL LICENCES, PERMITS AND APPROVALS

Details of our major licences, permits and approvals for our operations as at the LPD together with the main conditions attached therein and the corresponding status of compliance as at the LPD are as follows:

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance
1.	SFT	MRB / J/06/13651	Rubber processing licence to purchase, store, sell, process, pack and export rubber at the following premise: TL JE 42, Lot 4764, (Timbang Sawit) Jalan Estate Bukit Pasir, 84300 Muar, Johor Darul Ta'zim	24 August 2021 / [1]23 August 2022	(a) To comply with MRB instructions/circulars in force from time to time. (b) To buy rubber from licence holders only.[2] (c) To produce SMR according to approved SMR code.	Complied
2.	STG	MRB / N/06/15032	Rubber processing licence to purchase, store, sell, process, pack and export rubber at the following premise: Lot 13240, Sungai Gemas Industrial Estate, Kuala Gemas, 73400 Gemas, Negeri Sembilan	11 February 2022 / 12 February 2023	(a) Prohibited from selling contaminated rubber. (b) To buy rubber from licence holders only.[2] (c) To comply with MRB instructions/circulars in force from time to time. (d) To produce SMR according to approved SMR code. (e) Allowed to produce house grade rubber.	Complied

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance
3.	STG	DOE / 003861	Licence under Section 18(1) of the Environmental Quality Act 1974 to operate raw rubber processing factory at the following premise: Lot PT 2402, Sg Gemas Industrial Estate, 73400 Gemas, Negeri Sembilan (Factory 1)	1 April 2022 / 31 March 2023	(a) Maximum production of SMR to be 120 MTS/day. (b) Reused effluent must not be discharged to any open water source. (c) A functioning flow rate meter must be installed at the discharge point before the effluent enters the processing system. (d) Measurement of emission from chimney must be done twice a year in accordance to the Malaysian Standards For Air Pollution Control, MS 1596:2003. (e) To appoint a registered Environmental Auditor to undertake third party audit at least twice a year.	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance
4.	STG	DOE / 003306	Licence under Section 18(1) of Environmental Quality Act 1974 to operate raw rubber processing factory at the following premise: Lot PT 2402, Sg Gemas Industrial Estate, 73400 Gemas, Negeri Sembilan (Factory 2)	1 April 2022 / 31 March 2023	(a) Maximum production of SMR to be 160 MTS/day. (b) Reused effluent must not be discharged to open water source. (c) A functioning flow rate meter must be installed at the discharge point before the effluent enters the processing system. (d) Measurement of emission from chimney must be done twice a year in accordance to the Malaysian Standards For Air Pollution Control, MS 1596:2003. (e) To appoint a registered Environmental Auditor to undertake third party audit at least twice a year.	Complied

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance
5.	STG	DOE / 006004	Licence under Section 18 of the Environmental Quality Act 1974 to operate raw rubber processing factory at the following premise: Lot PT 2402, Sg Gemas Industrial Estate, 73400 Gemas, Negeri Sembilan (Factory 3)	1 April 2022 / 31 March 2023	(a) Maximum production of SMR to be 112 MTS/day. (b) Reused effluent must not be released to open water source. (c) A functioning flow rate meter must be installed at the discharge point before the effluent enters the processing system. (d) Measurement of emission from chimney must be done twice a year in accordance to the Malaysian Standards For Air Pollution Control, MS 1596:2003. (e) To appoint a registered Environmental Auditor to undertake third party audit at least twice a year.	Complied
6.	STG	Ministry of Health / NB0038/2021	Wholesaler's poisons licence ("**Type B license**") to import, store and sell poisons, specifically oxalic acid, metal oxalates and sodium hydroxide (12% and over) at the following premise: Lot 13240, Sungai Gemas Industrial Estate, Kuala Gemas, 73400 Gemas, Negeri Sembilan	1 January 2022 / 31 December 2022	Subject to the provisions of the Poisons Act 1952 and any regulations made under it	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance
7.	STG	MRB	Endorsement to set up SMR test laboratory	26 March 2007[(3)]	(a) The SMR laboratory is responsible to the MRB on technical matter pertaining to SMR testing and certification and shall comply with the operational rule of the SMR Scheme. (b) The officer-in-charge of SMR Laboratory Inspectorate or delegated authority shall be allowed access to the SMR laboratory for the purpose of inspecting records, checking test methods, instruments and all other matters in relation to maintenance of standards (c) The SMR laboratory shall have sufficient personnel, having the necessary education, training, technical knowledge and experience for their assigned functions.	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance
8.	SFT	Majlis Perbandaran Muar ("**MPM**")	Permit for 14, Taman Sri Jeram, Jalan Bakri, 84000 Muar, Johor Darul Takzim to be used as a management office and to put up a signboard	1 January 2022 / 31 December 2022	Nil	Complied
9.	SFT	MPM	Permit for Lot 4764, Jalan Bakri, Muar, Johor to be used as a rubber collection centre	1 January 2022 / 31 December 2022	Nil	Complied
10.	STG	MPM	Permit for 12, Taman Sri Jeram, Jalan Bakri, 84000 Muar, Johor Darul Takzim to be used as a management office and to put up a signboard	1 January 2022 / 31 December 2022	Nil	Complied
11.	STG	Majlis Daerah Tampin	Permit for Lot 13240 (previously Lot PT 2402), Sungai Gemas Industrial Estate, 73400 Gemas, Negeri Sembilan Darul Khusus to be used as a rubber factory	1 January 2022 / 31 December 2022	Nil	Complied

Notes:

(1) Our Group had regularly renewed the license and may submit the renewal application 60 days prior to the expiry.

7. BUSINESS OVERVIEW (CONT'D)

(2) Applicable to purchase from domestic suppliers only.

(3) There is no expiry date for this endorsement to set up SMR test laboratory.

7.13 INTELLECTUAL PROPERTIES

Save as disclosed below, as at the LPD, we do not have any brand names, patents, trademarks and other intellectual property rights:

No.	Trademark	Registered owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
1.		STG	Intellectual Property Corporation of Malaysia ("**MyIPO**")	2010005001	Malaysia	24 March 2010 / 24 March 2030	Class 35: Business management; administration of business; advertising services relating to natural rubbers or block rubbers; direct marketing; retail services connected to natural rubber; all included in Class 35
2.	ST 5CV	STG	MyIPO	08019959	Malaysia	7 October 2008 / 7 October 2028	Class 17: Natural rubber included in Class 17
3.	ST 10CV	STG	MyIPO	08019961	Malaysia	7 October 2008 / 7 October 2028	Class 17: Natural rubber included in Class 17
4.	ST 20CV	STG	MyIPO	08019962	Malaysia	7 October 2008 / 7 October 2028	Class 17: Natural rubber included in Class 17

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
5.	M 20R	STG	MyIPO	08019966	Malaysia	7 October 2008 / 7 October 2028	Class 17: Natural rubber included in Class 17

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7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we are also in the midst of applying for registration for the following trademark. The application for the registration of the trademark with the Intellectual Property Corporation of Malaysia was submitted on 30 September 2021 and as at the LPD, the trademark is currently being processed, the details of which are as follows:

No.	Trademark	Applicant	Authority	Application No.	Place of registration	Status of application	Validity period	Class/ Description of trademark
1.		Company	MyIPO	TM2021027192	Malaysia	Pending[(1)]	Not available	Class 35: Advertising; publicity; business information; business inquiries; providing business information via a web site; corporate communications services; direct mail advertising; dissemination of advertising matter; distribution of samples; invoicing; market studies; marketing; online advertising on a computer network; provision of an online marketplace for buyers and sellers of goods and services; presentation of goods on communication media, for retail purposes.

Note:

(1) The results of the registration of the said trademark is expected to be released around July to November 2022.

7.14 MATERIAL PROPERTIES

7.14.1 Properties owned by our Group

The details of the material properties owned by our Group as at the LPD are as follows:

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited NBV as at 31 December 2021 (RM)
1.	SFT/ 14, Taman Sri Jeram, Jalan Bakri, 84000 Muar, Johor Darul Takzim / HSM 1258, PTD 4024, Mukim Jalan Bakri, Muar, Johor	A two-storey shophouse / Freehold/ **SFT's office**	1,540 / 1,540	1 October 1991	<u>Category of land use</u> Building <u>Express condition</u> (i) This land is strictly for the use of a two-storey shophouse, built according to the plan submitted to the local authorities. (ii) The erected building must only be used as a business premise or residence only. (iii) Should the building erected is used as a business premise, it must be used as a non-industrial business and must be approved by the local municipal council. <u>Restriction in interest</u> Nil	Nil	351,941

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited NBV as at 31 December 2021 (RM)
2.	STG/ 12, Taman Sri Jeram, Jalan Bakri, 84000 Muar, Johor Darul Takzim / HSM 3465, PTD 4026, Mukim Jalan Bakri, Muar, Johor	A two-storey shophouse/ Freehold/ **STG's office**	1,540 / 1,540	1 October 1991	Category of land use Building Express condition (i) This land is strictly for the use of a 2-storey shophouse, built according to the plan submitted to the local authorities. (ii) All conditions and policies enforced by the local authority must be obeyed. Restriction in interest Nil	Nil	266,075

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited NBV as at 31 December 2021 (RM)
3.	STG/ Lot 13240 (previously Lot PT 2402), Sungai Gemas Industrial Estate, 73400 Gemas, Negeri Sembilan Darul Khusus / PN 45293, Lot 13240, Bandar Gemas, Tampin, Negeri Sembilan	A single-storey factory building comprising three adjoining blocks (which includes a single-storey office building) and warehouse with lean-to extensions / Leasehold of 60 years, expiring on 20 October 2049 / **Factory 1**	1,742,677 / 129,925	30 December 2005	<u>Category of land use</u> Industrial <u>Express condition</u> This land must be used for a rubber processing factory for the production of rubber products only. <u>Restriction in interest</u> This land cannot be transferred, leased or pawned without state authority consent	Nil	[(1)]15,154,553
		A single-storey factory building (which includes two single-storey office buildings) with lean-to extensions / Leasehold of 60 years, expiring on 20 October 2049 / **Factory 2**	1,742,677 / 101,000	12 March 2008			

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited NBV as at 31 December 2021 (RM)
		A single-storey factory building (which includes a single-storey office building) with lean-to extensions/ Leasehold expiring on 20 October 2049 / **Factory 3**	1,742,677 / 90,000	24 December 2008			
		One (1) single-storey building / Leasehold expiring on 20 October 2049 / **Laboratory**	1,742,677 / 5,400	25 May 2005			

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited NBV as at 31 December 2021 (RM)
4.	STG/ Lot 13240 (previously Lot PT 2402), Sungai Gemas Industrial Estate, 73400 Gemas, Negeri Sembilan	Two (2) storey building with 8 cabins housing 9 workers each /Leasehold expiring on 27 March 2088 / **Workers' Quarter 1**	653,369 / 12,000	2 October 2020	Category of land use Industrial[3] Express condition This land must be used for a rubber processing factory for the production of rubber products only. Restriction in interest This land cannot be transferred, leased or pawned without state authority consent.	Nil	[2]2,743,453
	Darul Khusus/ PN 1110, Lot 892, Sungai Gemas Industrial Estate, Kuala Gemas, Negeri Sembilan	Two (2) storey building with 16 cabins housing 9 workers each /Leasehold expiring on 27 March 2088 / **Workers' Quarter 2**	653,369 / 20,199	17 September 2021			

Notes:

(1) Based on the aggregate value of Factory 1, Factory 2, Factory 3 and the Laboratory.

(2) Based on the aggregate value of Workers' Quarter 1 and Workers' Quarter 2.

(3) The local authority has issued a letter of approval for the construction of the workers' quarters on the industrial land prior to the issuance of CCC.

The properties owned by our Group are not in breach of any land use conditions, current statutory requirements, land rules and/or building regulations/by-laws, which will have material adverse impact on our operations as at the LPD.

7.14.2 Properties tenanted by our Group

The details of material properties tenanted by our Group as at the LPD are as follows:

No.	Landlord / tenant	Postal address / Title details	Description of property / Existing use	Date of issuance of CCC or equivalent	Land area / Built-up area (sq ft)	Period of tenancy / Monthly rental
1.	Lynette Er Juok See / SFT	Lot 4764, Jalan Bakri, Muar, Johor / GRN 94060, Lot 4764, Mukim Jalan Bakri, Muar, Johor	Vacant land / Storage of raw material	N/A[1]	10,075 / N/A	1 year from 1 August 2021 to 31 July 2022 / RM1,000
2.	Loo Ying Shim, Loo Yeng Khim / STG	First Floor, No. 11, Jalan Jeram 1, Taman Sri Jeram, Jalan Bakri, 84000 Muar / HSM 1261, PTD 4027, Mukim Jalan Bakri, Muar, Johor	Two-storey shophouse / Office	1 October 1991	1,539 / 1,539	1 year from 1 March 2022 to 28 February 2023 (with an option to renew for 1 year) / RM550

Note:

(1) It is a vacant land, therefore, CCC is not required.

The properties tenanted by our Group are not in breach of any other land use conditions, current statutory requirements, land rules and/or building regulations/by-laws, which will have material adverse impact on our operations as at the LPD.

7.15 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Our business is regulated by, and in some instances required to be licensed under specific laws of Malaysia. The relevant laws and regulations governing our Group which do not purport to be an exhaustive description of all laws and regulations of which our business is subject to are summarised below.

7.15.1 Malaysian Rubber Board (Licensing and Permit) Regulations 2014 ("MRB Regulation")

Pursuant to the MRB Regulation, no person shall buy, store, sell, process, pack or export rubber including rubber products, rubber gloves and rubber planting materials unless he is issued a licence in respect of such activities. Any person who carries out any of the aforementioned activities without a licence will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding three years or to both.

As at the LPD, our subsidiaries, SFT and STG each holds a valid rubber processing licence to purchase, store, sell, process, pack and export rubber.

7.15.2 Environmental Quality Act 1974 ("EQA"), Environmental Quality (Clean Air) Regulations 2014 ("EQCAR"), Environmental Quality (Industrial Effluent) Regulations 2009 ("EQIER") and Environmental Quality (Scheduled Wastes) Regulations 2005 ("EQSWR")

The EQA regulates and control the levels of pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without licence, prohibits the discharge of oil and wastes into Malaysian waters without a licence and prohibits open burning.

The EQCAR is a subsidiary legislation pursuant to the EQA which regulates the emission of air pollutants to the atmosphere and specifies the requirements for an air pollution control system for every premises to which the EQCAR applies to, including any premises used for any industrial or trade purposes, or on which matter is burnt in connection with any industrial or trade purposes and any other premises or process that discharges or is capable of discharging air pollutants into the open air. Any person who contravenes or fails to comply with any provisions of the EQCAR will be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding two years or to both.

The EQIER is a subsidiary legislation pursuant to the EQA which regulates the discharge or release of industrial or mixed effluents onto or into any soil, or into inland waters or Malaysian waters. The EQIER specifies the requirements for the design and construct of an industrial effluent treatment system to collect and treat industrial effluents generated within such premises. Any person who contravenes the EQIER will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM100,000 or to a term of imprisonment for a period not exceeding five years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued.

The EQSWR is a subsidiary legislation pursuant to the EQA which impose on the waste generator of premises an obligation to record, store, label, treat and dispose scheduled waste in accordance to the regulation. Any person who contravenes the aforementioned will commit an offence, and will be compounded by the Director General or any other public officer or local authority to whom the Director General has delegated such power to a sum of money not exceeding RM2,000.

Our subsidiary, STG was issued with 8 compounds of RM2,000 each by the DOE in the past 11 years due to contravention of Regulation 3 (Notification of the generation of scheduled wastes), Regulation 9 (Storage of scheduled wastes), Regulation 10 (Labelling of scheduled wastes) and Regulation 11 (Keeping an inventory of scheduled wastes) of the EQSWR. The potential maximum penalty which may be imposed from contravening the EQSWR is a sum not exceeding RM2,000.

The said compounds were related to the empty oil barrels with labels removed outside the storage area pending collection by our Group's appointed contractor for refills offsite. These empty oil barrels were containers for rubber process oil which is a component for the processing of certain Premium Grade block rubber. We have since rectified our past lapses by adopting our current practice to refill the labelled oil barrels which are stored at its designated area in the factory. Hence, we do not expect to face any further issues with uncollected empty oil barrels in the future. Moreover, the 8 compounds incurred collectively over a period of 11 years were less than 0.1% based on our Group's PBT for the FYE 2020, which did not have any material adverse impact to the business operations and financial condition of our Group.

In addition, our Directors have further implemented the following measures to enhance the internal control system of our Group and prevent the recurrence of the above non-compliance incidents:

(i) on 30 September 2020, we engaged Tricor Axcelasia Sdn Bhd ("**Internal Control Reviewer**") to perform an evaluation of the adequacy and effectiveness of governance, risk management and internal controls within our Group. Following such review and evaluation performed by the Internal Control Reviewer, we implemented all of the recommendations given on our internal controls over environment, safety and health processes which includes waste management and environmental control, and compliance monitoring, including:

- establishing a Quality System Procedure on Environmental on 15 March 2021;
- appointing a Safety and Health Officer with assistance of Compliance Officers to conduct periodic inspections; and
- conduct Hazard Identification, Risk Assessment & Risk Control ("**HIRARC**") exercise annually by independent third parties, amongst others. The latest HIRARC was conducted on 17 November 2020.

(ii) on 9 September 2021, we have established an Audit and Risk Management Committee which comprises entirely Independent Non-Executive Directors with duties and obligations of, amongst others, reviewing the audit plan, audit report and evaluating system of internal controls with the external auditors and reporting the same to our Board, establishing an adequate and effective risk management and internal control framework for our Group, reviewing significant risks identified (including operational, financial, regulatory compliance, sustainability and reputational risks) and assessing the mitigating actions put in place to manage these risks, as well as reviewing the adequacy of resources for managing the risk management and internal control framework of our Group, in addition to other matters as instructed by our Board; and

(iii) where necessary, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance, and to provide us updates on the applicable laws related to our business operations from time to time after our Listing. We will also engage professionals where necessary to provide trainings to our Directors and employees to develop a clear understanding of matters related to our internal controls and compliances for them to leverage on their understanding to enhance our policies and processes and implementation of the same.

7.15.3 Employees' Minimum Standards of Housing and Amenities Act 1990 ("EMSA 1990"), Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 ("EMSR")

Pursuant to EMSA 1990 (as amended by the Worker's Minimum Standards of Housing and Amenities (Amendment) Act 2019) and the EMSR that came into force on 1 September 2020, every employer or centralised accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards prescribed thereunder, including but not limited to the minimum space and basic amenities requirements. Employers and centralised accommodation providers must also ensure that the accommodation provided is fit for human habitation in accordance with the relevant written laws, preventive measures are taken to ensure employees' safety and well-being and that employees receive necessary medical assistance. In addition, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation.

Employers who fail to obtain a Certificate for Accommodation or fails to ensure the employee accommodation is fit for human habitation in accordance with the EMSA 1990 commits an offence and, on conviction, will be liable to a fine not exceeding RM50,000. Employers who contravene any other provision of the EMSA 1990 or any regulation made thereunder or fails to carry out any order made by the Director General of Labour, will commit an offence, and if no penalty is expressly provided for the offence will, on conviction, be liable to a fine not exceeding RM50,000 and to a further fine not exceeding RM1,000 a day for each day during which the offence continues.

As at the LPD, our Group holds valid Certificates for Accommodation issued by Jabatan Tenaga Kerja Semenanjung Malaysia for both of our workers' quarters.

7.15.4 Factories and Machinery Act 1967 ("FMA")

Pursuant to the FMA, occupiers must ensure that their factories maintain certain minimum standards of health and safety and all machinery and every part thereof is of sound construction and sound material, free from defect and suitable for its intended purpose, and is properly maintained. Any person who contravenes the above will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding one year or both. Where the offence is a continuing offence, such person will also be further liable to a fine not exceeding RM2,000 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

In addition, any person who operates or causes or permits any machinery to be operated must also ensure that, where required, the machinery used or operated has a valid certificate of fitness, failing which such person will be guilty of an offence and will, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding three years or both.

As at the LPD, our Group complies with the requirements under FMA and STG holds valid Certificate of Fitness for the machineries that require certifications under FMA.

7.15.5 Poisons Act 1952 ("PA 1952")

The PA 1952 regulates and control, among others, the importing, packaging, labelling, storing, transporting and sale of poisons by wholesale or retail in Malaysia. The PA 1952 empowers the Director-General of Health Malaysia ("**DG of Health**") to issue, among others, a Type B license to any person whom the DG of Health may consider to be fit and proper to hold such licence, and to import, store and sell by wholesale such poisons as may be specified in such licence.

Any person guilty of an offence under the PA 1952, for which no other penalty is specifically provided therein or by any regulations made thereunder, shall be punishable by a fine not exceeding RM 3,000 or by imprisonment for a term not exceeding one year or both. If the court is of the opinion that the nature of such act or omission with which such person is charged amounts to wilful default or culpable negligence, which endangered or was likely to endanger human life, such person will be liable, on conviction, to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding two years or both.

As at the LPD, our subsidiary, STG holds a Type B licence issued by the DG of Health to import, store and sell poisons, specifically oxalic acid, metal oxalates and sodium hydroxide with the concentration of 12% and over.

7.16 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Group is committed to act responsibly in our business operations, to create an environmentally responsible operations, a conducive workplace for employees, and a high standard of corporate governance towards our stakeholders. Similarly, our Board is mindful of the importance of building a sustainable business, and therefore takes into consideration the environmental, social and governance impact when developing the corporate strategy of our Group.

(i) Environmental

Our Group has allocated approximately RM12.8 million and RM6.3 million to green energy projects, being the installation of the Solar System and Biomass System, respectively, which is under construction as at the LPD. The installation of Solar System in our factories helps to reduce carbon emissions to the environment which is expected to be fully commissioned by the 2nd quarter of 2022. Further, the Biomass System will reduce our consumption of diesel as a fuel source for our dryer system, and in turn substitute with gas as a sustainable fuel source, which is generated using wood chips as feedstock. Our Biomass System is expected to be fully commissioned in 3rd quarter of 2022. The actual reduction of our carbon emissions will be reported in future Sustainability Reports of our Company. We intend to comply with the Listing Requirements to ensure that the sustainability statement in our future annual report contains information that is balanced, comparable and meaningful by referring to the Sustainability Reporting Guide issued by Bursa Securities.

The use of renewable energy generated from our Solar System and Biomass System for our future operations is in line with our Group's emphasis on sustainable business and environmental conservation.

Other than complying with the requirements by DOE, we have also taken additional steps to safeguard the environment by implementing controls and monitoring of pollution control system. For instance, we have implemented procedures on air pollution control measurement where our Compliance Officer will conduct checks on the scrubber pressure and the potential hydrogen (pH) of the scrubbing liquid feed streams to monitor performance of the air pollution control system.

As our operations consume large volumes of water, we practice the recycling of water collected from treated effluent at our factories. Effluent is generated from our rubber processing process and collected in our effluent treatment pond for treatment. After treatment, water collected from treated effluent is reused in our rubber processing operation. Hence, the effluent from our rubber processing is not discharged into open water source to minimise impact to the environment. As part of our internal control, we also periodically monitor the performance of the effluent treatment ponds.

In summary, we have established a Quality System Procedure to practice sound environmental management system to maintain the impact of STG's activities on the environment. Further implementation on our internal controls over environmental, safety and health processes which includes waste management and environmental control, and compliance monitoring is as set out in Section 7.15.2 of this Prospectus.

(ii) Social

We are committed to maintain a safe and conducive workplace for our employees.

We have formalised standard operating procedures for Safety and Health functions which includes conducting safety spot check quarterly to ensure the safety of the environment in our business and factory premises, formalising emergency response plan to prepare and train our employees for emergencies and inspection of employees' personal protective equipment, amongst others.

We also place strong emphasis on the wellbeing and development of our employees. To ensure a conducive environment to rest for our foreign workers, we have constructed 2 workers' quarters for our foreign workers, which are in compliance with the minimum requirements as set out under the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 and have been issued with the Certificates for Accommodation by the Department of Labour of Peninsular Malaysia. We also allocate training budget and plan training courses for our employees' development based on their training needs. Further, our Group has also established a training requisition form should our employees request for participation in additional training programme to improve on their skill sets.

(iii) Governance

We are committed to inculcating good corporate governance practices in accordance with the principles and practices of corporate governance as set out in the MCCG. We strive to achieve a high standard of corporate governance which is a fundamental in safeguarding our Group's commitments to our shareholders and other stakeholders. Our Board is also committed to the high standards of professionalism, honesty, accountability, integrity and ethical behaviour in the conduct of our business and operation of our Group.

Our corporate governance overview statement provides an outline of the corporate governance practices of our Group in accordance with the three principles stipulated in the MCCG, which covers board leadership and effectiveness, effective audit and risk management and integrity in corporate reporting and establishing meaningful relationship with our stakeholders. Our Board has adopted the practices and guidance of the MCCG. Other than the 30% women directors as disclosed in the following paragraph, our Group has applied the practices and guidance of the MCCG where applicable to our Group as an applicant for Listing. Upon Listing, our Group will make the relevant disclosures of the applicable practices prescribed under MCCG as required under the Listing Requirements.

Currently, our Company has only appointed 2 women directors out of the total of 7 directors. Nonetheless, our Board is supportive of the gender diversity agenda in the boardroom as prescribed in the MCCG to bring in a diversity of perspective. In this regard, we endeavour to adopt the practices prescribed in the MCCG to have a Board comprising at least 30% women directors within 2 years from the completion of our Listing.

Further, to ensure an effective Board to instil good corporate governance practices in our Group, we have established a Nominating Committee which comprises entirely Independent Non-Executive Directors with duties and obligations of, amongst others, to evaluate and review the performance of our Board and senior management including the performance of our Board and senior management in addressing our Company's material sustainability risks and opportunities.

We also have in place policies and procedures to promote and maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 and the Whistleblower Protection Act 2010.

7.17 BUSINESS STRATEGIES AND PROSPECTS

7.17.1 We intend to optimise our production by increasing our total annual capacity to approximately 166,000 MTS per year by FYE 2023

As at the LPD, our factories have a total production capacity of approximately 142,000 MTS annually. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our utilisation rate based on our annual total capacity was 71.8%, 68.5%, 85.8% and 76.9% respectively. The machines in our production lines have the capacity to operate at a maximum of 20 hours a day but we are operating at an average of 12 hours a day in Factory 1 and Factory 2, and 10.5 hours a day in Factory 3, due to limitation in labour force. We rely on one group of workers to carry out one shift, inclusive of overtime, in each of our factories to achieve the total annual production capacity of approximately 142,000 MTS.

In order to maximise the utilisation of our production capacity, we intend to increase the production hours in Factory 3 by adding a second working shift, thus increasing our production hours from 10.5 hours a day to 17 hours a day. This will require an additional 45 new workers and we intend to implement this plan by 2nd quarter of 2022. The expected cost to be incurred to recruit additional 45 new workers for Factory 3 is approximately RM188,000 and will be funded via internally generated funds. With this, the annual capacity of Factory 3 is expected to increase from 37,800 MTS as at the LPD to approximately 41,000 MTS by FYE 2022 and 58,000 MTS by FYE 2023.

Further, we also intend to increase the production hours in Factory 2 by adding a second working shift, thus increasing our production hours from 12 hours a day to 17 hours a day. This will require an additional 48 new workers and we intend to implement this plan by 2nd quarter of 2023. The expected cost to be incurred to recruit additional 48 new workers for Factory 2 is approximately RM200,000 and will be funded via internally generated funds. With this, the annual capacity of Factory 2 is expected to increase from 51,840 MTS as at the LPD to approximately 56,000 MTS by FYE 2023. Thus, our total annual capacity is expected to increase by 16.9% from approximately 142,000 MTS as at the LPD to achieve approximately 166,000 MTS per year by FYE 2023.

According to the IMR Report, our Group captured an export market share of 11.8% in Malaysia in 2021, based on our export output of 121,404 MTS in the FYE 2021, against the export volume of block rubber in Malaysia at 1.03 million MTS to global markets in 2021. Going forward, with the increase in production capacity, our Group is well-positioned to capture opportunities arising from increasing demand from existing customers as well as from new customers.

Further, as explained under Section 12.3.3(i) on the commentaries on revenue of this Prospectus, the increase in our sales of Premium Grade block rubber during the Financial Years Under Review and FPE 31 December 2021 was mainly due to the growing demand from our recurring customers involved in the tyre manufacturing industry. Hence, not only would the increase in our production capacity allow our Group to capture the market for homogenous products (i.e. SMR Grade) but also to focus on meeting the demand by our customers for Premium Grade block rubber which has a higher premium as compared to SMR Grade.

7.17.2 We intend to increase profitability by reducing electricity expenses through the installation of Solar System to supply electricity to our factories

Our factories require high electricity consumption for the production of block rubber. This contributes to high electricity expenses which impact our profitability.

In order to reduce our electricity expenses, we intend to install 2 units of Solar System under the Net Energy Metering ("**NEM**") scheme. The NEM scheme was introduced by the Government of Malaysia in 2016 to encourage the use of solar power and it enables consumers to generate solar power for their own consumption, with any excess power generated to be exported to Tenaga National Berhad to offset or reduce electricity bills. The installation of the Solar System will also allow our Group to hedge against future increases in electricity tariff, and at the same time receive incentives from Malaysian Investment Development Authority in the form of green investment tax allowance. STG is entitled to claim green investment tax allowance of 100% of qualifying capital expenditure for a period of 3 years from the date of the first qualifying capital expenditure incurred. The green investment tax allowance claimed can be utilised to offset against 70% of statutory income in the years of assessment starting from the assessment year when the first qualifying capital expenditure is incurred, which is FYE 2022. In addition, as solar energy is a form of renewable energy, the generation of electricity using the technology of Solar System for our future operations is in line with our Group's ESG initiatives in achieving environmental sustainability and reducing greenhouse gas emissions.

The Solar System is expected to have an installed capacity of 1,946.6 kWP ("**Solar 1**") and 2,310.0 kWP ("**Solar 2**") respectively. Solar 1 will be used to support the operations of Factory 1 while Solar 2 will be used to support the operations of Factory 2 and Factory 3. The installation of Solar System is aimed at achieving cost-saving measures by reducing overall electricity expenses while consuming the same amount of electricity consumption in our factories. Our Solar System is expected to be fully commissioned by the 2nd quarter of 2022. Upon commissioning, it is estimated to result in savings of approximately RM2.6 million per annum to our Group's COS.

The indicative timeline for the installation of Solar System is as follows:

Timeframe	Details	Status as at LPD
2nd quarter of 2021	Conduct preliminary assessment (i.e. soil test on land used for the Solar System installation), investment tax allowance application, NEM license application, site assessment works and finalisation of system design, as well as fulfilment of down payment	Completed
3rd quarter of 2021	Procurement and delivery of Solar System	Completed
4th quarter of 2021	Installation and testing of Solar System	Completed
2nd quarter of 2022	Final testing and commissioning of Solar System	Pending

Following the completion of the installation of Solar 1 and Solar 2 in December 2021, our Group began the testing of Solar System in the same month. The full commissioning of the Solar Systems is pending the final testing and evaluation of its performance. The total cost for purchase and installation of the 2 units of Solar System amounted to approximately RM12.8 million, which was funded via bank borrowing of approximately RM10.0 million and internally generated funds of approximately RM2.8 million. As at the LPD, we have made payments amounting to approximately RM12.1 million for the Solar System, comprising RM9.4 million of bank borrowings and RM2.7 million of internally generated funds. The bank facility for the purpose of the installation of Solar System is expected to be fully drawn down in 2nd quarter of 2022. Upon Listing, we plan to utilise RM10.0 million from our IPO proceeds to repay the bank borrowings secured for the 2 Solar System.

The electricity generated from the Solar System will be used for our own factory consumption. Should there be any excess electricity generated from the Solar System, the excess will be fed into the national power grid, under the NEM scheme, which allows our Group to offset or reduce our electricity bills.

7.17.3 We intend to increase profitability by reducing diesel expenses through the installation of Biomass System

Our factories require large amount of diesel consumption in order to generate heat energy for our dryer system. This has led to high diesel expenses which impact our profitability.

To reduce our diesel expenses, we intend to install 2 units of wood chip gasification hot air systems, which is a Biomass System, to generate gas from wood chips as a fuel source for our dryer system, thus replacing the consumption of diesel as a fuel source. Nevertheless, our dryer system can still continue to use diesel as back up in the event of failure to the Biomass System. In addition, as biomass is a form of renewable energy, the generation of heat energy using the technology of Biomass System for our future operations is in line with our Group's ESG initiatives in achieving environmental sustainability.

The Biomass System will have an installed capacity of 4.8 million kCal ("**Biomass 1**") and 7.2 million kCal ("**Biomass 2**") respectively. Biomass 1 will be used to support the operations of Factory 1 while Biomass 2 will be used to support the operations of Factory 2 and Factory 3. The installation of the Biomass System is aimed at achieving cost-saving measures by reducing overall diesel expenses while consuming the same amount of energy used by our dryer system. Upon commissioning, it is estimated to result in savings of approximately RM3.5 million per annum to our Group's COS.

The indicative timeline for the installation of Biomass System is as follows:

Timeframe	Details	Status as at LPD
Biomass 1		
2nd quarter of 2021	Confirmation of order	Completed
3rd quarter of 2022	Commissioning of Biomass System	Pending
Biomass 2		
2nd quarter of 2021	Confirmation of order	Completed
2nd quarter of 2022	Commissioning of Biomass System	Pending

Note:

(1) The installation of Biomass 1 will take place upon the completion of the installation of Biomass 2, as site preparation for the installation are carried out in 2 phases.

In January 2022, the fabrication of our Biomass 1 and Biomass 2 systems have been completed and in May 2022, the Biomass Systems have arrived at our factory. The installation of the Biomass Systems are expected to take place by the 2nd quarter of 2022. The estimated total cost for purchase and installation of the 2 units of Biomass System is approximately RM6.3 million, which will be fully funded via our IPO proceeds. As at the LPD, we have made payments amounting to RM2.8 million as deposits for the Biomass System, via internally generated funds which will be replenished by the IPO Proceeds upon receipt.

7. BUSINESS OVERVIEW (CONT'D)

7.18 EMPLOYEES

As at the LPD, we have a total workforce of 281 employees, of which 133 are permanent employees and 148 are contract workers. Among the contract workers, 4 are local workers and the remaining 144 are foreign workers. The following depicts the number of employees in our Group who are based in Malaysia, according to department:

	As at FYE 2021					As at LPD				
	Permanent		Contract			Permanent		Contract		
Department	Local	Foreign	Local	Foreign	Total employee	Local	Foreign	Local	Foreign	Total employee
Director	4	-	-	-	4	4	-	-	-	4
Human Resource	12	-	-	-	12	14	-	-	-	14
Finance	8	-	-	-	8	8	-	-	-	8
Sales and Marketing	8	-	-	-	8	8	-	-	-	8
Purchasing	15	-	1	-	16	15	-	1	-	16
Development and Production	34	-	1	150	185	61	-	2	144	207
Laboratory	22	-	-	-	22	23	-	-	-	23
Safety and health	-	-	1	-	1	-	-	1	-	1
Total	**103**	**-**	**3**	**150**	**256**	**133**	**-**	**4**	**144**	**281**

As at the LPD, Malaysian employees accounted for approximately 48.8% of our total workforce while the remaining 51.2% were foreign workers. As at the LPD, we have 144 foreign workers. All our foreign workers working in Malaysia have valid working permits issued and we are not in breach of any immigration laws. As the application and renewal of the working permits are an ongoing process, there will be foreign workers that are in the process of applying or renewing their working permits at any one point in time. In addition, we have 2 workers' quarters to accommodate our foreign workers. None of our employees belong to any labour union. During the past 3 FYEs 2019 to 2021 and up to the LPD, there is no major industrial dispute pertaining to our employees. Further, our Group also complies with the Government's directive on COVID-19 screening for all our foreign workers.

We have in place a management succession plan to identify key competencies and requirements of managers and higher ranking personnel, to take positive approach towards addressing talent management to ensure our Group has talent readily available from a capability perspective to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group.

7.19 MAJOR CUSTOMERS

Our top 5 major customers for the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 are as follows:

FYE 2019

					Revenue contribution in FYE 2019		Length of relationship as at FYE 2019
No.	**Customer**	**Industry**	**Country**	**Products sold**	**RM'000**	**%**	**Years**
1.	Jiangsu General Science Technology Co., Ltd[(1)]	Tyre manufacturer	China	Premium Grade block rubber	143,994	22.6	10
2.	Chongqing Group[(2)]	Trader	China/ Hong Kong	SMR Grade and Premium Grade block rubber	138,240	21.7	7
3.	Westwater[(3)]	Tyre manufacturer	China/ Hong Kong	SMR Grade and Premium Grade block rubber	105,149	16.5	4
4.	Wanli Group[(4)]	Tyre manufacturer	China/ Hong Kong	SMR Grade	62,296	9.8	12
5.	Maxtrek Tyre Group[(5)]	Tyre manufacturer	China/ Hong Kong	SMR Grade	61,638	9.7	10
				Total	**511,317**	**80.3**	

For the FYE 2019, our top 5 major customers collectively contributed RM511.3 million or 80.3% of our Group's revenue.

Notes:

(1) Jiangsu General Science Technology Co., Ltd, a tyre manufacturer based in China, is a company listed on the Shanghai Stock Exchange.

7. BUSINESS OVERVIEW (CONT'D)

*(2) Chongqing Group comprised Chongqing General Trading Chemical Co., Ltd, a rubber trader based in China ("**Chongqing General**") and Precision Technologies Group Investment Development Co Ltd, a company involved in trading of machinery and raw materials ("**Precision**") based in Hong Kong. Whilst Chongqing General and Precision do not have the same parent company, they share a common ultimate major shareholder, Chongqing State-Owned Assets Supervision and Administration Commission. Further, Precision is a subsidiary of Chongqing Machinery & Electric Co., Ltd. which is listed on the Hong Kong Stock Exchange. During the FYE 2019, Chongqing General has purchased rubber products directly from our Group and has also engaged Precision to purchase rubber products from our Group.*

The breakdown of revenue contribution for Chongqing Group is as follows:

	Revenue contribution	
Entity	***RM'000***	***%***
Chongqing General	*70,495*	*11.1*
Precision	*67,745*	*10.6*
Total	***138,240***	***21.7***

*(3) Westwater International Company Limited ("**Westwater**") is a trading company based in Hong Kong, which is also affiliate company of Xingyuan Tires Group, a tyre manufacturer based in China.*

*(4) Wanli Group comprises Wanli Tire Corporation Limited ("**Wanli Tire**") and its subsidiaries Wanli Group Trade Limited ("**Wanli Trade**") and Hefei Wanli Tire Co., Ltd ("**Hefei Wanli**"). Wanli Trade is a trading company based in Hong Kong, while Wanli Tire and Hefei Wanli are tyre manufacturers based in China. Wanli Trade and Hefei Wanli purchased rubber products directly from our Group for the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, whereas Wanli Tire purchased rubber products directly from our Group only in FYE 2019.*

The breakdown of revenue contribution for Wanli Group is as follows:

	Revenue contribution	
Entity	***RM'000***	***%***
Wanli Tire	*16,215*	*2.5*
Wanli Trade	*4,902*	*0.8*
Hefei Wanli	*41,179*	*6.5*
Total	***62,296***	***9.8***

7. BUSINESS OVERVIEW (CONT'D)

(5) *Maxtrek Tyre Group comprises Maxtrek Tyre Limited ("**Maxtrek**") and its subsidiary Zhaoqing Junhong Co., Ltd ("**Zhaoqing**"). Maxtrek is a trading company based in Hong Kong while Zhaoqing is a tyre manufacturer based in China. Maxtrek and Zhaoqing purchase rubber products directly from our Group for the past 3 FYEs 2019 to 2021.*

The breakdown of revenue contribution for Maxtrek Tyre Group is as follows:

	Revenue contribution	
Entity	***RM'000***	***%***
Maxtrek	*54,838*	*8.6*
Zhaoqing	*6,800*	*1.1*
Total	***61,638***	***9.7***

FYE 2020

					Revenue contribution in FYE 2020		Length of relationship as at FYE 2020
No.	**Customer**	**Industry**	**Country**	**Products sold**	**RM'000**	**%**	**Years**
1.	Jiangsu General Science Technology Co,. Ltd	Tyre manufacturer	China	Premium Grade block rubber	160,895	26.1	11
2.	Westwater Group(1)	Tyre manufacturer	China/ Hong Kong	SMR Grade	116,575	18.9	5
3.	R1 International Pte Ltd(2)	Trader	Singapore	SMR Grade and Premium Grade block rubber	95,636	15.5	8
4.	Wanli Group(3)	Tyre manufacturer	China/ Hong Kong	SMR Grade	86,750	14.1	13
5.	Shandong Xinghongyuan Tyre Co., Ltd	Tyre manufacturer	China	SMR Grade	55,063	8.9	3
				Total	**514,919**	**83.5**	

7. BUSINESS OVERVIEW (CONT'D)

For the FYE 2020, our top 5 major customers collectively contributed RM514.9 million or 83.5% of our Group's revenue.

***Notes**:*

*(1) Westwater Group comprises Westwater and Megarun Tyre Co. Limited ("**Megarun**"). Westwater and Megarun are trading companies based in Hong Kong, which are also affiliate companies of Xingyuan Tires Group, a tyre manufacturer based in China.*

The breakdown of revenue contribution for Westwater Group is as follows:

	Revenue contribution	
Entity	***RM'000***	***%***
Westwater	*69,955*	*11.3*
Megarun	*46,620*	*7.6*
Total	***116,575***	***18.9***

(2) R1 International Pte Ltd is a subsidiary of China Hainan Rubber Industry Group Co Ltd which is listed on the Shanghai Stock Exchange.

(3) Wanli Group comprises Wanli Trade and Hefei Wanli of which their relationship is explained in Note (4) of the major customers' table in the FYE 2019.

The breakdown of revenue contribution for Wanli Group is as follows:

	Revenue contribution	
Entity	***RM'000***	***%***
Wanli Trade	*21,278*	*3.5*
Hefei Wanli	*65,472*	*10.6*
Total	***86,750***	***14.1***

FYE 2021

					Revenue contribution in FYE 2021		Length of relationship as at FYE 2021
No.	**Customer**	**Industry**	**Country**	**Products sold**	**RM'000**	**%**	**Years**
1.	Jiangsu General Science Technology Co., Ltd	Tyre manufacturer	China	Premium Grade block rubber	198,552	25.9	12
2.	R1 International Pte Ltd	Trader	Singapore	SMR Grade and Premium Grade block rubber	138,988	18.1	9
3.	Shandong Xinghongyuan Tyre Co., Ltd	Tyre manufacturer	China	SMR Grade and Premium Grade block rubber	119,816	15.6	4
4.	Westwater Group(1)	Tyre manufacturer	China/ Hong Kong	SMR Grade	101,755	13.3	6
5.	Wanli Group(2)	Tyre manufacturer	China/ Hong Kong	SMR Grade	87,678	11.4	14
				Total	**646,789**	**84.3**	

For the FYE 2021, our top 5 major customers collectively contributed RM646.8 million or 84.3% of our Group's revenue.

Notes:

*(1) Westwater Group comprises Megarun and Dongying Bingrui International Trading Co., Ltd ("**Dongying Bingrui**"), a trading company based in China. Dongying Bingrui is also an affiliate company of Xingyuan Tires Group.*

The breakdown of revenue contribution for Westwater Group is as follows:

	Revenue contribution	
Entity	***RM'000***	***%***
Megarun	*92,009*	*12.0*
Dongying Bingrui	*9,746*	*1.3*
Total	***101,755***	***13.3***

(2) *Wanli Group comprises Wanli Trade and Hefei Wanli of which their relationship is explained in Note (4) of the major customers' table in the FYE 2019.*

The breakdown of revenue contribution for Wanli Group is as follows:

Entity	***Revenue contribution RM'000***	***%***
Wanli Trade	*23,119*	*3.0*
Hefei Wanli	*64,559*	*8.4*
Total	***87,678***	***11.4***

FPE 31 December 2021

No.	**Customer**	**Industry**	**Country**	**Products sold**	**Revenue contribution in FPE 31 December 2021 RM'000**	**%**	**Length of relationship as at FPE 31 December 2021 Years**
1.	R1 International Pte Ltd	Trader	Singapore	SMR Grade and Premium Grade block rubber	117,220	29.3	10
2.	Jiangsu General Science Technology Co., Ltd	Tyre manufacturer	China	SMR Grade and Premium Grade block rubber	87,064	21.7	13
3.	Shandong Xinghongyuan Tyre Co., Ltd	Tyre manufacturer	China	SMR Grade and Premium Grade block rubber	60,799	15.2	5
4.	Westwater Group(1)	Tyre manufacturer	China/ Hong Kong	SMR Grade	56,593	14.1	7
5.	Wanli Group(2)	Tyre manufacturer	China/ Hong Kong	SMR Grade and Premium Grade block rubber	42,928	10.7	15
				Total	**364,604**	**91.0**	

For the FPE 31 December 2021, our top 5 major customers collectively contributed RM364.6 million or 91.0% of our Group's revenue.

Notes:

(1) Westwater Group comprises Megarun and Dongying Bingrui of which their relationship is explained in Note (1) of the major customers' table in the FYEs 2020 and 2021. During the FPE 31 December 2021, Dongying Bingrui had engaged Megarun to purchase rubber products from our Group. Hence, the revenue contribution from Westwater Group for FPE 31 December 2021 was solely from Megarun.

(2) Wanli Group comprises Wanli Trade and Hefei Wanli of which their relationship is explained in Note (4) of the major customers' table in the FYE 2019.

The breakdown of revenue contribution for Wanli Group is as follows:

	Revenue contribution	
Entity	***RM'000***	***%***
Wanli Trade	*18,554*	*4.6*
Hefei Wanli	*24,374*	*6.1*
Total	***42,928***	***10.7***

We are dependent on our top 5 major customers (out of which 4 are tyre manufacturers) as their collective revenue contributions were 80.3%, 83.5%, 84.3% and 91.0% in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 respectively. Due to technical requirement by the tyre manufacturers, they require customised block rubber from the rubber suppliers, thus there is an interdependency between tyre manufacturers and rubber suppliers. Further, we believe that our capabilities, track record with our customers and our long-term business relationship of 10 years on average with our major customers will provide our major customers the basis for continuing business with us.

7. BUSINESS OVERVIEW (CONT'D)

Our sales to our customers are conducted either on the basis of spot contract or sales contracts. Spot contracts are contracts in which the price, volume and delivery date are fixed upfront with the customer, typically for a one-time delivery within 2 months to 3 months after the spot contracts have been entered into. Sales contracts are contracts in which the volume, delivery schedule and pricing basis are set for a longer time period, typically 6 months to 12 months, under which an agreed quantity of our products is delivered to the customer each month within the period of the sales contracts. The recurring monthly delivery takes place a month after the respective price-fixing month, with price pegged to monthly SICOM average as set out in the sales contract. Due to the nature of our industry, in which block rubber pricing is dependent on the fluctuating rubber commodity prices, customers generally do not enter into contracts exceeding 12 months. These sales contracts allow our customers to secure a minimum quantity of block rubber order from our Group within the period of the contract. For the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, save for Maxtrek Tyre Group, all the top 5 major customers had entered into sales contract with our Group. This allowed us to secure sales for a fixed period which enabled us to be more efficient in planning our production and purchase of raw materials. Moreover, we normally endeavour to negotiate for the next sales contract 2 months before the expiration of the existing sales contract. Should the existing customer decide to stop purchasing from our Group, we will have a buffer period prior to the expiration of the existing sales contract to source for new customers. Historically, our Group has been able to renew the contracts with our top 5 major customers as evidenced by the length of business relationship that we have established with our top 5 major customers.

We are not dependent on either spot contract or sales contract as our Group strives to achieve a judicious balance for our sales by securing both spot contracts and sales contracts with our customers. The objective of our Group is to strike a balance between sales visibility and customer dependency with those who have sales contracts with our Group. For the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, 65.1%, 54.9%, 46.3% and 50.9% of our sales volume were derived from sales contracts, while 34.9%, 45.1%, 53.7% and 49.1% of our sales volume were derived from spot contracts. In addition, the balance of composition of spot and sales contracts is to secure long-term demand from our sales contract's customers which allows our Group to be more efficient in planning our production and purchase of raw material. Taking into consideration our Group's production capacity, balancing sales contracts with spot contracts allows our Group to have the opportunity to expand our market share by approaching potential new customers.

Further, due consideration needs to be given to the business nature of our Group which is an intermediary industry dealing with commodity of natural rubber. In line with our production capacity, it is more efficient for our Group to deal with suitable number of established customers with adequate size of order quantity instead of having too many customers at the expense of efficiency. It is also relatively easier for us as a commodity processor to find replacement customers as our finished products are rather homogenous and standardised worldwide with pricing capable of making reference to price quotes at commodity exchange. In the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, we have recorded a total of 18, 19, 16 and 18 customers respectively on an individual basis.

7.20 MAJOR SUPPLIERS

Our top 5 major suppliers for the past 3 FYEs 2019 to 2021 and FPE 31 December 2021 are as follows:

FYE 2019

No.	Supplier	Country of origin	Products sourced	Value of purchases in FYE 2019 RM'000	Value of purchases in FYE 2019 %	Length of relationship as at FYE 2019 Years
1.	Tropicore International Group[(1)]	Switzerland/ Belgium	Cup lump and semi-processed rubber	80,347	15.6	8
2.	R1 International Pte Ltd[(2)]	Singapore	Cup lump and semi-processed rubber	67,285	13.1	7
3	Visi Makmur Group[(3)]	Malaysia	Cup lump	41,398	8.0	12
4.	Gemas Rubber Trading	Malaysia	Cup lump and semi-processed rubber	37,188	7.2	12
5.	Eastland Produce Pte Ltd	Singapore	Semi-processed rubber	30,881	6.0	10
			Total	**257,099**	**49.9**	

For the FYE 2019, our top 5 major suppliers collectively accounted for RM257.1 million or 49.9% of our Group's total purchase of raw materials.

***Notes**:*

*(1) Tropicore International Group comprises Tropicore International S.A. from Switzerland ("**Tropicore International**") and Tropicore S.A. from Belgium ("**Tropicore Belgium**") who share a common controlling shareholder. Our Group sources for cup lump from Tropicore International and semi-processed rubber from Tropicore Belgium.*

The breakdown of purchases for Tropicore International Group is as follows:

Entity	***Value of purchases RM'000***	***Value of purchases %***
Tropicore International	*76,054*	*14.8*
Tropicore Belgium	*4,293*	*0.8*
Total	***80,347***	***15.6***

(2) *R1 International Pte Ltd is a subsidiary of China Hainan Rubber Industry Group Co Ltd which is listed on the Shanghai Stock Exchange.*

(3) *Visi Makmur Group comprises Visi Makmur Enterprise and Chop Lian Hup Kee. Both entities have common partners and our Group sources for cup lump from both entities.*

The breakdown of purchases for Visi Makmur Group is as follows:

	Value of purchases	
Entity	***RM'000***	***%***
Visi Makmur Enterprise	*30,078*	*5.8*
Chop Lian Hup Kee	*11,320*	*2.2*
Total	***41,398***	***8.0***

FYE 2020

				Value of purchases in FYE 2020		Length of relationship as at FYE 2020
No.	**Supplier**	**Country of origin**	**Products sourced**	**RM'000**	**%**	**Years**
1.	Tropicore International Group[(1)]	Switzerland/ Belgium	Cup lump and semi-processed rubber	96,518	17.5	9
2.	R1 International Pte Ltd	Singapore	Cup lump and semi-processed rubber	83,235	15.1	8
3.	Hevesin Holding Pte Ltd	Singapore	Cup lump and semi-processed rubber	63,351	11.5	4
4.	Eastland Produce Pte Ltd	Singapore	Semi-processed rubber	28,856	5.2	11
5.	Visi Makmur Group[(2)]	Malaysia	Cup lump	26,615	4.8	13
			Total	**298,575**	**54.1**	

For the FYE 2020, our top 5 major suppliers collectively accounted for RM298.6 million or 54.1% of our Group's total purchase of raw materials.

7. BUSINESS OVERVIEW (CONT'D)

***Notes**:*

(1) Tropicore International Group comprises Tropicore International and Tropicore Belgium of which their relationship is explained in Note (1) of the major suppliers' table in the FYE 2019. Our Group sources for cup lump from Tropicore International and semi-processed rubber from Tropicore Belgium.

The breakdown of purchases for Tropicore International Group is as follows:

	Value of purchases	
Entity	***RM'000***	***%***
Tropicore International	*88,229*	*16.0*
Tropicore Belgium	*8,289*	*1.5*
Total	***96,518***	***17.5***

(2) Visi Makmur Group comprises Visi Makmur Enterprise and Chop Lian Hup Kee of which their relationship is explained in Note (3) of the major suppliers' table in the FYE 2019.

The breakdown of purchases for Visi Makmur Group is as follows:

	Value of purchases	
Entity	***RM'000***	***%***
Visi Makmur Enterprise	*20,959*	*3.8*
Chop Lian Hup Kee	*5,656*	*1.0*
Total	***26,615***	***4.8***

FYE 2021

No.	Supplier	Country of origin	Products sourced	Value of purchases in FYE 2021 RM'000	Value of purchases in FYE 2021 %	Length of relationship as at FYE 2021 Years
1.	Tropicore International Group[(1)]	Switzerland/ Belgium	Cup lump and semi-processed rubber	123,440	18.9	10
2.	Hevesin Holding Pte Ltd	Singapore	Cup lump and semi-processed rubber	113,393	17.4	5
3.	Olam International Limited[(2)]	Singapore	Cup lump	110,156	16.9	1
4.	Yu Gim San Rubber Sdn Bhd[(3)]	Malaysia	Cup lump	42,326	6.5	[(3)]21
5.	R1 International Pte Ltd	Singapore	Semi-processed rubber	29,564	4.5	9
			Total	**418,879**	**64.2**	

For the FYE 2021, our top 5 major suppliers collectively accounted for RM418.9 million or 64.2% of our Group's total purchase of raw materials.

Notes:

(1) Tropicore International Group comprises Tropicore International and Tropicore Belgium of which their relationship is explained in Note (1) of the major suppliers' table in the FYE 2019. Our Group sources for cup lump from Tropicore International, and cup lump and semi-processed rubber from Tropicore Belgium. The value of purchases for Tropicore International Group excludes the transaction value for all purchases made by our Group from 3 November 2020 onwards as Tropicore International and Tropicore Belgium ceased to share a common controlling shareholder.

The breakdown of purchases for Tropicore International Group is as follows:

Entity	***Value of purchases RM'000***	***Value of purchases %***
Tropicore International	*90,741*	*13.9*
Tropicore Belgium	*32,699*	*5.0*
Total	***123,440***	***18.9***

7. BUSINESS OVERVIEW (CONT'D)

(2) Olam International Limited has been succeeded by Olam Group Limited as the listed entity on 16 March 2022 on the Singapore Exchange.

(3) Our Group first sourced for products from Yu Gim San, a sole proprietorship, in 2000. In 2012, Yu Gim San Rubber Sdn Bhd was incorporated and we began transacting with Yu Gim San Rubber Sdn Bhd since 2015.

FPE 31 December 2021

No.	Supplier	Country of origin	Products sourced	Value of purchases in FPE 31 December 2021 RM'000	%	Length of relationship as at FPE 31 December 2021 Years
1.	Terracore International S.A. (formerly known as Tropicore International)	Switzerland	Cup lump	55,374	15.9	10[(1)]
2.	Olam International Limited[(2)]	Singapore	Cup lump	49,804	14.3	2
3.	Tropicore Belgium	Belgium	Cup lump and semi-processed rubber	38,456	11.0	11
4.	Hevesin Holding Pte Ltd	Singapore	Cup lump and semi-processed rubber	25,541	7.3	6
5.	R1 International Pte Ltd	Singapore	Cup lump and semi-processed rubber	21,310	6.1	10
			Total	**190,485**	**54.7**	

For the FPE 31 December 2021, our top 5 major suppliers collectively accounted for RM190.5 million or 54.7% of our Group's total purchase of raw materials.

Notes:

(1) The length of business relationship with Terracore International S.A. was calculated from the year when our Group first sourced from Tropicore International.

(2) Olam International Limited has been succeeded by Olam Group Limited as the listed entity on 16 March 2022 on the Singapore Exchange.

For the past 3 FYEs 2019 to 2021 and FPE 31 December 2021, our top 5 major suppliers accounted for 49.9%, 54.1%, 64.2% and 54.7% of our Group's purchase of raw materials respectively.

Our raw materials are sourced from local and overseas suppliers, selected based on their pricing, production capacities, DRC of cup lump, ability to meet our quality requirements for semi-processed rubber, and ability to deliver in a timely manner. For local supply of raw materials, our Group purchases only from local suppliers who are licensed by the MRB. We are not dependent on any suppliers in sourcing our raw materials, as there are other suppliers in the market who sell similar raw materials at similar prices.

Even though we do not have any long-term agreements or arrangements with our major suppliers, we have not faced any material supply disruptions or delays from our major suppliers in the past 3 FYEs 2019 to 2021 and FPE 31 December 2021. Further, we have not faced any material supply disruptions or delays from our major suppliers historically and up to the LPD.

7.21 EXCHANGE CONTROL

We do not have any foreign subsidiaries which require repatriation of capital and the remittance of profits by or to our Company.

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