

**7. BUSINESS OVERVIEW (CONT'D)****Automated leather cutting machines**

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Maximum annual manufacturing capacity (sq ft) <sup>(4)(5)</sup>	1,729,728	3,199,997	3,199,997	3,199,997
Annual production output (sq ft) <sup>(4)</sup>	1,699,128	1,395,389	1,721,943	2,090,709
Utilisation rate	98.2%	43.6%	53.8%	65.3%
Number of automated leather cutting machines	2	3	3	3

**Notes:**

- (1) The maximum annual manufacturing capacity of automated multi-layer cutting machineries refers to volume of automotive cover materials such as PVC or foam that can be produced in a year, in meters.
- (2) The maximum annual manufacturing capacity is calculated based on the following assumptions:
  - There are 2 working shifts (of which a single shift is 11 hours) and 26 working days a month; and
  - There are 6 automated multi-layer cutting machineries. We purchased 1 automated multi-layer cutting machinery in June 2023 and the machinery was only operational beginning August 2023. Thus, this machinery was not taken into account for the computation of the maximum annual manufacturing capacity for FYE 2020 to FYE 2022.
- (3) The maximum annual manufacturing capacity is calculated based on the assumption that there were 5 automated multi-layer cutting machineries between January and July 2023, and 6 automated multi-layer cutting machineries between August and December 2023.
- (4) The maximum annual manufacturing capacity of automated leather cutting machineries refers to volume of leather that can be produced in a year, in sq ft.
- (5) The maximum annual manufacturing capacity is calculated based on the following assumptions:
  - There are 2 working shifts (of which a single shift is 11 hours) and 26 working days a month; and
  - There are 2 automated leather cutting machineries in FYE 2020, and 3 automated leather cutting machineries in FYE 2021, FYE 2022 and FYE 2023.

With the purchase of the additional 1 automated multi-layer cutting machinery in June 2023, our maximum annual manufacturing capacity is approximately 1.4 million meters of automotive cover materials as at the LPD.

As the volume of automotive covers that can be produced is limited by the volume of automotive cover materials such as PVC or foam that can be, or has been, cut by the automated multi-layer cutting machineries in view that the automotive covers typically require more PVC as compared to leather, the manufacturing capacity is largely determined by the capacity of the automated multi-layer cutting machineries.

**7. BUSINESS OVERVIEW (CONT'D)****Manufacturing capacities and capacity utilisation of our sewing machines**

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Maximum annual manufacturing capacity (meters) <sup>(1)(2)</sup>	1,241,360	1,593,079	1,593,079	1,593,079
Annual production output (meters) <sup>(1)</sup>	642,576	658,766	774,153	852,234
Utilisation rate	51.8%	41.4%	48.6%	53.5%
Number of sewing machines	141	154	154	154

**Notes:**

- (1) The maximum annual manufacturing capacity refers to volume of automotive cover materials that can be sewn in a year, in meters.
- (2) The maximum annual manufacturing capacity is calculated based on the following assumptions:
- There are 2 working shifts (of which a single shift is 11 hours) and 26 working days a month; and
  - For production purposes, there are 141 double line sewing machines and general sewing machines in FYE 2020, and 154 double line sewing machines and general sewing machines in FYE 2021, FYE 2022 and FYE 2023.

Meanwhile, there are 4 double line sewing machines and 4 general sewing machines used for technical development which are not taken into account as these sewing machines are used for development of design, template and prototype which do not contribute to the production output. In addition, the 2 general sewing machines placed at Singapore Hub were also not taken into account as they are used for minor re-working or repair works at Singapore Hub.

**Floor area space utilisation for manufacturing and storage at Tampoi Plant**

The floor area space for manufacturing and storage, and utilisation of this floor area space at the Tampoi Plant for the FY Under Review are as illustrated below:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Total manufacturing and storage floor area space (sq ft)	97,650	97,650	97,650	97,650
Average floor area space utilised (sq ft)	58,433	62,426	66,030	73,313
Average utilisation rate	59.8%	63.9%	67.6%	75.1%

**PJ Hub**

The floor area space for the installation and storage at the PJ Hub for the FY Under Review are as follows:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Installation floor area space (sq ft)	811	811	811	811
Storage floor area space (sq ft)	9,272	9,272	9,272	9,272
Total installation and storage floor area space (sq ft)	10,083	10,083	10,083	10,083

The storage space at the PJ Hub is utilised to store materials required for our installation of automotive seat covers for PDI and REM market segments and automotive covers which are manufactured in our Tampoi Plant prior to delivery to our customers. Currently, the PJ Hub has been fully utilised and does not have sufficient space for us to increase, among others, our storage space.

**7. BUSINESS OVERVIEW (CONT'D)**

**Summary of machineries and capacity utilisation as well as proposed expansion of capacity for automotive cover manufacturing**

	FYE 2023				Proposed expansion		
	Tampoi Plant	PJ Hub	Total	Tampoi Plant	PJ Hub <sup>(1)</sup>	New manufacturing plant and warehouse in Klang Valley <sup>(1)</sup>	Total
	Number of automated multi-layer cutting machineries	6	-	6	6	-	-
Maximum annual manufacturing capacities of automated multi-layer cutting machineries (meters)	1,207,356 <sup>(2)</sup>	-	1,207,356	1,424,280 <sup>(3)</sup>	-	-	1,424,280
Average utilisation rate	70.6%	-	70.6%	N/A	-	-	N/A
Number of automated leather cutting machineries	3	-	3	3 <sup>(4)</sup>	-	-	3
Maximum annual manufacturing capacities of automated leather cutting machineries (sq ft)	3,199,997	-	3,199,997	3,805,402 <sup>(4)</sup>	-	-	3,805,402
Average utilisation rate	65.3%	-	65.3%	N/A	-	-	N/A
Number of sewing machines for production	154	-	154	154	-	15	169
Maximum annual manufacturing capacities of sewing machines (meters)	1,593,079	-	1,593,079	1,593,079	-	155,170	1,748,249
Average utilisation rate	53.5%	-	53.5%	N/A	-	N/A	N/A

**Notes:**

- (1) As detailed in **Section 7.27.2** of this Prospectus, upon completion of the construction of the new corporate office with manufacturing plant and warehouse in Klang Valley, we intend to relocate all our operations at the PJ Hub to the new corporate office with manufacturing plant and warehouse.

**7. BUSINESS OVERVIEW (CONT'D)**

- (2) The maximum annual manufacturing capacity is calculated based on the assumption that there were 5 automated multi-layer cutting machineries between January and July 2023, and 6 automated multi-layer cutting machineries between August and December 2023.
  - (3) The maximum annual manufacturing capacity is calculated based on the assumption that there are 6 automated multi-layer cutting machineries in a year. For avoidance of doubt, the increase in the maximum annual manufacturing capacity of automated multi-layer cutting machineries as compared to FYE 2023 is due to 1 automated multi-layer cutting machineries purchased in June 2023 was only operational beginning August 2023, i.e., between August and December 2023 in respect of FYE 2023 while it will be operational for full year in respect of FYE 2024.
  - (4) As set out in **Section 4.5.4** of this Prospectus, we intend to purchase, among others, 1 new automated leather cutting machine which has higher capacity of approximately 1.47 million sq ft per annum as compared to the old automated leather cutting machine to be replaced which has capacity of approximately 0.86 million sq ft per annum.
- N/A Not available.

[ The rest of this page has been intentionally left blank ]

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.7.2 Automotive seats

#### **Kulim Plant 1**

Our Group's manufacturing capacities and capacity utilisation for the manufacturing of automotive seats for Kulim Plant 1 are as follows:

	<b>FYE 2022<sup>(1)</sup></b>	<b>FYE 2023</b>
Maximum annual manufacturing capacity (sets) <sup>(2)(3)</sup>	36,000	36,000
Manufacturing capacity since commencement of mass production (sets) <sup>(4)</sup>	13,500	36,000
Annual production output (sets)	1,002	8,451
Utilisation rate	7.4%	23.5%

#### **Notes:**

- (1) Although we began manufacturing automotive seats in February 2022, we spent the first 2 months fine-tuning our manufacturing processes. Mass production of automotive seats began in April 2022.
- (2) The maximum annual manufacturing capacity and annual manufacturing output refers to the number of automotive seat and interior part sets manufactured in a year. One set of automotive seats is for a single automotive vehicle.
- (3) The maximum annual manufacturing capacity is calculated based on the following assumptions:
  - There is 2 working shifts (of which a single shift is 11 hours) and 26 working days a month; and
  - There are 2 double conveyor lines in Kulim Plant 1.
- (4) Manufacturing capacity from the time we commenced mass production of automotive seats (in April 2022) till the end of the financial year period. Manufacturing capacity was calculated based on 1 unit of double conveyor line as we only commenced the second double conveyor line in end December 2022.

Despite the low utilisation rate of the production lines in Kulim Plant 1 (i.e. 23.5% for the FYE 2023), the actual capacity and output of our manufacturing of automotive seats are currently being limited by the manufacturing space and storage space available at our Kulim Plant 1. The floor area space in Kulim Plant 1 is used to occupy the 2 double conveyor lines and store both finished goods and incoming materials and supplies. The floor area space for manufacturing and storage, and utilisation of this floor area space for the FYEs 2022 and 2023 are as illustrated below:

	<b>FYE 2022</b>	<b>FYE 2023</b>
Total manufacturing and storage floor area space (sq ft)	64,248	64,248
Average floor area space utilised (sq ft)	63,991	64,120
Average utilisation rate	99.6%	99.8%

**7. BUSINESS OVERVIEW (CONT'D)****Summary of machineries and capacity utilisation as well as proposed expansion of capacity for automotive seat manufacturing**

	<b>FYE 2023</b>	<b>Proposed expansion</b>		
	<b>Kulim Plant 1<sup>(1)</sup></b>	<b>Kulim Plant 3<sup>(1)</sup></b>	<b>Kulim Plant 2</b>	<b>Total</b>
Number of production lines	2	1	1	2
Maximum annual manufacturing capacities of production lines (sets)	36,000	18,000	18,000	36,000
Average utilisation rate	23.5%	N/A	N/A	N/A
Total manufacturing and storage floor area space (sq ft)	64,248	110,113	55,000	165,113
Average floor area space utilised (sq ft)	64,120	N/A	N/A	N/A
Average utilisation rate	99.8%	N/A	N/A	N/A

**Note:**

N/A Not available.

- (1) For the FYE 2023 and up to the LPD, our automotive seat manufacturing activities are carried out in Kulim Plant 1. By June 2024, we will be relocating our operations in Kulim Plant 1 to Kulim Plant 3, as detailed in **Section 7.27.1** of this Prospectus.

Upon relocation from Kulim Plant 1 to Kulim Plant 3, we will have the same manufacturing capacity to assemble and manufacture 36,000 sets of automotive seats annually, which is based on the manufacturing capacity of our 2 double conveyor lines and that no additional conveyor line(s) will be procured for Kulim Plant 3 for the time being until when the need for such additional conveyor line(s) arises. Currently, the actual capacity and output of our manufacturing of automotive seats are being limited by the manufacturing space and storage space available at Kulim Plant 1.

Notwithstanding that the maximum annual manufacturing capacity will remain at 36,000 sets of automotive seats at Kulim Plant 3, the output of our manufacturing of automotive seats and utilisation rates of our production lines are expected to increase due to the availability of larger manufacturing space and storage space at Kulim Plant 3 of approximately 110,113 sq ft as compared to approximately 64,248 sq ft at Kulim Plant 1 (excluding the office and meeting room space), subject to the order quantities for automotive seats from our customers. In this regard, the availability of larger manufacturing space and storage space will allow our Group to increase our output of automotive seats by utilising our existing manufacturing capacities of our production lines without being limited by any space constraint to meet the anticipated increasing orders from our customers and new orders from our new customers as detailed in **Section 7.27.1** of this Prospectus.

[ The rest of this page has been intentionally left blank ]

**7. BUSINESS OVERVIEW (CONT'D)****7.8 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

The major supplies purchased by our Group for its operations for the FY Under Review are as follows:

	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Automotive cover materials								
- Leather	5,518	15.2	4,133	11.3	11,244	14.2	13,797	11.5
- Synthetic leather	6,849	18.9	6,557	17.9	11,130	14.0	11,359	9.4
- Others <sup>(1)</sup>	9,513	26.2	2,289	6.3	2,842	3.6	6,277	5.2
Automotive seat supplies	-	-	182	0.5	24,930	31.4	45,257	37.5
Interior parts	8,582	23.7	17,811	48.8	18,604	23.5	23,937	19.9
Parts, accessories and other supplies for automotive covers	4,490	12.4	4,556	12.5	6,549	8.3	14,502	12.0
Others <sup>(2)</sup>	1,308	3.6	1,003	2.7	3,973	5.0	5,417	4.5
<b>Total purchases</b>	<b>36,260</b>	<b>100.0</b>	<b>36,531</b>	<b>100.0</b>	<b>79,272</b>	<b>100.0</b>	<b>120,546</b>	<b>100.0</b>

**Notes:**

- (1) Comprises fabric, microfibre and semi-finished automotive covers.  
(2) Comprises testing and laboratory services, logistics services and maintenance services.

The breakdown of our Group's total purchases from local and foreign suppliers are as follows:

	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Local	15,317	42.2	24,971	68.4	38,735	48.9	42,268	35.1
Foreign	20,943	57.8	11,560	31.6	40,537	51.1	72,278	64.9
<b>Total purchases</b>	<b>36,260</b>	<b>100.0</b>	<b>36,531</b>	<b>100.0</b>	<b>79,272</b>	<b>100.0</b>	<b>120,546</b>	<b>100.0</b>

Our Group's purchases for our automotive cover division during the FY Under Review consist of automotive cover materials, interior parts and parts, accessories and other supplies. Automotive cover materials mainly comprise leather and synthetic leather automotive cover materials, amongst other materials such as fabric, microfibre and semi-finished automotive covers. Meanwhile, interior parts are generally required by the automotive vehicle OEMs to be purchased for the manufacturing of automotive covers with interior parts. Parts, accessories and other supplies comprise zippers, plastic strips and hooks.

**7. BUSINESS OVERVIEW (CONT'D)**

Our Group’s purchases for our automotive seat division during the FY Under Review comprise automotive seat supplies such as padding, seatbelts, buckles, electrical parts, frames, side airbags, and third-party automotive covers.

All of the abovementioned supplies are readily available and our Group is not dependent on any individual country for the supply of such supplies.

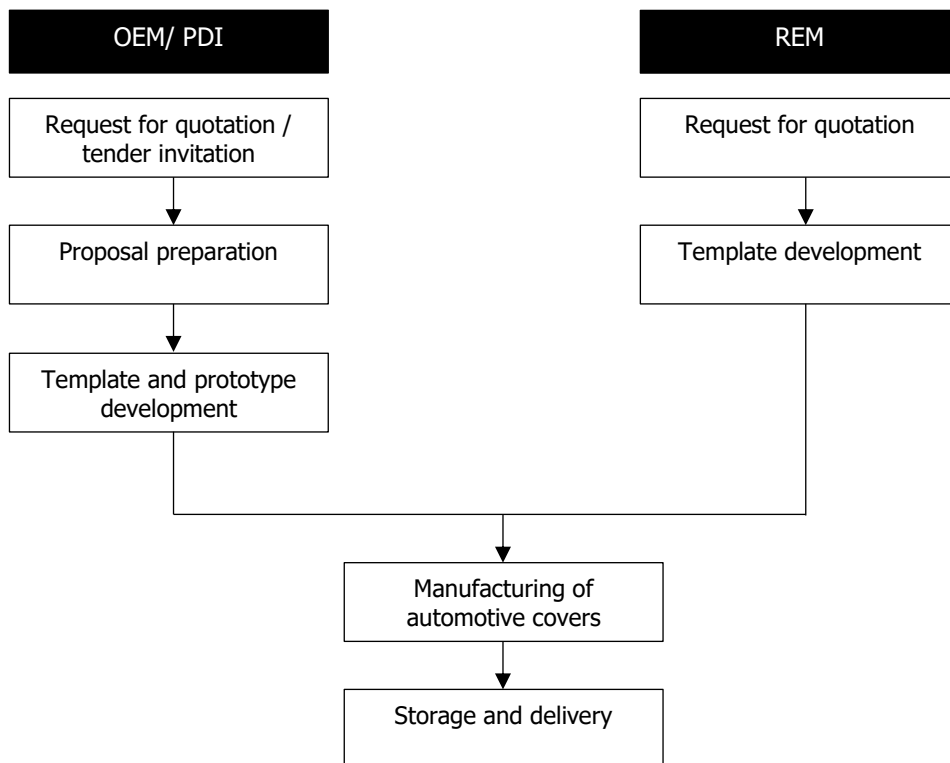
During the FY Under Review, 31.6% to 64.9% of our Group’s total purchases were procured from foreign suppliers. Purchases of supplies from foreign suppliers typically comprise leather and synthetic leather covers, interior parts, parts, accessories and other supplies for automotive covers as well as automotive seat supplies.

Notwithstanding the above, certain automotive cover materials and automotive seat supplies can be sourced from local suppliers, subject to the specifications of the supplies meeting our production requirements. Nevertheless, we are required to procure certain interior parts, parts, accessories and other supplies for automotive covers or automotive seats from certain suppliers, who may be foreign suppliers, as may be required by the automotive vehicle OEMs.

**7.9 BUSINESS AND OPERATION PROCESS**

**7.9.1 Manufacturing of automotive covers**

The typical process flow for our manufacturing of automotive covers is as depicted below:



[ The rest of this page has been intentionally left blank ]



---

**7. BUSINESS OVERVIEW (CONT'D)**


---

The process flows for the manufacturing of automotive covers for the OEM, PDI and REM market segments are as detailed below:

**(a) OEM and PDI market segments**

**(i) Request for quotation / tender invitation**

Upon receipt of a request for quotation or tender invitation from a prospective customer (who may either be automotive vehicle OEM, Tier 1 automotive seat and/or interior part manufacturer, automotive distributor or car accessory retailer), we will first evaluate the specifications and requirements and conduct a profitability study on the project.

**(ii) Proposal preparation**

Then, we will submit our quotation and proposal to the prospective customer based on the specifications and requirements of the project. The prospective customer will evaluate the proposal and if we are awarded, the customer will formally confirm our appointment through a letter of appointment or contract or purchase order.

Once we have been awarded with the project, we will then attend a kick-off meeting with the customer to discuss about the development and testing of the prototype including the type of materials, colour, dimension as well as the estimated quantity, and timeline for prototype development.

**(iii) Template and prototype development**

Thereafter, we will develop a template for the automotive covers to be manufactured based on the sample seat and/or interior part cover that have been provided to us. Our Technical Development department will first dismantle the sample seat and/or interior part cover to develop the physical template for each automotive cover component. They will utilise software applications such as AutoCAD, Adobe Illustrator, Adobe Photoshop and NScan to scan and draw the template, in order to convert the physical template into a digitised template of the automotive cover.

Our Technical Development department will then develop a prototype which will be sent to the customer for testing and installation. Upon confirmation of the prototype by the customer, the customer will typically sign off to confirm the prototype.

Prior to production, our Technical Development department will brief our Production department on the product design. We will perform 1 trial manufacturing cycle prior to every working shift to ensure the accuracy of the product measurement to manufacture the first fully completed automotive cover, and this first piece must be checked and approved by the QA/QC department before a full manufacturing cycle is initiated.

**(b) REM**

**(i) Request for quotation**

Upon receipt of a request for quotation from automotive dealers, car owners, used car dealers, importers, car accessory retailers and automotive cover installers, we will request for information such as automotive vehicle model, type of material and colour and design specifications. We will then inform them about the time needed to complete the order.

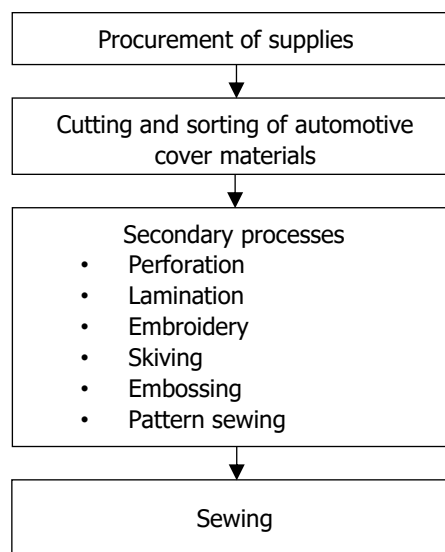
## 7. BUSINESS OVERVIEW (CONT'D)

### (ii) Template development

Thereafter, we will develop a template for the automotive covers to be manufactured based on the sample seat and/or interior part cover that have been provided to us. Our Production personnel at our PJ Hub or Singapore Hub will first dismantle the sample seat and/or interior part cover and these cover(s) will be sent to Tampoi Plant. The Technical Development personnel in our Tampoi Plant will then develop the physical template for each automotive cover component. They will then utilise software applications such as AutoCAD, Adobe Illustrator, Adobe Photoshop and NScan to scan and draw the template, in order to convert the physical template into a digitised template of the automotive cover.

### (iv) Manufacturing of automotive covers

The process flow for manufacturing of automotive covers is as depicted below:



#### (a) Procurement of supplies

Upon receipt of a purchase order to confirm the required quantity to be manufactured, we will procure automotive cover materials and supplies from our suppliers. The automotive cover materials and supplies include, but are not limited to, leather and synthetic leather automotive cover materials as well as parts, accessories and other supplies such as zippers, plastic strips and hooks. Upon receipt of automotive cover materials, we will perform QA/QC tests on the automotive cover materials and supplies to ensure that the quality of the automotive cover materials and supplies meets the customer's requirements. The detailed inspection carried out is described at **Section 7.10** of this Prospectus. The automotive cover materials and supplies with defects will be returned to our suppliers for replacement.

#### (b) Cutting and sorting of automotive cover materials

If the automotive cover material used is leather, our Production personnel will check, inspect and mark the imperfections on the leather with a chalk. These imperfections include scratches and line marks. This process is not applicable for other types of automotive cover materials.

---

**7. BUSINESS OVERVIEW (CONT'D)**

---

Subsequently, an automated nesting software is used to compute the most optimal manner to cut multiple shapes on the automotive cover material. For leather automotive cover materials, the automated nesting software will also take into account any imperfections that have been marked. The automated cutting machinery will then cut the automotive cover materials accordingly into automotive cover material cut pieces.

Thereafter, the automotive cover material cut pieces will be checked in terms of the sizing and defects. Then, the automotive cover material cut pieces will be sorted and grouped according to the respective automotive seat and interior part it has been cut for.

**(c) Secondary processes**

Depending on customer's design specification, the following secondary processes will be carried out:

- **Perforation**

Perforation is the process where a series of small holes will be punched and produced on the automotive cover material cut pieces. If required, we will carry out perforation process in which the automotive cover material cut pieces will be perforated using perforation machine.

- **Lamination**

After cutting and perforation, the leather automotive cover materials will first be affixed to a layer of foam using glue. The foam will be selected according to the required thickness of the customer's specification and cut based on the digitised templates developed. The leather automotive cover materials will be laminated together with foam using our lamination machine.

Synthetic leather pieces are typically prefixed to a layer of foam when procured and thus, this process is not applicable for synthetic leather. A multi-layer cutting machine will be used to cut the synthetic leather according to the digitised template, into automotive cover material cut pieces.

- **Embroidery**

During embroidery process, the automotive cover material cut pieces will be embroidered with a logo or graphic marks using the four-headed embroidery machine. Embroidery is an optional customisation and if required, we will carry out this process according to customer's design specification.

- **Skiving**

If required, skiving process will be performed in which the leather automotive cover material cut pieces are pared to reduce its thickness using our skiving machine.

- **Embossing**

During embossing process, the automotive cover material cut pieces will be embossed with artificial patterns using an electric emboss machine as well as a stamping and emboss machine.

**7. BUSINESS OVERVIEW (CONT'D)**

- **Pattern sewing**

The automotive cover material cut pieces will be placed on a jig and a sewing machine will be used to sew precise and symmetrical patterns based on digital design developed using the design software. These patterns require precision and thus, have to be sewn using the pattern sewing machine.

**(d) Sewing**

During the sewing process, the automotive cover material cut pieces are sewn and stitched together based on the product specification to make a complete automotive cover set. If required, the automotive seat cover set will be sewn with airbag cloth using an airbag sewing machine.

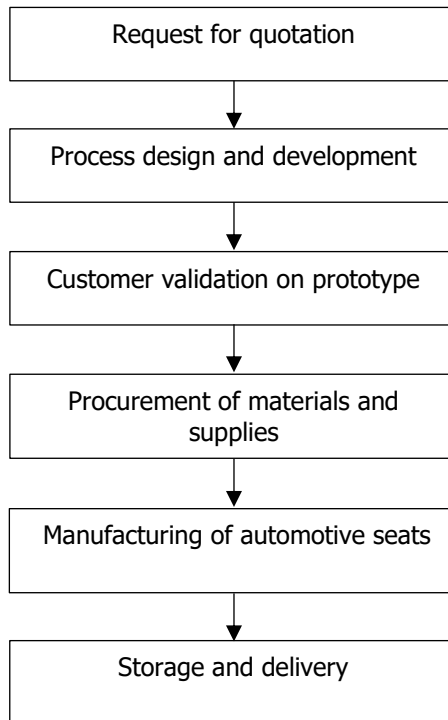
**(v) Storage and delivery**

After manufacturing the automotive covers, we will conduct a final inspection on the appearance of the product before delivery. We will check and inspect the surface of the cover for any wrinkles and dirt as well as check the stitches on the automotive covers. The inspected automotive covers will then be packed and stored at our warehouse in Tampoi Plant or at the PJ Hub before being delivered to our customer.

For customers in the PDI and REM market segments, we may reinstall the automotive covers onto the automotive seats. During this stage, we utilise our patent-pending apparatus and method to secure the automotive seat cover to the cushion of the automotive seat so that the automotive cover will be snug-fitted onto the automotive seat. We generally do not install automotive covers onto automotive seats for customers in the OEM market segment unless requested otherwise by our customers.

**7.9.2 Manufacturing of automotive seats**

The process flow for the manufacturing of automotive seats is as depicted in the diagram below:



---

**7. BUSINESS OVERVIEW (CONT'D)**

---

**(i) Request for quotation**

Upon receipt of a request for quotation by a prospective customer, we will first evaluate the specifications and requirements and conduct a profitability study on the project. We will then begin preparing a proposal, which includes proposed materials and pricing, for the prospective customer. The prospective customer will evaluate the proposal and formally confirm our appointment.

**(ii) Process design and development**

Next, our Technical Development Team will begin preparing the project schedule, producing 2D and 3D drawings of the prototype which will denote the seat dimensions, and obtaining technical information from the automotive vehicle OEMs. We will also obtain the technical assistance agreement from the principal automotive seat manufacturer.

We will then arrange a kick-off meeting with the customer and principal automotive seat manufacturer to clarify the technical specifications and requirements. The schedule is also fine-tuned according to the customer's requirements.

Once the project begins, we source the material, parts and tooling as well as set up the double conveyor line according to the technical requirements. Our Technical Development Team also develops a prototype which will undergo testing to ensure it complies with the technical requirements.

**(iii) Customer validation on prototype**

We will then send the prototype to the third-party testing facility or principal automotive seat manufacturer (as required by our customer) for them to perform testing on the prototype. They will revert to us with their feedback and we will carry out corrective actions when necessary. Some of the tests are also performed in-house by our QA/QC department.

**(iv) Procurement of materials and supplies**

Our materials and supplies are mainly automotive seat covers, padding, seatbelt, buckles, electrical parts, frames and side airbags. Once we receive the materials and supplies ordered, our QA/QC personnel will perform inspection to ensure that the materials and supplies are free from defects and the quantity and specifications are as per our purchase order.

**(v) Manufacturing of automotive seats**

During the manufacturing process, the kitting process will first be carried out where the various components required for the assembly of an automotive seats are gathered and grouped together. The automotive seat cover is then attached to the padding, which will then be affixed to the frame. For the front seats that require side airbags, the side airbag will be installed in the specific position of the automotive seat. The top and bottom cushions are joined before the relevant mechanism is attached to the bottom of the seat, depending on whether it is a power or manual seat.

Then, torquing and fixing of other accessories such as seatbelt, belt buckle, manual lever and/or recliner bolt will be carried out. The torque value varies according to the different installation positions of the bolt. Our QA/QC personnel will also perform checks and inspections on the torque.

After that, the headrest, armrest, as well as the wiring for side airbag, seatbelt reminder and power seats will be installed.

## 7. BUSINESS OVERVIEW (CONT'D)

Once an automotive seat is fully assembled, the automotive seat cover will be ironed to ensure a smooth surface, and a series of inspections and tests will be carried out by our QA/QC personnel on the automotive seat (as described in **Section 7.10** of this Prospectus). We utilise an error proof system throughout the abovementioned assembly process which will alert our Production personnel should a step be missed.

### (vi) Storage and delivery

Before delivering the finished products to the customer, we will conduct a final inspection and test on the appearance and function of the automotive seats. The details of QA/QC processes that will be carried out are described in **Section 7.10** of this Prospectus. Then, we will pack the automotive seats and deliver to our customer.

### 7.10 QA/QC PROCEDURES

Our routine QA/QC activities are carried out by QA/QC personnel throughout the manufacturing process. The QA/QC procedures that we undertake are described below:

QA/QC procedure	Description
Incoming materials	<p>Upon receipt of materials and supplies for automotive covers and automotive seats from our suppliers, our QA/QC personnel will carry out an inspection to ensure that there is no shortfall in volume of materials and supplies ordered as well as there is no damage and surface defects on the items.</p> <p>For our automotive cover division, a visual inspection will be carried out on the leather automotive cover materials and any imperfections will be marked. Our QA/QC personnel will also perform various tests and inspections using different testing equipment on the materials and supplies. These include:</p> <ul style="list-style-type: none"> <li>• measuring thickness and weight of automotive cover materials;</li> <li>• performing colour reading test using Spectro-guide colour test to measure and inspect the colour of the automotive cover materials, and this is used with a super daylight colour tester to evaluate the colour quality and uniformity under D65 (daylight);</li> <li>• using dyeing rubbing tester machine for determining the dyeing abrasion fastness level;</li> <li>• determining flexing resistance of automotive cover materials with a flexing tester;</li> <li>• measuring automotive cover material tensile strength; and</li> <li>• using Taber type abrasion tester to evaluate wear resistance of automotive cover materials.</li> </ul> <p>In the event that the materials and supplies fail to meet our required specifications, we will request for replacement from our suppliers.</p>
In-process QA/QC checks at every stage of manufacturing process	<p>We will perform in-process QA/QC inspection and checks at the end of every stage of the manufacturing process to ensure that there are no surface defects and that the work done in each process is aligned with the design specification.</p>

## 7. BUSINESS OVERVIEW (CONT'D)

Specifically for the automotive seat division, we utilise an error proof system throughout the manufacturing process which will alert our Production personnel should a step be missed. Our QA/QC personnel will also perform checks and inspections on the value of the torque to ensure that it is in accordance to the customer specifications.

Final inspection or pre-delivery inspection

Final inspection on the automotive covers and automotive seats will be conducted to ensure the products meet the customer's specifications in terms of:

- dimension of final product (size and height);
- appearance (colour, alignment, stitch appearance as well as no scratches, sharp edges and frame exposure on the products);
- quantity of products ordered; and
- packaging of products to ensure they are well-packed to prevent damages during delivery.

We will also conduct the following checks and tests once the automotive seats are fully assembled:

- mounting structure check;
- function test on the electric motors of power seat;
- testing the seatbelt reminder wiring;
- testing the side airbag current resistance;
- manually testing the manual levers and knobs of manual seats for the adjustment of seat position and reclination; and
- testing the noise levels of the motorised functions in a sound proof room.

We will also conduct random sampling check on fully-assembled automotive seats to check the seat dimension, hip-point measurement, jig verification and equipment calibration on a periodic basis.

As at the LPD, we are certified with IATF 16949, which is a quality management system for the manufacturing of automotive covers. Further, we are in the midst of preparing the necessary documentations and undergo the required trainings in respect of the IATF 16949 certification for the manufacturing of automotive seats. We expect the audit by a certification body recognised by IATF to be completed by 2<sup>nd</sup> quarter of 2024 and obtain the IATF 16949 certification for our manufacturing of automotive seats by 3<sup>rd</sup> quarter of 2024.

### 7.11 RESEARCH AND DEVELOPMENT ("R&D")

Our R&D activities are generally carried out by our Technical Development personnel to enhance our operational processes in order to improve our operational efficiency and quality of our products. We constantly keep abreast with latest technologies used in the automotive cover and seat manufacturing industry as well as in other manufacturing industries.

As at the LPD, we have also developed a patent-pending apparatus and method for assembling automotive seat cover onto an automotive seat. The apparatus includes a flexible strap and fastening loop which serve to secure the automotive seat cover to a cushion of an automotive seat tightly, such that the automotive cover is able to be snug-fitted onto the cushion of the automotive seat without any looseness and floating formation. We have submitted an application to MyIPO to patent this apparatus, and this application is currently being examined and verified by the MyIPO, as detailed in **Section 7.22 of this Prospectus**.

---

## **7. BUSINESS OVERVIEW (CONT'D)**

---

### **7.12 TECHNOLOGY USED**

Our Group utilises the following technology for our manufacturing activities:

**(a) Automated cutting machineries and automated nesting software**

We utilise automated cutting machineries and automated nesting software. The automated nesting software computes the most optimal manner to cut multiple shapes on an automotive cover material, taking into account any defects marked on the automotive cover material. This allows us to optimise the utilisation of automotive cover materials.

Meanwhile, the automated cutting machineries enable the cutting of automotive cover materials into the required shapes of automotive cover material cut pieces, in accordance to the arrangement of digitised templates created by the automated nesting software.

**(b) Template development software**

We use template development software applications such as AutoCAD, Adobe Illustrator, Adobe Photoshop and NScan to scan and draw templates, in order to convert the physical template into a digitised template of the automotive cover. These digitised templates are precise 2D and 3D drawings used in our manufacturing of automotive covers.

**(c) Error proof system**

The error proof system is a system that is used to detect and prevent steps or processes from being missed. It will alert our Production personnel should a step or process is missed. We utilise the error proof system in our manufacturing of automotive seats.

### **7.13 SEASONALITY AND CYCLICALITY**

Our business divisions are correlated with the manufacturing and sales of automotive vehicles. Automotive vehicle sales and manufacturing are cyclical and dependent on the general economic conditions and other factors, including closure of automotive vehicle manufacturing plants, consumer spending and preferences as well as changes in interest rate levels and consumer confidence. Automotive vehicle sales and manufacturing in Malaysia are also impacted by government policies, regulations, initiatives and incentives.

### **7.14 BUSINESS DEVELOPMENT, SALES AND MARKETING**

Our Executive Director, Go Yoong Chang leads the business development of Gosford Malaysia and Feytech SB while our Executive Director, Tan Sun Sun oversees the Sales and Marketing department for the REM and PDI market segments in Malaysia. Our Chief Executive Officer, Connie Go oversees all sales and marketing activities for the REM market segment in international markets. All of these Key Senior Management personnel are assisted by personnel in the Business Development (for OEM segment) and Sales and Marketing departments (for REM and PDI segments). As at the LPD, we have 21 personnel in our Business Development and Sales and Marketing departments to undertake the planning and executing of marketing strategies such as:

**(i) Direct approach**

We typically target automotive vehicle OEMs from the local and international markets, whereby we will make direct contact with automotive vehicle OEMs. As part of our marketing approach for OEM services, we assess and evaluate a customer's manufacturing environment to prepare a proposal and quotation before we secure the project. This approach provides us with the opportunity to obtain knowledge of the project and required product specifications.

Our active participation in reaching out to new automotive vehicle OEMs allows us to create awareness of our Group and services offered.



---

**7. BUSINESS OVERVIEW (CONT'D)**

---

**(ii) Referrals from existing customers**

With over 20 years of experience in the automotive seat and cover industries, we have established a strong network of past and existing customers. As part of our business development strategy, we place emphasis on maintaining and building our business relationship with our existing customers by working directly and closely with our customers on a regular basis. This is to ensure that all of our customers' needs are met effectively and efficiently. As such, we have secured recurring orders from our existing customers due to our track record of providing quality services that meet their needs and requirements. We will continue to cultivate and enhance our business relationship with our customers by continuously maintaining the quality of our products and services.

**(iii) Digital marketing and corporate website**

Our Group recognises the importance of digital marketing being adopted as a medium to disseminate information for brand awareness purposes as well as to reach out to our target market more effectively. Thus, we maintain a profile on social media platforms such as Facebook (<https://www.facebook.com/gosfordseatHQ/>) and TikTok (username: @gosfordleatherhq\_) where we post online content and videos to attract and interact with our existing and prospective customers. For the Singapore market, we maintain a profile on Sgcarmart, an online platform for buying and selling automotive vehicles, in which we include information about our products and services. We also advertise regularly on Sgcarmart. Through these platforms, we are able to keep our existing and prospective customers informed on our capabilities and products we offer.

In addition, we maintain a corporate website for our OEM, PDI and REM services for automotive seat and interior part covers products where we provide searchable information on our Group and our capabilities. Our corporate website provides a point of contact with potential customers who have enquiries about our range of products and services. Our corporate website is <https://www.feytech.com.my>.

**(iv) Participation in industry-related associations**

We have participated in industry-related associations in order to create more networking opportunities. Our Chief Operating Officer, Chua Khe Gee is the Vice President of the Mazda Malaysia Vendors Association. The association organises visits to other manufacturing plants which allows us to gain insights into the manufacturing process and understand product changes through constant innovation and development, as well as to promote customer-supplier relationship and gather market intelligence.

**(v) Attendance at industry-related events**

In view of the travel restrictions arising from the COVID-19 pandemic since early 2020, we temporarily suspended our participation in tradeshow, exhibitions and events between 2020 and 2021. Nonetheless, we began attending events in 2022. We attended the Asia Pacific Leather Fair ASEAN which is a leather and fashion material exhibition in 2022, and the Japan Mobility Show which is an automotive show for cars, commercial vehicles and motorcycles in 2023.

Events enable us identify the latest trends in relation to automotive seats and interior parts, such as designs, colours and materials.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.15 INTERRUPTIONS TO BUSINESS AND OPERATIONS AND IMPLICATIONS ON OUR BUSINESS OPERATIONS

Our Group has not experienced any other interruptions in business that had a significant effect on our operations during the period prior to the date of this Prospectus, save for disruptions resulting from the COVID-19 pandemic.

#### **Impact Of COVID-19 pandemic and the MCO on our Group**

The Malaysian Government had implemented various phases of MCO between 18 March 2020 to 1 November 2021 where mass gatherings were not allowed and businesses had to follow prescribed standard operating procedures ("SOPs") to operate, in order to curb the spread of the COVID-19 disease.

As a result, our Masai Plant in Johor Bahru, Johor was required to be temporarily closed between 18 March 2020 until we received approval from MITI on 24 April 2020 to operate during the MCO at 50% capacity. During this time, employees who are not involved in manufacturing activities worked from home.

During the Total Lockdown that was implemented on 1 June 2021, the Malaysian Government mandated closures of all economic sectors save for essential services and restrictions on movement, assembly and local travel. We received MITI approval to begin operating at our Tampoi Plant from 5 July 2021 at 10% capacity. Following this, on 18 August 2021, we received approval from MITI to operate at full capacity when 80.0% of our Group's employees were fully vaccinated. Our Kulim Plant 1 in Padang Serai, Kulim, Kedah was allowed to begin operating on 5 July 2021 after receipt of approval from MITI, at 10% capacity. Following this, on 30 September 2021, we received approval from MITI to operate at full capacity when 80.0% of our Group's employees were fully vaccinated.

Malaysia entered into the Endemic phase of COVID-19 since 1 May 2022 and since then, all restrictions limiting the number of employees in a workplace have been uplifted and SOPs were relaxed.

Meanwhile, the installation of automotive covers for customers at our Singapore Hub was disrupted during the circuit breakers implemented in Singapore from 7 April 2020 to 1 June 2020. Thereafter, our operations at Singapore Hub resumed at full capacity.

The implementation of the MCO in 2020 disrupted the manufacturing activities and the supply chain of the automotive industry, which saw the automotive cover industry size in Malaysia fell by approximately 23.0% from RM447.8 million in 2019 to RM345.0 million in 2020, as detailed in **Section 8** of this Prospectus. In view that our Group's business is tied to that of the automotive vehicle OEM's business and the automotive industry, our Group's financial results were adversely affected by the disruptions due to the MCO in the FYE 2020 whereby our Group recorded revenue of RM76.4 million. For information purposes only, Gosford Malaysia (being the largest contributor of our Group's revenue for our automotive cover division) had a total revenue of RM107.2 million in the FYE 2019 based on its audited financial statements for the FYE 2019\*.

#### **Note:**

\* The audited combined financial statements of our Group were prepared for the FY Under Review for the purpose of our Listing, hence, there is no audited combined financial statements of our Group for FYE 2019 being available. Therefore, investors must take note that the financial information for the FYE 2019 is not directly comparable to those for the FYE 2020 because the financial information for the FYE 2019 has not taken into account any inter-company transactions and/or balances (which are carried out for the purpose of preparing the combined financial statements).

Nevertheless, our Group's automotive cover division has since registered positive growth in view of the gradual reopening of economy and upliftment of MCO restrictions in 2021 and 2022. Our Group's automotive cover division recorded revenues of approximately RM85.2 million and RM107.4 million for the FYE 2021 and FYE 2022 respectively.

**7. BUSINESS OVERVIEW (CONT'D)**

**7.16 MAJOR CUSTOMERS OF OUR GROUP**

Our Group's top 5 customers for each of the FY Under Review are as follows:

<b>No.</b>	<b>Name</b>	<b>Types of products sold</b>	<b>Country</b>	<b>Revenue contribution (RM'000)</b>	<b>% of total revenue (%)</b>	<b>Length of relationship<sup>(1)</sup> (Years)</b>
<b>FYE 2020</b>						
1.	APM companies* <sup>(2)</sup>	Automotive seat covers	Malaysia	33,608	42.3	8 years
2.	Mazda Malaysia* <sup>(5)</sup>	Automotive seat covers and interior part covers	Malaysia	14,666	18.5	5 years
3.	Adient companies* <sup>(3)</sup>	Automotive seat covers	Malaysia	14,295	18.0	5 years
4.	Incharge Automotive Enhancements# <sup>(6)</sup>	Automotive seat covers and fabric industrial face masks	Australia	3,248	4.1	4 years
5.	Delloyd companies*# <sup>(4)</sup>	Interior part covers and automotive seat covers	Malaysia	1,815	2.3	5 years
<b>Sub-total</b>				<b>67,632</b>	<b>85.2</b>	
<b>Total revenue</b>				<b>79,368</b>		
<b>FYE 2021</b>						
1.	APM companies* <sup>(2)</sup>	Automotive seat covers	Malaysia	40,008	47.0	9 years
2.	Mazda Malaysia* <sup>(5)</sup>	Automotive seat covers and interior part covers	Malaysia	20,401	24.0	6 years
3.	Adient companies* <sup>(3)</sup>	Automotive seat covers	Malaysia	11,924	14.0	6 years
4.	Retro Vehicle Enhancement Limited# <sup>(6)</sup>	Automotive seat covers	New Zealand	1,043	1.2	2 years
5.	Ilusi Mantap Sdn Bhd^ <sup>(6)</sup>	Automotive seat covers	Malaysia	964	1.1	6 years
<b>Sub-total</b>				<b>74,340</b>	<b>87.3</b>	
<b>Total revenue</b>				<b>85,179</b>		

**7. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Name</b>	<b>Types of products sold</b>	<b>Country</b>	<b>Revenue contribution (RM'000)</b>	<b>% of total revenue (%)</b>	<b>Length of relationship<sup>(1)</sup> (Years)</b>
<b>FYE 2022</b>						
1.	APM companies* <sup>(2)</sup>	Automotive seat covers	Malaysia	52,886	41.7	10 years
2.	Mazda Malaysia* <sup>(5)</sup>	Automotive seat covers and interior part covers	Malaysia	24,330	19.2	7 years
3.	Kia Malaysia* <sup>(5)</sup>	Automotive seats and interior part covers	Malaysia	19,968	15.7	1 years
4.	Adient companies* <sup>(3)</sup>	Automotive seat covers	Malaysia	16,241	12.8	7 years
5.	Ilusi Mantap Sdn Bhd <sup>^ (6)</sup>	Automotive seat covers	Malaysia	1,587	1.2	7 years
<b>Sub-total</b>				<b>115,012</b>	<b>90.6</b>	
<b>Total revenue</b>				<b>126,877</b>		
<b>FYE 2023</b>						
1.	Mazda Malaysia* <sup>(5)</sup>	Automotive seat covers, interior part covers and automotive seats	Malaysia	83,885	39.7	8 years
2.	APM companies* <sup>(2)</sup>	Automotive seat covers	Malaysia	62,047	29.4	11 years
3.	Kia Malaysia* <sup>(5)</sup>	Automotive seats and interior part covers	Malaysia	47,612	22.5	2 years
4.	Adient companies* <sup>(3)</sup>	Automotive seat covers	Malaysia	5,299	2.5	8 years
5.	Ilusi Mantap Sdn Bhd <sup>^ (6)</sup>	Automotive seat covers	Malaysia	3,504	1.7	8 years
<b>Sub-total</b>				<b>202,347</b>	<b>95.8</b>	
<b>Total revenue</b>				<b>211,223</b>		

**Notes:**

- \* Being our Group's customer under OEM market segment.
- ^ Being our Group's customer under PDI market segment.
- # Being our Group's customer under REM market segment.

---

**7. BUSINESS OVERVIEW (CONT'D)**


---

- (1) The approximate length of relationships is calculated at each of the respective FYEs.
- (2) APM companies comprises Auto Parts Manufacturers Co. Sdn Bhd, APM Delta Seating Systems Sdn Bhd and APM Plastics Sdn Bhd, being the Tier 1 automotive seat and/or interior part manufacturer appointed for the Local OEM, Mazda and Hyundai car models to which our Group's products are used.
- (3) Adient companies comprises Adient Automotive Seating (M) Sdn Bhd and Adient Automotive Components (M) Sdn Bhd, being the Tier 1 automotive seat and/or interior part manufacturer appointed for the Local OEM's car models to which our Group's products are used.
- (4) Delloyd companies comprises Delloyd Industries (M) Sdn Bhd and Delloyd Seatings (M) Sdn Bhd, being the Tier 1 automotive seat and/or interior part manufacturer appointed for the Local OEM's car models to which our Group's products are used and automotive cover installer.
- (5) Being an automotive vehicle OEM.
- (6) Being a car accessory retailer.

During the FYE 2020 to 2023, our Group's top 5 customers collectively contributed to 85.2%, 87.3%, 90.6% and 95.8% to our Group's total revenues respectively.

For the past 4 FYEs 2020 to 2023, our Group's major customers included Tier 1 automotive seat and/or interior part manufacturers (namely APM companies, Adient companies and Delloyd companies), automotive vehicle OEMs (namely Mazda Malaysia and Kia Malaysia) and car accessory retailers (Incharge Automotive Enhancements, Retro Vehicle Enhancement Limited, Ilusi Mantap Sdn Bhd).

In particular, our Group's major customers, namely APM companies, Mazda Malaysia, Kia Malaysia and Adient companies, collectively contributed 78.8%, 84.9%, 89.4% and 94.1% to our Group's revenue in FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. For the avoidance of doubt, all the abovementioned major customers will order the required quantity of automotive covers and/or automotive seats via purchase orders. As at the LPD, save for the sales and purchase agreements with Mazda Malaysia and parts and supply agreements with Kia Malaysia as detailed in **Sections 7.19(b)** and **7.19(c)** of this Prospectus respectively, which sets out the obligations of our Group and our respective major customer, i.e., Mazda Malaysia and Kia Malaysia, without pre-determined price and quantity (which are based on purchase orders from our major customers), our Group does not have other long-term agreement with our major customers.

As a large proportion of our Group's revenues are contributed by the abovementioned customers (who are Tier 1 automotive seat and/or interior part manufacturers and automotive vehicle OEMs), our Group is thus dependent on these major customers in the respective FYEs. There is mutual dependency between our Group and our major customers who are Tier 1 automotive seat and/or interior part manufacturers as our Group is dependent on them to the extent of the purchase orders received from them while they are also dependent on our Group for the supply of automotive covers (the relationship between our Group and Tier 1 automotive seat and/or interior part manufacturers as detailed in **Section 7.2(i)** of this Prospectus). However, it is important to note that our Group is also dependent on the automotive vehicle OEMs that have appointed them namely, the Local OEM, Mazda Malaysia and Kia Malaysia, although these companies may not be our Group's direct customers. This is because the automotive vehicle OEMs that appoint the Tier 1 automotive seat and/or interior part manufacturers typically would have discretion to appoint our Group as the automotive cover manufacturer.

Please refer to **Section 9.1.2** of this Prospectus for details of the risk of our dependency on these major customers.

**7. BUSINESS OVERVIEW (CONT'D)****7.17 MAJOR SUPPLIERS OF OUR GROUP**

Our Group's top 5 suppliers for each of the FY Under Review are as follows:

<b>No.</b>	<b>Name</b>	<b>Country</b>	<b>Types of products / services purchased</b>	<b>Purchase value (RM'000)</b>	<b>% of total purchase (%)</b>	<b>Length of relationship<sup>(1)</sup> (Years)</b>
<b><u>FYE 2020</u></b>						
1.	PKT companies <sup>(2)</sup>	Malaysia	Interior parts and logistic services	9,551	26.3	6 years
2.	Toyo	Japan	Leather cover (semi-finished product)	7,706	21.3	4 years
3.	Supplier W*	Hong Kong	Synthetic leather, carpets as well as other parts and accessories	3,669	10.1	6 years
4.	Wang Jin Trading Limited	Hong Kong	Leather	2,801	7.7	1 year
5.	Industria De Peles Minuano Ltda	Brazil	Leather	2,273	6.3	2 years
<b>Sub-total</b>				<b>26,000</b>	<b>71.7</b>	
<b>Total purchases</b>				<b>36,260</b>		
<b><u>FYE 2021</u></b>						
1.	PKT companies <sup>(2)</sup>	Malaysia	Interior parts and logistic services	17,317	47.4	7 years
2.	Supplier W*	Hong Kong	Synthetic leather, carpets as well as other parts and accessories	4,829	13.2	7 years
3.	Wansern companies <sup>(3)</sup>	Malaysia	Foam and other parts and accessories	2,600	7.1	13 years
4.	Hongxing Auto Leather (Fujian) Dept Co., Ltd	China	Leather	1,952	5.3	2 years
5.	Industria De Peles Minuano Ltda	Brazil	Leather	1,204	3.3	3 years
<b>Sub-total</b>				<b>27,902</b>	<b>76.3</b>	
<b>Total purchases</b>				<b>36,531</b>		

**7. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Name</b>	<b>Country</b>	<b>Types of products / services purchased</b>	<b>Purchase value (RM'000)</b>	<b>% of total purchase (%)</b>	<b>Length of relationship<sup>(1)</sup> (Years)</b>
<b>FYE 2022</b>						
1.	PKT companies <sup>(2)</sup>	Malaysia and Singapore	Interior parts, automotive seat parts and logistic services	19,033	24.0	8 years
2.	Daewon	South Korea	Automotive seat parts and technical assistance services <sup>(4)</sup>	12,854	16.2	1 year
3.	Supplier W*	Hong Kong	Synthetic leather, carpets as well as other parts and accessories	8,136	10.3	8 years
4.	Industria De Peles Minuano Ltda	Brazil	Leather	4,624	5.8	4 years
5.	Wansern companies <sup>(3)</sup>	Malaysia	Foam and other parts and accessories	4,300	5.4	14 years
<b>Sub-total</b>				<b>48,947</b>	<b>61.7</b>	
<b>Total purchases</b>				<b>79,272</b>		
<b>FYE 2023</b>						
1.	PKT companies	Malaysia, Thailand and Singapore	Interior parts, automotive seat parts and logistic services	27,646	22.9	9 years
2.	Daewon	South Korea	Automotive seat parts	23,558	19.5	2 years
3.	Toyo	Japan	Leather cover (semi-finished product), automotive seat parts and technical assistance services <sup>(5)</sup>	21,219	17.6	4 years
4.	Supplier W*	Hong Kong	Synthetic leather, carpets as well as other parts and accessories	8,733	7.2	8 years
5.	Living In Leather Srl	Italy	Leather	5,910	4.9	2 years
<b>Sub-total</b>				<b>87,066</b>	<b>72.2</b>	
<b>Total purchases</b>				<b>120,546</b>		

**7. BUSINESS OVERVIEW (CONT'D)****Notes:**

- \* Supplier W is a private limited company incorporated and having its principal place of business in Hong Kong. Supplier W is principally involved in trading of PVC materials and parts which are used in products such as, among others, door panel, dash board, car seats, chairs, furniture, fitness equipment and shoes. Supplier W's main export markets include United States, Japan, Korea, Singapore, Thailand, Indonesia, Mexico, Brazil, Argentina and Russia. Supplier W does not have a holding company. The name or identity of Supplier W is not disclosed in this Prospectus pursuant to Supplier W's request due to concerns regarding confidentiality of its customer base.
- (1) The approximate length of relationship is calculated at each of the respective FYEs.
  - (2) PKT companies comprise PKT Consolidation Services (M) Sdn Bhd, PKT Consolidation Services Pte Ltd, PKT Logistics (M) Sdn Bhd and/or PKT Consolidation Services (Thailand) Co. Ltd.
  - (3) Wansern companies comprise Wansern Foam Industry Sdn Bhd and Wansern Technology Sdn Bhd.
  - (4) Technical assistance (e.g., technical data advice and training of Feytech SB's engineer) and technical data and information (such as assembly and parts drawings, and component list) in relation to the manufacturing of automotive seats for Kia Carnival car models exclusively provided by Daewon to Feytech SB pursuant to the Daewon Agreement.
  - (5) Technical assistance (e.g., technical data advice and training of Feytech SB's engineer) and technical data and information (such as assembly and parts drawings, and component list) in relation to the manufacturing of automotive seats for Mazda car models exclusively provided by Toyo to Feytech SB pursuant to the Toyo Agreement.

For the past 4 FYEs 2020 to 2023, our Group's major suppliers included suppliers of automotive cover materials, parts and accessories, interior parts and automotive seat parts. Our Group's major suppliers over the past 4 FYEs comprises PKT companies, Daewon, Industria De Peles Minuano Ltda, Wansern companies, Hongxing Auto Leather (Fujian) Dept Co., Ltd, Toyo, Wang Jin Trading Limited, Supplier W and Living In Leather Srl.

There are many other available local and foreign suppliers of automotive cover materials, parts and accessories and automotive seat parts and thus, the automotive seat and interior part industry is not dependent on these major suppliers or any individual country for the supply of such supplies. In light of this, our Group is not dependent on Industria De Peles Minuano Ltda, Wansern companies, Hongxing Auto Leather (Fujian) Dept Co., Ltd, Wang Jin Trading Limited, Supplier W and Living In Leather Srl for the supply of automotive cover materials, parts and accessories.

Notwithstanding the above, our Group is required by automotive vehicle OEMs to purchase certain supplies, i.e., interior parts and automotive seat parts from PKT Consolidation Services (M) Sdn Bhd, PKT Consolidation Services Pte Ltd and PKT Consolidation Services (Thailand) Co. Ltd, automotive seat parts from Daewon and automotive cover materials from Toyo, for the manufacture of the respective automotive vehicle OEMs' automotive covers and/or automotive seats. Thus, in the event the automotive vehicle OEMs cease working with them and are not able to find a suitable replacement in a timely manner, our Group may face a temporary supply disruption. This is because the transitional period for the automotive vehicle OEMs to source for another suitable supplier may take several months, assuming they have not identified other suitable replacements. In light of this, our Group is dependent on these major suppliers to the extent that our Group continues to be required by the automotive vehicle OEMs to purchase interior parts, automotive cover materials and/or automotive seat parts from them. Nevertheless, PKT Consolidation Services (M) Sdn Bhd, PKT Consolidation Services Pte Ltd, PKT Consolidation Services (Thailand) Co. Ltd, Daewon and Toyo are also dependent upon our Group as our Group are appointed and instructed by the automotive vehicle OEMs to purchase the relevant materials from them to manufacture the finished goods.



**7. BUSINESS OVERVIEW (CONT'D)****7.18 MATERIAL INVESTMENTS AND DIVESTITURES**

Save as disclosed below, our Group does not have any other material investments and divestitures for the FY Under Review and up to the LPD:

	<b>FYE 2020 (RM'000)</b>	<b>FYE 2021 (RM'000)</b>	<b>FYE 2022 (RM'000)</b>	<b>FYE 2023 (RM'000)</b>	<b>1 January 2024 up to the LPD (RM'000)</b>
<b><u>Investment costs</u></b>					
Land	-	-	-	13,783	-
Building	10,500	-	-	-	-
Machinery and equipment	1,777	1,057	1,425	1,933	131
Motor vehicles	47	63	946	831	-
Office equipment, electrical equipment and signboard	768	116	579	470	187
Right-of-use assets	2,843	3,791	76	10,148 <sup>(2)</sup>	-
Renovation	937	228	83	48	-
Others <sup>(1)</sup>	103	103	115	69	54
<b>Total</b>	<b>16,975</b>	<b>5,358</b>	<b>3,224</b>	<b>27,282</b>	<b>372</b>
<b><u>Divestitures proceeds</u></b>					
Motor vehicles	-	-	144	618	200
Right-of-use assets	-	-	-	-	-
Machinery and equipment	-	81	36	-	-
Office equipment	-	-	-	2	-
Others <sup>(1)</sup>	-	-	28	15	7
<b>Total</b>	<b>-</b>	<b>81</b>	<b>208</b>	<b>635</b>	<b>207</b>

**Note:**

- (1) Others include computer and software, and furniture and fittings.
- (2) Mainly comprises the land for our Tampoi Plant.

The motor vehicles acquired by our Group during the FY Under Review are as follows:

- (i) For FYE 2020, 1 van for delivery purpose;
- (ii) For FYE 2021, 1 van for delivery purpose and 2 pallet trucks for warehouse purpose;
- (iii) For FYE 2022, 1 van for delivery purpose, 1 pallet stacker for warehouse purpose and 4 cars for use by our personnel (including our sales and marketing personnel); and
- (iv) For FYE 2023, 2 cars for use by our personnel (including our sales and marketing personnel).

In the FYE 2022, our Group disposed 2 motor vehicles which are in poor condition with approximately 10 years of age. In the FYE 2023, our Group disposed 2 motor vehicles that are not in use. From 1 January 2024 up to the LPD, our Group disposed 1 motor vehicle after acquiring 2 new cars in FYE 2023.

The above capital expenditure was primarily financed by a combination of internally-generated funds and/or bank borrowings.

**7. BUSINESS OVERVIEW (CONT'D)**

**7.19 DEPENDENCY ON CONTRACTS, AGREEMENTS AND/OR ARRANGEMENTS**

Save for the contracts and agreements as disclosed below, as at the LPD, our Group is not dependent on any other contracts, agreements and/or arrangements which are material to our business or profitability:

- (a) a supply chain terms of the Local OEM ("**Supply Chain Terms**") and various letters of acceptance<sup>(1)</sup> issued by the Local OEM from time to time prior to commencement of orders. The salient terms of the Supply Chain Terms and the letters of acceptance issued by the Local OEM (collectively, "**Contract Documents**") are as follows:

<b>Purpose</b>	<p>The Supply Chain Terms set out the general and specific terms and conditions that govern the relationship between the Local OEM and Gosford Malaysia:</p> <ul style="list-style-type: none"> <li>(i) to develop parts for or on behalf of the Local OEM;</li> <li>(ii) for design, development, installation and commissioning and use of hard toolings by Gosford Malaysia for manufacturing and supply of parts to the Local OEM, if applicable; and</li> <li>(iii) for the supply of OEM parts or products (as may be specifically identified in letters of acceptance issued by the Local OEM to Gosford Malaysia from time to time) by Gosford Malaysia to the Local OEM. Gosford Malaysia undertakes to supply the original equipment manufacturer's parts of the Local OEM ("<b>OEM Products</b>") solely and exclusively to the Local OEM or any party nominated by the Local OEM.</li> </ul>
<b>Tenure</b>	<p>The Contract Documents are not subject to a fixed tenure.</p> <p>Gosford Malaysia also undertakes to supply products to a party nominated by the Local OEM of vehicles specified by the Local OEM for supply of spare parts for a further period of 10 years after the run-down of production of such vehicles and shall not modify, transfer or dispose of any mould, tool, or jig used in the manufacture of the products without the prior written consent of the Local OEM.</p>
<b>Contract value</b>	<p>There is no fixed contract value in the Contract Documents. The prices for the OEM parts or products are set out in the letters of acceptance issued by the Local OEM to Gosford Malaysia from time to time and may subject to further negotiations between the Local OEM and Gosford Malaysia from time to time prior to commencement of orders for the relevant OEM parts or products.</p>
<b>Termination / Withdrawal</b>	<ol style="list-style-type: none"> <li>1. The Contract Documents may be terminated by the Local OEM without assigning any reason whatsoever and without any liability to the Local OEM, by written notice given to Gosford Malaysia not less than 180 days prior to the proposed date of termination.</li> <li>2. The Local OEM may by immediate notice in writing to Gosford Malaysia, terminate the Contract Documents: <ul style="list-style-type: none"> <li>(i) if Gosford Malaysia breaches the Contract Documents and does not remedy such breach within 30 days after written notice;</li> <li>(ii) if Gosford Malaysia breaches the terms for inspection between the Local OEM and Gosford Malaysia in relation to the OEM Products and does not remedy such breach within 30 days after written notice;</li> <li>(iii) Gosford Malaysia's licences are revoked or suspended;</li> </ul> </li> </ol>



**7. BUSINESS OVERVIEW (CONT'D)**

<b>Indemnity</b>	<p>1. Gosford Malaysia shall indemnify, hold harmless and defend the Local OEM and their employees, agents, servants and representatives from and against any and all claims, demands, actions, proceedings, damages, losses, liabilities, costs and expenses (including reasonable solicitor's fees and costs) arising from or contributed by:</p> <p>(a) any default or breach or acts or omission of Gosford Malaysia, its servants or agents or any sub contactors, their servant or agents; and/or</p> <p>(b) any negligence or breach of statutory duty on the part of Gosford Malaysia, its servants or agents or any sub-contractors, their servants and agents.</p> <p>2. Gosford Malaysia warrants that the products supplied to the Local OEM or a third party designated by the Local OEM and replacement products and parts delivered during the warranty period shall be free from defects and of merchantable quality and fit for purpose. Gosford Malaysia shall compensate the Local OEM if a claim is made due to defects in the warranted products or the defective parts.</p>
<b>Confidentiality</b>	<p>The parties shall treat as secret and confidential and not at any time for any reason whatsoever disclose and/or permit to be disclosed to any person or persons or otherwise make use or permit to be made use of any information relating to the technology, technical processes, intellectual property, methodologies, business affairs or finances or any such information or any form of commercially sensitive information relating to the Local OEM or Gosford Malaysia or any affiliates, subsidiaries, related companies, suppliers and/or customers of the Local OEM or Gosford Malaysia. The parties agree and undertake that the obligations of the parties shall survive the termination or expiration of the letters of acceptance for any reason whatsoever.</p>

**Note:**

- (1) In total there are 9 existing letters of acceptance issued by the Local OEM for each specific variant or car model of the Local OEM on the following dates:
- (aa) 2 letters of acceptance dated 15 May 2018 and 3 letters of acceptance dated 3 August 2018, 3 February 2020 and 13 December 2021 respectively to GLSB, all of which were novated by GLSB to Gosford Malaysia on 5 January 2023. GLSB previously appointed Gosford Malaysia as an exclusive automotive cover manufacturer for the supply of parts for Local OEM car models. GLSB has not generated any revenue since financial year ended 30 June 2020 and decided to cease its business on 5 April 2023. GLSB was dissolved on 4 September 2023; and
- (bb) 3 letters of acceptance dated 1 December 2022 and 1 letter of acceptance dated 19 October 2022 to Gosford Malaysia.
- (b) Sales and purchase agreements with Mazda Malaysia
- (i) Sales and purchase agreement dated 20 September 2021 between Mazda Malaysia and Gosford Malaysia for Mazda CX-8 car model;
- (ii) Sales and purchase agreement dated 10 May 2022 between Mazda Malaysia and Gosford Malaysia for Mazda CX-30 car model;

**7. BUSINESS OVERVIEW (CONT'D)**

- (iii) Sales and purchase agreement dated 10 May 2022 between Mazda Malaysia and Feytech SB for Mazda CX-30 car model; and
- (iv) Sales and purchase agreement dated 15 May 2023 between Mazda Malaysia and Gosford Malaysia for Mazda CX-5 car model,

collectively, the "**Mazda SPA**", and Gosford Malaysia and Feytech SB in the Mazda SPA are referred to as the "**Supplier**". The salient terms of the Mazda SPA are as follows:

<b>Purpose</b>	The Supplier agreed to sell and Mazda Malaysia agreed to purchase the automotive parts specified in purchase order issued by Mazda Malaysia for vehicles manufactured by or for Mazda Malaysia and service parts.
<b>Tenure</b>	1 year from the date of the Mazda SPA, and subject to automatic extension of every one (1) year unless either the Supplier or Mazda Malaysia gives notice to the other not to extend at least 6 months prior to the expiration of the term or extended term of the Mazda SPA.  <b>Note:</b>  The Mazda SPA also applies to the transactions of the product for servicing vehicles installed with the product. The obligation of the Supplier to supply such product for service shall continue for 10 years after Mazda Malaysia ceases purchasing the product for original equipment use.
<b>Contract value</b>	The prices of the automotive parts and service parts shall be based on quotation submitted to Mazda Malaysia and upon the agreement between the Supplier and Mazda Malaysia shall be specified in purchase order of Mazda Malaysia.
<b>Termination</b>	<u>Termination</u> 1. The Supplier or Mazda Malaysia has the right to terminate the Mazda SPA with a notice to the other party if the other party has committed any breach of the provisions of the Mazda SPA and has failed to rectify such breach within two (2) months after the service of the notice to the other party.  2. The Supplier or Mazda Malaysia has the right to terminate the Mazda SPA with a notice to the other party upon the occurrence of any of the following events: (a) attachment, provisional attachment, auction, adjudication of bankruptcy, petition for corporate reorganisation or disposition for public sale due to arrears of taxes. (b) insolvency or suspension of payment. (c) transfer of the whole or any substantial part of the business undertaking or assets, or suspension of the business activities. (d) dissolution or merger.
<b>Liquidated ascertained damages</b>	The Supplier shall take full responsibility for any downtime occurred at Mazda Malaysia production line due to quality, delivery or shortage of product supplied by the Supplier. The rate for downtime charge is RM500 per minute. The Supplier shall be notified officially by the Mazda Malaysia on downtime claim.

**7. BUSINESS OVERVIEW (CONT'D)**

<b>Warranty</b>	<p>The Supplier warrants that the automotive parts supplied to Mazda Malaysia shall be free from defects in material, workmanship and design as well as comply with Mazda Malaysia's specifications. The warranties given by the Supplier for the basic coverage of the automotive parts supplied to Mazda Malaysia shall be a period of 36 months or 100,000 km mileage, whichever is earlier.</p> <p>If a breach of warranty is found prior to shipment by Mazda Malaysia of vehicles on which the Supplier's product has been installed or assembly kits into which the Supplier's product has been incorporated or the service parts of vehicle, provided that an analysis of the product will be performed by the Supplier and Mazda Malaysia shall determine whether the defects arises due to breach of warranty based on the Supplier's analysis. Mazda Malaysia shall notify the Supplier of that effect and the Supplier shall upon Mazda Malaysia's instruction compensate Mazda Malaysia for direct damage suffered by Mazda Malaysia due to such breach of warranty, dispatch immediately a replacement to Mazda Malaysia's plant free of charge, or dispatch a replacement and compensate Mazda Malaysia for the unrecovered portion of the direct damage (including the actual cost for procuring a replacement such as price amount, freight, insurance, customs duties and taxes, and the actual cost of labour for repairing, demounting, remounting and sorting defective or non-conforming products and damage parts).</p> <p>If any claim regarding injury to person or damage to property resulting from a breach of warranty, the Supplier shall be liable for any damage suffered by Mazda Malaysia due to such claim.</p>
<b>Indemnity</b>	<ol style="list-style-type: none"> <li>1. The Supplier warrants that the sale or use of its product shall not infringe any patent or registered utility model owned or entitled by any third party. The Supplier shall indemnify and hold harmless Mazda Malaysia and anyone selling or using vehicles installed with the product, from and against the expenses, damages and judgments arising from any claim or suit of such infringement provided, however, that the Supplier shall not be liable for the infringement due to the instructions given by Mazda Malaysia to the Supplier on design, pattern, or specifications of the product.</li> <li>2. The Supplier may also be liable to pay compensation (which include actual costs for procuring replenishments) or damages to Mazda Malaysia due to:             <ol style="list-style-type: none"> <li>(a) shortage in quantity of the products delivered to Mazda Malaysia;</li> <li>(b) breach of warranty of the products supplied to Mazda Malaysia arising from malfunction or defects in material, workmanship or design (unless the defects arise due to the instructions given by Mazda Malaysia to the Supplier on the design, pattern or specifications of the product);</li> <li>(c) any claim regarding injury to person or damage to property resulting from a breach of warranty.</li> </ol> </li> </ol>

**7. BUSINESS OVERVIEW (CONT'D)**

<b>Confidentiality</b>	During the term of the Mazda SPA and thereafter, neither party shall disclose or divulge to any third party any confidential business or technical information of the other party which has been furnished by the other party or has come to its knowledge through transactions under the Mazda SPA. Further, neither party shall use such information for any purpose other than that of the Mazda SPA. Upon expiration or termination of transactions under the Mazda SPA, if Mazda Malaysia so requires, Supplier shall immediately return all specifications, drawings and other materials furnished by the other party and their reproductions.
<b>Governing law</b>	Laws of Malaysia.

- (c) Parts and supply agreements with Kia Malaysia
- (i) Parts supply agreement dated 17 January 2022 between Kia Malaysia and Gosford Malaysia; and
  - (ii) Parts supply agreement dated 17 January 2022 between Kia Malaysia and Feytech SB,

collectively, the "**PSA**", and Gosford Malaysia and Feytech SB in the PSA are referred to as the "**Supplier**". The salient terms of the PSA are as follows:

<b>Purpose</b>	Supplier shall sell and deliver automotive systems, modules, components and parts, including replacement and service parts, and related services (" <b>Goods</b> ") at the prices and quantities specified in Kia Malaysia's purchase order or scheduling agreement (collectively, the " <b>Scheduling Agreement</b> ") issued to Supplier containing detailed description, delivery date, price, and quantities of the Goods.
<b>Tenure</b>	The parts supply agreements are not subject to any fixed tenure.  Supplier will supply service parts for 15 years after the model build out for of the Goods or such longer time as may be required by Kia Malaysia.
<b>Contract value</b>	The prices of the Goods are as set out in the Scheduling Agreement, which are not subject to increase and shall include storage, handling, packaging and all other expenses of Kia Malaysia. Supplier assumes the risk of any event or cause affecting prices, including foreign exchange rates, increases in raw material costs, inflation, increases in labour and other production and supply costs, and any other event which impacts the price or availability of materials or supplies for the Goods.
<b>Termination</b>	<u>Termination for convenience</u> Kia Malaysia may terminate all or any part of the PSA, Scheduling Agreement and any other documents provided by Kia Malaysia (collectively, " <b>Order</b> ") at any time without cause by written notice to the Supplier. Upon receipt of the termination notice, the Supplier shall proceed as directed by Kia Malaysia in the termination notice, including stopping work and terminating orders and subcontracts that relate to the terminated Order.  <u>Termination for breach</u> In the event of a breach or a threatened breach by Supplier of any obligations under the Order, which would give rise to irreparable harm to Kia Malaysia, Kia Malaysia shall be entitled to exercise all rights and remedies that may be available to Kia Malaysia.



**7. BUSINESS OVERVIEW (CONT'D)**

	<p>Supplier also recognizes that failure to timely and fully perform its obligations will affect the viability of the manufacturing of the vehicles, and that Kia Malaysia will suffer substantial losses and damages which cannot be measured solely in monetary terms. Therefore, Kia Malaysia shall have the right to compel specific performance of the Order by Supplier or at its discretion to have a third-party contractor perform Supplier's obligations with the costs and expenses of Supplier.</p> <p>Kia Malaysia may terminate the Order upon written notice to Supplier if Supplier:</p> <ul style="list-style-type: none"> <li>(i) fails to timely deliver conforming Goods that meet the quality and performance requirements;</li> <li>(ii) fails to perform any other provision of the Order and fails to cure such failure within a period of 10 days after receipt of written notice from Kia Malaysia specifying such failure;</li> <li>(iii) ceases doing business as a going concern or admits in writing its inability to perform its obligations under the Order as and when due;</li> <li>(iv) is merged into another company and/or is expropriated or nationalised; or</li> <li>(v) a change in control of Supplier occurs. In any such event, Kia Malaysia may cancel all or part of the Order without any liability, except for payment due for the Goods delivered and accepted.</li> </ul> <p>Upon termination for Supplier's breach, Kia Malaysia shall be entitled to recover from Supplier all Losses, which Kia Malaysia may suffer as a result of such default by Supplier.</p> <p><u>Insolvency</u> Kia Malaysia may immediately terminate the Order without liability to Supplier upon the occurrence of any of the following events:</p> <ul style="list-style-type: none"> <li>(i) insolvency of Supplier;</li> <li>(ii) filing of a voluntary petition in bankruptcy by Supplier;</li> <li>(iii) filing of any involuntary petition in bankruptcy against Supplier;</li> <li>(iv) appointment of a receiver or trustee for Supplier;</li> <li>(v) execution of an assignment for the benefit of creditors by Supplier, provided that such petition, appointment or assignment is not vacated or nullified within 15 days of such event, or</li> <li>(vi) Supplier's failure or inability, within 10 days of Kia Malaysia's written request, to provide reasonable assurance of financial stability or due performance.</li> </ul> <p>Kia Malaysia shall have the right, among others, to immediately recover all machinery, equipment, supplies, materials, tools, jigs, dies, gauges, fixtures, molds, patterns and other items (i) furnished by Kia Malaysia, either directly or indirectly, to Supplier to perform pursuant to the Order, or for which Supplier has been paid or reimbursed by Kia Malaysia pursuant to the Order or a separate purchase order, or (ii) of the Supplier which are used solely for the production of Kia Malaysia's Goods.</p>
--	--



**7. BUSINESS OVERVIEW (CONT'D)**

<b>Liquidated ascertained damages</b>	<p><u>Non-conforming Goods</u> Any substitution of goods or material, without prior Kia Malaysia’s written approval, will be considered a breach of Kia Malaysia’s order. In such event, and without limiting its remedies, after notice to Gosford Malaysia and/or Feytech SB, Kia Malaysia may cancel the order for default, and cause removal of Gosford Malaysia and/or Feytech SB as a Kia Malaysia’s supplier.</p>
<b>Warranty</b>	<p>None.</p> <p>The Supplier warrants that the automotive parts supplied to Kia Malaysia shall be of merchantable quality and good material, workmanship and design, fit for purpose and free from defects as well as conform to Kia Malaysia’s specifications. The warranties given by the Supplier for the automotive parts supplied to Kia Malaysia shall be a period of 5 years or 150,000 km mileage from the registration date, whichever is earlier.</p>
<b>Indemnity</b>	<p><u>General indemnity</u> Supplier shall indemnify, defend, and hold harmless Kia Malaysia, its officers, directors, employees, affiliates, authorised distributors, dealers, agents, representatives, successors and permitted assigns from and against any losses, damages, liabilities, deficiencies, claims, actions, causes of action, judgments, suits, settlements, interest, awards, penalties, fines, costs or expenses of whatever kind (including reasonable attorney’s fees, court costs, costs of enforcing any indemnification right, and costs of pursuing any insurance providers) whether direct, indirect, special, incidental or consequential, assessed administratively, judicially or by a regulatory action, based upon tort, product liability, warranty, contract, or otherwise (collectively, “<b>Losses</b>”), arising out of or related to:</p> <ul style="list-style-type: none"> <li>(i) the Goods and Supplier’s performance under the Order;</li> <li>(ii) Supplier’s breach of warranty or any other provision of the Order;</li> <li>(iii) violation of any federal, state or local law, regulation, rule or ordinance by Supplier;</li> <li>(iv) Supplier’s employees claiming to be employed by Kia Malaysia;</li> <li>(v) Supplier’s negligence, errors, actions, omissions, or intentional misconduct; or</li> <li>(vi) the presence of Supplier or its representatives at Kia Malaysia.</li> </ul> <p>Losses shall include without limitation damage to Kia Malaysia’s property or the property of others, personal injuries or death, economic losses and production downtime, except to the extent the damages are caused by the negligence or wilful misconduct of Kia Malaysia.</p> <p><u>Infringement of Intellectual Property</u> Supplier shall defend, hold harmless and indemnify Kia Malaysia, its officers, directors, employees, affiliates, authorized distributors, dealers, successors and assigns, against any claims of infringement (including patent, trademark, copyright, industrial design right, or other proprietary right, or misuse or misappropriation of trade secret) and resulting</p>



**7. BUSINESS OVERVIEW (CONT'D)**

(d) Daewon Agreement, of which the salient terms are as follows:

<b>Purpose</b>	<p>Daewon grants to Feytech SB an exclusive right to use the Technical Assistance<sup>(1)</sup> and Technical Information<sup>(2)</sup> (collectively the "<b>Deliverables</b>") and Product<sup>(3)</sup> manufactured in Malaysia as long as Feytech SB remains as the exclusive licensee to manufacture the Products in Malaysia.</p> <p><b>Notes:</b></p> <p>(1) "<b>Technical Assistance</b>" means the technical assistance rendered by Daewon to Feytech SB in the form of providing a technical data advice and training of Feytech SB's engineers for the purpose of assisting Feytech SB to manufacture the Product.</p> <p>(2) "<b>Technical Information</b>" means the technical data/documents such as assembly and parts drawings, component list and information in written, electronic or any other form, pertaining to the Product but shall not include technical and engineering information, know-how and data that Daewon is prohibited from public disclosure pursuant to applicable laws and regulations.</p> <p>(3) "<b>Products</b>" means the seat for KIA Carnival and its variant manufactured by Feytech SB in Malaysia.</p>
<b>Term and expiry date</b>	<p>Daewon Agreement shall be effective on the date of the agreement for a period of 5 years and expiring on 29 August 2026 or until the agreed vehicle model last whichever is later unless earlier terminated by the parties ("<b>Term</b>").</p> <p>The Daewon Agreement may be renewed upon mutual agreement of the both parties.</p>
<b>Technical assistance fee and royalty fee and other fees</b>	<p><u>One-off technical assistance fee</u> Feytech SB is required to pay a one-off technical assistance fee to Daewon within 30 days from the date of receipt of Daewon's fee invoice. The one-off technical assistance fee has been fully paid by Feytech SB in FYE 2021.</p> <p><u>Royalty fee</u> In case Feytech SB purchases any components to manufacture or assemble the Products ("<b>Parts</b>") for the vehicle during the Term, Feytech SB is required to pay a royalty fee for every vehicle set to Daewon. Feytech SB is required to provide a half-yearly written reports to Daewon by setting down the quantities of vehicle set delivered to Kia Malaysia and the amount of royalty fees due.</p> <p><u>On-site technical assistance fees</u> USD600.00 per Daewon's engineer or technician per day for training and Technical Assistance provided by Daewon to Feytech SB in Malaysia.</p> <p><u>Domestic technical assistance fee</u> USD300.00 per Daewon's personnel per day for training and Technical Assistance provided by Daewon to Feytech SB at Daewon's facilities.</p>

**7. BUSINESS OVERVIEW (CONT'D)**

<b>Warranty and liability</b>	<p>Daewon warrants that the Technical Assistance and Technical Information, the personnel provided and the Deliverables, including information on the Product does not and will not infringe the intellectual property rights of any third party.</p> <p>If there is any claims, action or patent dispute related to third party intellectual property rights as it relates to the Deliverables of Feytech SB, then Feytech SB shall be responsible and shall assume the defence thereof save and except where such claim, cause of action or patent dispute by third party is attributable to the use of the Technical Assistance and/or Technical Information provided by Daewon by Feytech SB.</p> <p>In such case, any intellectual property infringement or dispute attributable to the Technical Assistance and/or Technical Information rendered by Daewon, Feytech SB shall forthwith notify the dispute to Daewon and thereafter both parties shall coordinate and assist mutually in the processing and resolution of the dispute.</p> <p>Daewon shall be responsible solely for all costs and expenses for any legal or arbitration proceedings, including solicitors costs and expenses for defending or resolving the dispute and shall indemnify and keep Feytech SB fully indemnified against any and all liability, loss, damage, costs (including legal costs on a full indemnity basis), expenses, claims, charges incurred or suffered by Feytech SB arising from any claims for infringement of trademark, copyright, patent or any other intellectual property right.</p> <p>Any award, litigation expense, settlement cost and expense, and all other costs associated with the resolution of dispute shall be paid to Daewon provided always and subject to Feytech SB having been duly indemnified in accordance with the Daewon Agreement.</p>
<b>Confidentiality</b>	<p>The obligations of the parties to keep confidential of the information under the Daewon Agreement shall survive any termination or expiration of the Daewon Agreement and shall be maintained for the period of 2 years from the termination or expiration of Daewon Agreement.</p>
<b>Termination</b>	<p>(i) Either party may terminate Daewon Agreement, if the other party significantly breaches any of its obligations under Daewon Agreement and such breach shall continue uncured for a period of 30 days after the breaching party's receipt of written notice specifying in detail the nature of the breach from the non-breaching party.</p> <p>(ii) Daewon may terminate Daewon Agreement immediately upon written notice if Feytech SB ceases to do business for any reason or becomes subject to any bankruptcy, insolvency, reorganisation, liquidation or other similar proceedings, which proceedings are not dismissed within 30 days thereafter.</p> <p>(iii) Either party may terminate Daewon Agreement if competitor(s) of a party invests in the other party which changes the composition of the management or actual control of such other party, and as a result thereof, continuation of Daewon Agreement is deemed to have adverse effect on the first mentioned party. This clause however, shall not apply in case the invested party is listed on any securities exchange or registered with a similar securities market.</p>

**7. BUSINESS OVERVIEW (CONT'D)**

<p><b>Other salient term</b></p>	<p>(iv) In the event of termination of Daewon Agreement by Daewon, then Feytech SB shall: (i) immediately cease any use or application of the Technical Information and the Deliverables, and (ii) within 30 days of the effective date of termination, return all Technical Information to Daewon.</p> <p>The rights and obligations of Daewon under the Daewon Agreement may not be transferred or assigned directly or indirectly by operation of law or otherwise, without the prior written consent of Feytech SB.</p>
<p><b>Dispute and governing law</b></p>	<p>The parties agree to resolve amicably any controversy, dispute or claim arising out of or related to the Daewon Agreement, failing which the parties shall submit such controversy, dispute, or claim via arbitration in accordance with the Rules of Arbitration of the country of the defaulting party.</p>

- (e) Parts Supply Agreement dated 25 July 2023 between Daewon and Feytech SB ("**Daewon PSA**"), of which the salient terms are as follows:

<p><b>Purpose</b></p>	<p>Daewon and Feytech SB shall trade vehicle seat parts and semi-finished products, based on Feytech SB's orders, required for the production of Kia Carnival model vehicle seats for Kia Malaysia in accordance with the terms and conditions of the Daewon PSA.</p>
<p><b>Tenure</b></p>	<p>The validity period of the Daewon PSA shall be 1 year from the date of the agreement. However, if either Daewon or Feytech SB does not express their intention to change or cancel the Daewon PSA in writing before the expiration of the contract period, it shall be automatically extended by 1 year.</p>
<p><b>Contract value</b></p>	<p>There is no fixed contract value in the Daewon PSA. The prices for the vehicle seat parts and semi-finished products are subject to further negotiations between Daewon or Feytech SB from time to time prior to commencement of orders.</p>
<p><b>Termination / Withdrawal</b></p>	<ol style="list-style-type: none"> <li>1. Daewon or Feytech SB may terminate the Daewon PSA for any of the following reasons:             <ol style="list-style-type: none"> <li>(a) if it is impossible to fulfil the terms of the Daewon PSA;</li> <li>(b) when a financial institution suspends transactions;</li> <li>(c) in the case of cancellation, suspension, etc. of business from the supervisory authority;</li> <li>(d) performance of the contract by receiving provisional seizure, provisional disposition, compulsory execution, etc. from a third party where it is deemed difficult; or</li> <li>(e) bankruptcy or filing an application for commencement of the company's liquidation procedure to the court.</li> </ol> </li> <li>2. Daewon or Feytech SB may notify the other party in writing of the rectification or performance of the Daewon PSA due to the following reasons and cancel or terminate any or all of the Daewon PSA if the rectification or the term of the Daewon PSA is not fulfilled after 15 days:             <ol style="list-style-type: none"> <li>(a) in the event of an unhealthy transaction;</li> <li>(b) other cases in which Daewon directly or indirectly indicates a refusal to perform the Daewon PSA.</li> </ol> </li> </ol>

**7. BUSINESS OVERVIEW (CONT'D)**

<b>Warranty</b>	<p>3. In addition to the reasons referred to in item (1) above, if a part or all of Daewon PSA is to be terminated due to unavoidable circumstances of Daewon or Feytech SB, it may be determined in consultation with the other party.</p> <p>Daewon agrees to a warranty of quality, including the warranty specified for all parts. Daewon shall provide, maintain and implement all measures, not limited to quality control standards, inspection standards and specifications, to maintain the quality of the product and manufacturing processes.</p>
<b>Indemnity</b>	None, save as disclosed under confidentiality provision.
<b>Confidentiality</b>	Daewon and Feytech SB shall not divulge to any third party any other party's business secrets (such as drawings, films, materials, moulds, identities, passwords, trade secrets, etc.) known under the Daewon PSA and individual contracts. Daewon and Feytech SB shall indemnify the other party if they cause damage to the other party in violation of the provision on confidentiality.
<b>Governing law</b>	If there is a dispute and the parties fail to reach an agreement, such dispute shall be finally settled through arbitration in accordance with the arbitration rules of the Korean Commercial Arbitration Board.

(f) Toyo Agreement, of which the salient terms are as follows:

<b>Purpose</b>	Toyo agrees to grant Feytech SB an exclusive licence to use, make and sell products utilizing the technology and know-how embodied in the materials, inter alia, design, bill of material, seat cover work instruction and related information (" <b>Technology</b> ") to be provided by Toyo and to be used in manufacturing of seats and seats components for a specific Mazda car model (i.e. Mazda CX-30) in Malaysia for Feytech SB's customer, namely Mazda Malaysia.
<b>Term and expiry date</b>	The Toyo Agreement is valid from the date of the agreement signed and remains valid until the end of production of seat for the Mazda CX-30 model in Malaysia unless terminated earlier by the parties (" <b>Term</b> ").
<b>Royalty fee and technical support fee</b>	<p><u>Royalties</u></p> <p>The royalties fee payable by Feytech SB in connection with the Technology shall be as follows:</p> <ul style="list-style-type: none"> <li>(i) Lump-sum royalty: A lump sum royalty which shall be paid by Feytech SB to Toyo on the start of production. The lump-sum royalty has been fully paid by Feytech SB in FYE 2022.</li> <li>(ii) Running royalty fee: Royalty fee per vehicle set, which is payable quarterly based on number of deliveries of vehicle.</li> <li>(iii) Feytech SB is required to guarantee a minimum annual royalties fee payment in connection with the Technology.</li> </ul> <p><u>Technical support fees</u></p> <p>The technical support fees payable by Feytech SB to Toyo for dispatch of Toyo's engineers to Feytech SB shall be as follows:</p> <ul style="list-style-type: none"> <li>(i) JPY60,000 per day per Toyo's personnel (excluding sales personnel); and</li> <li>(ii) JPY40,000 per day for Toyo's sales personnel, regardless of number of people.</li> </ul>

**7. BUSINESS OVERVIEW (CONT'D)**

<p><b>Indemnity</b></p>	<p>The technical support fees payable by Feytech SB to Toyo for technical support services provided at Toyo shall be JPY5,000 per hour. Any other support provided to Feytech SB by Toyo shall be charged in accordance with the actual cost including test that to be mutually agreed between the parties.</p> <p>Feytech SB shall be responsible for all liabilities arising from Feytech SB's manufacture of products by utilising the Technology whilst Toyo shall be responsible for any design issue.</p> <p>Feytech SB shall assume full responsibility for all issues and application of Toyo's recommendations and testing services. Should Feytech SB fails to use Toyo's recommendation, Feytech SB shall indemnify and hold harmless Toyo against any and all liability, damages, cause of actions and costs or expenses arising from the death or injury to any person, damage to any property or any other alleged or actual damages resulting from the use, application or non-use of Toyo's recommendations or testing services, Toyo's technical support, and Toyo's testing services.</p>
<p><b>Confidentiality</b></p>	<p>Feytech SB shall use the confidential information obtained by it under the Toyo Agreement for the purposes stated in the Toyo Agreement and shall not disclose any of the confidential information to any other party without the prior written consent of Toyo.</p>
<p><b>Termination</b></p>	<p>The Toyo Agreement and the licence granted by Toyo to Feytech SB shall be terminated in the following manner:</p> <ul style="list-style-type: none"> <li>(i) when the Term expires;</li> <li>(ii) the parties agree to terminate the Toyo Agreement in writing;</li> <li>(iii) when either party breaches any provisions of the Toyo Agreement, and the non-defaulting party has given the defaulted party a written notice of such breach and its intention to terminate the Toyo Agreement, and the defaulted party has not cured the breach within 60 days of such notice; or</li> <li>(iv) when Feytech SB is no longer authorised to manufacture, assemble and/or supply automotive seat sets to Mazda Malaysia for the Mazda CX-30 model.</li> </ul>
<p><b>Compensation</b></p>	<p>Any liabilities incurred by Feytech SB under the Toyo Agreement shall be mutually agreed between the parties and shall be payable within 30 days from the occurrence of such liabilities or the date of the termination of the Toyo Agreement and such sum shall be payable immediately by Feytech SB in full.</p> <p>Neither party shall make any financial demand on other party for compensation for its services performed under the Toyo Agreement, or refinement of its expenses incurred for facilities and advertisement etc. or its expenses caused by the termination of the Toyo Agreement.</p>
<p><b>Other terms</b></p>	<ul style="list-style-type: none"> <li>(i) Feytech SB shall not assign or transfer the Toyo Agreement or any right or obligation under the Toyo Agreement to any person, partnership, corporation or other legal entity without the consent of Toyo.</li> <li>(ii) Any and all claim, dispute, controversy or difference arising out of the Toyo Agreement shall be settled amicably between the parties.</li> </ul>

---

**7. BUSINESS OVERVIEW (CONT'D)**

---

<b>Governing law</b>	The validity, construction and performance of the Toyo Agreement shall be governed by and interpreted in accordance with the laws of Japan.
----------------------	---

[ The rest of this page has been intentionally left blank ]



**7. BUSINESS OVERVIEW (CONT'D)**

**7.20 MAJOR APPROVALS, LICENCES AND PERMITS**

Our Group is dependent on the following major approvals, licences and permits for our operations. Details of our major approvals, licences and permits for our operations as at the LPD are as follows:

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity Period	Major conditions imposed	Status of compliance
1.	Gosford Malaysia	MITI	Manufacturing licence Place of manufacturing : No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor Darul Ta'zim.	<u>Issue date:</u> 16 April 2024 <sup>(1)</sup> <u>Effective date:</u> 25 November 2022 <u>Expiry date:</u> The manufacturing licence is not subject to renewal, it is valid unless it is revoked under the Industrial Co-ordination Act 1975.	MITI and MIDA shall be notified of any sale of shares in Gosford Malaysia.  The company must carry out its projects as approved and comply with the laws and regulations contained in Malaysia.	Complied. Gosford Malaysia has notified MITI and MIDA of the Acquisition of Gosford Malaysia via letter dated 11 September 2023.  Complied.
2.	Feytech SB	MITI	Manufacturing licence <sup>(2)</sup> Place of manufacturing : Block B, Lot 4332, PT 300, Padang Meha Industrial Estate, 09400 Padang Serai, Kedah Products : Assembly of automotive seat Licence no. : A 025259	<u>Issue date:</u> 16 October 2023 <u>Effective date:</u> 28 June 2023 <u>Expiry date:</u> The manufacturing licence is not subject to renewal, it is valid unless it is revoked	MITI and MIDA shall be notified of any sale of shares in Feytech SB.  Feytech SB's total full-time workforce must	Complied. Feytech SB has notified MITI and MIDA of the Acquisition of Feytech SB via letter dated 11 September 2023.  To be complied by December 2024 <sup>(3)</sup> .

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity Period	Major conditions imposed	Status of compliance
3.	Gosford Malaysia	Majlis Bandaraya Johor Bahru	Business and advertising licence Premises : No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor. Purpose : Automotive component factory, general administration office and warehouse for store Account no. : L2022L103541	under the Industrial Co-ordination Act 1975.	consist of at least 80% Malaysian citizens by 31 December 2024. The employment of foreign nationals including workers obtained through outsourcing is subject to the current policy.  The company must carry out its projects as approved and comply with the laws and regulations contained in Malaysia.	-
						Issue date: 6 December 2023  Expiry date: 31 December 2024 <sup>(4)</sup>

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity Period	Major conditions imposed	Status of compliance
4.	Trimex Malaysia	Majlis Bandaraya Petaling Jaya	Trade, business and industrial licence Premises : Lot 8246, Jalan 51A/225, Seksyen 51A, Petaling Jaya, 46100 Petaling Jaya, Selangor  Purpose : Administration office, warehouse and store for automotive component  Account no. : L160000158662	<u>Commencement Date:</u> 1 January 2024  <u>Expiry Date:</u> 31 December 2024 <sup>(4)</sup>	Trimex Malaysia is not allowed to engage foreign workers without permit.	Not applicable as Trimex Malaysia does not have foreign worker.
5.	Gosford Malaysia	Majlis Bandaraya Petaling Jaya	Trade, business and industrial licence Premises : Lot 8246, Jalan 51A/225, Seksyen 51A, Petaling Jaya, 46100 Petaling Jaya, Selangor  Purpose : Administration office, warehouse, store and installation of cushion covers for automotive component  Account no. : L2780000655819	<u>Commencement Date:</u> 1 January 2024  <u>Expiry Date:</u> 31 December 2024 <sup>(4)</sup>	Gosford Malaysia is not allowed to engage foreign workers without permit.	Complied.

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity Period	Major conditions imposed	Status of compliance	of
6.	Feytech SB	Majlis Perbandaran Kulim	<p>Factory Licence (non-food)</p> <p>Premises : Block B, Plot 11, Lot 4332 PT 300, Jalan Baling, Kawasan Industri Padang Meha, 09400 Padang Meha, Kedah</p> <p>Purpose : Factory processing area, factory warehouse and office</p> <p>Account no. : L0023696-01</p>	<p>Issue Date: 13 June 2023</p> <p>Expiry Date: 12 June 2024<sup>(4)</sup></p>	-	-	-

**Notes:**

(1) Gosford Malaysia first obtained its manufacturing licence for the Masai Plant on 25 June 2014. In July 2020, Gosford Malaysia relocated its manufacturing plant from the Masai Plant to the Tampoi Plant. Gosford Malaysia applied for amendment of the place of manufacturing at the Masai Plant as set out in the previous manufacturing licence to the Tampoi Plant, Gosford Malaysia obtained the manufacturing licence for the Tampoi Plant on 21 December 2022 with effective date from 25 November 2022.

On 8 August 2023, Gosford Malaysia applied for redefinition of products as set out in the manufacturing licence dated 21 December 2022 from "leather seat cover, PVC seat cover, leather panel/cover, gear knob with leather cover, steering wheel with leather cover and handbrake with leather cover" to "cover for seat, door panel, console panel, instrument panel, gear knob, steering wheel and handbrake". The new manufacturing licence with redefined products was issued on 16 April 2024.

For avoidance of doubt, the Gosford Malaysia's manufacturing licence for the Tampoi Plant does not contain the condition for Gosford Malaysia's total full-time workforce to consist of at least 80% Malaysian citizens.

**7. BUSINESS OVERVIEW (CONT'D)**

- (2) Feytech SB was incorporated on 1 April 2021 and had obtained an exemption letter from MIDA dated 4 October 2021 to exempt Feytech SB from applying for a manufacturing licence to undertake the automotive seat assembly at the Kulim Plant 1 as it had shareholders' funds of less than RM2.5 million and engaged less than 75 full-time employees. Since October 2022, the number of full-time employees in Feytech SB has increased from 74 to 87. Pursuant thereto, Feytech SB had on 16 October 2023 obtained the manufacturing licence for the Kulim Plant 1.
- (3) Feytech SB's full-time Malaysian employees make up of 101 out of 132 headcount, representing approximately 76% of its total full-time workforce as at the LPD. Feytech SB will recruit more Malaysian employees as part of its expansion of headcount to cater for its increasing operational activities and is expected to comply with the condition of having total full-time workforce comprising at least 80% Malaysian citizens by December 2024. As part of the steps undertaken by Feytech SB to recruit more Malaysian employees, Feytech SB has via recruitment agency and recruitment website to identify and recruit Malaysian employees.
- (4) Our Group will apply for renewal of the relevant licences (i.e., business and advertising licence, trade, business and industrial licence and factory licence) according to the prescribed period stated in the relevant by-laws of the local authorities prior to the expiry of the respective licences and the relevant local authorities will issue the renewed licence before the expiry of the licence. We have not experienced and do not foresee any risk of non-renewal of our licences.

[ The rest of this page has been intentionally left blank ]

**7. BUSINESS OVERVIEW (CONT'D)**

**7.21 MATERIAL PROPERTIES**

**7.21.1 Properties owned**

A summary of the material land and buildings owned by our Group for our business operations as at the LPD is as follows:

<b>No.</b>	<b>Registered / Beneficial owner</b>	<b>Title details / Property address</b>	<b>Description / Existing use / Intended use</b>	<b>Category of land use / Express condition / Tenure</b>	<b>Restriction in interest / Material encumbrances</b>	<b>Land area / Built-up area</b>	<b>Date of CF or CCC</b>	<b>NBV (RM'000)</b>
1.	Gosford Malaysia <sup>(1)</sup>	<p><u>Title details:</u>                      Geran Hakmilik 488497 Lot 2052, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor</p> <p><u>Property address:</u>                      No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor</p>	<p><u>Description:</u>                      1 unit of a 3-storey factory (light industry) including 2 sub-basement floors containing:                      (i) 1-storey warehouse, and 2-storey office;                      (ii) 2-storey production area (basement level);                      (iii) 1 electrical substation unit.</p> <p><u>Existing use:</u>                      Tampoi Plant<sup>(1)</sup></p>	<p><u>Category of land use:</u>                      Industry / Industrial</p> <p><u>Express condition:</u>                      Nil</p> <p>This land shall be used for light industry for assembly of automotive components, and be built according to plans approved by the local authorities.</p>	<p><u>Restriction-in-interest:</u>                      None</p> <p><u>Encumbrances:</u>                      Nil</p>	<p><u>Built-up area:</u>                      110,502.3 sq ft</p>	<p>14 October 2021</p>	<p>9,765 (as at 31 December 2023)</p>

Tenure:

Freehold

**7. BUSINESS OVERVIEW (CONT'D)**

<b>Registered / Beneficial No. owner</b>	<b>Title details / Property address</b>	<b>Description / Existing / Intended use</b>	<b>Category of land use / Express condition / Tenure</b>	<b>Restriction in interest / Material encumbrances</b>	<b>Land area / Built-up area</b>	<b>Date of CF or CCC</b>	<b>NBV (RM'000)</b>
2. Feytech SB <sup>(2)</sup>	<p><u>Title details:</u> HSD 83979 PT 1104, Pekan Sungai Karangan, Daerah Kulim, Negeri Kedah</p> <p><u>Postal address:</u> No. 5, Lebuhraya Globalview 2, Globalview Industrial Park @ KIC, 09400 Padang Meha, Daerah Kulim, Kedah</p>	<p><u>Description:</u> Vacant land</p> <p><u>Intended use:</u> Kulim Plant 2</p>	<p><u>Category of land use:</u> Industrial</p> <p><u>Express condition:</u> The land contained in the title shall be used as an industrial site only</p> <p><u>Tenure of property:</u> Freehold</p>	<p><u>Restriction in interest:</u> Nil</p> <p><u>Encumbrance:</u> Charged to: (i) AmBank Islamic Berhad registered on 6 March 2023 (ii) AmBank Berhad registered on 4 December 2023</p>	<p><u>Land size:</u> 353,400.7 sq ft</p> <p><u>Built-up area:</u> Nil</p>	Not required as it is a vacant land as at the LPD.	13,783 (as at 31 December 2023) <sup>(2)</sup>

**Notes:**

- (1) Gosford Malaysia owns the Tampoi Plant whereby the construction cost of the Tampoi Plant was borne by Gosford Malaysia whereas Eleven Docks is the registered owner of the land on which the Tampoi Plant is built. As at the LPD, Gosford Malaysia is leasing part of the master land from Eleven Docks for the Tampoi Plant pursuant to the Lease Agreement. Pursuant to the Lease Agreement, Gosford Malaysia is granted with the irrevocable right to register the lease on the part of the land occupied by Gosford Malaysia during the lease period subject to the subdivision of the master land by Eleven Docks within 6 months from the date of the Lease Agreement. On 10 November 2023, Eleven Docks' land surveyor has submitted an application for the subdivision of the master land to Johor Bahru land administrator office ("**Subdivision Application**"). As at the LPD, the Subdivision Application is pending the approval of the Johor Bahru land administrator office. Gosford Malaysia and Eleven Docks had on 5 March 2024 agreed to extend a period of 6 months for Eleven Docks to complete the subdivision of the master land. Further details of the Lease Agreement are set out in **Section 10.1.1** of this Prospectus.

**7. BUSINESS OVERVIEW (CONT'D)**

- (2) Feytech SB entered into a sale and purchase agreement dated 3 November 2022 to acquire the land for a total purchase consideration of RM13,782,600.00, on which Feytech SB intends to build the Kulim Plant 2 as detailed in **Section 4.5.3** of this Prospectus. The acquisition of the land was completed in October 2023 following the delivery of vacant possession by the vendor and payment of the remaining balance purchase consideration of RM1,378,260.00 (representing 10% of the total purchase consideration) to the vendor. The individual land title has been issued and registered in Feytech SB's name on 6 March 2023.

**7.21.2 Properties rented or leased**

As at the LPD, there are no other material land or buildings rented or leased by our Group for our business operations, save as disclosed below:

No.	Landlord	Tenant	Postal address	Description / Existing use	Tenanted land area / built-up area	Tenure	Monthly rental (RM)	Date of CCC/ Certificate of accommodation
1.	Eleven Docks Sdn Bhd	Gosford Malaysia	No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor	Description: A parcel of industrial land  Existing use: Tampoi Plant for manufacturing automotive covers	Land area leased: 99,750.6 sq ft <sup>(1)</sup>	1 October 2023 to 30 September 2053 (30 years)  Renewal Period: None	29,900.00	Not applicable
2.	Flying Stars Sdn Bhd	Main tenant: Trimex Malaysia  Sub-tenant: Gosford Malaysia	Lot 8246, Jalan 225, 46100 Petaling Jaya, Selangor Darul Ehsan	Description: Detached factory with 2-storey office block  Existing use: PJ Hub for sales and installation of automotive covers	Built-up area: 12,667.5 sq ft	1 January 2023 to 31 December 2024 (2 years)  Renewal Period: 1 January 2025 to 31 December 2026 (2 years)	23,000.00	CCC: 11 December 1993



**7. BUSINESS OVERVIEW (CONT'D)**

No.	Landlord	Tenant	Postal address	Description / Existing use	Tenanted land area/ built-up area	Tenure	Monthly rental (RM)	Date of CCC/ Certificate of accommodation
3.	Apprentec Industry Sdn Bhd	Feytech SB	Block B, Lot 4332, PT 300, Padang Meha Industrial Estate, 09400 Padang Serai, Kulim, Kedah	<u>Description:</u> 1-storey production block  <u>Existing use:</u> Kulim Plant 1 for manufacturing of automotive seats and warehousing	<u>Built-up area:</u> 67,736.2 sq ft	1 May 2021 to 31 December 2024 <sup>(2)</sup> (3 years 8 months)  <u>Renewal Period:</u> None  (iii) 100,000 per month from 1 July 2024 to 31 December 2024	(i) 60,000.00 per month from 1 May 2021 to 30 April 2024;  (ii) 75,000.00 per month from 1 May 2024 to 30 June 2024;	<u>CCC:</u> 31 July 2017
4.	Green Estate Sdn Bhd	Feytech SB	No. 6, Lebuhraya Globalview 2, Globalview Industrial Park @ KIC, 09400 Padang Meha, Daerah Kulim, Kedah	<u>Description:</u> 2 blocks of detached single storey factory and 2-storey office  <u>Intended use:</u> Kulim Plant 3 for manufacturing of automotive seats and warehousing	<u>Built-up area:</u> 125,895.8 sq ft	1 July 2024 to 30 June 2027 (3 years) <sup>(3)</sup>  <u>Renewal Period:</u> 1 July 2027 to 30 June 2030 (3 years)	RM201,000	<u>CCC:</u> - <sup>(3)</sup>
5.	Eleven Docks Sdn Bhd	Gosford Malaysia	No. 17, 17A, 19 & 19A, Jalan Bayu 2/3 & No. 6, 6A, 8 & 8A Jalan Bayu 2/4, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor	<u>Description:</u> 4 units of double storey terrace factory  <u>Existing use:</u> Staff hostel <sup>(4)</sup>	<u>Built-up area:</u> 13,791.28 sq ft	1 July 2023 to 31 December 2026 (42 months)  <u>Renewal Period:</u> 1 January 2027 to 31 December 2029 (3 years)	12,000.00	<u>CCC:</u> 25 September 1990  <u>Certificate of accommodation:</u> 18 October 2022

## 7. BUSINESS OVERVIEW (CONT'D)



### Notes:

- (1) Land leased by Gosford Malaysia which forms part of the master land from Eleven Docks for the Tampoi Plant pursuant to the Lease Agreement. Further details on the Tampoi Plant and the Lease Agreement are set out in **Sections 7.21.1** and **10.1.1** of this Prospectus respectively.
- (2) On 8 December 2023, Feytech SB had received a letter from the landlord of Kulim Plant 1 whereby the landlord has decided to discontinue with the tenancy agreement dated 20 April 2021 for the rental of Kulim Plant 1 which expires on 30 April 2024. The landlord and Feytech SB had vide 2 letters dated 22 December 2023 and 27 April 2024 agreed to extend the tenancy of Kulim Plant 1 to 31 December 2024 to facilitate the relocation to Kulim Plant 3. Pursuant to the letter dated 27 April 2024, Feytech SB is entitled to terminate the tenancy of Kulim Plant 1 by serving a 2-month notice to the landlord during the tenancy extended period from 1 July 2024 to 31 December 2024.
- (3) The landlord of the Kulim Plant 3 granted Feytech SB a rent-free fit-out period from 1 May 2024 to 30 June 2024. The landlord of the Kulim Plant 3 is in the midst of procuring the CCC for the Kulim Plant 3 which is expected to be obtained by May 2024. Feytech SB will commence operation at the Kulim Plant 3 after the CCC is obtained in June 2024.
- (4) The express condition in the land titles of the Tampoi Hostel stated that the lands shall be used for double storey terrace factories. In view that current use of the land is not in line with the express condition in the land titles of the Tampoi Hostel, Eleven Docks had on 7 June 2023 submitted the application to Johor Bahru land administrator office to amend the express condition in the land titles to include the use of properties for hostel purpose and our Group expects the decision from the Johor Bahru land administrator office to be obtained by June 2024. Notwithstanding the inconsistency of the existing use of the premises and the express condition set out in the land title, Gosford Malaysia has obtained a valid certificate of accommodation for all 4 units of the double-storey factory from the Department of Labour Peninsular Malaysia under Ministry of Human Resources for its staff to occupy the Tampoi Hostel, which are valid for 3 years from 18 October 2022 to 17 October 2025.  
  
In the event Eleven Docks is unable to obtain the approval for the above application from the Johor Bahru land administrator office by June 2024, Gosford Malaysia shall have the right to terminate the Tenancy Agreement without any compensation and relocate its staffs to a new hostel to be identified later. The relocation of staffs from Tampoi Hostel to new hostel to be identified, if necessary, is not expected to have significant impact on Gosford Malaysia's operation nor its financials.  
  
As at the LPD, our Group is not in breach of any relevant laws, regulations, rules and requirements in respect of the above material properties owned, leased and tenanted by our Group which will have material adverse impact on our operations.

**7. BUSINESS OVERVIEW (CONT'D)**

**7.22 INTELLECTUAL PROPERTY RIGHTS**

As at the LPD, save for the registrations below, we do not have any other intellectual property right registered and/or in the process of registration:

Intellectual property right	Registered owner	Authority	Registration no.	Validity period	Class / Description	Status
<p><u>Trademark:</u></p>  <ul style="list-style-type: none"> <li>Stylised word mark</li> </ul>	Trimex Malaysia	MyIPO	TM2022034714	<p>Date Registered: 22 December 2022</p> <p>Expiry Date: 22 December 2032</p>	<p>Class 12<sup>(1)</sup></p> <p>Class 37<sup>(2)</sup></p>	Registered
<p><u>Trademark:</u></p>  <ul style="list-style-type: none"> <li>Word &amp; Figurative</li> </ul>	Feytech SB	MyIPO	TM2022034715	<p>Date Registered: 22 December 2022</p> <p>Expiry Date: 22 December 2032</p>	<p>Class 12<sup>(1)</sup></p> <p>Class 37<sup>(2)</sup></p>	Registered
<p><u>Patent:</u></p> <p>An apparatus and a method for assembling a vehicle seat cover onto a vehicle seat</p>	Gosford Malaysia	MyIPO	PI2020001867	<p>Date of application: 11 April 2020</p>	<p>The apparatus includes flexible strap, fastening loop, and stitching means. The flexible strap and fastening loop serve to secure the vehicle seat cover to a cushion of a vehicle seat tightly, such that the</p>	Under examination <sup>(3)</sup> substantive

**7. BUSINESS OVERVIEW (CONT'D)**

Intellectual property right	Registered owner	Authority	Registration no.	Validity period	Class / Description	Status
					upholstery cover is able to be snug-fitted onto the cushion of the vehicle seat without any looseness and floating formation.	

**Notes:**

- (1) Class 12 includes Vehicle seats; arm rests for vehicle seats; armrests for vehicle seats; child booster cushions for vehicle seats; child restraints for vehicle seats; child safety harnesses for vehicle seats; head-rests for vehicle seats; headrests for vehicle seats; safety belts for vehicle seats; safety harnesses for vehicle seats; automobile covers shaped; automobile seat covers; covers for vehicle steering wheels; fitted car seat covers; fitted covers for automobiles; fitted covers for car seats for children; fitted covers for children's car seats; fitted covers for vehicle steering wheels; fitted covers for vehicles; fitted covers for vehicles to protect against hail damage; fitted dashboard covers for vehicles; fitted seat covers for vehicles; fitted vehicle covers; fitted vehicle covers for automobiles; fitted vehicle seat covers; seat covers for automobiles; seat covers for vehicles; shaped automobile covers; shaped covers for automobiles; shaped covers for vehicles; shaped steering wheel covers for automobiles; shaped steering wheel covers for vehicles; shaped vehicle covers; steering wheel covers for automobiles; vehicle covers shaped; vehicle seat covers; leather upholstery for vehicle seats; leather upholstery for vehicles; upholstery for automobiles; upholstery for vehicle seats; upholstery for vehicles.
- (2) Class 37 includes custom installation of automobile interiors; upholstering; upholstering of vehicle seats; upholstery repair; leather care, cleaning and repair.
- (3) As at the LPD, the patent application is being examined and verified by the MyIPO to ensure that the patent application complies with all the legal requirements for registration prior to acceptance by MyIPO for publication and opposition.

As at the LPD, our Group's business or profitability is not materially dependent on any trademarks or any other intellectual property as our Group mainly produces automotive covers and/or automotive seats based on the design and specifications determined by our customers.

**7. BUSINESS OVERVIEW (CONT'D)**
**7.23 EMPLOYEES**

As at the LPD, our Group employs a total workforce of 583 employees, which consists of 203 local employees and 380 foreign employees.

The breakdown of our Group's workforce as at 31 December 2023 and as at the LPD is as follows:

Category / Department	No. of employees				
	Permanent		Contract/temporary		Total
	Local	Foreign	Local	Foreign	
<b>As at 31 December 2023</b>					
Directors and Key Senior Management	5	-	-	-	5
Finance	16	-	-	-	16
Human Resources and Administration	15	-	-	-	15
Business Development (OEM)	5	1	-	-	6
Sales and Marketing (REM and PDI)	15	-	-	-	15
Technical Development					
• Automotive cover division	15	-	-	-	15
• Automotive seat division	10	-	-	-	10
Production					
• Automotive cover division	39	-	-	319	358
• Automotive seat division	52	-	-	22	74
QA/QC					
• Automotive cover division	6	-	-	18	24
• Automotive seat division	20	-	-	9	29
Information Technology	1	-	-	-	1
<b>Total</b>	<b>199</b>	<b>1</b>	<b>-</b>	<b>368</b>	<b>568</b>
<b>As at the LPD</b>					
Directors and Key Senior Management	5	-	-	-	5
Finance	12	-	-	-	12
Human Resources and Administration	14	-	-	-	14
Business Development (OEM)	4	1	-	-	5
Sales and Marketing (REM and PDI)	15	-	-	-	15
Technical Development					
• Automotive cover division	15	-	-	-	15
• Automotive seat division	10	-	-	-	10
Production					
• Automotive cover division	37	1	-	327	365
• Automotive seat division	58	-	-	22	80
QA/QC					
• Automotive cover division	7	-	-	20	27
• Automotive seat division	24	-	-	9	33
Information Technology	1	-	-	-	1
Legal	1	-	-	-	1
<b>Total</b>	<b>203</b>	<b>2</b>	<b>-</b>	<b>378</b>	<b>583</b>

## 7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, none of our Group's employees is a member of any union and there has not been any major industrial dispute.

### 7.24 GOVERNING LAWS AND REGULATIONS

The following are the major laws and regulations governing the conduct of our Group's business which may materially affect our business operations:

#### (a) Industrial Co-ordination Act 1975 ("ICA")

Pursuant to the ICA and the Guideline on Application for Exemption from Manufacturing Licence (ICA 10) issued by MIDA, all manufacturing companies with shareholders' funds of more than RM2.5 million or engaging more than 75 full-time paid employees are required to apply for a manufacturing licence. The ICA defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

Any person who carries on any manufacturing activity without a valid manufacturing licence under the ICA is an offence and shall upon conviction be liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six (6) months and to a further fine not exceeding RM1,000 for every day during which such default continues.

Despite a manufacturing licence has been granted, the licensing officer may in his discretion revoke such licence if the manufacturer to whom the licence is issued:

- (i) has not complied with any condition imposed in the licence;
- (ii) is no longer engaged in the manufacturing activity in respect of which the licence is issued;
- (iii) or has made a false statement in his application for the licence.

The licensing officer may also withhold or suspend the revocation of the licence if he is satisfied that the act or omission on the part of the manufacturer under the above situations was due to some cause beyond his control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

As at the LPD, Gosford Malaysia and Feytech SB, which carry out manufacturing activities in Tampoi Plant and Kulim Plant 1, respectively, hold valid manufacturing licences issued by MITI as disclosed in **Section 7.20** of this Prospectus.

#### (b) Factories and Machinery Act 1967 ("FMA")

The FMA and the relevant regulations made under the FMA, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970, mainly govern the control of factories with respect to matters relating to the safety, health and welfare of person in the factories as well as the registration and inspection of machinery.

The FMA provides that the occupier of factory has a duty to maintain the standards of safety of appliances and machinery in his factory, and the health and welfare of his factory workers. These include provisions requiring the taking of precautions against fire, the proper maintenance of safety appliances and machinery, the keeping of a clean factory, and the mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machineries.

## 7. BUSINESS OVERVIEW (CONT'D)

Section 19(1) of the FMA further states that no person shall operate or cause or permit to be operated any machinery which requires a certificate of fitness, unless a valid certificate of fitness has been issued in relation to the operation of the machinery under the FMA. If a valid certificate of fitness is not obtained for a machinery, an inspector of factories and machineries appointed under the FMA shall serve upon a notice in writing to prohibit the operation of such machinery or render such machinery inoperative until a valid certificate of fitness is issued. A person who operates or causes to be operated a machinery may be subject to a fine not exceeding RM150,000 or imprisonment for a term not exceeding 3 years, or both.

For the purposes of FMA,

- (i) the term "machinery" includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials but does not include:
  - (aa) any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
  - (bb) any machinery driven by manual power other than hoisting machines;
  - (cc) any machinery used solely for private and domestic purposes; or
  - (dd) office machines; and
- (ii) the term "material handling equipment" includes any power-driven equipment for handling materials, and includes forklift, conveyor, stacker, excavator, tractor, dumper or bulldozer but does not include hoisting machine.

On 2 April 2024, the Factories and Machinery (Repeal) Act 2022 ("**FM Repeal Act**") was gazetted to repeal the FMA effective on 1 June 2024. However, any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FMA shall, on the coming into operation of the FM Repeal Act, be dealt with under the Occupational Safety and Health Act 1994 and its subsidiary legislations, which will be the law of reference for all matters related to safety and welfare of persons at work.

As at the LPD, our Group holds valid certificates of fitness issued by the Department of Occupational Safety and Health Malaysia for the relevant machineries we use.

### (c) Occupational Safety and Health Act 1994 ("OSHA")

The OSHA provides that it shall be the duty of every employer to ensure, so far as is practicable, the safety, health and welfare at work of all his employees as well as to protect others from risks to safety or health related to the activities of persons at work. The employer shall formulate a written safety and health policy with respect to the safety and health at work of his employees. Any failure to comply with the general duties of employers as prescribed under the OSHA constitutes an offence and the employer may be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years or to both.

The employer shall also establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. An occupier of a place of work is also required to employ a competent person to act as a safety and health officer at the place of work.



---

**7. BUSINESS OVERVIEW (CONT'D)**


---

Simultaneous with the FM Repeal Act coming into effect, the Occupational Safety and Health (Amendment) Act 2022 ("**OSH Amendment Act**") will come into operation on 1 June 2024. The OSH Amendment Act, when comes into operation, will provide amongst others:

- (i) a right to an employee to remove himself from the danger or the work if he has reasonable justification to believe there exist an imminent danger at his place of work, and the employer has failed to take any action to remove the danger;
- (ii) the obligation of an employer to conduct a risk assessment in respect of the safety and health risk posed to any person who may be affected by his undertaking at the place of work and the implementation of risk control to eliminate or reduce said safety and health risk; and
- (iii) provisions relating to notification of occupation of place of work, and installation and inspection of plants, including the prescription of any plant for which a certificate of fitness is required.

Upon the OSH Amendment Act comes into operation, failure to comply with the general duties of employers under the amended OSHA constitutes an offence and the employer is liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 2 years or to both.

As at the LPD, there has been no non-compliance by our Group in relation to the OSHA. Our Group has formulated a documented standard operating policies and procedure on occupational safety, health and environmental plan. We have established safety and health committees and a certified safety and health personnel has been appointed to monitor the safety and health related matter of our Group.

**(d) Environmental Quality Act 1974 ("EQA")**

The EQA sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment. It is an offence under the EQA for any person, unless licensed to do so, to among others:

- (a) emit or discharge environmentally hazardous substances, pollutants or wastes into the atmosphere, any inland waters or the Malaysian waters;
- (b) emit or cause or permit to be emitted any noise greater in volume, intensity or quality;
- (c) pollute or cause or permit to be polluted any soil or surface of any land; or

in contravention of the acceptable conditions specified in the EQA.

The EQA also empowers the Minister charged with the responsibility for environment protection to make regulations specifying acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into the environment.



## 7. BUSINESS OVERVIEW (CONT'D)

Among other regulations, the Environmental Quality (Scheduled Waste) Regulations 2005 ("**Regulations 2005**") specify the following requirements:

- (a) any person who generates scheduled wastes ("**Waste Generators**") shall, within 30 days from the date of generation of scheduled wastes, notify the Director General of environmental quality of the new categories and quantities of scheduled wastes which are generated;
- (b) scheduled wastes shall be disposed of at prescribed premises only and shall, as far as practicable, be rendered innocuous before disposal;

Any person shall place, deposit or dispose of, or cause or permit to place, deposit or dispose of, except at prescribed premises, any scheduled wastes on land or into Malaysian waters without any prior written approval of the Director General of environmental quality, may be liable to imprisonment for a term not exceeding 5 years and a fine not exceeding RM500,000.

As at the LPD, our Group has not received any notices, penalties or reprimands from the Department of Environment for non-compliance of the environmental laws and regulations.

### (e) Fire Services Act 1988 ("**FSA**")

The FSA prescribes the effective and efficient functioning of the Fire and Rescue Department, for the protection of persons and property from fire risks or emergencies. The FSA provides that fire certificate will be issued to designated premises after Bomba has carried out an inspection and is satisfied that there are adequate fire-fighting equipment and fire safety installation in relation to the use of the premises. A fire certificate shall be renewable annually.

If there is no fire certificate obtained in respect of any premises the use, size, or location, of which has been designated by the Director General of Fire and Rescue for the purpose of issuance of a fire certificate, the owners of such premises may become subject to a fine not exceeding RM50,000 or imprisonment for a term not exceeding 5 years or both.

As at the LPD, Tampoi Plant and Kulim Plant 1 have obtained valid fire certificates as required under the Fire Services (Designated Premises) (Amendment) Order 2020 while PJ Hub is not required to have a fire certificate.

### (f) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("**EMSHAAA**")

The EMSHAAA prescribes the minimum standards of housing, nurseries and accommodation for employees (and their dependants, if applicable) as well as requires employers to provide health, hospital, medical and social amenities to their employees.

Employers are required to provide minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards.

Pursuant to Section 24D(1) of the EMSHAAA, no accommodation shall be provided to an employee unless certified with a certificate for accommodation from the Department of Labour of Peninsular Malaysia. An employer who contravenes Section 24D(1) of the EMSHAAA may be liable to a fine not exceeding RM50,000.

We have obtained the certificates of accommodation for the hostels occupied by our employees in Tampoi, Johor and Kulim, Kedah.

Our Group has also appointed a third party accommodation provider to provide accommodation for some of our employees who work at the Tampoi Plant and PJ Hub. The said third party accommodation provider has obtained the certificates of accommodation for the hostels occupied by our employees.

---

**7. BUSINESS OVERVIEW (CONT'D)**


---

**(g) Local Government Act 1976**

The Local Government Act 1976 and the by-laws of the respective local councils and authorities set out the requirements to obtain business and signage licences. Every licence or permit granted by the local authority may be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason.

Any person who operates any trade, business and industry without a valid licence may be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both.

As at the LPD, our Group holds valid business licences for all the premises occupied for its businesses.

**(h) Trademarks Act 2019 of Malaysia ("Malaysia TMA") and Trade Marks Act 1998 of Singapore ("Singapore TMA")**

The Malaysia TMA provides that:

- (i) a person infringes a registered trademark if he uses a sign which is identical with the trademark in relation to goods or services which are identical with those for which it is registered, in the course of trade, without the consent of the registered proprietor;
- (ii) a person infringes a registered trademark if, without the consent of the proprietor of the trademark, he uses in the course of trade a sign:
  - (aa) that is identical with the trademark and is used in relation to goods or services similar to those for which the trademark is registered; or
  - (bb) that is similar to the trademark and is used in relation to goods or services identical with or similar to those of which the trademark is registered,
 resulting in the likelihood of confusion on the part of the public.

The similar provisions are also reflected in the Singapore TMA.

Based on Malaysia TMA and Singapore TMA, both provide that the registered proprietor has the right to institute Court proceedings against any person who has infringed or is infringing a registered trademark. In an action for infringement under the Malaysia TMA, the Court may grant relief including an injunction (subject to such conditions as the Court thinks fit), damages, an account of profits, or, in the case of infringement involving the use of counterfeit trademark in relation to goods or services, award of such additional damages as the Court considers appropriate. While under the Singapore TMA, the types of relief that the Court may grant include an injunction (subject to such terms, if any, as the Court thinks fit), damages, an account of profits, or, in the case of infringement involving the use of counterfeit trademark in relation to goods or services, statutory damages not exceeding SGD100,000 for each type of goods or service in relation to which the counterfeit trademark has been used and not exceeding in the aggregate SGD1 million, unless the claimant proves that the claimant's actual loss from such infringement exceeds SGD1 million.

As at the LPD, our Group has not been subjected to any action for breach or infringement of any intellectual property rights involving our Group's products.

Details of our major approvals and licences issued to our Group in order for us to carry out our operations are set out in **Section 7.20** of this Prospectus.

## 7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, save as disclosed above and in **Section 7.21.2** of this Prospectus, there is no breach of laws, regulations, rules or requirements governing the conduct of our business and environmental issues which may materially affect our Group's business or operations and usage of properties owned by our Group.

### 7.25 EXCHANGE CONTROL, REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

The relevant policies on foreign investments, taxation and foreign exchange controls in Singapore and Australia in relation to the distribution of dividends, repatriation of capital and remittance of profit by or to our Group are set out below.

#### Singapore laws

##### (a) Exchange controls

Subject to Gosford Singapore adhering to the applicable provisions of the Companies Act 1967 of Singapore ("**Singapore Companies Act**"), there are no significant restrictions on the remittance of profits, dividend and the return of capital by Gosford Singapore to our Company (which is the holding company of Gosford Singapore in Malaysia). Under the laws of Singapore, Gosford Singapore may repatriate capital and/or remit profits to Feytech Holdings by way of:

- (i) share buy-backs;
- (ii) capital reduction;
- (iii) distribution of assets on a winding-up; and
- (iv) declaration of dividends.

##### (b) Dividend distribution

Subject to the Singapore Companies Act, the constitution of Gosford Singapore and the payment of applicable taxes under the laws of Singapore:

- (i) dividends may be paid only out of profits available for distribution. The constitution of Gosford Singapore provides for the declaration of dividends by ordinary resolution in a general meeting, but any dividend declared must not exceed the amount recommended by the directors of Gosford Singapore. There are no restrictions on payment of dividends to its shareholders provided there is no breach of any rule for internal monitoring for countering money laundering and terrorism; and
- (ii) the constitution of Gosford Singapore also provides that the directors of Gosford Singapore may from time to time pay to Feytech Holdings such interim dividends as appear to the directors to be justified by the profits of Gosford Singapore.

##### (c) Withholding tax

Dividends received in respect of the ordinary shares of Gosford Singapore by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax, even if paid to non-Singapore resident shareholders.

Singapore has adopted the "One-Tier" Corporate Tax System ("**One-Tier System**"). Under the One-Tier System, the tax payable in respect of taxable corporate profits is the final tax and Gosford Singapore can pay tax exempt (1-tier) dividends which are tax exempt in the hands of its shareholders, regardless of the tax residence status or the legal form of its shareholders.

---

**7. BUSINESS OVERVIEW (CONT'D)**


---

**Australian laws****(a) Foreign exchange controls**

Australia does not restrict the flow of currency into or out of the country. There are, however, cash reporting obligations under the Cash Transaction Reports Act 1988. To control tax evasion and money laundering, the Australian Transaction Reports and Analysis Centre (AUSTRAC) must receive reports of international currency transfers of AUD10,000 or more. AUSTRAC does not inhibit normal currency transfers associated with international trade. The Australian dollar is freely convertible. There are no specific foreign exchange restrictions regarding the remittance of dividends or capital.

**(b) Payment of Dividends**

Australian companies are entitled to pay dividends to their shareholder(s) where the directors of the company are satisfied that the payment of the dividend would be in compliance with the Corporations Act and the company's governing rules (replaceable rules, constitution and/or shareholders agreement, where applicable) and if so, the directors resolve to pay the dividend.

The Corporations Act provides that a company must not pay a dividend unless the:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) payment of the dividend does not materially prejudice the company's ability to pay its creditors.

For instance, the payment of a dividend would materially prejudice the company's ability to pay its creditors if the company would become insolvent as a result of the payment.

**(c) Withholding taxes**

The payments received by Trimex Australia from Australian customers under service contracts or invoices it has issued to the Australian customers are assessable income in Australia. Trimex Australia is required to pay Australian company tax on the assessable income less any deductible expenses.

Franking credits arise in Trimex Australia when company income tax is paid. Dividends to Malaysian company will not attract dividend withholding tax to the extent those dividends are fully franked, but will attract dividend withholding tax to the extent they are unfranked. Under the Australia/Malaysia double tax agreement (DTA), there is no dividend withholding tax to the extent that the dividend is fully franked (if Malaysian company has a voting interest in Trimex Australia of at least 10%), otherwise the dividend withholding tax rate is limited to 15%.

Returns of capital on the shares can be made tax-free up to the amount of the share capital in Trimex Australia. If there are any accounting profits in Trimex Australia, this is subject to integrity rules that may deem a return of capital to be an unfranked dividend, and an Australian Taxation Office private ruling may be recommended to be obtained before undertaking a capital return, depending on the circumstances. If there is a return of capital, the Malaysian company's cost base in the shares is reduced. The amount of any capital gains tax on any future sale of the shares is only relevant if Trimex Australia has any Australian real property interests which are the principal asset of Trimex Australia, such that the shares are treated as 'taxable Australian property'.

## 7. BUSINESS OVERVIEW (CONT'D)

An alternative to a return of capital is a selective share buy-back which for tax purposes will be a return of capital to the extent debited to the share capital account and a deemed dividend (frankable) to the extent of any excess amount. There are integrity rules as to the split of the buy-back consideration between the return of capital and deemed dividend. A buy-back represents a disposal of the shares bought-back, but again that only gives rise to capital gains tax considerations if the shares in Trimex Australia are regarded as 'taxable Australian property'.

Where and to the extent that Trimex Australia is funded by loans from the Malaysian company (or other foreign resident), interest payments to the Malaysian company (or other foreign resident) are subject to 10% interest withholding tax (deductible for income tax purposes subject to the thin capitalisation rules).

### 7.26 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

We are conscientious of factors affecting the environment, community and our employees. We also seek to instill an internal governance culture. To this end, we have implemented, and are in the midst of implementing, the following practices:

#### (i) Environmental

Our Group manufactures automotive covers and automotive seats. Our Group recognises that our business activities have direct and indirect consequences on the wider environment. We thus implement the following practices to reduce or minimise our impact on the environment:

- Monitoring electricity, water and emissions produced in order to reduce carbon emissions

The use of electricity and water are essential in our manufacturing process. Thus, we have begun to collect consumption data on electricity, water and emissions produced. With the consumption data, we will be able to roll out initiatives to effectively reduce and manage the consumption of electricity and water, and reduce carbon emissions.

Solar and LED lighting products are also used to be more energy efficient. In addition, in Singapore Hub, we have installed an electric vehicle charger and acquired an electric truck to deliver our automotive covers. The use of electric vehicles is expected to contribute to lowering carbon emissions.

In addition, we intend to invest in the installation of rooftop solar photovoltaic systems on our proposed new corporate office and Kulim Plant 2. We are also in the midst of installing rooftop solar photovoltaic systems for Tampoi Plant.

- Optimising the use of automotive cover materials to minimize wastages

We believe in the proper management of materials that are used in our manufacturing processes. Optimal usage of automotive cover materials would help minimise wastages and lead to a more sustainable environment.

In this respect, we utilise an automatic nesting software which records the usage of materials so that we can implement measures to minimize wastages and ensure that the correct amount of materials are used according to each job specification. The automatic nesting software also allows us to optimise material usage by computing the most optimal manner to cut multiple shapes on an automotive cover material.

## 7. BUSINESS OVERVIEW (CONT'D)

- Proper management of wastes

Our automotive cover and seat manufacturing processes generate both scheduled (hazardous) and non-scheduled (municipal) wastes. In this regard, responsible waste management can help reduce the environmental impact of our manufacturing processes by ensuring that industrial waste do not pollute the natural environment.

We only have 1 key type of scheduled waste, i.e. adhesive glue waste. We manage this waste by properly storing, treating and disposing the waste according to the Environmental Act, and appointing a licensed third-party schedule waste collector to conduct the collection, treatment and disposal of the said waste on a semi-annual basis.

Furthermore, we strive to control unscheduled waste on-site (such as leather scrap, PVC scrap and general wastes) by segregating wastes by type, as well as encouraging reuse and recycling practices.

Our Group also ensures that waste is recycled where possible, and that non-recyclable waste is disposed of responsibly.

### (ii) Social

We recognise that our employees are valuable assets and as such, we strive to retain and nurture skilled talent through the following practices:

- Promoting equality and diversity

We provide equal opportunity to individuals from diverse backgrounds in our recruitment process, whereby we provide job opportunities solely based on individual merit. Thus, our workforce comprises individuals of diverse backgrounds and ethnicities.

We aim to have a workplace culture where all employees, regardless of their race, ethnicity, religion or gender, feel valued, respected and accepted and are encouraged to share their ideas.

Following the Government of Malaysia's direction to hire more locals, we strive to make our Group more attractive to local talents by improving the working environment and employee welfare.

- Promoting personal development

We retain skilled employees and attract new talents through providing continuous technical training and rewarding employees with competitive remuneration packages. We set a minimum number of hours for training per calendar year for all of our employees. The courses that are recommended for them to be enrolled into are nominated by managers and approved by our Key Senior Management team. By doing so, we believe that we are supporting our employees' professional development which would enhance their performance and productivity while increasing their value and future marketability.

- Donations

We contribute back to the society by donating to charitable funds. For the FY Under Review, we have donated approximately RM0.22 million for the betterment of underprivileged communities. Specifically, we have donated to establishments that provide financial assistance for poverty alleviation and medical support to underprivileged families as well as support and shelter for single mothers and orphans.

---

**7. BUSINESS OVERVIEW (CONT'D)**

---

**(iii) Governance**

We are committed to conducting our business ethically and in compliance with all applicable laws and regulations in Malaysia. These laws include but are not limited to the Malaysian Penal Code (revised 1977) (and its amendments) and the Companies Act 2016.

We also have established the following policies and guidelines:

- anti-bribery and anti-corruption policy and guidelines in compliance with the Malaysian Anti-Corruption Commission Act 2009 and its amendments;
- whistleblowing policy and guidelines;
- code of conduct and ethics;
- procurement management procedure which includes supplier evaluation and quality management system.

We also strive to source our supplies from local suppliers to enjoy better quality and lead time.

To this end, our Group's sustainability efforts are focused on enhancing our value propositions for our stakeholders and customers with the adoption of best practices. We will be watchful of the industry trends and adapt accordingly to remain at the forefront, and to stay relevant to its stakeholders.

[ The rest of this page has been intentionally left blank ]



## 7. BUSINESS OVERVIEW (CONT'D)

### 7.27 BUSINESS STRATEGIES AND FUTURE PLANS

Our Group's business strategies and future plans are as follows:

#### 7.27.1 We plan to expand our automotive seat manufacturing operations in order to cater for increasing orders for automotive seats

We ventured into the manufacturing of automotive seats in 2021 and Kulim Plant 1 presently houses 2 double conveyor lines to manufacture automotive seats for the Kia Carnival, Kia Sorento and Mazda CX-30 car models. As at 31 December 2023, Kulim Plant 1 has an annual manufacturing capacity of 36,000 seat sets and a total built-up area size of approximately 67,736.2 sq ft.

Although the utilisation rate of the production lines in Kulim Plant 1 is 23.5% as at FYE 2023, the floor area space in Kulim Plant 1 has been fully utilised with 2 double conveyor lines set up for the manufacturing of automotive seats as well as storage of both finished goods and incoming materials and supplies for automotive seat manufacturing for the said contracts. The manufacturing space utilised also include manufacturing space for offline processes performed on workstations to prepare the necessary materials and supplies before they are assembled on the double conveyor lines. In addition, the automotive seats and related parts manufactured are also quite large in size and thus, large space is required to store finished goods and incoming materials and supplies.

There is thus a need for larger floor space in order to cater for increasing orders of automotive seats for the said contracts with Kia Malaysia and Mazda Malaysia. For FYE 2023, we have sold approximately 8,451 seat sets as compared to 1,002 seat sets in FYE 2022. Further, we obtained a letter of award from Stellantis Gurun (Malaysia) Sdn Bhd and a multinational automotive vehicle OEM in Malaysia in 2023 and a multinational automotive vehicle OEM in Indonesia in January 2024, to manufacture automotive seats for their car models.

As at the LPD, we have developed and sent the prototypes for Stellantis Gurun (Malaysia) Sdn Bhd to the third-party testing facility for them to perform testing as part of the requirements of Stellantis Gurun (Malaysia) Sdn Bhd and are presently pending their feedback on the prototypes. We expect that we will commence the mass production of the automotive seats for Stellantis Gurun (Malaysia) Sdn Bhd in 3<sup>rd</sup> quarter of 2024.

As at the LPD, we have developed the prototypes for the multinational automotive vehicle OEM in Malaysia and presently awaiting the representative from the principal automotive seat manufacturer to perform testing on these prototypes. Meanwhile, we have yet to receive the materials and parts necessary to develop the prototypes from the automotive vehicle OEM in Indonesia. We expect that we will commence the mass production of the automotive seats for the multinational automotive vehicle OEMs in Malaysia and Indonesia in May 2024 and June 2024, respectively, at our Kulim Plant 1 (prior to the commencement of operations at Kulim Plant 3) or Kulim Plant 3 (which shall commence operations upon obtaining the CCC which is expected to be obtained in May 2024). We will manufacture and export the automotive seats for the multinational automotive vehicle OEM in Indonesia from our manufacturing plants in Malaysia.

In respect of our manufacturing of automotive seats activities, we intend to undertake the following:

- (a) Relocate our existing Kulim Plant 1 (which is currently rented) to Kulim Plant 3

On 8 December 2023, Feytech SB had received a letter from the landlord of Kulim Plant 1 ("**Landlord**") whereby the Landlord has decided to discontinue with the tenancy agreement dated 20 April 2021 for the rental of Kulim Plant 1 which shall expire on 30 April 2024. The Landlord and Feytech SB had vide a letter dated 22 December 2023 agreed to extend the tenancy of Kulim Plant 1 from 1 May 2024 to 30 June 2024 to facilitate the relocation of Feytech SB's manufacturing plant to Kulim Plant 3.

In view of the foregoing and to cater to our current need for additional manufacturing space and storage space for our manufacturing of automotive seats, we have identified Kulim Plant 3 with a larger built-up area of approximately 125,895 sq ft (as compared to Kulim



## 7. BUSINESS OVERVIEW (CONT'D)

Plant 1 which has a built-up area of approximately 67,736 sq ft), which located within the same vicinity of Kulim Plant 1. We have on 18 April 2024 entered into a tenancy agreement for the rental of Kulim Plant 3 with rental tenure commencing from 1 July 2024 to 30 June 2027 subject to a Fit-Out Period from 1 May 2024 to 30 June 2024 to allow our Group to carry out the relocation of our operations from Kulim Plant 1 and renovation works at Kulim Plant 3 while pending the procurement of the CCC for the Kulim Plant 3. In this regard, as a contingency plan in the event the CCC for Kulim Plant 3 is not obtained by the expected timing, Feytech SB had sought for further extension to the tenancy of Kulim Plant 1 from 1 July 2024 to 31 December 2024 which has been granted by the Landlord vide a letter dated 27 April 2024. For avoidance of doubt, prior to the obtainment of the CCC for the Kulim Plant 3, we will only carry out relocation and fitting works at Kulim Plant 3. The CCC for the Kulim Plant 3 is expected to be obtained by May 2024, upon which we will commence our operations at Kulim Plant 3. Further details of Kulim Plant 3 are set out in **Section 7.21.2** of this Prospectus.

Our management is of the view that the extension of tenancy of Kulim Plant 1 until 31 December 2024 is adequate to facilitate the relocation to Kulim Plant 3, including the obtainment of CCC for the Kulim Plant 3, after taking into consideration that the risk of prolonged delay in obtaining the CCC for the Kulim Plant 3 is minimal in view that, among others, the construction of the Kulim Plant 3 is in compliance with the relevant building requirements approved by the relevant authorities as confirmed by the third party professional engineer appointed for the construction of Kulim Plant 3 and Bomba had on 31 March 2024 provided its release letter in support of the CCC for the Kulim Plant 3.

As at the LPD, we carry out our manufacturing of automotive seats in Kulim Plant 1 which generated a revenue of approximately RM81.05 million, representing approximately 38.4% of our Group's total revenue, based on the audited combined financial statements of our Group for the FYE 2023. However, the relocation of our operations at Kulim Plant 1 to Kulim Plant 3 is not expected to have material adverse impact to our Group's operations and financial performance after taking into consideration, among others, the following:

- (i) the relocation from Kulim Plant 1 to Kulim Plant 3 will not disrupt our operations, including the continuity of supply of automotive seats to our customers, in view that the production/assembly lines, equipment and tools as well as the equipment for its other functions such as office, technical development and QA/QC can be easily dismantled and re-installed at the new premise (i.e. Kulim Plant 3) as the items do not involve complex installations and/or are movable items.

Our double conveyor lines at Kulim Plant 1 are flexible assembly lines comprising modular components which can be easily dismantled, reconfigured, rearranged or assembled to accommodate requirements of the automotive seats design or models. In this regard, we intend to relocate the 2 double conveyor lines from Kulim Plant 1 in stages over the Fit-Out Period, i.e. by firstly, relocating 1 double conveyor line to Kulim Plant 3, while continue to operate the other double conveyor line at Kulim Plant 1, and upon the first double conveyor line installed at the Kulim Plant 3 began production, the other double conveyor line will then be relocated from Kulim Plant 1 to Kulim Plant 3, to minimise disruptions to the operations of our manufacturing of automotive seats and we expect to fully operate from this Kulim Plant 3 by June 2024. The expected production downtime of each double conveyor line during the relocation from Kulim Plant 1 to Kulim Plant 3 is approximately 1 week, which shall not have any material impact to our ability to continue to supply automotive seats to our customers as:

- (aa) our Group will have 1 double conveyor line being operational throughout the relocation period;
- (bb) buffer stocks of finished goods that can be built prior to relocation in view that our automotive seats' customers typically place purchase orders for the required quantity of automotive seats for 1 month which allow us to plan our production schedule ahead; and

---

**7. BUSINESS OVERVIEW (CONT'D)**


---

- (cc) low utilisation rate of the double conveyor lines in Kulim Plant 1 (i.e., 23.5% for the FYE 2023) and additional storage space available at Kulim Plant 3 which will allow our Group to increase our production outputs of the remaining double conveyor line by increasing overtime by our workers within the allowable overtime limit when the other double conveyor line is offline while being relocated, where required.

Notwithstanding the above, in the event the expected benefits from the above mitigating steps did not materialise, the maximum potential impact to the financial performance of our Group is approximately RM3.04 million (including the estimated costs of relocations of RM0.28 million as detailed in item (ii) below), which represents less than 2% of the Group's revenue of RM211.22 million for the FYE 2023, as follows:

- (aa) loss of revenue from the expected production downtime due to the relocation of our double conveyor lines at Kulim Plant 1 is estimated at approximately RM1.56 million (being the average revenue per week generated from our manufacturing of automotive seats for the FYE 2023); and
- (bb) potential penalty or damages claims by our customers for any production downtime due to non-delivery of automotive seats by our Group. In this regard, for illustration purposes, based on the Mazda SPA, any production downtime suffered by Mazda Malaysia which is caused by our Group will result in our Group being liable to pay downtime charge of RM500 per minute to Mazda Malaysia, amounting to an estimated total downtime charge of RM1.20 million (assuming 8 hours production time per day for 5 days per week) for 1 week of downtime.

However, we wish to highlight that, in addition to our mitigating steps as detailed above, in ensuring that the relocation of our operations at Kulim Plant 1 will not affect our supply of automotive seats to our customers nor the production schedules of our customers, our Group has notified our customers on the impending relocation of our operations at Kulim Plant 1 and carried out production planning with our customers to ensure their order requirements can be met according to agreed schedule.

In addition to the above, our Group will incur additional rentals to be paid by our Group of RM100,000 per month (or up to RM600,000 in total) arising from the further extension to the tenancy of Kulim Plant 1 from 1 July 2024 to 31 December 2024 as a contingency plan in relation to the obtainment of the CCC including all other approvals required for the manufacturing of automotive seats activities and the operation at Kulim Plant 3.

- (ii) immaterial estimated costs of relocations, such as costs for dismantling and re-installation of production/assembly lines and equipment including testing and commissioning works as well as transportation costs, of approximately RM0.16 million (based on quotations obtained from third party service providers) and amount of impairment of renovation and fittings at Kulim Plant 1 as a result of the said relocation of approximately RM0.12 million.

Upon completion of Kulim Plant 2 as detailed below, our Group plans to operate from our own Kulim Plant 2 and the rented manufacturing plant. Both Kulim Plant 2 and Kulim Plant 3 are also within the same vicinity which will allow our Group to have flexibility in managing our production and storage space between both Kulim Plant 2 and Kulim Plant 3, depending on our customers' orders.

---

**7. BUSINESS OVERVIEW (CONT'D)**


---

## (b) Set up an additional manufacturing plant at Kulim Plant 2

We have acquired a piece of land in Padang Serai, Kulim, Kedah, in October 2023, on which we will set up the Kulim Plant 2. This acquisition of the land for Kulim Plant 2 was funded by our Group's internally-generated funds and bank borrowings.

The land has an approximate land area of 8.1 acres or 353,400.7 sq ft and is within the vicinity of Kulim Plant 3. Kulim Plant 2 will comprise a manufacturing plant, warehouse, annex office building and staff hostel to cater for Production and Warehouse personnel for our automotive seat division. Kulim Plant 2 will have a total estimated built-up area of 84,000 sq ft, and will be built on 1.5 acres of the land. As at the LPD, there are no immediate plans to develop the remaining land area of approximately 6.6 acres. Our Group will reserve the remaining undeveloped part of the land for future expansion, the timing and scale of which will depend on our Group's business expansion needs and available funds.

The total manufacturing space and storage space for our manufacturing of automotive seats will increase from approximately 110,113 sq ft (estimated at our Kulim Plant 3) to approximately 165,113 sq ft (at our Kulim Plant 3 and Kulim Plant 2) after the completion of construction of Kulim Plant 2.

Kulim Plant 2 will be utilised as follows:

- Increasing the manufacturing space for additional offline processes or workstations

Our Group intends to relocate 1 unit of our double conveyor lines for the manufacturing of automotive seats from Kulim Plant 3 to the manufacturing plant at the Kulim Plant 2 which will enable both of the Kulim Plant 3 and Kulim Plant 2 to have additional manufacturing space for additional offline processes performed in workstations. These offline processes include processes such as attaching automotive covers to paddings, affixing these paddings to frames and installing airbags in the specific position of an automotive seat. These processes typically take longer time to complete and as such, have been identified as bottleneck on the main production/assembly line. Thus, these offline processes are performed in workstations to improve operational efficiency of the processes performed on the double conveyor lines.

With the relocation of 1 unit of our Group's double conveyor lines to the Kulim Plant 2, it is expected that our Group's combined manufacturing space for our manufacturing of automotive seats at both Kulim Plant 3 and Kulim Plant 2 will increase from 63,974 sq ft to 77,974 sq ft.

Such expansion of our manufacturing space will enable our Group to cater for higher order volume from both our existing and new customers as the additional offline processes or workstations are required to improve output to minimise bottleneck amidst the higher production volume expected.

- Providing additional space to store finished products and incoming materials and supplies and manufacturing

On top of the additional manufacturing space, the addition of Kulim Plant 2 would also enable both of the Kulim Plant 3 and Kulim Plant 2 to have additional storage space to cater for increasing volume of automotive seats manufactured by our Group and input materials and supplies.

With the relocation of 1 unit of our Group's double conveyor lines to the Kulim Plant 2, it is expected that our Group's combined storage space for automotive seats and seat parts at both Kulim Plant 3 and Kulim Plant 2 will increase from approximately 46,139 sq ft to approximately 87,139 sq ft. Such expansion of our storage space for automotive seats and seat parts will enable our Group to cater for increasing volume of input materials and supplies as well as finished goods which are large in size. We can also serve our customers better with availability of buffer stocks for

**7. BUSINESS OVERVIEW (CONT'D)**

materials and supplies required as well as finished goods to ensure short lead time to delivery can be achieved.

- Expanding housing facilities for production personnel

As at the LPD, there is no staff accommodation provided in Kulim Plant 1 and 30 of our Group’s employees at the Kulim Plant 1 are staying at a rented property near to the Kulim Plant 1. The new staff hostel to be constructed on the Kulim Plant 2 is expected to house up to 100 staff and cater for our increased headcount as part of our expansion plan. For avoidance of doubt, there will not be any staff hostel at the Kulim Plant 3.

- Annex office building to accommodate the proposed expansion in headcount for the Production, Technical Development, QA/QC, Business Development, Information Technology, Human Resources and Finance departments to cater for increasing operational activities.

The annex office building will enable us to cater for an increased number of employees in the Production, Technical Development, QA/QC, Human resources and Finance departments as well as meeting room(s).

Kulim Plant 2 will also be installed with a rooftop solar photovoltaic system, which will enable us to not only utilise renewable energy for our manufacturing process but also reduce electricity costs.

As at the LPD, we are in the midst of preparing the planning permission and building plans in relation to Kulim Plant 2 and expect to submit these permission and plans to the relevant authorities in May 2024. The expected timeline for the construction of the Kulim Plant 2 is as follows:

<b>By the 3<sup>rd</sup> quarter of 2024</b>	<ul style="list-style-type: none"> <li>• Obtain approval of planning permissions and building plan for construction and the relevant approvals (including the application for earthworks and drainage) from the relevant authorities</li> <li>• Commencement of construction works</li> </ul>
<b>By the 3<sup>rd</sup> quarter of 2025</b>	<ul style="list-style-type: none"> <li>• Completion of construction</li> <li>• Target submission of application for certificate of completion and compliance (or its equivalent)</li> <li>• Target submission of application to obtain the necessary licence, approvals or permits required for the commencement of operations</li> </ul>
<b>By the 4<sup>th</sup> quarter of 2025</b>	<ul style="list-style-type: none"> <li>• Expected approval and issuance of certificate of completion and compliance (or its equivalent)</li> <li>• To obtain the necessary licences, approvals or permits required for the commencement of operations</li> <li>• Expected commencement of operations</li> </ul>

The amount of proceeds from our Public Issue of RM18.8 million earmarked for Kulim Plant 2 includes the construction cost of the manufacturing plant, warehouse, annex office building and staff hostel (including the interior refurbishment and installation of a rooftop solar photovoltaic system).

The setting up of Kulim Plant 2 will enable us to expand our headcount for the Production, Technical Development, QA/QC, Business Development (OEM), Information Technology, Human Resources and Finance departments for our automotive seat division to cater for increasing orders. In this regard, we intend to recruit 33 additional Production personnel, 9 additional Technical Development personnel, 12 additional QA/QC personnel, 3 additional Business Development personnel, 1 additional Information Technology personnel, 3 additional Human Resources personnel and 4 additional Finance personnel for our automotive seat division by 2025.

## 7. BUSINESS OVERVIEW (CONT'D)

- (c) Acquisition of a land in the Automotive High-Tech Valley in Tanjung Malim to cater for automotive vehicle OEMs in the region

As at the LPD, we have identified and placed a deposit (2% of the indicative purchase consideration of RM19.98 million) for a freehold industrial land in the Automotive High-Tech Valley in Tanjung Malim, amounting to RM0.40 million. The land has an approximate land area of 9.76 acres or 425,145.6 sq ft. The cost of acquiring the land of approximately RM19.98 million will be financed via our Group's internally-generated funds and bank borrowings. We are currently in the midst of negotiating the terms and conditions of the sale and purchase agreement in respect of the land acquisition with the vendor, which is expected to be finalised by June 2024.

We intend to set up an additional manufacturing plant on this land, namely Tanjung Malim Plant. We chose to set up an additional manufacturing plant in the Automotive High-Tech Valley in Tanjung Malim to expand our customer base for our automotive seat division to include the Local OEM and other automotive vehicle OEMs based in or accessible from the Automotive High-Tech Valley. This is because we can better serve the Local OEM as well as other automotive vehicle OEMs based in or accessible from the Automotive High-Tech Valley in respect of our automotive seats manufacturing operations (as compared to operating and deliver from our manufacturing plants located in Kulim, Kedah) which will improve our lead time and delivery schedule in view that the automotive seats and related parts manufactured are quite large in size. We can also expand our customer base as this would also increase our competitiveness in securing future contracts or orders from the Local OEM and/or potential customers in the Automotive High-Tech Valley by having short lead time and delivery schedule. We have conducted preliminary research on the accessibility of the said land and identification of the automotive vehicle OEMs based in or accessible from the Automotive High-Tech Valley that our Group could potentially serve from our new manufacturing plant in the Automotive High-Tech Valley.

The Tanjung Malim Plant will comprise manufacturing plants, warehouse and office building and is estimated to have a total built-up area of 250,000 sq ft once fully constructed. Nevertheless, we will only commence construction of the Tanjung Malim Plant upon securing contracts or orders from customer(s) based in or accessible from the Automotive High-Tech Valley. Further, the construction of the Tanjung Malim Plant is expected to be carried out in several phases with the actual specifications, design and layout as well as timing to be determined based on the contracts secured or potential orders from customer(s).

Due to the nature of the automotive seat manufacturing business, the automotive seat production/assembly lines are set up in the manufacturing plant according to the technical requirements provided by the automotive vehicle OEMs. As such, we generally work with the automotive vehicle OEMs on the timeframe to set up the manufacturing facilities, including the automotive seat production/assembly lines, after the contract has been secured as this timeframe may vary from customer to customer. For avoidance of doubt, we are not working with any automotive vehicle OEMs for the setting up of the Tanjung Malim Plant as at the LPD. The cost of setting up the Tanjung Malim Plant, which includes the costs of construction and acquisition of machineries and/or equipment, will be financed via our Group's internally-generated funds and bank borrowings.

### 7.27.2 We intend to expand our automotive covers division operations by setting up a new corporate office with manufacturing plant and warehouse

Currently, for our operations in Malaysia, we are operating from 3 locations, namely our Tampoi Plant in Tampoi, Johor, our Kulim Plant 1 in Kulim, Kedah and our PJ Hub in Petaling Jaya, Selangor.

Our Tampoi Plant, which is located in Johor Bahru, Johor, presently houses our headquarters and manufacturing plant for our automotive covers. In this regard, all of our headquarters and manufacturing activities share the same floor space of 110,502.3 sq ft.

## 7. BUSINESS OVERVIEW (CONT'D)

Our PJ Hub serves our customers in the central region of Malaysia. Our Group currently rents the PJ Hub (which is a factory with 2-storey office block having an approximate built-up area of 12,667.5 sq ft) from a third party as sales and installation hub. The PJ Hub mainly comprises the offices for our Sales and Marketing department for REM and PDI segments for central region and Business Development department for OEM segment as well as installation hub for repair and/or replacement of customised automotive seat covers that are sold to PDI and REM market segments. The current PJ Hub has been fully utilised and does not have sufficient space for us to increase our headcount and storage space as well as area for meetings with our customers.

In conjunction with our plan to scale up our operations to cater for increasing demand for our products and due to the fact that many of our customers' corporate offices are located in the Central region such as Petaling Jaya, Shah Alam and Rawang in Selangor, we intend to set up a new corporate office with manufacturing plant and warehouse in Klang Valley (i.e. Kuala Lumpur and Selangor) and relocate all our operations at the PJ Hub to this new corporate office with manufacturing plant and warehouse. This will enable us to better serve our customers in the central region of Malaysia with the expansion of our Sales and Marketing (for REM and PDI segments) and Business Development (for OEM segment) teams in the central region and ease of conduct of meetings at our premises (as compared to our current headquarters at our Tampoi Plant in Johor Bahru, Johor).

A comparison of the new corporate office with manufacturing plant and warehouse, which will have an estimated built-up area of up to 85,000 sq ft, against our existing PJ Hub is as follows:

No.	Purpose	Existing built-up area of PJ Hub (sq ft)	Estimated built-up area for new corporate office with manufacturing plant and warehouse (sq ft)
<b><u>Corporate office</u></b>			
(a)	Corporate office for Sales and Marketing department (for REM and PDI segments), Business Development (for OEM segment), future Corporate Finance and Planning department as well as meeting rooms	2,585	25,000
(b)	Sales showroom and customer lounge area for REM segment	-	5,000
<b><u>Manufacturing plant and warehouse</u></b>			
(c)	Installation of automotive covers onto automotive seats and interior parts (e.g. door ornaments and console), sewing of automotive covers as well as storage space for automotive covers (with and without interior parts)	10,083	55,000
<b>Total estimated built-up area</b>		<b>12,668</b>	<b>85,000</b>

As at the LPD, we are still in the midst of identifying the land to be acquired with an approximate land area of 3 acres or 130,680 sq ft to construct our new corporate office with manufacturing plant. The exact location and size of the land are subject to changes depending on the price and availability. Other criteria for selection of location and size of the land would include strategic site and proximity to our customers' location in Klang Valley as well as sufficient land area to construct our new corporate office with manufacturing plant and warehouse to cater for larger space for our business expansion in the Klang Valley area. We anticipate to identify and complete the land acquisition within 6 months from the date of our Listing.



## 7. BUSINESS OVERVIEW (CONT'D)

We intend to commence construction of our new corporate office with manufacturing plant immediately after the completion of the land acquisition. The construction works are estimated to take up to another 18 months to complete from the time the land is acquired. The envisaged key milestones in relation to the construction of this new corporate office with manufacturing plant are set out as follows:

<b>1 month from completion of land acquisition</b>	<ul style="list-style-type: none"> <li>• Commencement on feasibility and assessment studies carried out by consultants and contractors for design and price quotes, and selection of consultants and contractors based on their proposals</li> <li>• Appointment of architect and other third party consultants to commence preparation of planning permission and building plans</li> </ul>
<b>6 months from completion of land acquisition</b>	<ul style="list-style-type: none"> <li>• Obtain approval of planning permissions and building plan for construction and the relevant approvals (including the application for earthworks and drainage) from the relevant authorities</li> <li>• Commencement of construction works</li> </ul>
<b>15 months from completion of land acquisition</b>	<ul style="list-style-type: none"> <li>• Completion of construction</li> <li>• Target submission of application for certificate of completion and compliance (or its equivalent)</li> <li>• Target submission of application to obtain the necessary licence, approvals or permits required for the commencement of operations</li> </ul>
<b>18 months from completion of land acquisition</b>	<ul style="list-style-type: none"> <li>• Expected approval and issuance of certificate of completion and compliance (or its equivalent)</li> <li>• To obtain the necessary licences, approvals or permits required for the commencement of operations</li> <li>• Expected commencement of operations</li> </ul>

We estimate that the land cost will amount to approximately RM32.7 million (approximately RM10.9 million per acre or RM250 per sq ft). Our Group intends to acquire a piece of land with an approximate land area of 3 acres or 130,680 sq ft to construct our new corporate office with manufacturing plant and warehouse. We intend to utilise RM11.6 million from the gross proceeds of our Public Issue for this acquisition as detailed in **Section 4.5.1** of this Prospectus while the remaining will be funded via bank borrowings. We also estimate the total construction cost of the new corporate office with manufacturing plant and warehouse to be approximately RM21.1 million, comprising costs for construction of the building and installation of interior refurbishment of approximately RM19.1 million, which is estimated based on cost estimation procured by our Group from third party contractors of RM225 per sq ft of the built-up area, and installation of a rooftop solar photovoltaic system of approximately RM2.0 million, which will be funded via the gross proceeds of our Public Issue.

Our new corporate office with manufacturing facility will enable us to scale up operations through an increase in our Group's headcount in the Business Development department for OEM segment and Sales and Marketing department for REM and PDI segments. This will allow us to serve our existing customers in the central region of Malaysia better and secure new customers in the region as that is where most of the automotive companies' corporate offices are located. In this regard, we intend to recruit an additional of 2 Business Development and Sales and Marketing personnel by 2025. We will also set up our new Corporate Finance and Planning department at our new corporate office.

Currently, some of our automotive covers, which are manufactured in our Tampoi Plant, will be stored at our PJ Hub prior to delivery to our customers. We intend to relocate our operations at PJ Hub to this new manufacturing plant and warehouse. The new manufacturing plant and warehouse will have a larger space for installation of automotive covers onto automotive seats and installation of automotive covers with interior parts (e.g. door ornaments and console).

---

**7. BUSINESS OVERVIEW (CONT'D)**

---

Further, while sewing of automotive cover material cut pieces to form complete automotive covers is only undertaken at our Tampoi Plant at present, our new manufacturing plant in Klang Valley will have up to 15 new sewing machines to be purchased using the proceeds from our IPO as detailed in **Section 4.5.4** of this Prospectus. This will enable us to carry out sewing of automotive cover material cut pieces to form complete automotive covers at both the new manufacturing plant in Klang Valley and our Tampoi Plant. This would in turn improve our lead time and delivery schedule to better meet the requirements of our customers.

**7.28 PROSPECTS OF OUR GROUP**

We believe that our prospects in the automotive seat and cover industries in Malaysia are favourable, taking into account the recovery and long-term growth of the automotive industry, the sales targets of our customers, our competitive position set out in **Section 7.4** of this Prospectus, and our business strategies as set out above.

According to the IMR report by PROVIDENCE, the automotive cover and seat industry sizes in Malaysia are projected to grow at CAGRs of 8.6% and 6.7%, respectively, between 2024 and 2026. This will be supported by the following demand drivers:

- long-term growth of the automotive industry which will drive demand for automotive seats and covers. Since its recovery from the COVID-19 pandemic, the automotive industry in Malaysia grew, in terms of automotive sales or total industry volume, from 508,911 units in 2021 to 720,658 units in 2022, and further increased to 799,731 units in 2023.

The automotive industry is expected to continue to grow in the long-term in light of improved consumer spending, introduction of new models at more competitive prices as well as promotional sales campaigns by automotive marques to push sales. As automotive covers and seats are necessities in all types of automotive vehicles including electric vehicles, the progressive shift of the automotive industry towards electric vehicles is expected to drive the automotive seat and cover industries;

- Malaysia's position as an automotive hub is expected to continue to drive automotive vehicle OEMs to carry out their automotive manufacturing activities in Malaysia, which will drive the local automotive seat and cover industry. MITI has proactively been positioning Malaysia as a viable automotive hub by providing government support on higher-value automotive components through the National Automotive Policy. In addition, the development of the Automotive High-Tech Valley in Tanjong Malim, Perak is expected to attract RM32.0 billion worth of investments over the next 10 years, according to the Malaysian Investment Development Authority; and
- consistent demand for automotive cover replacements will lead to the growth of the automotive cover industry.

Collectively, these demand drivers are anticipated to bode well for the growth potential of the automotive seat and cover industries in Malaysia.

[ The rest of this page has been intentionally left blank ]



## 8. INDUSTRY OVERVIEW



PROVIDENCE STRATEGIC PARTNERS SDN BHD  
(1238910-A)  
67-1, Block D, Jaya One, Jalan Prof Diraja Ungku Aziz,  
46200 Petaling Jaya, Selangor, Malaysia.  
T: +603 7625 1769

Date: 3 April 2024

The Board of Directors  
**FEYTECH HOLDINGS BERHAD**  
No. 1, Jalan Bayu 2/6  
Kawasan Perindustrian Tampoi Jaya  
81200 Johor Bahru, Johor, Malaysia

Dear Sirs/Madam,

### **Independent Market Research (“IMR”) Report on the Automotive Seat and Cover Industries in Malaysia**

PROVIDENCE STRATEGIC PARTNERS SDN BHD (“**PROVIDENCE**”) has prepared this IMR report on the Automotive Seat and Cover Industries in Malaysia for inclusion in the Prospectus in conjunction with the listing of FEYTECH HOLDINGS BERHAD on the Main Market of Bursa Malaysia Securities Berhad.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics. We believe that this IMR report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and may not necessarily reflect the performance of individual companies in the industry. It also does not purport to be exhaustive.

No part of this publication may be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, without prior express written consent from PROVIDENCE.

For and on behalf of PROVIDENCE:

A handwritten signature in black ink, appearing to read 'Melissa Lim', written over a horizontal line.

MELISSA LIM  
EXECUTIVE DIRECTOR

#### **About PROVIDENCE STRATEGIC PARTNERS SDN BHD:**

*PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.*

#### **About MELISSA LIM:**

*Melissa Lim is the Executive Director of PROVIDENCE. She has approximately 15 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.*

## 8. INDUSTRY OVERVIEW (CONT'D)



Feytech Holdings Berhad and its subsidiaries (collectively referred to as “**Feytech Group**” or “**the Group**”) are principally involved in the manufacturing of automotive covers and automotive seats. Feytech Group’s manufacturing plants are based in Malaysia and the Group mainly serves the automotive market in Malaysia, with 87.5% to 97.0% of its total Group revenue generated from Malaysia for the financial years ended (“**FYE**”) 31 December 2020 to 2023. The Group also exports its automotive covers to international markets, including Singapore, Australia, New Zealand, the United States of America and Europe. As such, this IMR report focuses on the following:

- **The automotive seat and cover industries in Malaysia**, as these are the industries in which Feytech Group operates; and
- **The automotive market**, with a focus on the automotive market in Malaysia as this is the market which Feytech Group mainly serves. This chapter also covers the historical growth and prospects of the global automotive market.

# 1 THE AUTOMOTIVE SEAT AND COVER INDUSTRIES IN MALAYSIA

## INTRODUCTION

Automotive covers refer to the covers installed on automotive seats and interior parts. Automotive seats are seats specially designed and built for automotive vehicles. Meanwhile, interior parts refer to components found in the interior of an automotive vehicle such as door ornaments, steering wheels, gear knobs, handbrake handles and consoles. Automotive covers provide comfort and enhance the attractiveness of the vehicle, while ensuring the functionality of the components is not affected.

In Malaysia, the automotive seat and cover industries serve 3 different market segments. Details of these market segments are as follows:

### (i) Original equipment manufacturer (“OEM”) market segment

The OEM market segment entails the manufacturing of automotive seats and covers for new automotive vehicles. There are different tiers of suppliers in the automotive industry that serve the OEM market segment, i.e.:

- Tier 1 suppliers – companies that supply products and services directly to automotive vehicle OEMs;
- Tier 2 suppliers – companies that supply products and services directly to Tier 1 suppliers; and
- Tier 3 suppliers – suppliers of raw materials for automotive seats and covers such as automotive cover materials, parts and accessories.

Automotive cover manufacturers will procure supplies such as automotive cover materials (e.g. leather, synthetic leather and fabric), parts, accessories and other supplies (e.g. zippers, plastic strips and hooks) from material suppliers to manufacture automotive covers based on the design, specifications and quality requirements set out by the automotive vehicle OEMs. These automotive cover manufacturers may either be Tier 1 or Tier 2 suppliers, depending on whether they supply directly to automotive vehicle OEMs or to Tier 1 automotive seat manufacturers.

Meanwhile, Tier 1 automotive seat manufacturers may also procure these automotive covers alongside other supplies such as padding, seatbelts, buckles, electrical parts, frames and side airbags, in order to manufacture the automotive seats. These automotive seats will then be sold to automotive vehicle OEMs.

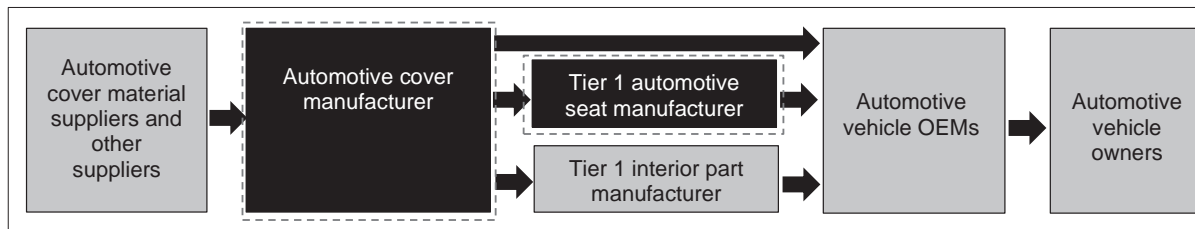
Feytech Group is an automotive cover manufacturer and Tier 1 automotive seat manufacturer.

## 8. INDUSTRY OVERVIEW (CONT'D)



The automotive seat and cover industry value chain for the OEM market segment is as illustrated below:

**Automotive seat and cover industry value chain**



Note:

 Denotes the segments which Feytech Group operates in

Source: PROVIDENCE

### (ii) Pre-delivery inspection (“PDI”) market segment

The PDI market segment entails the manufacturing and replacement of automotive covers prior to these automotive vehicles being registered with the Road Transport Department Malaysia (i.e. Jabatan Pengangkutan Jalan Malaysia). Automotive cover manufacturers will procure supplies from material suppliers to manufacture automotive covers, and re-install the automotive covers onto automotive seats and/or interior parts for automotive distributors and car accessory retailers.

### (iii) Replacement equipment manufacturer (“REM”) market segment

After the new automotive vehicles have been registered with the Road Transport Department Malaysia (i.e. Jabatan Pengangkutan Jalan Malaysia), automotive covers may still need to be replaced, restyled and/or repaired. Automotive cover manufacturers can manufacture and replace the automotive covers by either restyling, replacing and/or repairing automotive covers for car owners, used car dealers, automotive dealers, car accessory retailers and automotive cover installers.

## INDUSTRY SIZE, PERFORMANCE AND GROWTH

The automotive cover industry size can be measured by the revenues of industry players involved in the manufacturing, replacement, restyling and/or repair of automotive covers in Malaysia. Between 2018 and 2019, the automotive cover industry size in Malaysia grew by 9.6% from RM408.4 million to RM447.8 million. The automotive seat industry in Malaysia, which can be measured by the revenues of industry players involved in the manufacturing of automotive seats in Malaysia, also grew by 4.3% from RM2.3 billion in 2018 to RM2.4 billion in 2019.

The automotive seat and cover industries in Malaysia were adversely impacted by the Coronavirus Disease (“COVID-19”) pandemic in 2020. The automotive cover industry size in Malaysia fell by 23.0% in 2020 to RM345.0 million, while the automotive seat industry in Malaysia declined by 37.5% to RM1.5 billion in 2020. This was because the COVID-19 pandemic led to:

- the implementation of national lockdown policies in 2020, which disrupted manufacturing activities in the automotive industry and caused disruptions in the supply chain of the automotive industry; and
- lower automotive sales in 2020 as the national lockdown policies led to less mobility and there was an overall decline in disposable income and purchasing power in Malaysia.

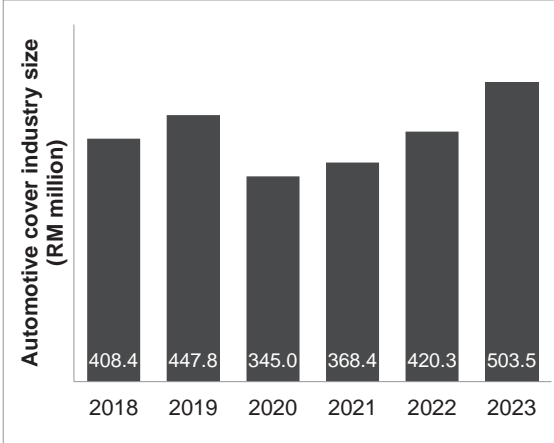
Nevertheless, the automotive seat and cover industries in Malaysia improved in 2021 and 2022 due to the ramping up of production and deliveries of vehicles to fulfil backlog and new orders, improved consumer spending in tandem with the country’s recovery post the rollout of the COVID-19 vaccine, government incentives to drive car sales, such as the implementation of sales and service tax (“SST”) exemption as well as promotional sales campaigns by automotive marques. As a result, the automotive cover industry in Malaysia began to recover in 2021 to RM368.4 million, registering a growth of 6.8% between 2020 and 2021. The automotive cover industry size in Malaysia grew by 14.1% to RM420.3 million in 2022. In 2023, the automotive cover industry size further increased to RM503.5 million. Meanwhile, the automotive seat industry recovered and grew to RM2.0 billion in 2021 and RM3.1 billion in 2022, then to RM3.3 billion in 2023.

**8. INDUSTRY OVERVIEW (CONT'D)**

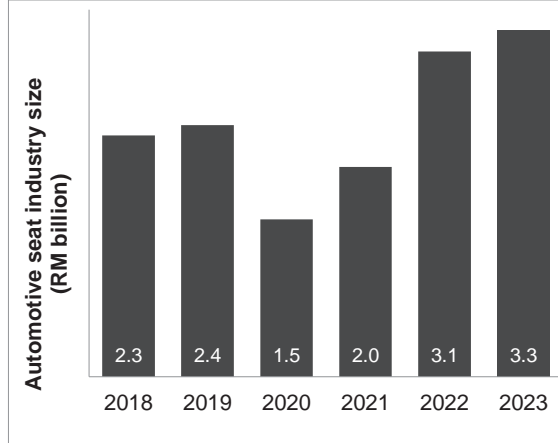


Moving forward, the automotive cover industry in Malaysia is forecast to grow at a compound annual growth rate (“CAGR”) of 8.0% between 2024 and 2026, to reach RM544.5 million in 2026. The automotive seat industry in Malaysia is forecast to grow at a CAGR of 6.7% between 2024 and 2026, to reach RM4.1 billion in 2026.

**The automotive cover industry size in Malaysia**



**The automotive seat industry size in Malaysia**



Source: Companies Commission of Malaysia, PROVIDENCE

**KEY DEMAND DRIVERS**

**Long term growth of the automotive industry drives demand for automotive seats and covers**

The growth in demand for automotive seats and covers largely correlates with the production and sales of new automotive vehicles.

The number of passenger and commercial vehicles produced rose from 564,971 units in 2018 to 571,632 units in 2019.<sup>1</sup> Automotive vehicle production was affected by various restrictions imposed by the Government of Malaysia to curb the spread of COVID-19 and as a result, production of passenger and commercial vehicles dipped from 571,632 units in 2019 to 485,186 units in 2020 and 481,651 units in 2021.<sup>2</sup>

Malaysia’s passenger and commercial vehicles sales rose from 598,714 units in 2018 to 604,287 units in 2019.<sup>3</sup> In 2020, automotive sales were also affected by various restrictions imposed by the Government of Malaysia to curb the spread of COVID-19. As a result, sales of passenger and commercial vehicles dipped from 604,287 units in 2019 to 529,514 units in 2020.<sup>4</sup> In 2021, sales of passenger and commercial vehicles fell further, registering 508,911 vehicles sold.<sup>5</sup>

Although the manufacturing of automotive covers and automotive seats recovered in 2021, the production of automotive vehicles was still adversely impacted due to shortages of other parts such as semiconductor chips. The lower production of automotive vehicles resulted in lower sales in the year.

Nonetheless, the automotive industry recovered in 2022 with 702,275 units of passenger and commercial vehicles produced and 720,658 units of passenger and commercial vehicles sold in the year. In 2023, Malaysia’s passenger and commercial vehicles production and sales further increased to 774,600 units and 799,731 units, respectively. This was boosted by the SST exemption for passenger vehicles, the ramping up of production and deliveries of vehicles to fulfil backlog and new orders, improved consumer spending in tandem with the country’s economic recovery, the introduction of new models including electric vehicles (“EVs”) at more competitive prices, government incentives as well as promotional sales campaigns by automotive marques.

<sup>1</sup> Source: Malaysian Automotive Association  
<sup>2</sup> Source: Malaysian Automotive Association  
<sup>3</sup> Source: Malaysian Automotive Association  
<sup>4</sup> Source: Malaysian Automotive Association  
<sup>5</sup> Source: Malaysian Automotive Association

## 8. INDUSTRY OVERVIEW (CONT'D)



The prospects of the automotive industry in Malaysia is expected to continue to be positive in light of improved consumer spending, introduction of new models including EVs at more competitive prices as well as promotional sales campaigns by automotive marques.

### **Malaysia's position as an automotive hub is expected to continue to drive automotive vehicle OEMs to carry out their automotive manufacturing activities in Malaysia, which will drive the local automotive seat and cover industries**

Malaysia's Ministry of Investment, Trade and Industry ("MITI") has been proactively positioning Malaysia as a viable automotive hub by providing strong government policy support focusing on higher-value automotive components through the National Automotive Policy ("NAP"). This has been the catalyst in attracting automotive vehicle OEMs to consider Malaysia as their regional base.

In addition, DRB-HICOM Berhad and Zhejiang Geely Holding Group Co Ltd have signed an agreement to collaborate in the development of the Automotive High-Tech Valley ("AHTV") in Tanjung Malim, Perak in December 2023. The AHTV will be Malaysia's integrated automotive hub that will occupy an area of approximately 1,000 acres to house the automotive and mobility solutions value chain, from a full-fledged research and development centre for manufacturers to test their vehicles, to a manufacturing cluster and supporting services within an associated ecosystem. Over the next 10 years, AHTV is expected to attract RM32.0 billion worth of investments.<sup>6</sup>

As more major automotive vehicle manufacturers decide to set up and/or outsource their manufacturing and production facilities in Malaysia, this will result in the growth of demand for automotive seats and covers to accommodate the growing number of automotive vehicles manufactured in the country.

### **Consistent demand for automotive cover replacements will lead to the growth of the automotive cover industry**

The automotive cover industry in Malaysia also serves the local second-hand car market. The prospects of the second-hand car market in Malaysia is expected to be positive and is projected to grow at a CAGR of 10.0% between 2022 and 2025.<sup>7</sup> This is driven by the growing disposable income of the local population which would lead to more spending power to restyle automotive covers for better support and comfort, improved protection from spills, dirt and substances, as well as aesthetic purposes. Malaysia's gross national income (GNI) per capita, which indicates the nation's disposable income, has been growing from RM41,647 in 2017 to an estimated RM52,955 in 2023, registering a CAGR of 4.1%.<sup>8</sup>

In addition, the second-hand car market in Malaysia is driven by the affordability of second-hand cars which makes it an ideal choice for people with limited budgets. Further, there has also been an emergence of online car platforms where people can conveniently buy or sell second-hand cars. These platforms allow consumers to review the condition of the car and its track record before conducting a physical examination, as well as allow consumers to leave reviews on sellers.

As the market for second-hand cars continues to grow, this is expected to result in an increased demand for automotive covers from the REM market segment in Malaysia.

## SUPPLY CONDITIONS

### **Automotive cover materials, parts and components**

Supplies for automotive cover manufacturing include automotive cover materials (e.g. leather, synthetic leather and fabric), parts, accessories and other supplies (e.g. zippers, plastic strips and hooks). Meanwhile, supplies for automotive seat manufacturing include automotive covers as well as other supplies such as padding, seatbelts, buckles, electrical parts, frames and side airbags. These supplies are generally procured from local and foreign suppliers.

It is crucial for automotive seat and/or cover manufacturers to select suitable materials that meet quality specifications as well as suitable suppliers from which such materials can be reliably sourced and delivered cost-effectively.

It is also important for automotive seat and/or cover manufacturers to ensure adequate inventory levels and manage automotive cover material prices. While automotive cover materials, parts and components

<sup>6</sup> Source: "AHTV to revitalize Malaysia's automotive industry", Malaysian Investment Development Authority, 25 July 2023

<sup>7</sup> Source: Malaysia's 2nd hand car market to grow 10%, The Malaysian Reserve, 30 August 2022

<sup>8</sup> Source: Department of Statistics Malaysia

**8. INDUSTRY OVERVIEW (CONT'D)**

are generally readily available, prices of leather automotive cover materials fluctuate according to the supply and demand conditions in the global market as well as foreign exchange rates as these materials are imported. Fluctuations in the prices of leather automotive cover materials could impact profit margins and/or selling prices of automotive covers.

**Machinery and equipment**

Automotive seat and cover manufacturers utilise machinery and equipment to automate certain processes (such as cutting) in order to enhance operational efficiency, increase output and minimise wastages. Identifying reliable machinery and equipment as well as reputable machinery and equipment suppliers will allow automotive seat and cover manufacturers to equip their manufacturing facilities with appropriate machinery to produce at consistent quality and output. In addition, acquiring appropriate machinery and equipment is critical for automotive seat and cover manufacturers to remain competitive in the evolving automotive industry. Machinery and equipment utilised in the automotive seat and cover industries are readily available, and may be procured from local or foreign suppliers.

**Human resources**

The manufacturing of automotive seats and covers requires human labour. Human labour is essential in sewing automotive cover material pieces which have been cut to form automotive covers, and for the assembly of automotive seats. Foreign workers are mostly hired as labour in the automotive seat and cover industries in Malaysia and are presently readily available.

**COMPETITIVE LANDSCAPE**

The competitive landscape of the automotive cover industry encompasses companies involved in the manufacturing, replacement, repair and/or installation of automotive covers. These industry players serve one or more of the market segments (OEM, PDI and REM market segments).

Industry players involved in the manufacturing of automotive covers for the OEM market segment may also be involved in the replacement of automotive covers for the PDI and REM market segments. Meanwhile, there are also industry players that are solely involved in the replacement of automotive covers for the PDI and/or REM market segments and do not manufacture automotive covers for the OEM market segment.

PROVIDENCE estimates that there are 11 industry players, including Feytech Group, which are involved in the manufacturing and/or replacement of automotive covers in Malaysia and have a revenue of RM1.0 million and above, as detailed below:

Company name	Involved in manufacturing of automotive seats	Latest audited FYE	Revenue (RM '000)	Gross profit ("GP") (RM '000)	GP margin* (%)
Pecca Group Berhad (public listed company on Bursa Securities) **	-	30 June 2023	217,364 ***	67,759 ^	31.2%
<b>DK Leather companies #</b>					
DK Leather Seats Sdn Bhd	-	31 March 2023	144,808	43,624	30.1%
DK-Schweizer Leather Sdn Bhd	-	31 March 2023	8,223	3,024	36.8%
<b>Feytech Group</b>	✓	<b>31 December 2023</b>	<b>130,171 ***</b>	<b>53,542 ***</b>	<b>41.1%</b>
LEC Auto Leather Marketing Sdn Bhd	-	31 December 2022	8,095	2,757	34.1%
<b>Carbi-Deco companies #</b>					
Carbi-Deco Leather Industry Sdn Bhd	-	31 December 2022	3,491	2,513	72.0%



**8. INDUSTRY OVERVIEW (CONT'D)**

Company name	Involved in manufacturing of automotive seats	Latest audited FYE	Revenue (RM '000)	Gross profit ("GP") (RM '000)	GP margin* (%)
CD Seat Industries Sdn Bhd	-	31 December 2022	440	(178)	-
Renzmark Sdn Bhd	-	31 December 2022	3,893	1,540	39.6%
JS Leather Upholstering Sdn Bhd	-	31 December 2022	2,900	622	21.4%
Comfort Auto Restorer Sdn Bhd	-	31 December 2022	2,466	1,420	57.6%
Newton Leather Industries Sdn Bhd	-	31 December 2022	1,875	1,160	61.9%
Carzac Sdn Bhd	-	31 December 2022	1,764	1,442	81.7%
Unique Leather Seat (M) Sdn Bhd	-	31 December 2022	1,730	470	27.2%

## Notes:

- (i) The list above is based on publicly available information and is not exhaustive as it may not include companies whose financial information have been private exempted and cannot be viewed by the public, and companies with revenues below RM1.0 million.
- (ii) The list above has been arranged based on the revenues of industry players, in a descending order
- (iii) \* GP margin is computed based on GP divided by revenue
- (iv) \*\* Company is involved in business activities that are not related to automotive cover manufacturing, replacement, repair and/or installation
- (v) \*\*\* Financial information is based on segmental financial information for the manufacturing of automotive covers
- (vi) ^ Financial information is based on consolidated financial information and may include businesses other than manufacturing of automotive covers, as the segmental financial information for the manufacturing of automotive covers is not publicly available
- (vii) # Companies are subsidiaries and related companies that are part of the group, which is involved in automotive cover manufacturing, replacement, repair and/or installation in Malaysia. This is based on publicly available information on the company's subsidiaries and related companies and its principal activities. PROVIDENCE is not able to determine if there are any other related companies held by similar shareholders in Malaysia which is not publicly disclosed to be a related company, and will not be able to determine if there are any inter-company transactions.

Source: Companies Commission of Malaysia, various company websites, PROVIDENCE

The competitive landscape of the automotive seat industry encompasses companies involved in the manufacturing of automotive seats. These industry players generally only serve the OEM market segment. PROVIDENCE estimates that there are 7 industry players, including Feytech Group, which are involved in the manufacturing of automotive seats and have a revenue of RM1.0 million and above, as detailed below:

Company name	Latest audited FYE	Revenue (RM '000)	GP (RM '000)	GP margin* (%)
<b>Adient companies **</b> (subsidiaries and/or related companies of a public listed company on the New York Stock Exchange)				
Adient Automotive Holding (M) Sdn Bhd	30 September 2022	648,957	135,765	20.9%
Adient Automotive Seating (M) Sdn Bhd	30 September 2022	654,661	127,278	19.4%
Adient Automotive Components (M) Sdn Bhd	30 September 2022	73,144	8,562	11.7%
APM Automotive Holdings Berhad (public listed company on Bursa Securities)	31 December 2022	1,054,183 ***	194,159 ^	18.4%
Toyota Boshoku UMW Sdn Bhd	31 December 2022	487,322	108,975	22.4%

**8. INDUSTRY OVERVIEW (CONT'D)**

Company name	Latest audited FYE	Revenue (RM '000)	GP (RM '000)	GP margin* (%)
(subsidiary of a public listed company on the Tokyo Stock Exchange)				
C.N.A Manufacturing Sdn Bhd	31 December 2022	139,090	7,569	5.4%
<b>Feytech Group</b>	<b>31 December 2023</b>	<b>81,052 #</b>	<b>27,261 #</b>	<b>33.6%</b>
Lear Automotive (Malaysia) Sdn Bhd (subsidiary of a public listed company on the New York Stock Exchange)	31 December 2022	75,598	20,190	26.7%
Twos Seating Sdn Bhd	31 July 2021	10,775	3,341	31.0%

## Notes:

- (i) The list above is based on publicly available information and is not exhaustive as it may not include companies whose financial information have been private exempted and cannot be viewed by the public, and companies with revenues below RM1.0 million.
- (ii) The list above has been arranged based on the revenues of industry players, in a descending order
- (iii) \* GP margin is computed based on GP divided by revenue
- (iv) \*\* Companies are subsidiaries and related companies that are part of the group, which is involved in automotive seat manufacturing in Malaysia. This is based on publicly available information on the company's subsidiaries and related companies and its principal activities. PROVIDENCE is not able to determine if there are any other related companies held by similar shareholders in Malaysia which is not publicly disclosed to be a related company, and will not be able to determine if there are any inter-company transactions.
- (v) \*\*\* Financial information is based on segmental financial information for the manufacturing of automotive seats, plastic parts, extrusion parts such as roof drips, interior trims such as headlining, door panels and carpets, and seat belts in Malaysia
- (vi) ^ Financial information is based on consolidated financial information and may include businesses other than manufacturing of automotive seats in Malaysia and outside of Malaysia, as the segmental financial information for the manufacturing of automotive seats in Malaysia is not publicly available
- (vii) # Financial information is based on segmental financial information for the manufacturing of automotive seats

Source: Companies Commission of Malaysia, various company websites, PROVIDENCE

While the landscape of the automotive seat and cover industries in Malaysia are moderately competitive, there are barriers to entry that can restrict the entry of new industry players, among which include:

- **Capital intensive industry**

The automotive seat and cover industries are capital intensive as initial investments are required to secure manufacturing space, machinery and equipment, as well as materials for manufacturing activities. The development and testing process for the prototype of automotive seats and covers is typically long, i.e. 1 year to 2 years, during which working capital will be required to finance the materials and labour costs; and

- **Technical competence**

Industry players in the automotive seat and cover industries require a certain degree of technical competence and know-how to deliver tailored solutions to automotive vehicle OEMs.

Apart from the abovementioned barriers to entry, the ability of an automotive seat or automotive cover manufacturer to be selected as a supplier by these automotive vehicle OEMs is an important factor in remaining competitive in the industry. This is because automotive vehicle OEMs generally conduct supplier selection processes to ensure that the automotive seat and/or automotive cover manufacturer they engage has the necessary track record and experience.

### Market share

Feytech Group garnered a market share of 25.9% of the automotive cover industry in Malaysia, based on its revenue generated from its automotive cover division of RM130.2 million for the FYE 2023, computed against the automotive cover industry size in Malaysia of RM503.5 million in 2023. This is an increase from Feytech Group's market share in 2022 of 25.6% based on its revenue generated from its automotive cover division of RM107.4 million and the total automotive cover industry in Malaysia of RM420.3 million in 2022.



**8. INDUSTRY OVERVIEW (CONT'D)**

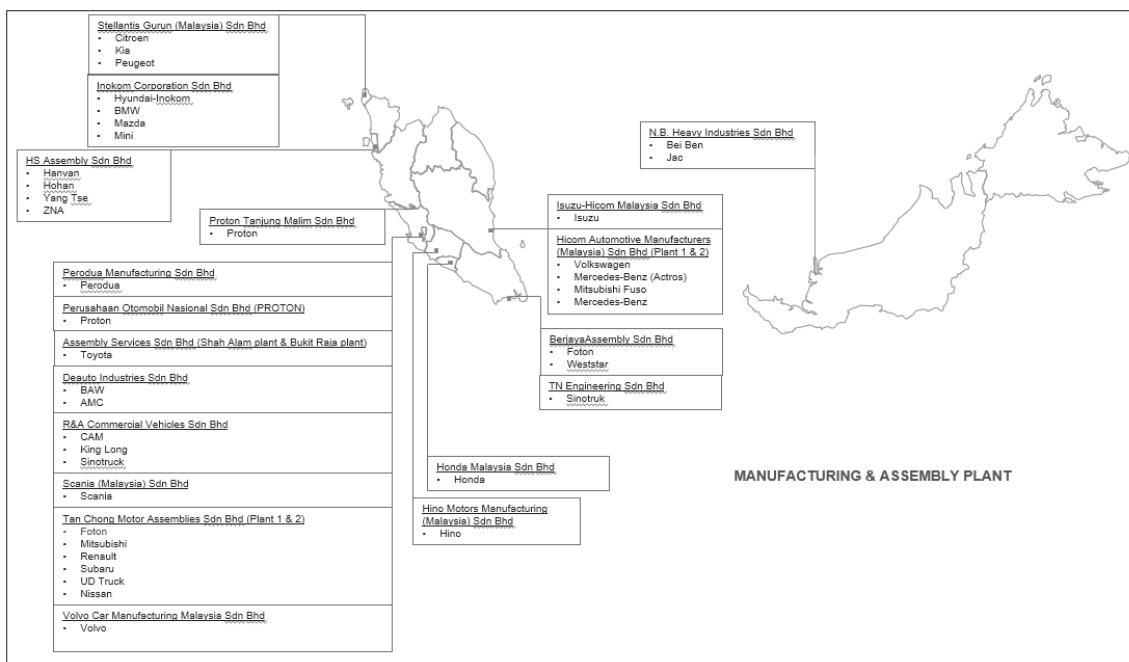


Feytech Group garnered a market share of 2.5% of the automotive seat industry in Malaysia, based on its revenue generated from its automotive seat division of RM81.1 million for the FYE 2023, computed against the automotive seat industry size in Malaysia of RM3.3 billion in 2023. This is an increase from Feytech Group's market share in 2022 of 0.6% based on its revenue generated from its automotive seat division of RM19.5 million and the total automotive cover industry in Malaysia of RM3.1 billion in 2022.

**2 THE AUTOMOTIVE MARKET**

The automotive industry ecosystem in Malaysia is fairly established, comprising approximately 22 automotive vehicle OEMs and more than 600 suppliers/component manufacturers from various clusters, including automotive covers, metals, plastics, electric and electronics as well as rubber. These component manufacturers supply components to vehicle assemblers.

The manufacturing and assembly plants of automotive vehicle OEMs in Malaysia are as follows:



Source: Malaysian Automotive Association, PROVIDENCE

Automotive sales in Malaysia rose from 598,714 units in 2018 to 604,287 units in 2019 while automotive vehicle production grew from 564,971 units in 2018 to 571,632 units in 2019.<sup>9</sup> This growth was underpinned by increased economic activity and trade flows. In 2020 and 2021, automotive sales and production were adversely affected by various restrictions imposed by the Government of Malaysia to curb the spread of COVID-19. The COVID-19 pandemic led to business operations and supply chains being disrupted, causing delays in vehicle production and delivery. In addition, the COVID-19 pandemic also resulted in economic uncertainty and instability, as well as rise in costs for essential goods, which led to decreased consumer spending including on big-ticket items such as vehicles. As a result, automotive sales dropped to 529,514 units in 2020 and 508,911 units in 2021, while automotive vehicle production fell to 485,186 units in 2020 and 481,651 units in 2021.<sup>10</sup>

Nonetheless, the automotive industry recovered in 2022 with 702,275 units of passenger and commercial vehicles produced and 720,658 units of passenger and commercial vehicles sold in the year.<sup>11</sup> In 2023, Malaysia's passenger and commercial vehicles production and sales further increased to 774,600 units and 799,731 units, respectively.

<sup>9</sup> Source: Malaysian Automotive Association

<sup>10</sup> Source: Malaysian Automotive Association

<sup>11</sup> Source: Malaysian Automotive Association

## 8. INDUSTRY OVERVIEW (CONT'D)



Moving forward, the automotive industry is expected to continue to grow in the long-term in light of improved consumer spending, the introduction of new models including EVs at more competitive prices as well as promotional sales campaigns by automotive marques.

Further, the Government of Malaysia has implemented various initiatives, policies as well as tax incentives aimed drive the automotive industry. Among these initiatives include the following:

- **NAP 2020**

The NAP 2020 is a policy framework implemented by the Government of Malaysia to focus on developing Malaysia as the hub for energy-efficient vehicles (EEV) through the development of research and development capabilities for right-hand drive vehicles, and related technologies such as fuel efficiency, light material, telematics, tooling and component design. The NAP 2020 aims to enhance the automotive industry in the era of digital industrial transformation by focusing on next-generation vehicles (NxGV), Industrial Revolution 4.0 (IR 4.0), and mobility-as-a-service (MaaS) to make Malaysia a regional leader in manufacturing, engineering and technology.

Among the targets to be achieved by 2030 under NAP 2020 are automotive sector gross domestic product (GDP) contribution of RM104.2 billion; total production volume of 1.47 million vehicle units; RM12.3 billion in complete built-up (CBU) exports; RM28.3 billion in exports of new automotive parts and components; technology development through the establishment of full-fledged vehicle type approval testing centres, electric vehicle interoperability centres, next-generation vehicle testbeds, virtual design centres, additive manufacturing design centres, robotics and artificial intelligence centres, big data analytics centres, digital twin-centres; and technology academies.

The NAP 2020 will continue to promote the participation of local companies in the domestic and global supply chain, encourage research and development and engineering activities, build capabilities and capacity of local workforce, support national car projects as well as enhance exports, investments and local production volume.<sup>12</sup>

- **Twelfth Malaysia Plan (2021-2025) ("12MP")**

The 12MP is a 5-year development plan implemented by the Government of Malaysia, which outlines strategies for encouraging economic growth and development within the country. Among the objectives of the 12MP include encouraging the growth of sustainable and healthy competition within the automotive industry, supporting the development of innovative automotive technologies, including EVs and connected vehicles, as well as driving the adoption of alternative fuel sources for vehicles, attracting foreign automotive companies, developing skilled workforce in the automotive industry to improve competitiveness, and encouraging the growth of efficient automotive supply chains in the country. The 12MP is expected to assist the growth and development of the automotive industry in Malaysia, in order to encourage competitiveness within the industry on a regional and global scale.

- **Budget 2024**

Among the initiatives under Budget 2024 include the introduction of the Electric Motorcycles Usage Incentive Scheme whereby individuals with an annual income of below RM120,000 will receive rebates of up to RM2,400; extension of individual income tax relief of up to RM2,500 on expenses of EV charging facilities for a period of 4 years and extension of tax deduction on EV rental costs for a period of 2 years. These initiatives are expected to boost growth of the local EV industry and increase adoption of EV usage among Malaysian.

- **Malaysian Automotive Development Fund ("MADF")**

The MADF is a fund established by the Government of Malaysia to support the development of the automotive industry. The goal of the MADF is to promote the growth and competitiveness of the automotive industry in Malaysia, by providing financing and assistance to local automotive companies. The MADF aims to provide companies with financing to invest in research and development activities and technology in order to enhance the competitiveness of the automotive industry, support the development of new technologies and innovative solutions, promote the development of skilled workers through training and education initiatives, as well as promote growth and competitiveness within the automotive industry via investment in high priority areas, such as sustainability and efficiency.

<sup>12</sup> Source: NAP 2020, MITI

## 8. INDUSTRY OVERVIEW (CONT'D)



Further, the growth in sales of EVs will also drive demand in the automotive industry. An EV is a type of vehicle that runs on electricity rather than fuel. The global EV market, as measured by the number of EVs, grew more than ten-fold, rising from 0.7 million vehicles in 2016 to 10.2 million vehicles in 2022.<sup>13</sup>

In addition, the collaboration between DRB-Hicom Berhad and Zhejiang Geely Holding Group Co Ltd in the development of the AHTV in Tanjung Malim, Perak is expected to increase automotive vehicle production activities in Malaysia as automotive vehicle manufacturers are expected to be encouraged to set up and/or outsource their manufacturing and production facilities in Malaysia. The AHTV is intended to house the automotive and mobility solutions value chain, from a full-fledged research and development centre for manufacturers to test their vehicles, to a manufacturing cluster and supporting services within an associated ecosystem. The AHTV is expected to attract RM32.0 billion in investments over the next 10 years.

Globally, the market for automotive vehicles has generally been in line with the local automotive market. The global automotive vehicle market size, as indicated by the sales of new automotive vehicles, was adversely impacted by the COVID-19 pandemic between 2019 and 2020, resulting in a decline of 15.8% from 64.0 million units in 2019 to 53.9 million units in 2020.<sup>14</sup> Nevertheless, the global automotive vehicle market, in terms of sales of passenger cars, recovered in 2021 and 2022, resulting in a growth of 4.7% between 2020 and 2021 to reach 56.4 million units in 2021, and a growth of 1.9% between 2021 and 2022 to reach 57.5 million units in 2022.<sup>15</sup> This growth has and will continue to be driven, by the automotive vehicle sales in Asia, Oceania and Middle East. The global market for automotive vehicles is also expected to be supported by improving consumer spending power, the introduction of new models including EVs at more competitive prices, as well as continuous promotional sales campaigns by automotive marques.

### 3 PROSPECTS AND OUTLOOK

The automotive cover and automotive seat industries in Malaysia grew by 9.6% and 4.3% between 2018 and 2019, respectively. Both of the automotive seat and cover industries in Malaysia were adversely impacted by the COVID-19 pandemic in 2020, resulting in a fall of 23.0% and 37.5% between 2019 and 2020. Nevertheless, the automotive cover and seat industries in Malaysia improved in 2021, registering a growth of 6.8% and 33.3% between 2020 and 2021, respectively. The automotive cover and seat industry sizes in Malaysia have grown to RM420.3 million and RM3.1 billion in 2022, respectively. In 2023, the automotive cover and seat industry sizes in Malaysia further increased to RM503.5 million and RM3.3 billion, respectively. Moving forward, the automotive cover and seat industries in Malaysia are forecast to grow at CAGRs of 8.0% and 6.7% between 2024 and 2026, respectively, in light of the following demand drivers:

- Long term growth of the automotive industry which will drive demand for automotive seats and covers. Since its recovery from the COVID-19 pandemic, the automotive industry in Malaysia grew, in terms of automotive sales, from 508,911 units in 2021 to 720,658 units in 2022, and further increased to 799,731 units in 2023.<sup>16</sup> The automotive industry is expected to continue to grow in the long term in light of improved consumer spending, introduction of new models including EVs at more competitive prices, government incentives as well as promotional sales campaigns by automotive marques. As automotive seats and covers are necessities in all types of automotive vehicles including EVs, the progressive shift of the automotive industry towards EVs is expected to drive the automotive seat and cover industries;
- Malaysia's position as an automotive hub is expected to continue to drive automotive vehicle OEMs to carry out their automotive manufacturing activities in Malaysia, which will drive the local automotive seat and cover industry; and
- Consistent demand for automotive cover replacements will lead to the growth of the automotive cover industry.

As a key industry player in the automotive cover industry in Malaysia, Feytech Group stands to benefit from the positive outlook of the automotive cover industry in Malaysia. Feytech Group also stands to benefit from the growing automotive seat industry in Malaysia.

<sup>13</sup> Source: International Energy Agency (IEA). Latest publicly available data is as at 2022.

<sup>14</sup> Source: International Organisation of Motor Vehicle Manufacturers. Latest publicly available data is as at 2022.

<sup>15</sup> Source: International Organisation of Motor Vehicle Manufacturers. Latest publicly available data is as at 2022.

<sup>16</sup> Source: Malaysian Automotive Association

## 9. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER, IN ADDITION TO THE OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS THAT MAY HAVE ADVERSE IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP BEFORE INVESTING IN OUR SHARES.**

If you are in any doubt to the information contained in this section, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.

### 9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

#### 9.1.1 We are dependent on contracts and agreements secured with automotive vehicle OEMs

As at the LPD, our Group's business or profitability is materially dependent on the contracts as set out in **Section 7.19** of this Prospectus. Our Group is dependent on automotive vehicle OEMs whom have appointed our Group for the supply of automotive covers (either supply to the appointed Tier 1 automotive seat and/or interior part manufacturers or directly to the automotive vehicle OEMs) and automotive seats (directly to the automotive vehicle OEMs), namely the Local OEM, Mazda Malaysia and Kia Malaysia.

The Local OEM has issued the various letters of acceptance to our Group, which are subject to the Supply Chain Terms issued by the Local OEM, for the supply of the automotive seat covers to Tier 1 automotive seat manufacturers appointed by the Local OEM. The revenues arising from the supply of automotive covers for the Local OEM car models are approximately RM26.7 million, RM26.5 million, RM32.5 million and RM28.9 million, representing approximately 33.7%, 31.1%, 25.6% and 13.7% to our Group's total revenue for the past 4 FYEs 2020, 2021, 2022 and 2023, respectively.

In addition, our Group has also entered into the Mazda SPA and PSA with Mazda Malaysia and Kia Malaysia respectively, for the supply of:

- (i) automotive covers directly to Mazda Malaysia and Kia Malaysia and Tier 1 automotive seat and/or interior part manufacturers appointed by Mazda Malaysia and Kia Malaysia; and
- (ii) automotive seats directly to Mazda Malaysia and Kia Malaysia.

The termination or loss of any of our abovementioned contracts with the automotive vehicle OEMs will have material adverse impact to our business, financial condition, results of operations and prospects. Further details of our Group's dependency on the automotive vehicle OEMs and our major customers are set out in **Section 9.1.2** below.

Further details of the Supply Chain Terms and various letters of acceptance issued by the Local OEM as well as the Mazda SPA and PSA are as elaborated in **Section 7.19** of this Prospectus.

#### 9.1.2 We are dependent on our major customers and/or automotive vehicle OEMs that have appointed these major customers

For the past 4 FYEs 2020 to 2023, our Group's major customers included Tier 1 automotive seat and/or interior part manufacturers (namely APM companies, Adient companies and Delloyd companies), automotive vehicle OEMs (namely Mazda Malaysia and Kia Malaysia) and car accessory retailers (Incharge Automotive Enhancements, Retro Vehicle Enhancement Limited, Ilusi Mantap Sdn Bhd), as detailed in **Section 7.16** of this Prospectus.

In particular, our Group's major customers, namely APM companies, Mazda Malaysia, Kia Malaysia and Adient companies, collectively contributed 78.8%, 84.9%, 89.4% and 94.1% to the Group's revenue in FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

---

**9. RISK FACTORS (CONT'D)**

---

As a large proportion of our Group's revenues are contributed by the abovementioned customers (who are Tier 1 automotive seat and/or interior part manufacturers and automotive vehicle OEMs), our Group is thus dependent on these major customers in the respective FYEs. For major customers who are Tier 1 automotive seat and/or interior part manufacturers, our Group is dependent on them to the extent of the purchase orders received from them. However, it is important to note that our Group is also dependent on the automotive vehicle OEMs that have appointed them namely, Local OEM, Mazda Malaysia and Kia Malaysia, as detailed in **Section 9.1.1** above although these companies may not be our Group's direct customers. The automotive vehicle OEMs that appoint the Tier 1 automotive seat and/or interior part manufacturers typically would have discretion to appoint our Group as the automotive cover manufacturer.

As an automotive cover and automotive seat manufacturer, our business is tied to that of the automotive vehicle OEMs' business and the automotive industry. We have no control over the business operations, prospects and success of these automotive vehicle OEMs' business. As such, our Group's business would ultimately be impacted should these automotive vehicle OEMs' manufacturing facilities be disrupted or business face any loss in market share, financial difficulty and/or if an economic downturn affects the demand for their products.

In addition, due to the large contribution of revenues for contracts with these major customers, our Group would have allocated sufficient working capital and resources to cater for these orders. Should there be any variation in volume of orders from these major customers from what was estimated volume of orders communicated to our Group for the year, this could materially affect our Group's business and financial performance. This is because our Group would have allocated working capital and resources accordingly and may not be able to secure orders from other customers to cushion the impact in the respective year.

In light of the above, the loss of our major customers, as well as automotive vehicle OEMs that have appointed the Tier 1 automotive seat and/or interior part manufacturers who are our Group's major customers, could materially and adversely impact our Group's business, financial condition, results of operations and prospects.

**9.1.3 We are dependent on our Executive Directors and our Key Senior Management team for the continuing success of our Group**

Our Group's continuing success and growth are dependent upon the efforts and commitment our Non-Independent Executive Director and Chief Executive Officer, Connie Go; our Non-Independent Executive Director, Go Yoong Chang; our Non-Independent Executive Director, Tan Sun Sun; Chief Operating Officer, Chua Khe Gee; and our Chief Financial Officer, Tan Ming Shing. Our Executive Directors and Key Senior Management team play a pivotal role in our day-to-day operations as well as developing and implementing strategies to drive the future growth of our Group. Further, they are also key in leading business development, sales and marketing activities.

As such, the loss of services from any of our Executive Directors and/or Key Senior Management personnel within a short period of time and without any suitable or prompt replacement may cause an adverse effect on our business, financial performance and prospects.

**9.1.4 We depend on our ability to secure new projects**

We secure orders from all of our customers from the OEM, PDI and REM market segments on a purchase order or sales order basis.

Although we sign contracts with certain customers from the OEM market segment, there are no fixed volume of orders of automotive covers and automotive seats stated in these contracts. Instead, customers from the OEM market segment typically communicates the estimated volume of orders for the year to our Group though the estimated volume of orders are subject to variations. For our customers from the PDI and REM market segments, orders are secured on an as needed basis. Hence, our financial performance is dependent on our ability to continuously secure new orders, and there is a risk that we may not be able to secure sufficient new orders to sustain our business.

In addition, save for our contract with Mazda Malaysia, there is no contract period fixed with customers from the OEM market segment as our Group is appointed to manufacture automotive



## 9. RISK FACTORS (CONT'D)

covers or automotive seats for the specified vehicle model. Should there be any facelifts or change in vehicle model in the vehicle models that we have been appointed to manufacture automotive covers or automotive seats for, there may be a need to re-submit a proposal to secure the contract. Thus, there may be a risk that we may not be appointed as the automotive cover or seat manufacturer for the vehicle model after the facelift or change in vehicle model.

In view that there is no fixed volume of orders from our customers, any adverse economic conditions or slowdowns in the automotive industry may also adversely impact our sales, which may adversely affect our Group's financial performance and business operations.

### 9.1.5 We may face disruptions in our manufacturing activities

As at the LPD, the manufacturing of automotive covers is carried out at our Tampoi Plant while the manufacturing of our automotive seats is carried out at Kulim Plant 1. Our manufacturing activities are dependent on the continued operation of these manufacturing plants. Our Group's manufacturing activities could be disrupted or delayed due to unforeseeable circumstances such as unplanned relocations due to termination of tenancy of any of our rented properties, natural disasters, fires, floods or outbreaks of diseases, which may result in the damage to, and/or destruction of all or part of our manufacturing plants, machineries and equipment, or manufactured products, and/or disruptions to our operations. Our Group's manufacturing processes are also dependent on a consistent supply of electricity.

The machineries and equipment, particularly our automated cutting machineries, are also susceptible to unanticipated failures, damages as well as breakdowns, failure and sub-standard performance. Although our Group schedules and carries out maintenance works for our machineries and equipment on a regular basis, there can be no assurance that there will not be any unexpected machinery or equipment breakdowns. In such scenarios, this may halt or delay our manufacturing activities.

Any prolonged disruption to our manufacturing activities may adversely affect our production schedule and timely delivery of our products. As a result, this will cause a negative impact on our industry reputation, relationships with our customers, business and financial performance.

As set out in **Section 7.27.1** of this Prospectus, the tenancy of Kulim Plant 1 will expire at the end of the extended period on 31 December 2024. As at the LPD, we carry out our manufacturing of automotive seats in Kulim Plant 1 which generated a revenue of approximately RM81.05 million, representing approximately 38.4% of our Group's total revenue for the FYE 2023. We will be relocating our automotive seat manufacturing activities from Kulim Plant 1 to Kulim Plant 3 by June 2024.

Notwithstanding the mitigating steps that can be taken by our Group to minimise disruptions to its operations during the said relocation, there is no assurance that there will not be any disruption or loss of revenue arising from the production downtime. The expected production downtime of each double conveyor line during the relocation from Kulim Plant 1 to Kulim Plant 3 is approximately 1 week. The potential impact to the financial performance of our Group is as follows:

- (a) loss of revenue from the expected production downtime due to the relocation of our double conveyor lines at Kulim Plant 1 is estimated at approximately RM1.56 million (being the average revenue per week generated from our manufacturing of automotive seats for the FYE 2023); and
- (b) potential penalty or damages claims by our customers for any production downtime due to non-delivery of automotive seats by our Group. In this regard, for illustration purposes, based on the Mazda SPA, any production downtime suffered by Mazda Malaysia which is caused by our Group will result in our Group being liable to pay downtime charge of RM500 per minute to Mazda Malaysia, amounting to an estimated total downtime charge of RM1.20 million (assuming 8 hours production time per day for 5 days per week) for 1 week of downtime.

As at the LPD, we have not experienced any past incidence or unanticipated failures or damages sustained during our operations which led to major interruptions in our operations. We have,

## 9. RISK FACTORS (CONT'D)

however, faced disruptions during the MCOs and circuit breaker that was implemented in 2020 and 2021 to curb the spreading of the COVID-19 pandemic as detailed in **Section 7.15** of this Prospectus. In line with the restrictions put in place during the first MCO and the Total Lockdown as well as circuit breaker, we were not allowed to operate during these periods.

### 9.1.6 We are dependent on foreign workers in our operations

We are dependent on foreign workers in our operations. As at the LPD, our workforce consists of 203 local employees and 380 foreign employees. We are therefore vulnerable to changes in the availability and costs of employing foreign workers in Malaysia.

The supply of foreign workers in Malaysia is subject to the labour and immigration policies and regulations imposed by the Government of Malaysia from time to time. Any changes in labour and immigration policies and regulations, and visa restrictions on foreign workers will lead to interruptions to our business operations.

For example, in 2020, the Government of Malaysia announced the first MCO in March 2020 as an effort to curb the spread of the COVID-19 pandemic, which led to the closure of non-essential businesses as well as the closure of borders. This subsequently led to the ban of entry of foreign workers since June 2020 in order to prioritise jobs for locals. The ban of entry of foreign workers consequently led to labour shortages in the country for industries that are heavily dependent on foreign workers such as the construction and manufacturing industries. However, in October 2021, the Government of Malaysia lifted the 16-month long ban as an attempt to meet demand for foreign labour and to jump start the Malaysian economy.

Although there is presently no ban of entry of foreign workers, the Government of Malaysia requires employers to obtain approval from the Director General of Labour before employing any foreign workers. There is also a levy rate imposed for foreign workers. In March 2016, the Government of Malaysia implemented a new levy rate for foreign workers within the Peninsular Malaysia only, where the levy rate for manufacturing, construction and services sectors were increased to RM1,850. Any further increase in levy rate for foreign workers will lead to an increase in costs of labour which will consequently increase our cost of sales.

In the event where there is a shortage of foreign workers to meet our operational requirements, it may result in delays in the lead time required to manufacture automotive covers or automotive seats, and/or an increase in labour costs. As a result, it will cause an adverse effect on our business operations and financial conditions.

There is also no assurance that we can continually attract and retain our current foreign workers at the level of wages currently offered by us. Any increase in competition for foreign workers may result in higher labour wages which may subsequently lead to adverse effects on our financial performance.

### 9.1.7 We are exposed to price fluctuation of leather and synthetic leather automotive cover materials

Automotive cover materials are the major cost component in the manufacturing of automotive covers and leather and synthetic leather automotive cover materials are the main types of automotive cover materials used. For the FY Under Review, leather and synthetic leather automotive cover materials constituted between 20.8% and 34.1% of our total purchases.

Generally, leather and synthetic leather prices fluctuate according to the supply and demand conditions in the global market, and may fluctuate due to fluctuations in foreign currency exchanges as these materials are imported. Fluctuations in leather and synthetic leather automotive cover materials could impact our profit margins and/or selling prices of our automotive covers. We are typically appointed to manufacture automotive covers by automotive vehicle OEMs and/or Tier 1 automotive seat and/or interior part manufacturers for a particular vehicle model, and these appointments have no definite time period. Thus, should there be significant and prolonged price fluctuations in leather and synthetic leather automotive cover materials, this could adversely impact our profit margins which would consequently impact our financial performance.

## 9. RISK FACTORS (CONT'D)

Although any increases in prices of leather and synthetic leather automotive cover materials will impact all automotive cover manufacturers and we may negotiate our selling prices with the automotive vehicle OEMs and/or Tier 1 automotive seat and/or interior part manufacturers, there is no assurance that the automotive vehicle OEMs and/or Tier 1 automotive seat and/or interior part manufacturers will allow us to revise our selling prices nor will the selling price increase be sufficient to not impact our profit margins.

### 9.1.8 We are dependent on some of our major suppliers for certain supplies

Our Group is required by automotive vehicle OEMs to purchase certain supplies, i.e., interior parts, automotive cover materials and/or automotive seat parts from PKT companies, Daewon and Toyo, for the manufacture of these automotive vehicle OEMs' automotive covers and/or automotive seats.

Thus, in the event the automotive vehicle OEMs cease working with them and are not able to find a suitable replacement in a timely manner, our Group may face a temporary supply disruption. This is because the transitional period for the automotive vehicle OEMs to source for another suitable supplier may take several months, assuming they have not identified other suitable replacements. In light of this, our Group is dependent on the abovementioned 3 major suppliers to the extent that our Group continues to be required by the automotive vehicle OEMs to purchase interior parts, automotive cover materials and/or automotive seat parts from them.

### 9.1.9 We may be subject to early termination of the Lease Agreement and tenancy agreements

As at the LPD, Gosford Malaysia is leasing part of the master land from Eleven Docks for the Tampoi Plant pursuant to the Lease Agreement for a period of 30 years commencing from 1 October 2023 to 30 September 2053 ("**Lease Period**"). Notwithstanding that the parties agree that the Lessor shall not be entitled to terminate the Lease or the Lease Agreement before the Lease Period expires unless with the consent of the Lessee in writing and subject to the terms and conditions of the Lease Agreement, there is no assurance that the Lease Agreement will not be terminated prior to the Expiry Date (as defined in **Section 10.1.1** of this Prospectus) particularly in the event of default by Gosford Malaysia (as lessee) under the Lease Agreement as detailed in **Section 10.1.1** of this Prospectus. In addition to the Lease, our Group is also renting several properties such as the PJ Hub, Kulim Plant 1 and Kulim Plant 3 (as detailed in **Section 7.21.2** of this Prospectus) with specific tenure and renewal term/period as set out in the respective tenancy agreement, as the case may be. There is no assurance that the landlords of these properties will not terminate the respective tenancy agreement prior to the expiry of the tenure or decide not to renew or disagree to our renewal request as provided in the respective tenancy agreement.

Any early termination of the Lease Agreement and/or the tenancy of any of the rented properties, may cause disruptions to our manufacturing activities and/or operations if we do not have an alternative manufacturing facility and/or premise to undertake the production at the Tampoi Plant or our operations at the relevant premise, or if a new manufacturing facility or premise is not identified or set up in a timely manner which may adversely affect our production activities and/or disrupt our operations, and as a result, cause a negative impact on our industry reputation, relationships with our customers, business and financial performance.

Further, in the event our Group, upon such termination of the Lease Agreement, is required to demolish the Tampoi Plant and/or remove all the fixtures, fittings and equipment erected on the land or our rented properties before re-delivering the vacant possession of the land to Eleven Docks (as the lessor) or the respective landlord, the carrying amount of the Tampoi Plant, our Group's properties and/or other fixed assets may be subject to impairment and result in a significant impairment loss on fixed assets which may have material adverse impact to our Group's financial position and financial performance.



## 9. RISK FACTORS (CONT'D)

### 9.1.10 We are exposed to fluctuation in foreign exchange rates which may impact our cost of materials purchased

We purchase our supplies such as leather and synthetic leather automotive cover materials from foreign suppliers based in South America and China, automotive seat parts and accessories as well as interior parts from Korea and Japan. Our purchases of such materials are mainly denominated in KRW, USD, JPY and RMB. As at the LPD, we do not have formal hedging policy with respect to foreign exchange exposure. As such, any significant fluctuations in these foreign exchange rates may affect our Group's financial performance.

The breakdown of purchases made by our Group during the FY Under Review by currency is as follows:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	15,317	42.2	24,971	68.4	38,735	48.9	42,268	35.1
KRW	-	-	182	0.5	15,257	19.2	25,091	20.8
USD	2,967	8.2	2,609	7.1	11,618	14.7	10,908	9.0
RMB	10,138	28.0	7,756	21.2	8,987	11.3	13,084	10.9
JPY	7,732	21.3	917	2.5	3,794	4.8	21,101	17.5
INR	-	-	-	-	730	0.9	1,835	1.5
EUR	21	0.1	15	Neg	78	0.1	6,235	5.2
SGD	86	0.2	54	0.1	73	0.1	24	Neg
THB	-	-	27	0.1	-	-	-	-
<b>Total purchases</b>	<b>36,260</b>	<b>100.0</b>	<b>36,531</b>	<b>100.0</b>	<b>79,272</b>	<b>100.0</b>	<b>120,546</b>	<b>100.0</b>

**Note:**

Neg Negligible. Being less than 0.1%.

As our sales are mainly transacted in RM, a depreciation of RM against foreign currencies such as KRW, USD, JPY and RMB will lead to higher costs of materials in RM. If we are unable to pass on these costs to our customers in a timely manner, it may reduce our profit margin.

During the FY Under Review, we have incurred losses from fluctuations in foreign exchange rates, as seen below:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Net realised loss on foreign exchange	(115)	(32)	(325)	(473)
Net unrealised loss on foreign exchange	(244)	(1)	(290)	-
<b>Total</b>	<b>(359)</b>	<b>(33)</b>	<b>(615)</b>	<b>(473)</b>

There can be no assurance that the financial performance of our Group will not be affected by any adverse fluctuations in foreign exchange rates in the future.

---

**9. RISK FACTORS (CONT'D)**

---

**9.1.11 We may not have sufficient insurance to cover all losses or liabilities**

We are exposed to risks such as fire, flood and accidents that may negatively impact our business operations such as damages to our products and premises. Hence, we have secured insurance that are customary in our industry to protect against various losses and liabilities such as coverage protection against fire, flood, burglary, money in transit and premises, product liability and public liability.

Notwithstanding the insurance coverage taken by our Group, our insurance does not cover certain types of losses that are not insurable or not economically insurable such as wars, riots, acts of terrorism, acts of God and outbreak of diseases.

In addition, our insurance may not be adequate to cover the losses, damages or liabilities that may arise in the course of our business operations. Any losses, damages or liabilities in excess of our insured limits or in areas for which we are not fully insured may adversely affect our Group's business, financial performance or results of operation.

**9.1.12 We may not be able to successfully execute our business strategies which may hinder our Group's business growth and success**

As set out in **Section 7.27** of this Prospectus, our Group intends to expand our automotive seat manufacturing operations and expand our manufacturing capacity for automotive covers. Whilst we believe that our business strategies will be beneficial to the overall performance of our Group, the expected benefits may not materialise immediately at all or may take a longer time to materialise, which may limit or reduce our profitability in the short term.

The implementation of our business strategies may be influenced by several factors beyond our control, including, but not limited to, changes in economic, social and political environment in Malaysia. Should the economic, social and political environment in Malaysia deteriorate, this would impact the demand for our automotive covers and automotive seats by our existing and prospective customers.

Further, the execution of our business strategies may also result in additional operational and capital expenditures. Such additional expenditure will increase our Group's operational cost which may adversely affect our implementation of these business strategies as well as profit margin and cash flow, should we be unable to gain sufficient revenue by securing more orders.

Therefore, there is no guarantee that we will be able to successfully execute our business strategies, nor can we assure that we will be able to anticipate all business and operational risks that may arise from our business strategies. Any failure or delays in managing and executing our business growth strategies may lead to materially adverse effects on our future business prospects and financial performance.

**9.1.13 We may face credit risk**

Our Group is subject to credit risks as our financial performance is dependent on our customers' ability to pay us. We generally provide our customers with credit periods of between 30 and 90 days. As such, we are exposed to credit risks arising from trade receivables which may arise from events or circumstances which are beyond our control and/or are difficult to anticipate or detect such as economic downturn or slowdown.

In the event where there is a delay in payment in part or at all, our cash flow and working capital may be adversely affected, which may adversely affect our financial performance. There is no assurance that we will not experience significant impairment losses or bad debts in the future.

## **9. RISK FACTORS (CONT'D)**

Our trade receivables turnover days have been 108 days in FYE 2020 and 100 days in FYE 2021. Nevertheless, our trade receivable turnover days improved in FYE 2022 and FYE 2023 to 84 days and 63 days, respectively, which is within our credit term period. Meanwhile, our bad debts amounted to RM0.2 million in FYE 2021 while in FYE 2022, our impairment losses amounted to RM0.5 million and bad debts was negligible. In FYE 2023, our bad debts amounted to RM0.02 million and no impairment losses were incurred. Although the amount impaired and bad debts were not significant in FYE 2021, FYE 2022 and FYE 2023, there is no assurance that we will not encounter significant impairment losses or bad debts in the future.

### **9.1.14 We are subject to product liability claims**

As an automotive cover and seat manufacturer, we may be subject to product liability claims due to product defects. If our products prove to be defective and result in losses to our customers, we may have to incur significant legal costs and divert our administrative resources in handling the claims which could be a lengthy process, regardless of the outcome of the claims. We may be forced to defend lawsuits and if unsuccessful, we may be required to pay a substantial amount of damages. In addition, such claims could damage our reputation and our business relationships with our customers.

A substantial claim or substantial number of claims relating to our products could have a material and adverse impact on our business, operating results and financial position.

Since commencement up to the LPD, we have not experienced any product liability claim. Nevertheless, there is no assurance that this will not occur in the future despite our products having passed through our quality control processes.

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

### **9.2.1 We are subject to the inherent risk of the automotive industry**

As we are principally involved in the manufacturing of automotive covers and automotive seats, we are subject to risk relating to the automotive industry. Any challenges, downturn and/or decline in the demand of automotive industry which could be depicted by production and sales of vehicles, will cause an adverse effect on our business, financial condition, results of operations and prospects.

The automotive industry may be affected by a number of factors which includes changes in Government policies such as tax incentives, the economic condition as well as consumer preferences. The occurrence of any of these events are beyond our control and there is no assurance that our Group will not be affected by such events.

### **9.2.2 We may face competition from other industry players**

Our Group competes with industry players involved in the manufacturing of automotive covers and automotive seats. They may compete with us in terms of pricing, quality, manufacturing facilities and capabilities and ability to deliver in a timely manner.

Some of our competitors may have longer operating history, greater financial and marketing abilities and larger customer bases. Such competitors can more promptly respond to evolving industry standards and changes in market conditions than we can. Intense competition will subject us to pricing pressure which may squeeze profit margins and reduce our revenue. If we fail to compete effectively or maintain our competitiveness in the market, our business, results of operations and prospects will be adversely affected.

---

**9. RISK FACTORS (CONT'D)**

---

**9.2.3 We are subject to political, social, regulatory and economic risks**

We operate mainly in Malaysia and Singapore, and we sell our product to overseas market including, but not limited to, Australia and New Zealand. Hence, any changes in political, economic or regulatory conditions in Malaysia and globally, may materially and adversely affect the demand and supply of our products and its prices. These events could include, but not limited to:

- political and economic instability, including global and regional macroeconomic disruptions such as natural disasters, pandemics and epidemics, geopolitical tension, or other risks related to countries where we procure our materials and sell our products;
- unfavourable changes in government policies such as introduction of new regulations, including trade protection measures, sanctions and subsidies as well as changes in import tariffs and related duties; and
- risks with respect to social and political crisis resulting from riots, terrorism, war or civil unrest.

As at the LPD, we have not experienced any material impact of any adverse government, political, economic and regulatory changes on our Group's business and operations. However, there can be no assurance that the adverse political, social, economic or regulatory developments, which are beyond our control, will not materially affect our business and financial performance in the future.

[The rest of this page has been intentionally left blank]

---

**9. RISK FACTORS (CONT'D)**

---

**9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES****9.3.1 The offering of our Shares may not result in an active liquid market for our Shares**

Prior to our Listing, there has been no public market for our Shares. Hence our Listing does not guarantee that it will develop an active market for the trading of our Shares, or if developed, such market can be sustained.

The IPO Price has been determined after taking into consideration a number of factors, including but not limited to, our Group's financial performance, operating history and condition, the prospects of our Group and the industry in which our Group operates, and the prevailing market conditions. As such, the price at which our Shares will trade on the Main Market is dependent on market forces beyond our control.

There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

**9.3.2 The trading price and trading volume of our Shares may be volatile**

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

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

**9.3.3 We may not be able to declare dividends to our shareholders**

Our Board intends to recommend and distribute dividends of at least 40% of our net profits attributable to the owners of our Company for each financial year. However, our Group's ability to pay dividends to our shareholders is dependent on, amongst others, our future financial performance, cash flow positions, capital requirements as well as the implementation of our business plans. Our ability to pay dividends to our shareholders may be affected should these factors deteriorate.

As such, there can be no assurance (i) that dividends will be paid out to our shareholders in the future; (ii) on the timing of any dividend to be paid in the future; or (iii) the quantum of dividends that will be paid in the future. In addition, dividends are not guaranteed and our Board, at its discretion, may decide not to pay dividends at any time and for any reasons. If we do not pay our shareholders dividends, or if the dividends paid are lower compared to levels anticipated by our investors, the market price of our Shares may be negatively affected, reducing the value of any investment in our Shares.

**9.3.4 There may be a delay in or abortion of our Listing**

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

- (i) we are unable to meet the public shareholding spread requirements under the Listing Requirements, where at least 25% of our total number of Shares for which listing is sought must be held by a minimum of 1,000 public shareholders, with each holding not less than 100 Shares at the point of our Listing;

---

**9. RISK FACTORS (CONT'D)**

---

- (ii) our Managing Underwriter and/or Joint Underwriter(s) exercising their rights under the Underwriting Agreement, or our Joint Placement Agent(s) exercising their rights under the placement agreement, to discharge themselves from their obligation therein; and
- (iii) revocation of approvals from relevant authorities for our Listing.

Should any of the events occur, investors will not receive any Shares, and all monies paid in respect of the Application will be returned in full without interest within fourteen (14) days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and our Shares have been allotted to the investors, the return of monies to investors could only be achieved by way of cancellation of share capital as provided under Section 116 or Section 117 of the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

**9.3.5 Significant influence by our Promoters**

Upon Listing, our Promoters will collectively hold an aggregate 590,559,200 Shares, representing 70.0% of our enlarged issued Shares. As a result, our Promoters will likely influence the outcome of certain matters which require the vote of our shareholders, unless they and persons connected with them are abstained from voting, either by law, relevant guidelines or regulations. As such, there exists a risk of non-alignment of interests by our Promoters with those of our other shareholders.

[ The rest of this page has been intentionally left blank]

## 10. RELATED PARTY TRANSACTIONS

### 10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer is:

- (i) a director, having the meaning given in Section 2(1) of the CMA, and includes any person who is or was within the preceding 6 months of the date in which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) a major shareholder, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiary or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares is:
  - (a) 10% or more of the total number of voting shares in the corporation; or
  - (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation; or
  - (iii) a person connected with such director or major shareholder.

#### 10.1.1 Material related party transactions

Save as disclosed below and the Acquisitions, there is no material related party transaction, existing or proposed, entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the FY Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 January 2024 up to the LPD RM'000
1.	Eleven Docks/ Gosford Malaysia	<ul style="list-style-type: none"> <li>• Go Yoong Chang is a director and Tan Sun Sun is a director and shareholder of Eleven Docks.</li> <li>• Both of them are our</li> </ul>	<ul style="list-style-type: none"> <li>• Rental of a part of land bearing postal address of No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor by Gosford Malaysia from Eleven Docks for the</li> </ul>	178	356	356	357	120
			<ul style="list-style-type: none"> <li>(0.4% of our Group's cost of sales for the FYE 2020)</li> <li>(0.7% of our Group's cost of sales for the FYE 2021)</li> <li>(0.5% of our Group's cost of sales for the FYE 2022)</li> <li>(0.3% of our Group's cost of sales for the FYE 2023)</li> </ul>					

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
	Promoters, Independent Executive Directors and major shareholders.	Non-Independent Executive Directors and major shareholders.	Rental of 4 units of double storey terrace factory bearing postal address of No. 17 and 19, Jalan Bayu 2/3 and No. 6 and 8, Jalan Bayu 2/4, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor by Gosford Malaysia from Eleven Docks as staff hostel (i.e., the Tampoi Hostel). <sup>(2)</sup>	60	120	120	132	48
			Provision of management services by Gosford Malaysia to Eleven Docks, which included finance and information computer technology services. <sup>(3)</sup>	12	12	12	- <sup>(3)</sup>	-
				(0.1% of our Group's cost of sales for the FYE 2020)	(0.2% of our Group's cost of sales for the FYE 2021)	(0.2% of our Group's cost of sales for the FYE 2022)	(0.1% of our Group's cost of sales for the FYE 2023)	
				(0.5% of our Group's other income for the FYE 2020)	(0.4% of our Group's other income for the FYE 2021)	(0.4% of our Group's other income for the FYE 2022)		

**Notes:**

- (1) A lease agreement dated 1 July 2020 was entered into between Gosford Malaysia and Eleven Docks to rent the land for Tampoi Plant for the initial period of 3 years commencing from 1 July 2020 to 30 June 2023 with an option to renew for a further period of 3 years at the rental rate of RM29,700.00 per month. On 1 July 2023, the parties have mutually agreed to further extend the lease period for another 3 months at the same terms and conditions and rental rate. Subsequently, Gosford Malaysia and Eleven Docks have entered into the Lease Agreement for a period of 30 years commencing from 1 October 2023 to 30 September 2053 at the rental rate of RM29,900.00 per month ("**Lease**"). The rental rate of the land for the Tampoi Plant is based on the prevailing market rental rate as appraised by Rahim & Co International Sdn Bhd, an independent valuer appointed by Gosford Malaysia. For the avoidance of doubt, the Tampoi Plant is owned by Gosford Malaysia.

The salient terms of the Lease Agreement are as set out below:

Parties	(i) Eleven Docks as Lessor
	(ii) Gosford Malaysia as Lessee



**10. RELATED PARTY TRANSACTIONS (CONT'D)**

Particulars of land	Land area measuring approximately 9,267.13 sq m (99,750.56 sq ft), forming part of the master freehold land held under title Geran 488497 Lot 2052 Mukim Tebrau, Daerah Johor Bahru, Negeri Johor ("Land") and bearing the postal address of No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor.
Rental rate	RM29,900.00 per month.
Lease Period	30 years commencing from the date of the Lease Agreement.  The parties agree that the Lessor shall not be entitled to terminate the Lease or the Lease Agreement before the Lease Period expires ("Expiry Date"), unless with the consent of the Lessee in writing and subject to the terms and conditions of the Lease Agreement.
Option to renew	At the option of the Lessee, to renew the Lease for a period to be mutually agreed between the parties subject to the revised rental rate, which shall be determined based on an assessment of the prevailing market rental rates to be conducted by an independent valuer to be mutually appointed by the parties.
Right of first refusal to purchase the Land	(a) After the expiration of the Lease Period or Option Period (as defined below), if the Lessor proposes to novate, transfer, dispose of or otherwise deal with its interest in the Land, to third parties, the Lessor shall grant to the Lessee a right of first refusal to buy the Land. (b) The Lessor shall notify and offer to the Lessee the sale of the Land (the "Offer") stating inter alia, the purchase price (the "Purchase Price") of the Land. (c) The Lessee shall within 60 days of being notified of the Offer, revert to the Lessor on its decision on the acceptance of the Offer. The Lessee shall within 14 business days from the date of the acceptance of the Offer, execute a sale and purchase agreement subject to the terms and conditions for the sale of the Land as set out in the Lease Agreement. (d) In the event that the Lessee does not accept the Offer within the time period prescribed, the Lessor shall be at liberty and is entitled to offer the Land to any third party without any further notice or consent and if the Lessor does offer to such third party, the offer shall be on terms and conditions no better than that offered to the Lessee including the Purchase Price for the Land.
Grant of option to purchase the Land	(a) The Lessor grants to the Lessee an exclusive option to purchase the Land at an option price to be determined and subject to the terms and conditions as set out in the Lease Agreement ("Option"). (b) The parties agree that the Option may be exercisable on the day immediately after commencement date of the Lease up to Expiry Date of the Lease ("Option Period"). In the event the Lessee is desirous of exercising the Option anytime during the Option Period, the Lessee shall give not less than 3 months written notice to the Lessor advising the Lessor of its intention to exercise the Option and subject to the terms and conditions for the sale of the Land as set out in the Lease Agreement.

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

<p>Events of default</p>	<p><u>Lessee's default</u>                      On the occurrence of any one or more of the following events:                      (a) if the rental or any part thereof in arrears and remain unpaid by the Lessee at any time for 30 days after becoming due whether formally demanded or not; or                      (b) if there shall be any material breach, non-performance or non-observance by the Lessee of any covenant or conditions contained in the Lease Agreement; or                      (c) if the Lessee goes into liquidation or receivership, then the Lessor may serve a termination notice ("<b>Termination Notice</b>") on the Lessee requesting the Lessee to remedy the breach within 30 days from the said Termination Notice ("<b>Remedy Period</b>"). If the Lessee fails to remedy the breach within the Remedy Period, the Lessor shall be at liberty to re-enter upon the Land or any part thereof to take possession of the Land and to terminate the Lease but without prejudice to the right of action of the Lessor in respect of any breach of the Lessee's covenants in the Lease Agreement.                       On termination, the Lessee shall deal with the Tampoi Plant (including all fixtures, fittings and equipment) erected on the Land, in accordance with paragraph (d) of the termination clause as set out below.</p> <p><u>Lessor's default</u>                      On the occurrence of any one or more of the following events:                      (a) if there shall be any material breach, non-performance or non-observance by the Lessor of any covenants or conditions contained in the Lease Agreement; or                      (b) if the Lessor goes into liquidation or receivership; then the Lessee may serve a Termination Notice on the Lessor requesting the Lessor to remedy breach within the Remedy Period. If the Lessor fails to remedy the breach within the Remedy Period, the Lessee may terminate the Lease and exercise its right under the Lease Agreement to demand the Lessor to acquire the Tampoi Plant including seeking any compensation, indemnity and/or damages for the loss of its business.</p>
<p>Termination /                      Expiry of the Lease</p>	<p>At the Expiry Date, or on the occurrence of event of default or early termination of the Lease by the Lessee for whatever reason:                      (a) the Lessee shall deliver vacant possession of the Land to the Lessor;                      (b) if the Lessee fails to deliver the vacant Land after the Expiry Date the Lessee is deemed to have tenanted the Land on month-to-month basis, at the monthly rental to be agreed between the parties until the date the Lessee delivers vacant possession of the Land to the Lessor;                      (c) within 30 days from the Expiry Date or termination date (as the case may be), the Lessee is to remove its registered lease on the Land at its own costs and expenses, failing which the Lessor shall have the right to seek all legal recourse available under the laws of Malaysia to remove such registered lease and all costs and expenses incurred for such legal resources, removal of registered lease including appointment of any legal counsel or any agents, shall be borne by the Lessee;</p>

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

	<p>(d) the Lessee shall have the right to deal with the Tampoi Plant and if applicable any fixtures, fittings and equipment in the Tampoi Plant erected on the Land in the following manner:</p> <ul style="list-style-type: none"> <li>(i) firstly, offer to the Lessor an option to acquire the Tampoi Plant and if applicable any fixtures, fittings and equipment; and</li> <li>(ii) secondly, if the Lessor rejects the offer, the Lessee shall be at liberty to sell / dispose of the Tampoi Plant and all the fixtures, fittings and equipment to any third party which it shall deem fit; or</li> <li>(iii) to demolish the Tampoi Plant and remove all the fixtures, fittings and equipment erected on the Land, at its own costs and expenses before re-delivering the vacant possession of the Land to the Lessor.</li> </ul> <p>If the Lessor agrees to accept the offer as set out in paragraph (d)(i) above, the Lessor shall acquire the Tampoi Plant based on an "as is where is" basis at the prevailing market price subject to a valuation to be undertaken by the independent valuer to be appointed by the parties, and based on terms and conditions of the sale for Tampoi Plant to be mutually agreed between the parties.</p>
--	--

- (2) The initial tenancy period was 2 years from 1 July 2020 to 30 June 2022, which was extended for another 2 years from 1 July 2022 to 30 June 2024 at the rental rate at RM10,000.00 per month. On 1 July 2023, the parties have terminated the said tenancy agreement and executed a new tenancy agreement whereby under the new tenancy agreement, the tenancy is for a period of 42 months from 1 July 2023 to 31 December 2026 with an option to renew at the discretion of the tenant. The rental under new tenancy agreement was revised to RM12,000 per month, which is based on the prevailing market rental rate, after taking into consideration of the assessment from Rahim & Co International Sdn Bhd, being an independent valuer appointed by Gosford Malaysia.
- (3) Ceased since 31 December 2022.

Our Board (save for the interested Directors, i.e. Connie Go, Go Yoong Chang and Tan Sun Sun) has reviewed all the related party transactions set out above and is of the view that the abovementioned transactions were carried out in the best interest of our Group and transacted on an arm's length basis and based on normal commercial terms which are not more favourable to the related parties and are not to the detriment to the other shareholders of our Company after taking into consideration the following:

- (a) the rental rates of the Land and Tampoi Hostel charged by Eleven Docks to Gosford Malaysia during the FY Under Review were determined based on prevailing market rate per sq ft at the time of entering into the tenancy agreements by benchmarking against the available market rental rates listed on various property listing websites for similar type of property and location; and
- (b) the management fees charged by Gosford Malaysia to Eleven Docks for the FYEs 2020 to 2022 were established by time cost method based on actual hours spent by Gosford Malaysia's staff for those management services rendered to Eleven Docks for the FYEs 2020 to 2022.

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

Our Board also confirms that there is no other material related party transaction that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them but not yet effected up to the date of this Prospectus.

After our Listing, we may be required to seek our shareholders' approval for each related party transaction subject to the requirements of the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from deliberation and voting on resolution(s) pertaining to the respective transactions.

In addition, the Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out based on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length basis with our Group and are not to the detriment to other shareholders of our Company. We will make disclosures in our annual reports which shall include, among others, the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the respective financial year.

[ The rest of this page has been intentionally left blank ]

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

**10.1.2 Transactions that are unusual in nature or condition**

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which our Company and/or any of our Subsidiaries were a party in respect of the FY Under Review and up to the LPD.

**10.1.3 Loans and/or financial assistance made to or for the benefit of related parties**

Save as disclosed below, there are no other outstanding loans and/or financial assistance (including guarantee of any kind) made by our Group to or for the benefit of any related parties for the FY Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD RM'000
1.	Go Capital / Gosford Malaysia	Go Yoong Chang was a Director of Go Capital <sup>(1)</sup> and he is currently the Non-Independent Non-Executive Chairman and major shareholder of Go Innovate, which is the holding company of Go Capital.	Advances from Gosford Malaysia to Go Capital for the working capital purposes of Go Capital.	135	10,098	8,151	-	-
			(0.2% of our Group's NA as at 31 December 2020)		(13.9% of our Group's NA as at 31 December 2021)	(9.5% of our Group's NA as at 31 December 2022)		
			Advances for the financial year / period	14,000	10,000	2,000	-	-
			(22.1% of our Group's NA as at 31 December 2020)		(13.7% of our Group's NA as at 31 December 2021)	(2.3% of our Group's NA as at 31 December 2022)		

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD RM'000
				Repayment of advances for the financial year / period				
				14,000	397	4,325	8,233	-
				(22.1% of our Group's NA as at 31 December 2020)	(0.5% of our Group's NA as at 31 December 2021)	(5.1% of our Group's NA as at 31 December 2022)	(6.4% of our Group's NA as at 31 December 2023)	
				Interest income for the financial year / period				
				135	360	378	82	-
				(0.6% of our Group's PBT for FYE 2020)	(1.4% of our Group's PBT for FYE 2021)	(1.0% of our Group's PBT for FYE 2022)	(0.1% of our Group's PBT for FYE 2023)	
2.	Peerless Steel/ Gosford Malaysia	Go Yoong Chang is a Director and Tan Sun Sun is a Director and shareholder of Peerless Steel.	Advances from Gosford Malaysia to Peerless Steel for the working capital purposes of Peerless Steel.	Balance outstanding as at end of financial year / period				
				8	-	-	-	-
				(Neg)				
				Advances for the financial year / period				
				75	-	-	-	-
				(0.1% of our Group's NA as at 31 December 2020)				
				The advances provided were unsecured, bearing interest of 3.9% per annum based on the interest rate of the term loan charged by AmBank Islamic Berhad, being the principal banker of Gosford Malaysia.				



**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD
				Repayment of advances for the financial year / period				
				1,057	8	-	-	-
				(1.7% of our Group's NA as at 31 December 2020)				
				(Neg)				
				Interest income for the financial year / period				
				8	-	-	-	-
				(Neg)				
				Balance outstanding as at end of financial year / period				
				51	140	311	-	-
				(0.1% of our Group's NA as at 31 December 2020)				
				(0.2% of our Group's NA as at 31 December 2021)				
				(0.4% of our Group's NA as at 31 December 2022)				
				Advances for the financial year / period				
				1,132	140	169	167	-
				(1.8% of our Group's NA as at 31 December 2020)				
				(0.2% of our Group's NA as at 31 December 2021)				
				(0.2% of our Group's NA as at 31 December 2022)				
				(0.1% of our Group's NA as at 31 December 2023)				
3.	Peerless Steel/ Trimex Malaysia	Go Yoong Chang is a Director and Tan Sun Sun is a Director and shareholder of Peerless Steel.	Advances from Trimex Malaysia to Peerless Steel for the working capital purposes of Peerless Steel and settlement of advances owed by Peerless Steel to Gosford Malaysia.					
		Both of them are our Promoters, Non-Independent Executive Directors and major shareholders.	The advances provided were unsecured, bearing interest ranging from 3.40% to 6.45% per annum based on the base lending rate ("BLR") of AmBank (M) Berhad (for FYE 2020) and the average lending rate ("ALR") of BNM (for FYEs 2021 to 2023). The change in interest rate adopted for the advances is					

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024	
				RM'000	RM'000	RM'000	RM'000	up to the LPD RM'000	
			carried out after considering the advice from the transfer pricing consultant appointed by Trimex Malaysia.	1,132	53	6	484	-	
				(1.8% of our Group's NA as at 31 December 2020)	(0.1% of our Group's NA as at 31 December 2021)	(Neg)	(0.4% of our Group's NA as at 31 December 2023)		
				Repayment of advances for the financial year / period					
				50	2	8	6	-	
				Interest income for the financial year / period					
				(0.2% of our Group's PBT for FYE 2020)	(Neg)	(Neg)	(Neg)		
4.	GLSB <sup>(2)</sup> / Gosford Malaysia	<ul style="list-style-type: none"> <li>Go Yoong Chang is a Director and shareholder of GLSB.</li> <li>He is also our Promoter, Non-Independent Executive Director and major shareholder.</li> </ul>	<ul style="list-style-type: none"> <li>Advances from Gosford Malaysia to GLSB for the statutory and administrative expenses of GLSB.</li> </ul>	Balance outstanding as at end of financial year / period					
				*	-	-	-	-	
				(Neg)					
				Advances for the financial year / period					
				30	-	-	-	-	
				(Neg)					
				The advances provided were unsecured, bearing interest of 3.9% per annum based on the interest rate of the term loan charged by AmBank Islamic Berhad, being the principal banker of Gosford Malaysia.					



**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD
				Repayment of advances for the financial year / period				
				110	*	-	-	-
			(0.2% of our Group's NA as at 31 December 2020)		(Neg)			
			Interest income for the financial year / period	*	-	-	-	-
			(Neg)					
5.	GLSB <sup>(2)</sup> / Trimex Malaysia	Go Yoong Chang is a Director and shareholder of GLSB. He is also our Promoter, Non-Independent Executive Director and major shareholder.	Advances from Trimex Malaysia to GLSB for the statutory and administrative expenses of GLSB and settlement of advances owed by GLSB to Gosford Malaysia.  The advances provided were unsecured, bearing interest ranging from 3.40% to 6.45% per annum based on the BLR of AmBank (M) Berhad (for FYE 2020) and the ALR of BNM (for FYEs 2021 to 2023). The change in interest rate adopted for the advances is carried out after considering the advice	115	134	155	-	-
			Balance outstanding as at end of financial year / period					
			(0.2% of our Group's NA as at 31 December 2020)		(0.2% of our Group's NA as at 31 December 2021)	(0.2% of our Group's NA as at 31 December 2022)		
			Advances for the financial year / period	110	25	19	-	-
			(0.2% of our Group's NA as at 31 December 2020)		(Neg)	(Neg)		

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD RM'000
			from the transfer pricing consultant appointed by Trimex Malaysia.	-	10	3	157	-
					(Neg)	(Neg)	(0.1% of our Group's NA as at 31 December 2023)	
				Interest income for the financial year / period				
				5	4	5	2	-
				(Neg)	(Neg)	(Neg)	(Neg)	
				Balance outstanding as at end of financial year / period				
				3	-	-	-	-
				(Neg)				
				Advances for the financial year / period				
				100	-	-	-	-
				(0.2% of our Group's NA as at 31 December 2020)				
6.	Go Auto <sup>(3)</sup> / Trimex Malaysia	<ul style="list-style-type: none"> <li>Go Yoong Chang was a Director and shareholder of Go Auto.</li> <li>He is also our Promoter, Non-Independent Executive Director and major shareholder.</li> </ul>	<p>Advances from Trimex Malaysia to Go Auto for the working capital purposes of Go Auto.</p> <p>The advances provided were unsecured, bearing interest ranging from 5.45% to 5.70% per annum based on the BLR of AmBank (M) Berhad, being the principal banker of Trimex Malaysia.</p>					

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024	
				RM'000	RM'000	RM'000	RM'000	up to the LPD	
				100	3	-	-	RM'000	
				Repayment of advances for the financial year / period					
				(0.2% of our Group's NA as at 31 December 2020)	(Neg)				
				Interest income for the financial year / period					
				3	-	-	-	-	
				(Neg)					
7.	Go Yoong Chang/ Trimex Malaysia	Go Yoong Chang is a Director and shareholder of Trimex Malaysia. He is also our Promoter, Non-Independent Executive Director and major shareholder.	Advances from Trimex Malaysia to Go Yoong Chang for his personal investments <sup>(4)</sup> .  The advances provided was unsecured and interest-free.			2,000			
				Balance outstanding as at the end of financial year / period					
				-	-	2,000	-	-	
				(2.3% of the Group's NA as at 31 December 2022)					
				Advances for the financial year / period					
				-	-	2,000	-	-	
				(2.3% of the Group's NA as at 31 December 2022)					

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024	
				RM'000	RM'000	RM'000	RM'000	up to the LPD	
				-	-	-	2,000	-	
			Repayment of advances for the financial year / period	(1.6% of our Group's NA as at 31 December 2023)					
			Interest income for the financial year / period	-	-	-	-	-	
8.	Connie Go/ Gosford Singapore	<ul style="list-style-type: none"> <li>Connie Go is a Director and shareholder of Gosford Singapore.</li> <li>She is also our Promoter, Non-Independent Executive Director and major shareholder.</li> </ul>	Repayment of advances by Connie Go to Gosford Singapore.	-	-	-	-	-	
			Balance outstanding as at the end of financial year / period	-	-	-	-	-	
			Advances for the financial year / period	-	-	-	-	-	
			Repayment of advances for the financial year / period	504	-	-	-	-	
			(0.8% of the Group's NA as at 31 December 2020)						
			Interest income for the financial year / period	-	-	-	-	-	

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD
9.	Eleven Docks/ Gosford Malaysia	<p>Go Yoong Chang is a Director and Tan Sun Sun is a Director and shareholder of Eleven Docks.</p> <p>Both of them are our Promoters, Non-Independent Executive Directors and major shareholders.</p>	<p>Repayment of advances by Eleven Docks to Gosford Malaysia for the construction of the Tampoi Plant.</p>	-	-	-	-	-
			Advances for the financial year / period	-	-	-	-	-
			Repayment of advances for the financial year / period	5,000	-	-	-	-
			(7.9% of our Group's NA as at 31 December 2020)					
			Interest income for the financial year / period	-	-	-	-	-
10.	Eleven Docks/ Gosford Malaysia	<p>Go Yoong Chang is a Director and Tan Sun Sun is a Director and shareholder of Eleven Docks.</p> <p>Both of them are our Promoters, Non-Independent Executive Directors and major shareholders.</p>	<p>Provision of corporate guarantee by Gosford Malaysia in favour of Public Bank Berhad for the banking facilities granted to Eleven Docks.</p> <p>The banking facilities granted to Eleven Docks were fully settled on 17 November 2022 and the facility is cancelled.</p>	1,081	1,012	-	-	-
			(1.7% of our Group's NA as at 31 December 2020)		(1.4% of our Group's NA as at 31 December 2021)			

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024
				RM'000	RM'000	RM'000	RM'000	up to the LPD RM'000
11.	Eleven Docks/ Gosford Malaysia	<ul style="list-style-type: none"> <li>Go Yoong Chang is a Director and Tan Sun Sun is a Director and shareholder of Eleven Docks.</li> <li>Both of them are our Promoters, Non-Independent Executive Directors and major shareholders.</li> </ul>	Provision of corporate guarantee by Gosford Malaysia in favour of Public Bank Berhad for the banking facilities granted to Eleven Docks.  As at the LPD, the corporate guarantee had been discharged.	4,916  (7.8% of our Group's NA as at 31 December 2020)	4,610  (6.3% of our Group's NA as at 31 December 2021)	4,220  (4.9% of our Group's NA as at 31 December 2022)	3,961  (3.1% of our Group's NA as at 31 December 2023)	-
12.	Peerless Steel/ Gosford Malaysia	<ul style="list-style-type: none"> <li>Go Yoong Chang is a Director and Tan Sun Sun is a Director and shareholder of Peerless Steel.</li> <li>Both of them are our Promoters, Non-Independent Executive Directors and major shareholders.</li> </ul>	Provision of corporate guarantee by Gosford Malaysia in favour of Public Bank Berhad for the banking facilities granted to Peerless Steel.  The banking facilities granted to Peerless Steel were fully settled on 21 July 2023 and the facility is cancelled.	1,697  (2.7% of our Group's NA as at 31 December 2020)	1,610  (2.2% of our Group's NA as at 31 December 2021)	1,523  (1.8% of our Group's NA as at 31 December 2022)	-	-

**Notes:**

\* Less than RM1,000.

Neg Negligible. Being less than 0.1% of our Group's NA as at 31 December of the respective financial year or PBT for the respective financial year, as the case may be.

(1) Go Yoong Chang resigned as a Director of Go Capital on 14 June 2023.

(2) GLSB was dissolved on 4 September 2023.

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

- (3) Go Yoong Chang resigned as a Director of Go Auto and disposed of all his shares in Go Auto to a non-related third party in May 2023.
- (4) Advances provided to Go Yoong Chang when Trimex Malaysia was an exempt private company, within the meaning given in the Act.
- As at the LPD, all advances provided by our Group to its related parties (i.e., items 1 to 9 above) had been fully settled. Save for the advances from Trimex Malaysia to Go Yoong Chang (item 7 above) which were interest-free and not on arm's length basis and on normal commercial terms, all other advances extended to the related parties were provided on an arm's length basis and on normal commercial terms as the interest rates charged to the related parties were determined after taking into consideration the interest rate on the term loan charged by AmBank Islamic Berhad, being principal banker of Gosford Malaysia or BLR of AmBank (M) Berhad, being the principal banker of Trimex Malaysia (i.e., AmBank (M) Berhad) or the ALR of BNM at the point of time.

The corporate guarantee provided by our Group to its related parties (i.e., items 10 to 12 above) had been cancelled or discharged.

In addition, our Group has put in place internal control and compliance procedures in relation to loans and/or financial assistance to be provided to its related parties and/or third parties. Moving forward, no further loans, advances or financial assistance will be provided to or for the benefit of any related parties by our Group unless such loans are permitted under the applicable laws and the Listing Requirements and brought to our Company's Audit and Risk Management Committee and our Board for deliberation and approval. The procedures to be undertaken to ensure that future related party transactions (if any) are carried out on an arm's length basis are set out in **Section 10.2** of this Prospectus.

[ The rest of this page has been intentionally left blank ]



**10. RELATED PARTY TRANSACTIONS (CONT'D)**

**10.1.4 Loans and/or financial assistance from related parties**

Save as disclosed below, there are no other outstanding loans and/or financial assistance (including guarantees of any kind) that have been granted or made by related parties to or for the benefit of our Group for the FY Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount								
				As at 31 December 2020		As at 31 December 2021		As at 31 December 2022		As at the LPD		
				RM'000		RM'000		RM'000		RM'000		
1.	Eleven Docks, Go Yoong Chang and Tan Sun Sun/ Gosford Malaysia	<ul style="list-style-type: none"> <li>Go Yoong Chang is a Director and Tan Sun Sun is a Director and shareholder of Eleven Docks.</li> <li>Both of them are our Promoters, Non-Independent Executive Directors and major shareholders.</li> </ul>	(i) Charge over the land held under Geran Hakmilik 488497 Lot 2052, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor bearing postal address of No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200 Johor Bahru, Johor, owned by Eleven Docks (as the registered owner) (" <b>Pledged Land</b> "); and  (ii) provision of personal guarantee by Go Yoong Chang and Tan Sun Sun, in favour of AmBank Islamic Berhad for the banking facilities granted to Gosford Malaysia for the construction of Tampoi Plant. <sup>(1)</sup>	3,867	(6.1% of our Group's NA as at 31 December 2020)	3,455	(4.7% of our Group's NA as at 31 December 2021)	3,056	(3.6% of our Group's NA as at 31 December 2022)	2,655	(2.1% of our Group's NA as at 31 December 2023)	2,533
			(i) Charge over the Pledged Land; and  (ii) provision of personal guarantee by Go Yoong Chang and Tan Sun Sun, in favour of AmBank (M) Berhad for the banking facilities granted to Gosford Malaysia for multi-trade financing. <sup>(1)</sup>	21	(Neg)	142	(0.2% of our Group's NA as at 31 December 2021)	121	(0.1% of our Group's NA as at 31 December 2022)	121	(0.1% of our Group's NA as at 31 December 2023)	121

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount					As at the LPD
				As at 31 December			2023		
				2020	2021	2022	RM'000	RM'000	
2.	Go Yoong Chang and Tan Sun Sun/ Trimex Malaysia	<ul style="list-style-type: none"> <li>Go Yoong Chang and Tan Sun Sun are our Promoters, Non-Independent Executive Directors and major shareholders.</li> </ul>	<p>Provision of personal guarantee by Go Yoong Chang and Tan Sun Sun in favour of AmBank (M) Berhad for the banking facilities granted to Trimex Malaysia to finance the purchase of investment property.<sup>(1)</sup></p> <p>Provision of personal guarantee by Go Yoong Chang and Tan Sun Sun in favour of Public Bank Berhad for the banking facilities granted to Trimex Malaysia to finance the purchase of investment property.<sup>(2)</sup></p>	6,140	5,750	5,356	4,962	4,809	
			<p>(9.7% of our Group's NA as at 31 December 2020)</p> <p>(7.9% of our Group's NA as at 31 December 2021)</p> <p>(6.3% of our Group's NA as at 31 December 2022)</p> <p>(3.9% of our Group's NA as at 31 December 2023)</p>						
3.	Go Yoong Chang and Tan Sun Sun/ Gosford Malaysia	<ul style="list-style-type: none"> <li>Go Yoong Chang and Tan Sun Sun are our Promoters, Non-Independent Executive Directors and major shareholders.</li> </ul>	<p>Provision of personal guarantees by Go Yoong Chang and Tan Sun Sun in favour of AmBank (M) Berhad for the bank guarantee granted to Trimex Malaysia ("<b>Bank Guarantee</b>").<sup>(1)</sup></p> <p>Provision of personal guarantee by Go Yoong Chang and Tan Sun Sun in favour of AmBank (M) Berhad for the foreign exchange contract facilities ("<b>FEC</b>") granted to Gosford Malaysia.<sup>(1)</sup></p>	- <sup>(3)</sup>	- <sup>(3)</sup>	- <sup>(3)</sup>	- <sup>(3)</sup>	-	

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount							
				As at 31 December 2020		As at 31 December 2021		As at the LPD 2023			
				RM'000		RM'000		RM'000			
4.	Tan Sun Sun/ Feytech SB	<ul style="list-style-type: none"> <li>Tan Sun Sun is our Promoter, Non-Independent Executive Director and major shareholder.</li> </ul>	Advances by Tan Sun Sun to Feytech SB for working capital purposes.  The advances provided was unsecured and interest-free.	-		2,541		3,762		-	
5.	Tan Sun Sun/ Trimex Australia	<ul style="list-style-type: none"> <li>Tan Sun Sun is our Promoter, Non-Independent Executive Director and major shareholder.</li> </ul>	Advances by Tan Sun Sun to Trimex Australia for working capital purposes.  The advances provided was unsecured and interest-free.	22	(Neg)	-		-		-	
6.	Connie Go/ Gosford Singapore	<ul style="list-style-type: none"> <li>Connie Go is our Promoter, Non-Independent Executive Director and major shareholder.</li> </ul>	Advances by Connie Go to Gosford Singapore for working capital purposes.  The advances provided was unsecured and interest-free.	-		-		11	(Neg)	-	

[ The rest of this page has been intentionally left blank ]

**10. RELATED PARTY TRANSACTIONS (CONT'D)****Notes:**

Neg Negligible. Being less than 0.1% of our Group's NA as at 31 December of the respective financial year or PBT for the respective financial year, where applicable.

(1) AmBank (M) Berhad and AmBank Islamic Berhad had on 28 July 2023 issued 4 supplemental letters of offer to Gosford Malaysia and Trimex Malaysia whereby the banks agreed to, among others:

(a) replace the personal guarantees provided by Go Yoong Chang and Tan Sun Sun with corporate guarantee by Feytech Holdings, subject to the approval for the listing of our Company on Main Market being obtained from the SC and execution of corporate guarantee by Feytech Holdings ("**Conditions**"); and

(b) discharge the Pledged Land and replace with properties owned by our Group.

As at the LPD, the charge over the Pledged Land has been replaced with the properties owned by our Group. The personal guarantees provided by Go Yoong Chang and Tan Sun Sun had been discharged and replaced with the corporate guarantee by our Company on 16 April 2024.

(2) The banking facilities granted to Trimex Malaysia were fully settled on 7 July 2023 and the facility has been cancelled.

(3) As at the LPD, Gosford Malaysia has not utilised the Bank Guarantee and FEC.

The advances from related parties to our Group are unsecured, interest-free and repayable on demand and therefore, are not on arm's length basis and not on normal commercial terms. Nevertheless, these terms are not unfavourable to our Group and all the advances from related parties to our Group have been fully settled as at the LPD.

The above financial assistance received by our Group from its related parties (including the advances from related parties) will be discontinued and will not give rise to any potential conflict of interest moving forward in view of the following:

(i) the personal guarantees had been discharged and replaced with the corporate guarantee by our Company;

(ii) the charge over the Pledged Land has been replaced with the properties owned by our Group; and

(iii) all the advances from related parties to our Group have been fully settled as at the LPD.

[ The rest of this page has been intentionally left blank ]

---

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

---

**10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST****10.2.1 Audit and Risk Management Committee review**

Our Audit and Risk Management Committee assesses the financial risk and matters relating to related party transactions and conflict of interest situations that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Group to monitor related party transactions and conflicts of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Group on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length basis, and are not to the detriment of the interest of our Company's minority shareholders. Amongst others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

Any reviews on the related party transactions by our Audit and Risk Management Committee are reported to our Board for its further deliberation.

**10.2.2 Our Group's policy on related party transactions and conflicts of interest**

Related party transactions by their nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the Directors of our Group are also Directors and/or shareholders of the related parties of our Group, as disclosed in this Prospectus and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest.

It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors and/or major shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders.

In addition, we have adopted a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and complies with the Listing Requirements, the MCCG and the Corporate Governance Guide. The procedures which may form part of the framework include, among other things, that, our Directors are required to make an annual disclosure of any existing or potential related party transactions and conflicts of interest with our Group and our Audit and Risk Management Committee will must carry out an annual assessment of our Directors which include an assessment of such related party transactions and / or conflict of interest. Upon such disclosure, the interested Director who is the related party and party who is in a position of conflict with the interest of our Group shall be required to abstain from deliberation and voting on any resolution related to the transaction. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

[ The rest of this page has been intentionally left blank ]

---

**11. CONFLICT OF INTEREST**

---

**11.1 INTEREST IN ENTITIES WHICH CARRY ON SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE CUSTOMERS AND/OR SUPPLIERS OF OUR GROUP**

As at the LPD, save for the related party transactions as disclosed in **Section 10.1.1** of this Prospectus, none of our Directors or substantial shareholders has any direct or indirect interest in any businesses or corporations which carry on a similar trade as our Group or which are the customers or suppliers of our Group.

The Directors' involvement in other business activities outside our Group would not give rise to any conflict of interest situations as the principal activities of those companies are not similar to our Group's business.

Moving forward, our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations that may arise and review our Group's current and future related party transactions to ensure that such transactions will be carried out on an arm's length basis and on commercial terms in the best interest of our Group. Please refer to **Section 10.2** of this Prospectus for further details of our monitoring and oversight policy on conflict of interest.

**11.2 DECLARATIONS BY ADVISERS ON CONFLICT OF INTEREST****11.2.1 Declaration by TA Securities**

TA Securities has confirmed that it has no existing or potential conflict of interest in its capacity as the Principal Adviser, Managing Underwriter, Joint Underwriter and Joint Placement Agent for our IPO.

**11.2.2 Declaration by AmInvestment Bank**

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of the AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of our Group.

As at 31 March 2024, the AmBank Group has extended total credit facilities of approximately RM22.0 million to our Group. AmInvestment Bank is of the opinion that the loan facilities do not give rise to a conflict of interest situation in its capacity as the Joint Underwriter and Joint Placement Agent for our IPO due to the following reasons:

- (i) the loan facilities were provided by AmBank Group in its ordinary course of business, and the said loan facilities are not material as it represented approximately 0.1% of the audited NA of AmBank Group as at 31 March 2023 and unaudited NA of AmBank Group as at 31 December 2023 of approximately RM18.1 billion and RM19.2 billion, respectively;
- (ii) AmBank Group forms a diversified financial group and is engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as the Joint Underwriter and Joint Placement Agent for our IPO is in the ordinary course of business;

---

**11. CONFLICT OF INTEREST (CONT'D)**

---

- (iii) the loan facilities and repayment of the aforementioned credit facilities was not determined in contemplation of and not conditional upon AmInvestment Bank being appointed as the Joint Underwriter and Joint Placement Agent for our IPO; and
- (iv) each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is regulated by BNM.

AmInvestment Bank has confirmed that there is no existing or potential conflict of interest in its capacity as the Joint Underwriter and Joint Placement Agent for our IPO.

**11.2.3 Declaration by Olivia Lim & Co**

Olivia Lim & Co has confirmed that it has no existing or potential conflict of interest in its capacity as the Due Diligence Solicitors for our IPO.

**11.2.4 Declaration by Baker Tilly Monteiro Heng PLT**

Baker Tilly Monteiro Heng PLT has confirmed that it has no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

**11.2.5 Declaration by Providence Strategic Partners Sdn Bhd**

Providence Strategic Partners Sdn Bhd has confirmed that it has no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

[ The rest of this page has been intentionally left blank ]



## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

The following historical combined financial information for the FY Under Review have been extracted from the Accountants' Report as set out in **Section 13** of this Prospectus.

The historical combined financial information presented below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in **Section 12.2** of this Prospectus and our historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in **Section 13** of this Prospectus. Our historical combined financial statements have been prepared in accordance with MFRS and IFRS.

#### 12.1.1 Historical audited combined statements of comprehensive income

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	79,368	85,179	126,877	211,223
Cost of sales	(50,305)	(50,808)	(77,070)	(130,420)
<b>Gross profit</b>	<b>29,063</b>	<b>34,371</b>	<b>49,807</b>	<b>80,803</b>
Other income	2,500	2,916	2,893	3,313
Administrative expenses	(9,331)	(11,027)	(15,109)	(23,043)
<b>Operating profit</b>	<b>22,232</b>	<b>26,260</b>	<b>37,591</b>	<b>61,073</b>
Finance costs	(477)	(589)	(600)	(1,011)
<b>Profit before tax</b>	<b>21,755</b>	<b>25,671</b>	<b>36,991</b>	<b>60,062</b>
Income tax expense	(3,627)	(6,622)	(9,398)	(16,186)
<b>Profit for the financial year</b>	<b>18,128</b>	<b>19,049</b>	<b>27,593</b>	<b>43,876</b>
<b>Other comprehensive income:</b>				
Exchange differences on translation of foreign operations	53	(29)	89	98
<b>Total comprehensive income for the financial year</b>	<b>18,181</b>	<b>19,020</b>	<b>27,682</b>	<b>43,974</b>
<b>Other selected financial data:</b>				
GP margin (%) <sup>(1)</sup>	36.6	40.4	39.3	38.3
EBITDA (RM'000) <sup>(2)</sup>	23,784	28,300	40,382	65,035
EBITDA margin (%) <sup>(3)</sup>	30.0	33.2	31.8	30.8
PBT margin (%) <sup>(4)</sup>	27.4	30.1	29.2	28.4
PAT margin (%) <sup>(5)</sup>	22.8	22.4	21.7	20.8
Basic EPS (sen)				
- After the Pre-IPO Restructuring Exercise <sup>(6)</sup>	2.6	2.7	3.9	6.3
- After our IPO <sup>(7)</sup>	2.1	2.3	3.3	5.2

**12. FINANCIAL INFORMATION (CONT'D)****Notes:**

- (1) GP margin is computed based on GP over revenue of our Group.
- (2) EBITDA is computed as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating profit	22,232	26,260	37,591	61,073
Add: Depreciation of property, plant and equipment	726	1,276	2,042	2,356
Add: Depreciation of right-of-use assets	1,097	1,270	1,273	2,048
Add: Depreciation of investment properties	252	252	252	252
Less: Interest income	(523)	(758)	(776)	(694)
<b>EBITDA</b>	<b>23,784</b>	<b>28,300</b>	<b>40,382</b>	<b>65,035</b>

- (3) EBITDA margin is computed based on EBITDA over revenue of our Group.
- (4) PBT margin is computed based on PBT over revenue of our Group.
- (5) PAT margin is computed based on PAT over revenue of our Group.
- (6) Calculated based on PAT over our enlarged 699,875,200 Shares in issue after our Pre-IPO Restructuring Exercise but before our IPO.
- (7) Calculated based on PAT over our enlarged 843,200,000 Shares in issue after our IPO.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****12.1.2 Historical audited combined statements of financial position**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	18,385	20,984	20,929	42,634
Investment properties	8,701	8,449	8,197	7,945
Deferred tax assets	-	-	33	35
<b>Total non-current assets</b>	<b>27,086</b>	<b>29,433</b>	<b>29,159</b>	<b>50,614</b>
<b>Current assets</b>				
Inventories	19,121	15,883	34,920 <sup>(3)</sup>	45,082
Trade and other receivables	22,223	37,953	50,758	42,372
Contract assets <sup>(1)</sup>	-	-	62	57
Current tax assets	768	372	292	309
Cash and short-term deposits	28,411	30,009	30,611	62,743
<b>Total current assets</b>	<b>70,523</b>	<b>84,217</b>	<b>116,643</b>	<b>150,563</b>
<b>TOTAL ASSETS</b>	<b>97,609</b>	<b>113,650</b>	<b>145,802</b>	<b>201,177</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to the owners of our Company</b>				
Invested equity <sup>(2)</sup>	1,441	1,741	1,741	1,741
Translation reserves	42	13	102	200
Retained earnings	61,782	71,049	83,639	126,015
<b>TOTAL EQUITY</b>	<b>63,265</b>	<b>72,803</b>	<b>85,482</b>	<b>127,956</b>
<b>Non-current liabilities</b>				
Loans and borrowings	14,314	14,536	11,145	25,142
Deferred tax liabilities	168	716	622	1,047
<b>Total non-current liabilities</b>	<b>14,482</b>	<b>15,252</b>	<b>11,767</b>	<b>26,189</b>
<b>Current liabilities</b>				
Loans and borrowings	2,216	3,122	2,882	3,249
Trade and other payables	17,646	22,420	43,158	42,994
Current tax liabilities	-	53	2,513	789
<b>Total current liabilities</b>	<b>19,862</b>	<b>25,595</b>	<b>48,553</b>	<b>47,032</b>
<b>TOTAL LIABILITIES</b>	<b>34,344</b>	<b>40,847</b>	<b>60,320</b>	<b>73,221</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>97,609</b>	<b>113,650</b>	<b>145,802</b>	<b>201,177</b>

**Notes:**

- (1) Contract assets arose from our Group's delivery of automotive seats to our customers as at the financial year end but the invoices are yet to be issued. Upon issuance of the invoice, the contract assets will be reclassified as trade receivables.
- (2) Represents the aggregate of the share capital of the combining entities constituting our Group.
- (3) In FYE 2022, the inventories increased in line with our Group's increasing operational needs in order to meet the orders from our customers, in particular our Group's automotive seats division which commenced since February 2022.

**12. FINANCIAL INFORMATION (CONT'D)****12.1.3 Historical audited combined statements of cash flows**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>				
Profit before tax	21,755	25,671	36,991	60,062
Adjustments for:				
Depreciation of property, plant and equipment	1,823	2,546	3,315	4,404
Depreciation of investment properties	252	252	252	252
Finance costs	477	589	600	1,011
Interest income	(523)	(758)	(776)	(694)
Net unrealised loss/(gain) on foreign exchange	244	(12)	290	(590)
Gain on disposal of property, plant and equipment	-	(26)	(12)	(267)
Gain on lease modification	-	-	-	(106)
Property, plant and equipment written off	20	59	*	3
Inventories written off	186	22	35	2,223
Impairment loss on trade receivables	-	-	544	-
Bad debts written off	-	157	15	21
Reversal of impairment loss on trade receivables	-	-	-	*
<b>Operating profits before changes in working capital</b>	<b>24,234</b>	<b>28,500</b>	<b>41,254</b>	<b>66,319</b>
Changes in working capital:				
(Increase)/Decrease in inventories	1,613	3,216	(19,072)	(12,385)
(Increase)/Decrease in contract assets	-	-	(62)	5
(Increase)/Decrease in trade and other receivables	6,260	(5,875)	(13,149)	(2,261)
Increase/(Decrease) in trade and other payables	(13,334)	3,488	14,451	17,637
Net cash generated from operations	18,773	29,329	23,422	69,315
Income tax paid	(5,429)	(5,625)	(6,985)	(17,832)
Income tax refunded	-	-	-	327
Interest received	379	398	398	608
<b>Net cash generated from operating activities</b>	<b>13,723</b>	<b>24,102</b>	<b>16,835</b>	<b>52,418</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(10,375)	(1,579)	(2,738)	(18,547)
Proceeds from disposal of property, plant and equipment	-	26	29	560
Change in pledged deposits	2,925	(4)	(4)	-
<b>Net cash used in investing activities</b>	<b>(7,450)</b>	<b>(1,557)</b>	<b>(2,713)</b>	<b>(17,987)</b>
<b>Cash flows from financing activities</b>				
Drawdown of term loans	3,708	-	-	11,000
Repayment of term loans	(817)	(1,537)	(2,725)	(2,410)
Net change in lease liabilities	(1,074)	(1,114)	(1,392)	(1,930)
Proceeds from issuance of shares	-	300	-	*
Net change in amount owing to/(by) related parties	5,694	(10,019)	1,756	8,627
Net change in amount owing to/(by) shareholders	-	2,541	1,221	(3,762)
Net change in amount owing to/(by) directors	526	(22)	(1,989)	1,989
Interest paid	(477)	(589)	(600)	(1,011)
Interest received	144	360	378	82
Dividends paid	(1,881)	(10,842)	(9,983)	(15,482)

**12. FINANCIAL INFORMATION (CONT'D)**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>5,823</b>	<b>(20,922)</b>	<b>(13,334)</b>	<b>(2,897)</b>
Net increase in cash and cash equivalents	12,096	1,623	788	31,534
Cash and cash equivalents at the beginning of the financial year	16,028	28,191	29,785	30,383
Effect of exchange rate changes on cash and bank balances	67	(29)	(190)	594
<b>Cash and cash equivalents at the end of the financial years</b>	<b>28,191</b>	<b>29,785</b>	<b>30,383</b>	<b>62,511</b>

**Note:**

\* Less than RM1,000.

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

The following discussion and analysis on our Group's financial conditions and results of operations for the FY Under Review should be read in conjunction with the historical combined financial statements and the accompanying notes, assumptions and bases as set out in the Accountants' Report included in **Section 13** of this Prospectus.

This discussion and analysis contain data derived from our historical combined financial statements as well as forward-looking statements reflecting our current views with respect to future events and our financial performance. Our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors, including those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in **Section 9** of this Prospectus.

**12.2.1 Overview**

Our Group is an automotive covers manufacturer and automotive seats manufacturer. We are principally involved in the following business activities:

<b>Business activities</b>	<b>Basis for revenue recognition</b>
Manufacturing of automotive covers: - Automotive seat covers - Interior part covers	Revenue recognised upon control of the products has been transferred.
Manufacturing of automotive seats	Revenue recognised upon control of the products has been transferred.

Our manufacturing of automotive covers activity is mainly located at our Tampoi Plant, while our Kulim Plant 1 is focused on manufacturing of automotive seats. Our PJ Hub and Singapore Hub which serve customers in the REM and/or PDI market segments are located in Selangor, Malaysia and Singapore, respectively.

Our automotive covers are sold to customers in Malaysia as well as international markets such as Singapore, Australia, New Zealand, the United States and Netherlands, while our automotive seats are sold to the automotive vehicle OEMs in Malaysia.

For the FYE 2020 and 2021, our Group involved in the manufacturing of automotive covers only, save for the one-off sales from the trading of fabric industrial masks which contributed 3.7% to our total revenue in FYE 2020. Our manufacturing of automotive seats activity has only commenced since February 2022.

**12. FINANCIAL INFORMATION (CONT'D)****12.2.2 Results of operations****(i) Revenue****Revenue by business activities**

The table below sets out the breakdown and analysis of our Group's revenue by business activities for the FY Under Review:

Revenue	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of automotive covers:								
- Automotive seat covers <sup>(1)</sup>	59,657	75.2	63,657	74.7	81,437	64.2	95,762	45.3
- Interior part covers <sup>(1)</sup>	16,789	21.1	21,522	25.3	25,922	20.4	34,409	16.3
<b>Subtotal</b>	<b>76,446</b>	<b>96.3</b>	<b>85,179</b>	<b>100.0</b>	<b>107,359</b>	<b>84.6</b>	<b>130,171</b>	<b>61.6</b>
Manufacturing of automotive seats <sup>(1)</sup>	-	-	-	-	19,518	15.4	81,052	38.4
Others <sup>(2)</sup>	2,922	3.7	-	-	-	-	-	-
<b>Total</b>	<b>79,368</b>	<b>100.0</b>	<b>85,179</b>	<b>100.0</b>	<b>126,877</b>	<b>100.0</b>	<b>211,223</b>	<b>100.0</b>

**Notes:**

- (1) The number of automotive seat covers and interior part covers as well as automotive seats sold during the FY Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Automotive covers:				
- Automotive seat covers (set)	62,798	73,000	85,592	84,967
- Interior part covers (piece)*	106,134	66,941	98,117	191,081
Automotive seats (set)	-	-	1,002	8,451

- \* The quantities of interior part covers sold are for information purpose only. Interior part covers comprise different type of products including covers (which are sold without interior parts) and covers sold with interior parts. These covers are manufactured for various types of interior parts including door ornaments, steering wheels, gear knobs, handbrake handles and consoles. In view of this, the quantities sold may not be comparable from year to year as the types of products sold may not be identical in each year.

- (2) Being sales from one-off trading of fabric industrial face masks comprising 250,000 pieces of masks in FYE 2020.

The trading of fabric industrial face masks is a one-off transaction undertaken by our Group due to sales opportunity amid high demand for masks during the COVID-19 pandemic. As it is trading in nature, save for the cost of goods purchased, there was no investment incurred by our Group in undertaking the sales of fabric industrial face masks. Further, our Group did not continue with the trading of fabric industrial face masks upon the order for the fabric industrial face masks has been fulfilled.

**12. FINANCIAL INFORMATION (CONT'D)****(a) Manufacturing of automotive covers****Automotive seat covers**

Our automotive seat covers are sold to three main market segments, namely OEM, REM and PDI, of which the breakdown is as follows:

Revenue	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
OEM	47,905	80.3	51,883	81.5	69,128	84.9	80,951	84.5
REM	9,602	16.1	10,299	16.2	8,847	10.9	9,051	9.5
PDI	2,150	3.6	1,475	2.3	3,462	4.2	5,760	6.0
<b>Total</b>	<b>59,657</b>	<b>100.0</b>	<b>63,657</b>	<b>100.0</b>	<b>81,437</b>	<b>100.0</b>	<b>95,762</b>	<b>100.0</b>

The number of automotive seat covers sold to our customers in OEM, REM and PDI market segments are as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	Set	Set	Set	Set
OEM	50,583	61,330	73,750	73,507
REM	9,037	9,220	7,691	6,133
PDI	3,178	2,450	4,151	5,327
<b>Total</b>	<b>62,798</b>	<b>73,000</b>	<b>85,592</b>	<b>84,967</b>

**Interior part covers**

Our interior part covers are sold to two main market segments, namely OEM and PDI, of which the breakdown is as follows:

Revenue	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
OEM	16,742	99.7	21,499	99.9	25,922	100.0	34,409	100.0
PDI	47	0.3	23	0.1	Neg	Neg	Neg	Neg
<b>Total</b>	<b>16,789</b>	<b>100.00</b>	<b>21,522</b>	<b>100.00</b>	<b>25,922</b>	<b>100.0</b>	<b>34,409</b>	<b>100.0</b>

**Note:**

Neg Negligible. Being less than RM1,000 or 0.1%, as the case may be.

The number of interior part covers sold to our customers in OEM and PDI market segments are as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	Piece	Piece	Piece	Piece
OEM	105,826	66,784	98,114	191,078
PDI	308	157	3	3
<b>Total</b>	<b>106,134</b>	<b>66,941</b>	<b>98,117</b>	<b>191,081</b>

**(b) Manufacturing of automotive seats**

Our automotive seats division comprises only one market segment, namely OEM.



**12. FINANCIAL INFORMATION (CONT'D)****Revenue by geographical regions / country**

Our customers in the OEM market segment are based in Malaysia only.

The table below sets out the breakdown and analysis of our Group's revenue generated by geographical regions which is determined based on the location of our customers, for the FY Under Review:

Revenue	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	69,458	87.5	77,084	90.5	120,309	94.8	204,923	97.0
Singapore	4,609	5.8	5,470	6.4	4,956	3.9	5,044	2.4
Australia	3,981 <sup>(2)</sup>	5.0	1,117	1.3	908	0.7	914	0.4
New Zealand	888	1.1	1,043	1.2	421	0.4	179	0.1
Others <sup>(1)</sup>	432	0.6	465	0.6	283	0.2	163	0.1
<b>Total</b>	<b>79,368</b>	<b>100.0</b>	<b>85,179</b>	<b>100.0</b>	<b>126,877</b>	<b>100.0</b>	<b>211,223</b>	<b>100.0</b>

**Notes:**

- (1) Comprises the United States and/or Netherlands.
- (2) Including the sales of RM2.9 million from one-off trading of fabric industrial face masks.

**Comparison between FYE 2020 and FYE 2021**

Our Group's revenue increased by RM5.8 million or 7.3% from RM79.4 million in FYE 2020 to RM85.2 million in FYE 2021. The increase was mainly due to the following:

- (i) increase in the sales of our Group's interior part covers by RM4.7 million or 28.2% from RM16.8 million in FYE 2020 to RM21.5 million in FYE 2021, despite a lower volume of interior part covers sold from 106,134 pieces in FYE 2020 to 66,941 pieces in FYE 2021, translating to a reduction of 39,193 pieces. The increase in sales was mainly attributable to the higher sales of interior part covers sold with steering wheels and gear knobs, which have higher selling prices as compared to the other interior part covers sold without interior parts, as a result of higher order of these products from our customer in the OEM market segment, namely Mazda Malaysia for Mazda CX-5 and CX-8 car models; and
- (ii) increase in sales of our Group's automotive seat covers by RM4.0 million or 6.7% from RM59.7 million in FYE 2020 to RM63.7 million in FYE 2021 in tandem with higher volume of automotive seat covers sold in FYE 2021 of 10,202 sets from 62,798 sets in FYE 2020 to 73,000 sets in FYE 2021. Such increase was mainly contributed by higher sales from our OEM market segment which increased from RM47.9 million in FYE 2020 to RM51.9 million in FYE 2021. This was a result of higher demand for automotive seat covers from our customers in the OEM market segment, namely Mazda Malaysia for Mazda CX-5 car model and the Local OEM for several car models of the Local OEM in FYE 2021.

**12. FINANCIAL INFORMATION (CONT'D)****Comparison between FYE 2021 and FYE 2022**

Our Group's revenue increased by RM41.7 million or 49.0% from RM85.2 million in FYE 2021 to RM126.9 million in FYE 2022. The increase was mainly due to the following:

- (i) the sales of automotive seats mainly for Kia Carnival and Kia Sorento car models, of RM19.5 million in FYE 2022. As the manufacturing of automotive seats only commenced since February 2022, there were no sales of automotive seats generated in FYE 2021;
- (ii) increase in the sales of our Group's automotive seat covers by RM17.8 million or 27.9% from RM63.6 million in FYE 2021 to RM81.4 million in FYE 2022. This was in tandem with higher volume of automotive seat covers sold in FYE 2022 which saw an increase of 12,592 sets from 73,000 sets in FYE 2021 to 85,592 sets in FYE 2022. Such increase was mainly contributed by higher sales from our OEM market segment which increased from RM51.9 million in FYE 2021 to RM69.1 million in FYE 2022. This was mainly attributable to higher demand for automotive seat covers from our customers in the OEM market segment, namely Mazda Malaysia for Mazda CX-5 and CX-8 car models and the Local OEM; and
- (iii) increase in the sales of our Group's interior part covers by RM4.4 million or 20.5% from RM21.5 million in FYE 2021 to RM25.9 million in FYE 2022 in tandem with higher volume of interior part covers sold in FYE 2022 which saw an increase of 31,176 pieces from 66,941 pieces in FYE 2021 to 98,117 pieces in FYE 2022. The increase was mainly attributable to the increase in sales of interior part covers sold with steering wheels to our customer in the OEM market segment, namely Mazda Malaysia for Mazda CX-5 and CX-8 car models.

**Comparison between FYE 2022 and FYE 2023**

Our Group's revenue increased by RM84.3 million or 66.5% from RM126.9 million in FYE 2022 to RM211.2 million in FYE 2023. The increase was mainly due to the following:

- (i) increase in the sales of our Group's automotive seats by RM61.5 million or 315.3% from RM19.5 million in FYE 2022 to RM81.1 million in FYE 2023 in tandem with higher volume of automotive seats sold in FYE 2023 which saw an increase of 7,449 sets from 1,002 sets in FYE 2022 to 8,451 sets in FYE 2023. The increase was mainly attributable to the commencement of mass production of automotive seats for Mazda CX-30 car model and increase in sales of automotive seats for Kia Carnival car model as a result of higher demand for automotive seats from Kia Malaysia in FYE 2023;
- (ii) increase in the sales of our Group's automotive seat covers by RM14.3 million or 17.6% from RM81.4 million in FYE 2022 to RM95.7 million in FYE 2023, despite the lower volume of automotive seat covers sold in FYE 2023 which saw a decrease of 625 sets from 85,592 sets in FYE 2022 to 84,967 sets in FYE 2023. The increase in sales was mainly attributable to the higher sales of automotive seat covers which have higher selling prices from certain customers of our Group in the OEM market segment; and
- (iii) increase in the sales of our Group's interior part covers by RM8.5 million or 32.7% from RM25.9 million in FYE 2022 to RM34.4 million in FYE 2023 in tandem with higher volume of interior part covers sold in FYE 2023 which saw an increase of 92,964 pieces from 98,117 pieces in FYE 2022 to 191,081 pieces in FYE 2023. However, the sales value did not increase by the same proportion as compared to the volume of interior part covers sold mainly due to higher sales of interior part covers sold without interior parts which have lower selling prices.

**12. FINANCIAL INFORMATION (CONT'D)****(ii) Cost of Sales****Cost of sales by business activities**

The table below sets out the breakdown and analysis of our Group's cost of sales by business activities for the FY Under Review:

<b>Cost of Sales</b>	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Manufacturing of automotive covers:								
- Automotive seat covers	37,134	73.8	34,845	68.6	41,837	54.3	51,185	39.2
- Interior part covers	11,921	23.7	15,963	31.4	19,022	24.7	25,444	19.5
<b>Subtotal</b>	<b>49,055</b>	<b>97.5</b>	<b>50,808</b>	<b>100.0</b>	<b>60,859</b>	<b>79.0</b>	<b>76,629</b>	<b>58.7</b>
Manufacturing of automotive seats	-	-	-	-	16,211	21.0	53,791	41.3
Others <sup>(1)</sup>	1,250	2.5	-	-	-	-	-	-
<b>Total</b>	<b>50,305</b>	<b>100.0</b>	<b>50,808</b>	<b>100.0</b>	<b>77,070</b>	<b>100.0</b>	<b>130,420</b>	<b>100.0</b>

**Note:**

(1) Comprises the purchase of fabric industrial face masks.

**(a) Manufacturing of automotive covers****Automotive seat covers**

<b>Cost of Sales</b>	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Raw materials <sup>(1)</sup>	24,936	67.2	23,256	66.7	26,541	63.4	33,799	66.0
Labour cost	6,805	18.3	6,302	18.1	8,603	20.6	9,483	18.5
Production overhead	5,393	14.5	5,287	15.2	6,693	16.0	7,903	15.5
<b>Total</b>	<b>37,134</b>	<b>100.0</b>	<b>34,845</b>	<b>100.0</b>	<b>41,837</b>	<b>100.0</b>	<b>51,185</b>	<b>100.0</b>

**Note:**

(1) The raw materials comprise, among others, leather, synthetic leather, foam and parts, accessories and other supplies such as zippers, plastic strips and hooks.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****Interior part covers**

<b>Cost of Sales</b>	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Raw materials <sup>(1)</sup>	11,509	96.6	15,619	97.9	18,566	97.6	24,658	96.9
Labour cost	231	1.9	195	1.2	258	1.4	432	1.7
Production overhead	181	1.5	149	0.9	198	1.0	354	1.4
<b>Total</b>	<b>11,921</b>	<b>100.0</b>	<b>15,963</b>	<b>100.0</b>	<b>19,022</b>	<b>100.0</b>	<b>25,444</b>	<b>100.0</b>

**Note:**

- (1) The raw materials comprise, among others, leather, synthetic leather, interior parts produced by third-party interior part manufacturers (such as steering wheel and gear knob) and plastic parts (i.e., door ornament).

**(b) Manufacturing of automotive seats**

<b>Cost of Sales</b>	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Raw materials <sup>(1)</sup>	-	-	-	-	12,477	77.0	46,978	87.3
Labour cost	-	-	-	-	1,024	6.3	1,811	3.4
Production overhead	-	-	-	-	2,710	16.7	5,002	9.3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,211</b>	<b>100.0</b>	<b>53,791</b>	<b>100.0</b>

**Note:**

- (1) The raw materials comprise, among others, automotive seat covers, padding, seatbelt, buckles, electrical parts, frames and side airbags.

**Comparison between FYE 2020 and FYE 2021**

Our Group's cost of sales increased by RM0.5 million or 1.0% from RM50.3 million in FYE 2020 to RM50.8 million in FYE 2021. The increase was mainly due to the increase in cost of sales of our Group's interior part covers of RM4.1 million or 33.9% from RM11.9 million in FYE 2020 to RM16.0 million in FYE 2021, despite the volume of interior part covers sold in FYE 2021 having reduced by 39,193 pieces from 106,134 pieces in FYE 2020 to 66,941 pieces in FYE 2021. This was mainly attributable to the higher volume of interior part covers sold with steering wheels which has higher raw material cost as compared to the interior part covers sold without interior parts.

However, this increase in our Group's cost of sales was partially offset by lower cost of sales for automotive seat covers of RM2.3 million or 6.2%, i.e., RM37.1 million in FYE 2020 compared to RM34.8 million in FYE 2021. Notwithstanding the higher volume of automotive seat covers sold in FYE 2021, which saw an increase of 10,202 sets from 62,798 sets in FYE 2020 to 73,000 sets in FYE 2021, the cost of sales for automotive seat covers decreased in FYE 2021 mainly due to the decrease in raw materials cost. This was due to our Group being able to improve the efficiency of the cutting process with its new cutting machines commissioned in October 2020, which reduced wastage of raw materials.

**12. FINANCIAL INFORMATION (CONT'D)****Comparison between FYE 2021 and FYE 2022**

Our Group's cost of sales increased by RM26.3 million or 51.7% from RM50.8 million in FYE 2021 to RM77.1 million in FYE 2022. The increase was mainly due to the following:

- (i) cost of sales for our Group's automotive seats division of RM16.2 million in FYE 2022, which was not incurred in FYE 2021;
- (ii) increase in cost of sales of automotive seat covers of RM7.0 million or 20.1% from RM34.8 million in FYE 2021 to RM41.8 million in FYE 2022. This was in line with the increase in volume of automotive seat covers sold in FYE 2022 of 12,592 sets from 73,000 sets in FYE 2021 to 85,592 sets in FYE 2022; and
- (iii) increase in cost of sales of our Group's interior part covers of RM3.0 million or 19.2% from RM16.0 million in FYE 2021 to RM19.0 million in FYE 2022. This was in tandem with the increase in volume of interior part covers sold in FYE 2022 of 31,176 pieces from 66,941 pieces in FYE 2021 to 98,117 pieces in FYE 2022.

**Comparison between FYE 2022 and FYE 2023**

Our Group's cost of sales increased by RM53.3 million or 69.2% from RM77.1 million in FYE 2022 to RM130.4 million in FYE 2023. The increase was mainly due to the following:

- (i) increase in cost of sales for our Group's automotive seats division of RM37.6 million or 231.8% from RM16.2 million in FYE 2022 to RM53.8 million in FYE 2023, which was in tandem with the increase in volume of automotive seats sold in FYE 2023 of 7,449 sets from 1,002 sets in FYE 2022 to 8,451 sets in FYE 2023. However, the proportion of the increase in volume of automotive seats sold (i.e., from 1,002 sets in FYE 2022 to 8,451 sets in FYE 2023, translating to an increase of 643.4%) was higher than the proportion of the increase in cost of sales for our automotive seats division (i.e., from RM16.2 million to RM53.8 million, translating to an increase of 231.8%) mainly due to higher volume of automotive seats sold with lower cost of raw materials in FYE 2023;
- (ii) increase in cost of sales of automotive seat covers of RM9.4 million or 22.3% from RM41.8 million in FYE 2022 to RM51.2 million in FYE 2023, despite the decrease in volume of automotive seat covers sold in FYE 2023 of 625 sets from 85,592 sets in FYE 2022 to 84,967 sets in FYE 2023. This was mainly attributable to the higher volume of automotive seat covers sold with higher cost of raw materials; and
- (iii) increase in cost of sales of our Group's interior part covers of RM6.4 million or 33.8% from RM19.0 million in FYE 2022 to RM25.4 million in FYE 2023. This was in tandem with the increase in volume of interior part covers sold in FYE 2023 of 92,964 pieces from 98,117 pieces in FYE 2022 to 191,081 pieces in FYE 2023.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****(iii) GP and GP margin****GP and GP margin by business activities**

The table below sets out the breakdown and analysis of our Group's GP by business activities for the FY Under Review:

GP	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing of automotive covers:								
- Automotive seat covers	22,522	77.5	28,812	83.8	39,600	79.5	44,576	55.2
- Interior part covers	4,869	16.8	5,559	16.2	6,901	13.9	8,966	11.1
<b>Subtotal</b>	<b>27,391</b>	<b>94.3</b>	<b>34,371</b>	<b>100.0</b>	<b>46,501</b>	<b>93.4</b>	<b>53,542</b>	<b>66.3</b>
Manufacturing of automotive seats	-	-	-	-	3,306	6.6	27,261	33.7
Others	1,672	5.7	-	-	-	-	-	-
<b>Total</b>	<b>29,063</b>	<b>100.0</b>	<b>34,371</b>	<b>100.0</b>	<b>49,807</b>	<b>100.0</b>	<b>80,803</b>	<b>100.0</b>

The table below sets out the breakdown and analysis of our Group's GP margin by business activities for the FY Under Review:

GP margin	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	%	%	%	%
Manufacturing of automotive covers:				
- Automotive seat covers	37.8	45.3	48.6	46.6
- Interior part covers	29.0	25.8	26.6	26.1
<b>Subtotal</b>	<b>35.8</b>	<b>40.4</b>	<b>43.3</b>	<b>41.1</b>
Manufacturing of automotive seats	-	-	16.9	33.6
Others	57.2	-	-	-
<b>GP margin</b>	<b>36.6</b>	<b>40.4</b>	<b>39.3</b>	<b>38.3</b>

**Comparison between FYE 2020 and FYE 2021**

Our Group's GP increased by RM5.3 million or 18.3% from RM29.1 million in FYE 2020 to RM34.4 million in FYE 2021 mainly due to the improved GP for automotive seat covers on the back of an increase in revenue coupled with a decrease in cost of sales as detailed in **Sections 12.2.2(i)** and **12.2.2(ii)** of this Prospectus, respectively.

Our Group's GP margin also increased from 36.6% in FYE 2020 to 40.4% in FYE 2021 on the back of improved GP margin for our Group's automotive seat covers from 37.8% in FYE 2020 to 45.3% in FYE 2021 in light of the improvement in production efficiency which led to reduced wastage of raw materials for the automotive cover division, as detailed in **Section 12.2.2(ii)** of this Prospectus.

**Comparison between FYE 2021 and FYE 2022**

Our Group's GP increased by RM15.4 million or 44.9% from RM34.4 million in FYE 2021 to RM49.8 million in FYE 2022 mainly due to the increase in revenue generated from the sales of automotive covers in tandem with the increase in orders from the Local OEM and Mazda Malaysia as well as the expansion of new revenue stream via the incorporation of Feytech SB to manufacture automotive seats, as detailed in **Section 12.2.2(i)** of this Prospectus.

**12. FINANCIAL INFORMATION (CONT'D)**

The GP margin for sales of automotive covers improved from 45.3% to 48.6% partly due to better product mix with higher sales of products with higher prices which generated higher GP margin. However, our Group's GP margin decreased from 40.4% in FYE 2021 to 39.3% in FYE 2022 mainly due to the commencement of manufacturing of automotive seats in FYE 2022 which has a lower GP margin of 16.9% as compared to automotive covers division.

**Comparison between FYE 2022 and FYE 2023**

Our Group's GP increased by RM31.0 million or 62.2% from RM49.8 million in FYE 2022 to RM80.8 million in FYE 2023 mainly due to the improved GP for both our automotive seats and automotive covers divisions on the back of the increase in revenue generated from the sales of automotive seats and automotive covers as detailed in **Section 12.2.2(i)** of this Prospectus.

Our Group's GP margin decreased from 39.3% in FYE 2022 to 38.3% in FYE 2023 mainly due to the decrease in GP margin for the automotive seat covers as a result of the higher raw material cost as detailed in **Section 12.2.2(ii)** of this Prospectus.

**(iv) Other income**

The table below sets out the breakdown and analysis of our Group's other income for the FY Under Review:

Other income	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental income	752	30.1	793	27.2	865	29.9	872	26.3
Interest income <sup>(1)</sup>	523	20.9	758	26.0	776	26.8	694	20.9
Delivery, handling and packing charges <sup>(2)</sup>	639	25.6	735	25.2	656	22.7	563	17.0
Wages subsidy <sup>(3)</sup>	488	19.5	332	11.4	199	6.9	32	1.0
COVID-19 related rent concession income <sup>(4)</sup>	-	-	123	4.2	141	4.9	-	-
Net realised gain on foreign exchange	-	-	-	-	70	2.4	-	-
Net unrealised gain on foreign exchange	-	-	13	0.5	-	-	590	17.8
Management income <sup>(5)</sup>	38	1.5	42	1.4	42	1.4	-	-
Incentive <sup>(6)</sup>	-	-	-	-	-	-	34	1.0
Gain on lease modification	-	-	-	-	-	-	106	3.2
Gain on disposal of property, plant and equipment	-	-	26	0.9	12	0.4	267	8.1
Miscellaneous income <sup>(7)</sup>	60	2.4	94	3.2	132	4.6	155	4.7
<b>Total</b>	<b>2,500</b>	<b>100.0</b>	<b>2,916</b>	<b>100.0</b>	<b>2,893</b>	<b>100.0</b>	<b>3,313</b>	<b>100.0</b>

**Notes:**

- (1) Comprises bank interest, fixed deposit interest and interest on loans to related parties.
- (2) Comprises freight, handling and packing charges charged to overseas customers.



**12. FINANCIAL INFORMATION (CONT'D)**

- (3) Comprises, among others, wages subsidy received from SOCSO under the Wage Subsidy Programme from May 2020 to May 2022 and Inland Revenue Authority of Singapore (IRAS) in respect of wage credit scheme, a Singapore government credit scheme in connection with the wages of our employees in Singapore.
- (4) Comprises discounts/reductions on rental rates granted by the landlord of Kulim Plant 1 from July 2021 until March 2022.
- (5) Comprises income derived from services, such as finance function, information computer technology function and/or human resource function, provided to Eleven Docks, Go Auto, Bringgit Motors Sdn Bhd, Peerless Steel and GLSB.
- (6) Comprises incentive by Land Transport Authority (LTA) of Singapore in relation to the Commercial Vehicle Emissions Scheme.
- (7) Comprises, among others, scrap sales and cash rebate from bank.

**Comparison between FYE 2020 and FYE 2021**

Our Group's other income increased by RM0.4 million or 16.6% from RM2.5 million in FYE 2020 to RM2.9 million in FYE 2021. The increase was mainly due to the following:

- (i) increase in interest income by RM0.2 million or 44.9% from RM0.5 million in FYE 2020 to RM0.7 million in FYE 2021 as a result of the advance to a related party, namely Go Capital, of RM10.0 million in FYE 2021 which did not occur in FYE 2020;
- (ii) increase in delivery, handling and packing charges of RM0.1 million or 15.0% from RM0.6 million in FYE 2020 to RM0.7 million in FYE 2021 as a result of the emergency surcharge by an air freight service provider; and
- (iii) COVID-19 rent concession income of RM0.1 million in FYE 2021 arising from the rental of Kulim Plant 1 since July 2021. For avoidance of doubt, the rental of Kulim Plant 1 has only commenced since May 2021.

**Comparison between FYE 2021 and FYE 2022**

Our Group's other income remained relatively consistent at RM2.9 million for both FYEs 2021 and 2022.

**Comparison between FYE 2022 and FYE 2023**

Our Group's other income increased by RM0.4 million or 14.5% from RM2.9 million in FYE 2022 to RM3.3 million in FYE 2023. The increase was mainly due to the net unrealised gain on foreign exchange of RM0.6 million generated in FYE 2023 as a result of the appreciation of USD and SGD against RM of which were held in our bank balances in FYE 2023.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****(v) Administrative expenses**

The table below provides the breakdown of our administrative expenses for the FY Under Review:

Administrative expenses	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff cost <sup>(1)</sup>	5,122	54.9	5,499	49.9	7,849	51.9	10,115	43.9
Selling and marketing expenses <sup>(2)</sup>	1,121	12.0	1,094	9.9	1,656	11.0	1,973	8.6
Depreciation of right-of-use assets	390	4.2	655	5.9	-	-	34	0.1
Depreciation of property, plant and equipment	306	3.3	590	5.4	953	6.3	1,210	5.3
Depreciation of investment properties	252	2.7	252	2.3	252	1.7	252	1.1
Net unrealised loss on foreign exchange	244	2.6	1	Neg	290	1.9	-	-
Utilities expenses	211	2.3	196	1.8	247	1.6	232	1.0
Insurance	203	2.2	202	1.8	272	1.8	362	1.6
Upkeep expenses <sup>(3)</sup>	201	2.2	188	1.7	478	3.2	376	1.6
Inventories written off	186	2.0	22	0.2	35	0.2	2,223	9.6
Professional fees	248	2.7	292	2.7	538	3.6	696	3.0
Listing expenses	-	-	-	-	-	-	3,046	13.2
Technical assistance fees <sup>(4)</sup>	-	-	588	5.3	-	-	-	-
Bad debts written off	-	-	157	1.4	15	0.1	21	0.1
Impairment losses on trade receivables	-	-	-	-	544	3.6	-	-
Net realised loss on foreign exchange	115	1.2	32	0.3	325	2.2	473	2.1
COVID-19 related expenses <sup>(5)</sup>	3	Neg	153	1.4	77	0.5	1	Neg
Security fee	69	0.7	178	1.6	155	1.0	158	0.7
Small value assets <sup>(6)</sup>	21	0.2	47	0.4	217	1.4	114	0.5
Other expenses <sup>(7)</sup>	639	6.8	881	8.0	1,206	8.0	1,757	7.6
<b>Total</b>	<b>9,331</b>	<b>100.0</b>	<b>11,027</b>	<b>100.0</b>	<b>15,109</b>	<b>100.0</b>	<b>23,043</b>	<b>100.0</b>

**Notes:**

Neg Negligible. Being less than 0.1%.

(1) Comprises, among others, salary and bonus, director remuneration, allowance, director fee, EPF contributions and SOCSO contributions.

(2) Comprises, among others, transport charges and travelling charges.

(3) Comprises, among others, upkeep of machinery and equipment, motor vehicles and hostel.

**12. FINANCIAL INFORMATION (CONT'D)**

- (4) Comprises the technical assistance fees for manufacturing of automotive seats. For avoidance of doubt, as our Group's manufacturing of automotive seats only commenced since February 2022, the technical assistance fees were classified under administrative expenses in FYE 2021 and cost of sales in FYE 2022 in view that there was no revenue generated for our automotive seats division in FYE 2021.
- (5) Comprises, among others, expenses for COVID-19 tests, purchase of COVID-19 test kits and medical fees for employees arising from COVID-19.
- (6) Comprises assets which the value of each is less than RM1,000 and were expensed off.
- (7) Comprises, among others, bank charges, cleaning expenses, courier charges, consumable items, general expenses, printing and stationery, recruitment cost, rubbish disposing charges, telephone and internet charges and training cost.

**Comparison between FYE 2020 and FYE 2021**

Our Group's administrative expenses increased by RM1.7 million or 18.2% from RM9.3 million in FYE 2020 to RM11.0 million in FYE 2021. The increase was mainly due to the following:

- (i) technical assistance fees of RM0.6 million in FYE 2021 for the manufacturing of automotive seats which was not incurred in FYE 2020;
- (ii) increase in staff cost of RM0.4 million or 7.4% from RM5.1 million in FYE 2020 to RM5.5 million in FYE 2021 mainly attributable to higher provision of bonus and allowance;
- (iii) increase in depreciation of property, plant and equipment of RM0.3 million or 92.8% from RM0.3 million in FYE 2020 to RM0.6 million in FYE 2021 in line with the addition of property, plant and equipment;
- (iv) increase in depreciation of right-of-use assets of RM0.3 million or 67.9% from RM0.4 million in FYE 2020 to RM0.7 million in FYE 2021 in tandem with the addition of right-of-use assets; and
- (v) bad debts written off of RM0.2 million in FYE 2021 which was not incurred in FYE 2020 as a result of long outstanding debts that had no reasonable expectation of recovery. The bad debts written off were not from our major customers and we have ceased to provide our products to these customers.

**Comparison between FYE 2021 and FYE 2022**

Our Group's administrative expenses increased by RM4.1 million or 37.0% from RM11.0 million in FYE 2021 to RM15.1 million in FYE 2022. The increase was mainly due to the following:

- (i) increase in staff cost of RM2.3 million or 42.7% from RM5.5 million in FYE 2021 to RM7.8 million in FYE 2022 as a result of the increase in salary and bonus as well as allowance in FYE 2022;
- (ii) increase in selling and marketing expenses of RM0.6 million from RM1.1 million in FYE 2021 to RM1.7 million in FYE 2022 as a result of increase in travelling charges;

**12. FINANCIAL INFORMATION (CONT'D)**

- (iii) impairment losses on trade receivables of RM0.5 million in FYE 2022, arising from our customers in the automotive covers division mainly due to the trade receivables being long outstanding beyond normal credit period granted by us to the customers, which are currently still pending negotiations with our customers on the settlement as at the LPD;
- (iv) increase in depreciation of property, plant and equipment of RM0.4 million from RM0.6 million in FYE 2021 to RM1.0 million in FYE 2022 as a result of addition of motor vehicles and office equipment in FYE 2022; and
- (v) increase in net realised loss on foreign exchange of RM0.3 million from RM0.03 million in FYE 2021 to RM0.3 million in FYE 2022 mainly due to weakening of RM against KRW in relation to the purchases of automotive seat parts from Daewon.

**Comparison between FYE 2022 and FYE 2023**

Our Group's administrative expenses increased by RM7.9 million or 52.5% from RM15.1 million in FYE 2022 to RM23.0 million in FYE 2023. The increase was mainly due to the following:

- (i) listing expenses of RM3.0 million in FYE 2023 comprising professional fees of the advisers for our Listing, fees paid to authorities and other miscellaneous fees and expenses in relation to our Listing;
- (ii) increase in staff cost of RM2.3 million or 28.9% from RM7.8 million in FYE 2022 to RM10.1 million in FYE 2023 as a result of increase in salary and bonus as well as Directors' remuneration which take into account, among others, the increased responsibilities of our Executive Directors (including our Chief Executive Officer) vis-à-vis the growth in our Group's business and financial performance;
- (iii) increase in inventories written off of RM2.2 million from RM0.04 million in FYE 2022 to RM2.2 million in FYE 2023 which mainly comprises raw materials with distinct specifications relating to automotive covers (such as, among others, leather, synthetic leather and fabric) for which our customer did not order according to the forecast orders and are not useable for other car models as well as finished goods which were no longer being saleable, i.e. damaged due to fungus and relating to car models which have been phased out, of which the breakdown is as follows:

	<b>RM'000</b>
Raw materials	1,554
Damaged finished goods	31
Phased out finished goods	638
<b>Total</b>	<b>2,223</b>

As at the LPD, we have claimed for and mutually agreed with our respective customer on the compensations in relation to the abovementioned inventories written off amounting to approximately RM1.2 million. We have yet to receive any compensations from our customers as at the LPD and, based on our follow-up calls and our continuing business relationship with the said customers, we expect the compensations to be received by 3<sup>rd</sup> quarter of 2024. For avoidance of doubt, there will not be any impact to our Group's financial performance in the event such compensations were not paid by our customers as these amounts have been written off in FYE 2023; and

- (iv) increase in selling and marketing expenses of RM0.3 million from RM1.7 million in FYE 2022 to RM2.0 million in FYE 2023 as a result of increase in transport charges and travelling charges.

**12. FINANCIAL INFORMATION (CONT'D)****(vi) Finance costs**

The table below sets out the breakdown of our finance costs for the FY Under Review:

Finance cost	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on term loans	362	75.9	350	59.4	369	61.5	714	70.6
Interest expenses on lease liabilities	115	24.1	239	40.6	231	38.5	297	29.4
<b>Total</b>	<b>477</b>	<b>100.0</b>	<b>589</b>	<b>100.0</b>	<b>600</b>	<b>100.0</b>	<b>1,011</b>	<b>100.0</b>

**Comparison between FYE 2020 and FYE 2021**

Our Group's finance costs increased by RM0.1 million or 23.5% from RM0.5 million in FYE 2020 to RM0.6 million in FYE 2021. The increase was mainly due to the increase in interest expenses on lease liabilities of RM0.1 million or 107.83% from RM0.1 million in FYE 2020 to RM0.2 million in FYE 2021, in tandem with the increase in lease liabilities for the right-of-use assets, namely our Kulim Plant 1 and land of Tampoi Plant.

**Comparison between FYE 2021 and FYE 2022**

Our Group's finance costs remained relatively constant at RM0.6 million for both FYEs 2021 and 2022.

**Comparison between FYE 2022 and FYE 2023**

Our Group's finance costs increased by RM0.4 million or 68.5% from RM0.6 million in FYE 2022 to RM1.0 million in FYE 2023. The increase was mainly due to the following:

- (i) increase in interest expenses on term loan of RM0.3 million or 93.5% from RM0.4 million in FYE 2022 to RM0.7 million in FYE 2023, in tandem with the increase in term loans which are mainly for the acquisition of land for Kulim Plant 2; and
- (ii) increase in interest expenses on lease liabilities of RM0.1 million or 28.6% from RM0.2 million in FYE 2022 to RM0.3 million in FYE 2023, in tandem with the increase in lease liabilities for the right-of-use assets, namely the land of Tampoi Plant.

**(vii) PBT, PAT and effective tax rate**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	21,755	25,671	36,991	60,062
PBT margin (%)	27.4	30.1	29.2	28.4
Income tax expense (RM'000)	3,627	6,622	9,398	16,186
Effective tax rate (%)	16.7	25.8	25.4	26.9
Statutory tax rate (%)	24.0	24.0	24.0	24.0
PAT (RM'000)	18,128	19,049	27,593	43,876
PAT margin (%)	22.8	22.4	21.7	20.8

**12. FINANCIAL INFORMATION (CONT'D)****Comparison between FYE 2020 and FYE 2021**

Our Group's PBT increased by RM3.9 million or 18.0% from RM21.8 million in FYE 2020 to RM25.7 million in FYE 2021, which was mainly due to the increase in our GP for the FYE 2021 as detailed in **Section 12.2.2(iii)** of this Prospectus.

Our Group's PBT margin increased from 27.4% in FYE 2020 to 30.1% in FYE 2021 mainly attributable to the increase in our GP margin from 36.6% in FYE 2020 to 40.4% in FYE 2021 as detailed in **Section 12.2.2(iii)** of this Prospectus and the increase in the other income of RM0.4 million in FYE 2021, as detailed in **Section 12.2.2(iv)** of this Prospectus.

For the FYE 2020, our Group has incurred income tax expense of RM3.6 million with an effective tax rate of 16.7% which was lower than the statutory tax rate of 24.0%. This was mainly due to the tax incentive of RM1.5 million in relation to the reinvestment allowance for the construction of our Tampoi Plant and purchase of machinery in FYE 2020.

For the FYE 2021, our Group has incurred income tax expense of RM6.6 million with an effective tax rate of 25.8% which was higher than the statutory tax rate of 24.0%. This was mainly due to the adjustments in respect of deferred tax of prior years of RM0.5 million and the non-deductible expenses of RM0.5 million incurred by Feytech SB in FYE 2021, which had only commenced its manufacturing of automotive seats activity since February 2022.

In view of the foregoing, our Group's PAT increased by RM0.9 million or 5.1% from RM18.1 million in FYE 2020 to RM19.0 million in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our Group's PBT increased by RM11.3 million or 44.1% from RM25.7 million in FYE 2021 to RM37.0 million in FYE 2022, which was mainly due to the increase in our GP for the FYE 2022 as detailed in **Section 12.2.2(iii)** of this Prospectus.

Our Group's PBT margin decreased from 30.1% in FYE 2021 to 29.2% in FYE 2022 mainly attributable to the following:

- (i) increase in administrative expenses of RM4.1 million in FYE 2022 as detailed in **Section 12.2.2(v)** of this Prospectus; and
- (ii) decrease in GP margin from 40.4% in FYE 2021 to 39.3% in FYE 2022 as detailed in **Section 12.2.2(iii)** of this Prospectus.

For the FYE 2022, our Group has incurred income tax expense of RM9.4 million with an effective tax rate of 25.4% which was higher than the statutory tax rate of 24.0%. This was mainly due to the following:

- (i) non-deductible expenses of RM0.5 million, arising from the increase in depreciation of property, plant and equipment of Feytech SB and net unrealised loss on foreign exchange; and
- (ii) deferred tax not recognised on tax losses and temporary differences of RM0.1 million.

In view of the foregoing, our Group's PAT increased by RM8.6 million or 44.9% from RM19.0 million in FYE 2021 to RM27.6 million in FYE 2022.

**Comparison between FYE 2022 and FYE 2023**

Our Group's PBT increased by RM23.1 million or 62.4% from RM37.0 million in FYE 2022 to RM60.1 million in FYE 2023, which was mainly due to the increase in our GP for the FYE 2023 as detailed in **Section 12.2.2(iii)** of this Prospectus.

**12. FINANCIAL INFORMATION (CONT'D)**

Our Group's PBT margin decreased from 29.2% in FYE 2022 to 28.4% in FYE 2023 mainly attributable to the following:

- (i) increase in administrative expenses of RM7.9 million in FYE 2023 as detailed in **Section 12.2.2(v)** of this Prospectus; and
- (ii) decrease in GP margin from 39.3% in FYE 2022 to 38.3% in FYE 2023 as detailed in **Section 12.2.2(iii)** of this Prospectus.

For the FYE 2023, our Group has incurred income tax expense of RM16.2 million with an effective tax rate of 26.9% which was higher than the statutory tax rate of 24.0%. This was mainly due to increase in non-deductible expenses such as listing expenses and depreciation charges in respect of property, plant and equipment, right-of-use assets and investment properties.

In view of the foregoing, our Group's PAT increased by RM16.3 million or 59.0% from RM27.6 million in FYE 2022 to RM43.9 million in FYE 2023.

**12.3 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Our financial condition and results of operations have been and will continue to be affected by various key factors primarily relating to the industry in which we operate. These factors include but are not limited to the following:

**(a) Dependent on contracts and agreements secured with automotive vehicle OEMs**

As at the LPD, our Group's business or profitability is materially dependent on the contracts as set out in **Section 7.19** of this Prospectus. Our Group is dependent on automotive vehicle OEMs whom have appointed our Group for the supply of automotive covers (either supply to the appointed Tier 1 automotive seat and/or interior part manufacturers or directly to the automotive vehicle OEMs) and automotive seats (directly to the automotive vehicle OEMs), namely the Local OEM, Mazda Malaysia and Kia Malaysia.

The Local OEM, Mazda Malaysia and Kia Malaysia collectively contributed approximately 81.2%, 85.7%, 90.2% and 93.0% to our Group's total revenue for the past 4 FYEs 2020, 2021, 2022 and 2023, respectively.

The termination or loss of any of our abovementioned contracts with the automotive vehicle OEMs will have material adverse impact to our business, financial condition, results of operations and prospects.

Further details of the risk relating to our dependency on contracts and agreements secured with automotive vehicle OEMs are set out in **Section 9.1.1** of this Prospectus.

**(b) Dependent on our major customers and/or automotive vehicle OEMs that have appointed these major customers**

Our Group's major customers, namely APM companies, Mazda Malaysia, Kia Malaysia and Adient companies, collectively contributed 78.8%, 84.9%, 89.4% and 94.1% to the Group's revenue in FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

In respect of Tier 1 automotive seat and/or interior part manufacturers, our Group is dependent on them to the extent of the purchase orders received from them. As an automotive cover and automotive seat manufacturer, our business is tied to that of the automotive vehicle OEMs' business and the automotive industry. As such, our Group's business would ultimately be impacted should these automotive vehicle OEMs' manufacturing facilities be disrupted or business face any loss in market share, financial difficulty and/or if an economic downturn affects the demand for their products.



---

**12. FINANCIAL INFORMATION (CONT'D)**

---

Any loss of our major customers, as well as automotive vehicle OEMs that have appointed the Tier 1 automotive seat and/or interior part manufacturers who are our Group's major customers, could materially and adversely impact our Group's business, financial condition, results of operations and prospects.

Further details of the risk relating to our dependency on our major customers and/or automotive vehicle OEMs that have appointed these major customers are set out in **Section 9.1.2** of this Prospectus.

**(c) Sudden disruptions caused by outbreak of pandemics such as COVID-19 virus**

We have faced disruptions during the MCOs and circuit breaker that was implemented in 2020 and 2021 to curb the spreading of the COVID-19 pandemic as detailed in **Section 7.15** of this Prospectus.

Any future pandemic outbreaks such as the COVID-19 virus, as well as epidemic outbreaks affecting a significantly large but more localised population, may result in similar interruptions to our Group's business and operations, hence, a material adverse impact on our financial performance.

**(d) Impact of fluctuations in prices for leather and synthetic leather automotive cover materials**

Automotive cover materials are the major cost component in the manufacturing of automotive covers and leather and synthetic leather automotive cover materials are the main types of automotive cover materials used. For the FY Under Review, leather and synthetic leather automotive cover materials constituted between 20.8% and 34.1% of our total purchases.

Fluctuations in leather and synthetic leather automotive cover materials could impact our profit margins and/or selling prices of our automotive covers. Should there be significant and prolonged price fluctuations in leather and synthetic leather automotive cover materials, this could adversely impact our profit margins which would consequently impact our financial performance. If we are unable to pass on any increased cost to our customers in a timely manner, our Group's business and financial performance will be adversely affected.

[ The rest of this page has been intentionally left blank ]

---

## 12. FINANCIAL INFORMATION (CONT'D)

---

### 12.4 LIQUIDITY AND CAPITAL RESOURCES

#### 12.4.1 Working capital

Our business had been financed from a combination of internal and external sources comprising shareholders' equity and cash generated from our operations while external sources are banking facilities from financial institutions. The principal utilisation of these funds has been for our business operations and growth.

Based on our statement of financial position as at 31 December 2023, our Group has cash and cash equivalents of RM62.5 million and total borrowings (excluding lease liabilities of the right-of-use assets) of RM18.9 million. As at 31 December 2023, our Group's gearing ratio was 0.1 time and current ratio was 3.2 times.

As at the LPD, our Group has banking facilities available (excluding term loans and hire purchase) amounting to RM1.0 million, of which approximately RM0.9 million has yet to be utilised.

Our Directors are of the opinion that we will have adequate working capital to meet our present and foreseeable requirements for a period of at least 12 months from the date of this Prospectus after taking into consideration the following:

- (i) our cash and cash equivalents;
- (ii) the expected profits and cash flows to be generated from our business operations;
- (iii) the unutilised credit limit available under our existing banking facilities;
- (iv) the cost of acquisition of the land for Tanjong Malim Plant as detailed in **Section 7.27.1** of this Prospectus; and
- (v) proceeds expected to be raised from the Public Issue.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****12.4.2 Cash flows**

The summary of our Group's cash flow based on our Group's historical combined statements of cash flows for the FY Under Review is as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	13,723	24,102	16,835	52,418
Net cash used in investing activities	(7,450)	(1,557)	(2,713)	(17,987)
Net cash from / (used in) financing activities	5,823	(20,922)	(13,334)	(2,897)
Net increase in cash and cash equivalents	12,096	1,623	788	31,534
Cash and cash equivalents at the beginning of the financial year	16,028	28,191	29,785	30,383
Effect of exchange rate changes on cash and bank balances	67	(29)	(190)	594
<b>Cash and cash equivalents at the end of the financial years</b>	<b>28,191</b>	<b>29,785</b>	<b>30,383</b>	<b>62,511</b>

Details of the cash and cash equivalents are as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term deposits	220	224	228	232
Less: Pledged deposits	(220)	(224)	(228)	(232)
	-	-	-	-
Cash and bank balances	28,191	29,785	30,383	62,511
<b>Cash and cash equivalents at the end of the financial years</b>	<b>28,191</b>	<b>29,785</b>	<b>30,383</b>	<b>62,511</b>

Most of our cash and cash equivalents are held in RM, USD, AUD, JPY, NZD, RMB and SGD.

**(a) Net cash from operating activities****FYE 2020**

For the FYE 2020, our Group recorded net cash generated from operating activities of RM13.7 million. Our collections of RM84.6 million was partially offset by our payments of RM70.9 million. Such payments were mainly for:

- (i) payments to trade and non-trade suppliers of RM48.9 million;
- (ii) staff costs and directors' remuneration of RM14.3 million;
- (iii) income tax paid of RM5.4 million; and
- (iv) payment for other expenses of RM2.3 million.

**12. FINANCIAL INFORMATION (CONT'D)****FYE 2021**

For the FYE 2021, our Group recorded net cash generated from operating activities of RM24.1 million. Our collections of RM81.0 million was partially offset by our payments of RM56.9 million. Such payments were mainly for:

- (i) payments to trade and non-trade suppliers of RM33.9 million;
- (ii) staff costs and directors' remuneration of RM12.6 million;
- (iii) income tax paid of RM5.6 million; and
- (iv) payment for other expenses of RM4.8 million.

**FYE 2022**

For the FYE 2022, our Group recorded net cash generated from operating activities of RM16.8 million. Our collections of RM119.7 million was partially offset by our payments of RM102.9 million. Such payments were mainly for:

- (i) payments to trade and non-trade suppliers of RM68.9 million;
- (ii) staff costs and directors' remuneration of RM18.6 million;
- (iii) income tax paid of RM7.0 million; and
- (iv) payment for other expenses of RM8.4 million.

**FYE 2023**

For the FYE 2023, our Group recorded net cash generated from operating activities of RM52.4 million. Our collections of RM211.2 million was partially offset by our payments of RM158.7 million. Such payments were mainly for:

- (i) payments to trade and non-trade suppliers of RM109.2 million;
- (ii) staff costs and directors' remuneration of RM24.0 million;
- (iii) income tax paid of RM17.5 million; and
- (iv) payment for other expenses of RM8.0 million.

**(b) Net cash used in investing activities****FYE 2020**

For the FYE 2020, our Group recorded net cash used in investing activities of RM7.5 million. Our Group's cash outflows in investing activities for the FYE 2020 are mainly as follows:

- (i) construction of our Tampoi Plant of RM6.5 million;
- (ii) purchase of machinery and equipment of RM1.8 million which consist of, among others, leather cutting machine, leveller and racking system;
- (iii) renovation of Tampoi Plant, PJ Hub and staff hostel of RM0.9 million;
- (iv) purchase of electrical equipment and electrical installation of RM0.7 million;
- (v) purchase of motor vehicle of RM0.3 million; and

**12. FINANCIAL INFORMATION (CONT'D)**

- (vi) purchases of air-conditioner, computer and software, office equipment and signboard of RM0.1 million.

Our Group's cash outflows in investing activities as detailed above was partially offset by the withdrawal of fixed deposit of RM2.9 million in the FYE 2020.

**FYE 2021**

For the FYE 2021, our Group recorded net cash used in investing activities of RM1.6 million. Our Group's cash outflows in investing activities for the FYE 2021 are mainly as follows:

- (i) purchase of machinery and equipment of RM1.0 million which consist of, among others, conveyor line, lockstitch machine and testing equipment for QA function;
- (ii) purchase of motor vehicle of RM0.1 million;
- (iii) electrical installation for our Kulim Plant 1 and Tampoi Plant of RM0.1 million;
- (iv) renovation of Kulim Plant 1 and PJ Hub of RM0.2 million; and
- (v) purchase of furniture and fittings and computer, software and accessories of RM0.1 million.

Our Group's cash outflows in investing activities as detailed above was marginally offset by proceeds from the disposal of machinery and equipment of RM0.03 million in the FYE 2021, which consist of, among others, truck and forklift.

**FYE 2022**

For the FYE 2022, our Group recorded net cash used in investing activities of RM2.7 million. Our Group's cash outflows in investing activities for the FYE 2022 are mainly as follows:

- (i) purchase of machinery and equipment of RM1.4 million, which consist of, among others, conveyor lines and testing equipment for QA/QC function;
- (ii) purchase of motor vehicles of RM0.6 million;
- (iii) purchase of office equipment of RM0.4 million;
- (iv) purchase of electrical equipment of RM0.1 million;
- (v) renovation of Tampoi Plant and Kulim Plant 1 of RM0.1 million; and
- (vi) purchase of computer and software of RM0.1 million.

Our Group's cash outflows in investing activities as detailed above was marginally offset by proceeds from disposal of motor vehicle of RM0.02 million in the FYE 2022.

**FYE 2023**

For the FYE 2023, our Group recorded net cash used in investing activities of RM18.0 million. Our Group's cash outflows in investing activities for the FYE 2023 are mainly as follows:

- (i) purchase of the land for Kulim Plant 2 of RM13.8 million;
- (ii) purchase of machinery and equipment of RM2.3 million, which consist of, among others, automated cutting machine and mold punching machine;

**12. FINANCIAL INFORMATION (CONT'D)**

- (iii) purchase of right-of-use assets of RM1.9 million, which consist of, among others, tooling and machinery equipment;
- (iv) purchase of motor vehicles of RM0.3 million;
- (v) purchase of furniture and fittings of RM0.1 million;
- (vi) purchase of computer and software of RM0.1 million; and
- (vii) purchase of office equipment of RM0.1 million.

Our Group's cash outflows in investing activities as detailed above was marginally offset by proceeds from disposal of motor vehicles of RM0.6 million in the FYE 2023.

**(c) Net cash (used in)/ from financing activities****FYE 2020**

For the FYE 2020, our Group recorded net cash generated from financing activities of RM5.8 million. Our Group's cash inflows from financing activities for the FYE 2020 are mainly as follows:

- (i) collection of amounts owing from Eleven Docks of RM5.0 million and Peerless Steel Sdn Bhd of RM1.1 million; and
- (ii) proceeds received from the drawdown of term loans of RM3.7 million mainly for the working capital of Gosford Singapore.

Our Group's cash inflows from financing activities as detailed above was partially offset by payment of dividend declared by Trimex Malaysia of RM1.9 million in the FYE 2020 and payment of lease liabilities of RM1.1 million as well as repayment of term loans of RM0.8 million.

**FYE 2021**

For the FYE 2021, our Group recorded net cash used in financing activities of RM20.9 million. Our Group's cash outflows in financing activities for the FYE 2021 are mainly as follows:

- (i) payment of dividend declared by Gosford Malaysia for the FYEs 2020 and 2021 of RM10.8 million;
- (ii) advance made to a related party, namely Go Capital, of RM10.0 million;
- (iii) repayment of term loans of RM1.5 million; and
- (iv) payment of lease liabilities of RM1.1 million.

Our Group's cash outflows in financing activities as detailed above was partially offset by the advances from a shareholder, namely Tan Sun Sun, of RM2.5 million for the working capital of Feytech SB.

**FYE 2022**

For the FYE 2022, our Group recorded net cash used in financing activities of RM13.3 million. Our Group's cash outflows in financing activities for the FYE 2022 are mainly as follows:

- (i) payment of dividend declared by Gosford Malaysia for the FYE 2020 to FYE 2022 of RM10.0 million;

## 12. FINANCIAL INFORMATION (CONT'D)

- (ii) repayment of term loans of RM2.7 million;
- (iii) advances made to related parties, namely Go Capital and Peerless Steel, of RM2.0 million and RM0.2 million respectively;
- (iv) advances made to a director, namely Go Yoong Chang, of RM2.0 million; and
- (v) payment of lease liabilities of RM1.4 million.

Our Group's cash outflows in financing activities as detailed above was partially offset by collection of amounts owing by a related party, namely Go Capital, and a shareholder, namely Tan Sun Sun, of RM4.3 million and RM1.2 million respectively.

### **FYE 2023**

For the FYE 2023, our Group recorded net cash used in financing activities of RM2.9 million. Our Group's cash outflows in financing activities for the FYE 2023 are mainly as follows:

- (i) payment of dividend declared by Gosford Malaysia for the FYE 2022 of RM14.0 million and Trimex Malaysia for the FYE 2023 of RM1.5 million;
- (ii) repayment of advances from a shareholder, namely Tan Sun Sun, of RM3.8 million, whereupon the advances from the said shareholder was fully repaid;
- (iii) repayment of term loans of RM2.4 million;
- (iv) payment of lease liabilities of RM1.9 million; and
- (v) payment of interest of RM1.0 million.

Our Group's cash outflows in financing activities as detailed above was partially offset by the following cash inflows:

- (i) drawdown of term loans of RM11.0 million for the acquisition of land for Kulim Plant 2;
- (ii) repayment of advances made to related parties, among others, Go Capital and Peerless Steel, of RM8.6 million; and
- (iii) repayment of advances made to a Director, namely Go Yoong Chang, of RM2.0 million.

### **12.4.3 Lease liabilities and bank borrowings**

As at 31 December 2023, our Group's total outstanding bank borrowings was RM18.9 million, all of which were interest-bearing. The details of our bank borrowings are set out below:

		<b>As at 31 December 2023</b>		
		<b>Payable within 12 months</b>	<b>Payable after 12 months</b>	<b>Total</b>
<b>Notes</b>		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Lease liabilities	(1)	328	450	778
Term loans	(2)	1,529	16,588	18,117
<b>Total</b>		<b>1,857</b>	<b>17,038</b>	<b>18,895</b>

**Gearing ratio (times)<sup>(3)</sup>** **0.1**

Currency profile of borrowings:

- RM 18,895

**12. FINANCIAL INFORMATION (CONT'D)****Notes:**

- (1) Lease liabilities (excluding lease liabilities for right-of-use assets) were mainly for our hire purchase of motor vehicles.
- (2) Term loans were mainly for the acquisition of the land for Kulim Plant 2, construction of our Tampoi Plant and acquisitions of our investment properties, i.e., 1 unit of 1-storey factory building attached with a 3-storey showroom and warehouse located in Tebrau, Johor as well as 1 unit of 2-storey shop office located in Batu Pahat, Johor, both acquired by Trimex Malaysia in March 2016 and March 2015 respectively. As at the LPD, the abovementioned investment properties are rented out to collect rental income.

The abovementioned investment properties are not included as material properties owned by our Group in **Section 7.21.1** of this Prospectus as the properties are not material to our Group in view that the properties are not used for our business operations, and as at 31 December 2023, the rental income derived from the rental of such properties is approximately 2.0% of our Group's PAT in FYE 2023.

- (3) Calculated based on our total lease liabilities (excluding lease liabilities for the right-of-use assets) and bank borrowings divided by our total equity as at 31 December 2023.

The details of the types of credit facilities that our Group uses and its unutilised balances as at the LPD are as follows:

<b>Types of credit facilities</b>	<b>Tenure (years)</b>	<b>Interest rate / Profit rate % per annum</b>	<b>Credit limit</b>	<b>Balance unutilised as at the LPD</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>Term loans</b>				
- Term loan A	10	i-COF <sup>(1)</sup> +1.00%	4,000	-
- Term loan B	15	i-COF <sup>(1)</sup> +1.10%	11,000	-
- Term loan C	17	2.20%	7,480	-
- Term loan D	10	i-COF <sup>(1)</sup> +1.00%	870	734
Hire purchase	3	4.29% - 4.67%	1,011	-
Trade financing facility	Nil	Nil	1,000	879
<b>Total</b>			<b>25,361</b>	<b>1,613</b>

**Note:**

- (1) Being Islamic Cost of Fund.

The above facilities are all secured by legal charges, joint and several guarantees of our Directors, corporate guarantee of Gosford Malaysia and/or fixed deposits pledged for banking facilities.

The personal guarantees provided by our Directors, namely Go Yoong Chang and Tan Sun Sun, had been discharged and replaced with the corporate guarantee by our Company on 16 April 2024.

As at the LPD, all of our Group's borrowings were interest bearing borrowings. Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the borrowings for the FY Under Review and up to the LPD.

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



**12. FINANCIAL INFORMATION (CONT'D)**

As at 31 December 2023, our Group's floating and fixed rate borrowings and lease liabilities are set out below:

	<b>RM'000</b>
Floating rate borrowings	18,117
Fixed rate borrowings and lease liabilities <sup>(1)</sup>	778
<b>Total borrowings and lease liabilities</b>	<b>18,895</b>

**Note:**

(1) Excluding lease liabilities for the right-of-use assets.

The maturity profile of our borrowings and lease liabilities as at 31 December 2023 is set out below:

	<b>Term loans</b>	<b>Lease liabilities <sup>(1)</sup></b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Within 1 year	1,508	328	1,836
More than 1 year but not more than 2 years	1,560	291	1,851
More than 2 years but not more than 5 years	4,802	159	4,961
More than 5 years	10,247 <sup>(2)</sup>	-	10,247
<b>Total</b>	<b>18,117</b>	<b>778</b>	<b>18,895</b>

**Notes:**

- (1) Excluding lease liabilities for the right-of-use assets.
- (2) Were mainly used for the acquisition of land for Kulim Plant 2, construction of our Tampoi Plant and acquisitions of our investment properties, i.e., 1 unit of 1-storey factory building and 3-storey showroom and warehouse located in Tebrau, Johor and 1 unit of 2-storey shop office located in Batu Pahat, Johor, both acquired by Trimex Malaysia in March 2016 and March 2015 respectively.

**12.4.4 Types of financial instruments used, treasury policies and objectives**

The financial instruments of our Group which are used in the ordinary course of business of our Group, from an accounting perspective, may include financial assets such as fixed deposits with licensed banks, cash and bank balances, trade and other receivables excluding prepayment and financial liabilities such as trade and other payables, lease liabilities and bank borrowings.

Our treasury objective is to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities, if any, by maintaining adequate liquidity and credit facilities. We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations.

Our liquidity and funding objectives are designed to meet our funding requirements, which include primarily payment for services, purchase of raw materials and consumables, wages and salaries, interest and principal payments on outstanding bank borrowings and general obligations such as administrative expenses.

We have historically relied on cash generated from our operating activities, credit extended by our vendors, lease payables and term loans. Our funding objective is to obtain the most suitable types of financing and favourable cost of funding as our financing needs arise. Bank borrowings are negotiated with a view to secure the best possible terms and rates of interest.

Our Group has exposure to foreign currency risk through revenue generated from international customers. Our Group's exposure to foreign currency risk makes up a small percentage of our total revenue as it only represented 12.5%, 9.5%, 5.2% and 3.0% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Our Group did not enter into any forward currency

**12. FINANCIAL INFORMATION (CONT'D)**

contract or hedging transaction to manage exposures to currency risk for receivables and payables which are denominated in currencies other than the functional currency of our Group.

As at the LPD, save for the lease liabilities and bank borrowings as disclosed above, our Group does not use any other financial instruments.

**12.4.5 Material capital commitment**

As at the LPD, our Group has no material commitments (including commitments to be incurred) for capital expenditure.

**12.4.6 Material litigation, claims or arbitration and contingent liabilities****(i) Material litigation, claims or arbitration**

As at the LPD, our Group is not engaged in any material litigation, claim and/or arbitration, whether as plaintiff or defendant, which might and adversely affect our business or financial position, and our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact to give rise to any legal proceeding which may materially and adversely affect on our business or financial position, in the 12 months immediately preceding the date of this Prospectus.

**(ii) Contingent liabilities**

As at the LPD, our Directors confirm that there are no material contingent liabilities incurred by our Group, which upon becoming enforceable, may have a material effect on our Group's business, financial results or position.

**12.4.7 Key Financial Ratios**

The following table sets out certain key financial ratios of our Group based on the combined financial statements of our Group for the FY Under Review:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Average trade receivables turnover period (days) <sup>(1)</sup>	108	100	84	63
Average trade payables turnover period (days) <sup>(2)</sup>	111	60	41	46
Average inventory turnover period (days) <sup>(3)</sup>	146	126	120	112
Current ratio (times) <sup>(4)</sup>	3.6	3.3	2.4	3.2
Gearing ratio (times) <sup>(5)</sup>	0.2	0.2	0.1	0.1

**Notes:**

- (1) Computed based on average trade receivables over the total revenue of the respective financial year multiplied by 365 days.

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Opening trade receivables (RM'000)	25,874	20,978	25,580	33,107
Closing trade receivables (RM'000)	20,978	25,580	33,107	39,447
Revenue (RM'000)	79,368	85,179	126,877	211,223
Average trade receivables turnover period (days)	108	100	84	63

- (2) Computed based on average trade payables over the total purchases of the respective financial year multiplied by 365 days.

**12. FINANCIAL INFORMATION (CONT'D)**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Opening trade payables (RM'000)	16,986	5,074	6,972	10,936
Closing trade payables (RM'000)	5,074	6,972	10,936	19,747
Purchases (RM'000)	36,260	36,531	79,272	120,546
Average trade payables turnover period (days)	111	60	41	46

- (3) Computed based on average inventory over the total cost of sales of the respective financial year multiplied by 365 days.

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Opening inventory (RM'000)	21,041	19,121	15,883	34,920
Closing inventory (RM'000)	19,121	15,883	34,920	45,082
Cost of sales (RM'000)	50,305	50,808	77,070	130,420
Average inventory turnover period (days)	146	126	120	112

- (4) Computed based on current assets over current liabilities as at the respective financial year end.
- (5) Computed based on the total borrowings and lease liabilities (excluding lease liabilities for the right-of-use assets) over total equity as at the respective financial year end.

**12.4.8 Trade receivables**

All our Group's trade receivables are classified as current assets. The normal credit terms granted by our Group ranges from 30 to 90 days from the date of invoice. Our Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with the customers, payment history, customer's creditworthiness, quantum of amount owing to us, and any reasons behind the customers' failure to pay within the normal credit period (if applicable).

We use ageing analysis to monitor the credit quality of our trade receivables. In addition, our management assesses our trade receivables individually as to their aging condition and collectability. Among the factors considered in determining whether to provide for impairment losses include, significant financial difficulty of the issuer or the borrower and a breach of contract, such as a default of past due event. Our management will also take necessary actions which include entering into negotiations/ settlement arrangements with the relevant parties to recover the amounts outstanding.

**FYE 2020**

Our Group's average trade receivables turnover for FYE 2020 of 108 days, exceeded our normal credit terms mainly due to slower collection from Mazda Malaysia and Adient group of companies as a result of business disruption during MCO.

---

**12. FINANCIAL INFORMATION (CONT'D)**


---

**FYE 2021**

Notwithstanding the improvement from 108 days for FYE 2020, our Group's average trade receivables turnover for FYE 2021 of 100 days, exceeded our normal credit terms mainly due to higher sales in the fourth quarter of FYE 2021 as a result of backlog of product orders but pending delivery during the FMCO from June to August 2021. Hence, such orders could only be delivered and recorded as sales in the fourth quarter of FYE 2021 which then resulted in high trade receivables as at 31 December 2021.

**FYE 2022**

Our Group's average trade receivables turnover further improved from 100 days for FYE 2021 to 84 days for FYE 2022 despite the increase in trade receivables as at the end of FYE 2022 as most of our customers paid within the normal credit period granted to them (i.e. within 30 to 90 days from the date of invoice<sup>(1)</sup>) in FYE 2022. The average trade receivables turnover period of 84 days for FYE 2022 falls within our normal credit terms granted to our customers.

**FYE 2023**

Our Group's average trade receivables turnover further improved from 84 days for FYE 2022 to 63 days for FYE 2023 despite the increase in trade receivables as at the end of FYE 2023 as most of our customers paid within the normal credit period granted to them (i.e. within 30 to 90 days from the date of invoice<sup>(1)</sup>) in FYE 2023.

**Note:**

- (1) The credit terms granted by our Group to our customers from different market segments are as follows:

<b><u>Market segments</u></b>	<b><u>Credit terms (days)</u></b>
OEM	30 to 90
REM	Cash term or 30 to 90
PDI	60 to 90

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)**

Our Group's trade receivable ageing analysis as at 31 December 2023 is as follows:

	Within credit period	Exceed credit period (past due days)					Total
		1 – 30	31 – 60	61 – 90	91 – 120	>120	
Trade receivables (RM'000)	24,020	10,043	4,470	252	430	767	39,982
Less: Impairment <sup>(1)</sup> (RM'000)	-	-	-	-	-	(535)	(535)
Net trade receivables (RM'000)	24,020	10,043	4,470	252	430	232	39,447
Proportion of total net trade receivables (%)	60.9	25.5	11.3	0.6	1.1	0.6	100.0
Subsequent collections up to the LPD (RM'000)	21,052	9,656	4,065	99	422	232	35,526
Outstanding net trade receivables as at the LPD (RM'000)	2,968	387	405	153	8	-	3,921
% net trade receivables as at the LPD over total net trade receivables	7.5	1.0	1.0	0.4	Neg	-	9.9

Note:

Neg Negligible. Being less than 0.01%.

(1) Mainly due to the trade receivables being long outstanding beyond normal credit period granted by us to the customers, which are currently still pending negotiations with our customers on the settlement as at the LPD.

As at 31 December 2023, approximately RM15.4 million or 39.1% of our Group's trade receivables exceeded the normal credit period mainly due to temporary delays in payment from certain customers, of which RM14.5 million was subsequently collected by our Group up to the LPD. The remaining RM0.9 million has yet to be collected as at the LPD mainly due to delay in payment by our customers. We have taken continuous effort to collect the overdue outstanding amount through follow-up calls to our customers and we are of the view that the amount due are collectible in view of our Group's business relationship with the said customers, their past records of payment and the amount due is not disputed by our customers.

---

**12. FINANCIAL INFORMATION (CONT'D)**

---

**12.4.9 Trade payables**

All our Group's trade payables are classified as current liabilities. The normal credit terms granted by our suppliers ranges from 30 to 60 days which are dependent on the suppliers and the type of supplies or services procured. Our average trade payables turnover period for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 were 111 days, 60 days, 41 days and 46 days respectively.

**FYE 2020**

Our Group's average trade payables turnover period of 111 days for FYE 2020, exceeded the normal credit terms granted by our suppliers as our Group adopted prudent cash flow management by taking measures such as, among others, sought for extended credit terms up to 120 days from our major supplier in tandem with slower payment received from customers in view of business disruptions as a consequence of the MCO.

**FYE 2021**

Our Group's average trade payables turnover period improved from 111 days for FYE 2020 to 60 days for FYE 2021, which is within the normal credit terms granted by our suppliers, after normalisation of business operation post MCO.

**FYE 2022**

Our Group's average trade payables turnover period improved from 60 days for FYE 2021 to 41 days for FYE 2022, which is within the normal credit terms granted by our suppliers.

**FYE 2023**

Our Group's average trade payables turnover period increased from 41 days for FYE 2022 to 46 days for FYE 2023, which is within the normal credit terms granted by our suppliers.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)**

Our Group's trade payable ageing analysis as at 31 December 2023 is as follows:

	Within credit period	Exceed credit period (past due days)				Total
		1 - 30	31 - 60	61 - 90	Over 90	
Trade payables (RM'000)	14,351	3,967	466	344	619	19,747
Proportion of total trade payables (%)	72.7	20.1	2.4	1.7	3.1	100.0
Subsequent payment up to the LPD (RM'000)	(14,351)	(3,967)	(466)	(344)	(441)	(19,569)
Outstanding trade payables as at the LPD (RM'000)	[A]	[B]	[C] = [A] - [B]	-	178	178
% of trade payables as at the LPD over total trade payables	-	-	-	-	0.9	0.9

As at 31 December 2023, approximately RM5.4 million or 27.3% of our Group's trade payables exceeded the normal credit period mainly as our Group monitors the exchange rates of the foreign currencies required to be paid to its foreign suppliers, such as Toyo Seat and Supplier W, and settle the trade payables when the exchange rates are favourable to our Group, of which RM5.2 million was subsequently paid by our Group up to the LPD. The remaining RM0.2 million has not been paid as at the LPD as the said amount is being negotiated by our Company with the respective suppliers due to charges charged without prior consultation with our Company and defects on the goods supplied by the supplier.

Notwithstanding the trade payables exceeding the normal credit period granted by our suppliers, our Group has not been imposed with any penalty or interest charges for late payment in respect of the trade payables as at 31 December 2023.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****12.4.10 Inventories**

All our Group's inventories are classified as current assets. Our inventories comprise raw materials, work-in-progress, finished goods and goods in transit. Our average inventories turnover period for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 were 146 days, 126 days, 120 days and 112 days respectively.

**FYE 2020**

Our Group's average inventory turnover period of 146 days for FYE 2020.

**FYE 2021**

Our Group's average inventory turnover period decreased from 146 days for FYE 2020 to 126 days for FYE 2021 mainly due to lower inventory of finished goods at end of FYE 2021 as a result of higher delivery of finished goods in end of FYE 2021 after the FMCO from June to August 2021.

**FYE 2022**

Our Group's average inventory turnover period decreased from 126 days for FYE 2021 to 120 days for FYE 2022 mainly due to higher cost of sales in line with higher sales recorded in FYE 2022.

**FYE 2023**

Our Group's average inventory turnover period decreased from 120 days for FYE 2022 to 112 days for FYE 2023 mainly due to higher cost of sales in line with higher sales recorded in FYE 2023.

Our Group's inventory ageing analysis as at 31 December 2023 is as follows:

	<b>1 – 30 days</b>	<b>31 – 60 days</b>	<b>61 – 90 days</b>	<b>Over 90 days but less than 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Raw materials	10,037	3,388	3,663	9,512	4,578 <sup>(1)</sup>	31,179
Work-in-progress	714	202	-	65	2	983
Finished goods	4,927	1,445	502	155	54	7,082
Goods in transit	5,838	-	-	-	-	5,838
<b>Total</b>	<b>21,516</b>	<b>5,034</b>	<b>4,165</b>	<b>9,733</b>	<b>4,634</b>	<b>45,082</b>

**Note:**

- (1) Comprising mainly automotive cover materials, such as leather and synthetic leather, for the manufacturing of automotive covers which are usable and saleable for our REM market segment.

Our raw materials mainly consist of automotive cover materials, i.e. leather and synthetic leather, which have long lifespan with proper storage condition and handling. As every leather hide have different characteristics in terms of, among others, type, colour and print, we typically order automotive cover materials in quantities which are more than the confirmed purchase orders and forecast orders from our customers from the OEM market segment to ensure we have sufficient materials which match the specifications provided by our customers and are visually homogenous to ensure that we will be able to fulfil our customers' requirements in a timely manner without shortage of raw materials. Meanwhile, we also maintain automotive cover materials of various characteristics and features in terms of, among others, type, colour and print to serve our customers in the PDI and/or REM market segment which are based on customised orders.



**12. FINANCIAL INFORMATION (CONT'D)**

We perform annual review on our inventories to assess the impairment of slow moving inventories. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable, such as when our inventories are damaged, not useable in the manufacturing of the automotive covers or automotive seats or the specific models to which the inventories relate to are being phased out (i.e. stopped production by the automotive vehicle OEMs) or not saleable (particularly products which relate to REM market segment).

We have written off inventories of RM0.2 million, RM0.02 million, RM0.04 million and RM2.2 million for the FY Under Review respectively, mainly due to the raw materials with distinct specifications for which our customer did not order according to the forecast orders and are not useable for other car models as well as the finished goods no longer being saleable, i.e., damaged due to fungus or relating to car models which have been discontinued.

**12.4.11 Current ratio**

The table below sets forth a summary of our Group's current ratio for the FY Under Review:

	<b>As at 31 December</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	70,523	84,217	116,643	150,563
Current liabilities	19,862	25,595	48,553	47,032
Current ratio (times)	3.6	3.3	2.4	3.2

Our Group's current ratio decreased marginally from 3.6 times as at 31 December 2020 to 3.3 times as at 31 December 2021. The decrease was mainly due to the increase in trade and other payables of RM4.8 million as at 31 December 2021 as a result of the amount owing to shareholder of RM2.5 million arising from the advances from Tan Sun Sun to Feytech SB which was not incurred in FYE 2020, increase in trade payables of RM1.9 million and increase in other payables of RM0.6 million.

Our Group's current ratio decreased from 3.3 times as at 31 December 2021 to 2.4 times as at 31 December 2022. The decrease was mainly due to:

- (i) increase in trade payables of RM4.0 million, dividend payable of RM5.0 million, other payables of RM1.9 million, accrued staff cost of RM1.1 million, and amount owing to shareholder of RM1.2 million arising from the advances from Tan Sun Sun to Feytech SB; and
- (ii) increase in current tax liabilities as at 31 December 2022 of RM2.5 million as a result of higher provision of current year tax in line with higher PBT for the FYE 2022.

Our Group's current ratio increased from 2.4 times as at 31 December 2022 to 3.2 times as at 31 December 2023. The increase was mainly due to the increase in cash and cash equivalents of RM32.1 million as detailed in **Section 12.4.2** of this Prospectus.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****12.4.12 Gearing ratio**

The table below sets forth a summary of our Group's gearing ratio for the FY Under Review:

		<b>As at 31 December</b>			
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Lease liabilities and bank borrowings</u>					
Term loans		13,789	12,252	9,527	18,117
Lease liabilities <sup>(1)</sup>		744	509	724	778
<b>Total lease liabilities and bank borrowings</b>	<b>[A]</b>	<b>14,533</b>	<b>12,761</b>	<b>10,251</b>	<b>18,895</b>
Total equity	[B]	63,265	72,803	85,482	127,956
Gearing ratio (times)	[A] / [B]	0.2	0.2	0.1	0.1

**Note:**

(1) Excluding the lease liabilities for right-of-use assets.

Our Group's gearing ratio remained relatively constant at 0.2 time as at 31 December 2021, as compared to 31 December 2020.

Our Group's gearing ratio decreased from 0.2 time as at 31 December 2021 to 0.1 time as at 31 December 2022. The decrease was mainly due to the increase in total equity of RM12.7 million from RM72.8 million as at 31 December 2021 to RM85.5 million as at 31 December 2022 as a result of increase in retained earnings as at 31 December 2022.

Our Group's gearing ratio remained relatively constant at 0.1 time as at 31 December 2023, as compared to 31 December 2022.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****12.5 CAPITALISATION AND INDEBTEDNESS**

The table below sets out our Group's capitalisation and indebtedness based on the unaudited management account as at 3 March 2024 and giving effect to the completion of our IPO and the use of proceeds from our Public Issue as set out in **Section 4.5** of this Prospectus having occurred on 3 March 2024. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 3 March 2024 and is provided for illustrative purposes only.

	<b>Unaudited</b>	<b>As adjusted</b>
	<b>As at 3 March 2024</b>	<b>After our IPO, Listing and use of proceeds</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Indebtedness</b>		
<b>Current</b>		
<i>Secured and guaranteed</i>		
Term loans	1,526	1,526
Lease liabilities <sup>(1)</sup>	328	328
<i>Unsecured and unguaranteed</i>		
Lease liabilities <sup>(2)</sup>	1,388	1,388
<b>Non-current</b>		
<i>Secured and guaranteed</i>		
Term loans	16,271	16,271
Lease liabilities <sup>(1)</sup>	373	373
<i>Unsecured and unguaranteed</i>		
Lease liabilities <sup>(2)</sup>	7,888	7,888
<b>Total indebtedness</b>	<b>27,774</b>	<b>27,774</b>
<b>Capitalisation</b>		
<b>Equity attributable to owners of our Company</b>	<b>130,840</b>	<b>241,211</b>
<b>Total capitalisation and indebtedness</b>	<b>158,614</b>	<b>268,985</b>

**Notes:**

- (1) Comprising hire purchase.
- (2) Comprising lease liabilities for right-of-use assets.

[ The rest of this page has been intentionally left blank ]

**12. FINANCIAL INFORMATION (CONT'D)****12.6 ACCOUNTING POLICIES AND AUDIT QUALIFICATION**

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the accounting policies of our Group, see Note 3 of the Accountants' Report as set out in **Section 13** of this Prospectus. The Accountants' Report did not contain any audit qualification for the FY Under Review.

**12.7 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the FY Under Review.

There is no assurance that our financial performance will not be adversely affected by any unfavourable changes to government, economic, fiscal or monetary policies in Malaysia and in countries which we operate. Further details on risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in **Section 9.2.3** of this Prospectus.

**12.8 IMPACT OF INFLATION**

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

**12.9 IMPACT OF FOREIGN EXCHANGE RATES AND/OR INTEREST RATES****12.9.1 Impact of foreign exchange rates**

We purchase our supplies such as leather and synthetic leather automotive cover materials from foreign suppliers based in South America, China and Italy, automotive seat parts and accessories as well as interior parts from Korea and Japan. Our purchases of such materials are mainly denominated in KRW, USD, JPY and RMB. Our purchases in foreign currencies are approximately 31.5% to 58.2% of our Group's total purchases for the FY Under Review. As at the LPD, we do not have formal hedging policy with respect to foreign exchange exposure as we are not exposed to significant loss from fluctuations in foreign exchange rates in the past, i.e., during the FY Under Review the aggregate of net realised and unrealised losses in foreign exchange represented approximately between 0.1% and 1.2% of our gross profit. As such, any significant fluctuations in these foreign exchange rates may affect our Group's financial performance.

As our sales are mainly transacted in RM, a depreciation of RM against foreign currencies such as KRW, USD, JPY and RMB will lead to higher costs of materials in RM. If we are unable to pass on these costs to our customers in a timely manner, it may reduce our profit margin.

During the FY under review, we have incurred losses from fluctuations in foreign exchange rates, as seen below:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net realised loss on foreign exchange	(115)	(32)	(325)	(473)
Net unrealised loss on foreign exchange	(244)	(1)	(290)	-
<b>Total</b>	<b>(359)</b>	<b>(33)</b>	<b>(615)</b>	<b>(473)</b>

---

**12. FINANCIAL INFORMATION (CONT'D)**

---

Details of the risk of the foreign exchange fluctuation risks to our business and operations is set out in **Section 9.1.10** of this Prospectus.

**12.9.2 Impact of interest rates**

All our borrowings are interest-bearing obligations. Any increase in interest rates would adversely affect our financial performance. Our finance cost mainly comprises interest charges on term loans and lease liabilities from financial institutions. As at 31 December 2023, our Group's total borrowings and lease liabilities were RM18.9 million, of which RM18.1 million are floating rate borrowings.

Any significant increase in interest rates would raise the cost of our borrowings (i.e., finance costs), which may have an adverse effect on the financial performance of our Group. During the FY Under Review, our financial performance have not been materially affected by fluctuations in interest rates.

**12.10 TREND ANALYSIS**

Save as disclosed in this Section and in **Sections 7, 8 and 9** of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our Group's financial condition and results of operations.

**12.11 ORDER BOOK**

Due to the nature of our business, we do not maintain an order book.

**12.12 SIGNIFICANT CHANGES**

There has been no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2023 up to the LPD.

**12.13 DIVIDEND POLICY**

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) the level of cash and level of indebtedness;
- (ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (iii) our expected results of operations and future level of operations; and
- (iv) our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in general meeting, may from time to time approve a dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

**12. FINANCIAL INFORMATION (CONT'D)**

- (i) our Company is, or would after the payment be unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than its liabilities.

Our Board intends to recommend and distribute dividends of at least 40% of our net profits attributable to the owners of our Company for each financial year. However, it is not a legally binding obligation or guaranteed commitment to the shareholders.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our Subsidiaries. Distributions by our Subsidiaries will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors including exchange controls. There are no dividend restrictions imposed on our Subsidiaries. In addition, there are no legal, financial or economic restrictions on the ability of Gosford Singapore and Trimex Australia to repatriate funds in the form of cash dividend, loans or advances to us. Further details on the relevant policies on foreign investments, taxation and foreign exchange control in Singapore and Australia, which are applicable to Gosford Singapore and Trimex Australia respectively, are set out in **Section 7.25** of this Prospectus.

For the FY Under Review, dividends declared by our subsidiaries were as follows:

		<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT	[A]	18,128	19,049	27,593	43,876
Dividends declared	[B]	11,903	9,782	15,003	21,723
Dividend payout ratio	[B] / [A]	65.7	51.4	54.3	49.5
Dividends paid		1,881	10,842	9,983	1,500
Dividends payable as at 31 December		10,022	8,962	13,982	- <sup>(1)</sup>

**Note:**

- (1) In addition to the dividend of RM1.5 million which was declared by our Group on 3 July 2023 and paid on 6 July 2023, our Group had on 9 January 2024 and 8 March 2024 declared dividends for FYE 2023 of RM10.0 million and RM10.2 million which were paid on 10 January 2024 and 13 March 2024, respectively.

Our Group has not declared any dividend for FYE 2024 and does not intend to declare any further dividend prior to our Listing. As at the LPD, there are no dividends which have been declared by our Group but not paid.

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

Kindly refer to **Section 9.3.3** of this Prospectus for risks relating to payment of dividends.

[ The rest of this page has been intentionally left blank ]

---

## 12. FINANCIAL INFORMATION (CONT'D)

---

### 12.14 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023



Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA)  
Chartered Accountants (AF 0117)  
Baker Tilly Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000  
F : +603 2282 9980

info@bakertilly.my  
www.bakertilly.my

3 April 2024

The Board of Directors  
**Feytech Holdings Berhad**  
No. 1, Jalan Bayu 2/6,  
Kawasan Perindustrian Tampoi Jaya,  
81200 Johor Bahru,  
Johor.

Dear Sirs,

---

#### FEYTECH HOLDINGS BERHAD ("FEYTECH HOLDINGS" OR THE "COMPANY")

#### REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 FOR INCLUSION IN THE PROSPECTUS IN RELATION TO THE LISTING

---

We have completed our assurance engagement to report on the compilation of the pro forma combined statement of financial position of Feytech Holdings and its subsidiaries, Gosford Leather Industries Sdn. Bhd., Trimex Distribution (M) Sdn. Bhd., Feytech Sdn. Bhd., Gosford Leather Trim (S) Pte. Ltd. and Trimex Automotive Australia Pty. Ltd. (the "Group"). The pro forma combined statement of financial position consists of the pro forma combined statement of financial position as at 31 December 2023 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Directors of Feytech Holdings have compiled the pro forma combined statement of financial position are as described in Note 2 to the pro forma combined statement of financial position and in accordance with the requirements of the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma combined statement of financial position of Feytech Holdings has been compiled by the Directors of Feytech Holdings, for illustrative purposes only, for inclusion in the prospectus of Feytech Holdings ("Prospectus") in conjunction with the listing of and quotation for the entire enlarged issued share capital of Feytech Holdings on the Main Market of Bursa Malaysia Securities Berhad comprising the Public Issue and Offer for Sale ("IPO"), after making certain assumptions and such adjustments to show the effects on the pro forma audited financial position of Feytech Holdings as at 31 December 2023 adjusted for the Acquisition of subsidiaries, Share Split, Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2, 1.3.1, 1.3.2, and 3.2.1 respectively.

**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD**

Reporting Accountants' Report on the Compilation of the  
Pro Forma Combined Statement of Financial Position  
as at 31 December 2023 for inclusion in the Prospectus in relation to the Listing



As part of this process, information about Feytech Holding's pro forma combined financial position has been extracted by the Directors of Feytech Holdings from the accountants' report of the Group for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, which were reported by us to the Directors of Feytech Holdings on 3 April 2024 without any modification.

*Directors' Responsibility for the Pro Forma Combined Statement of Financial Position*

The Directors of Feytech Holdings are responsible for compiling the pro forma combined statement of financial position based on the Applicable Criteria.

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institutes of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion, on whether the pro forma combined statement of financial position has been compiled, in all material respects, by the Directors of Feytech Holdings based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of Feytech Holdings have compiled, in all material respects, the pro forma combined statement of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma combined statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined statement of financial position.

The purpose of the pro forma combined statement of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of Feytech Holdings as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.



## 12. FINANCIAL INFORMATION (CONT'D)

### FEYTECH HOLDINGS BERHAD

Reporting Accountants' Report on the Compilation of the  
Pro Forma Combined Statement of Financial Position  
as at 31 December 2023 for inclusion in the Prospectus in relation to the Listing



#### *Reporting Accountants' Responsibilities (Continued)*

A reasonable assurance engagement to report on whether the pro forma combined statement of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors of Feytech Holdings in the compilation of the pro forma combined statement of financial position of Feytech Holdings provide a reasonable basis for presenting the significant effects directly attributable to Listing Scheme as described in Note 1.3 to the pro forma combined statement of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The related pro forma adjustments give appropriate effect to those criteria; and
- (b) The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Our opinion*

In our opinion the pro forma combined statement of financial position of Feytech Holdings has been compiled, in all material respects, on the basis as described in the notes thereon on the pro forma combined statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

#### **Other matter**

This report has been prepared for inclusion in the Prospectus of Feytech Holdings in connection with the IPO. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT  
LLP0019411-LCA & AF 0117  
Chartered Accountants

Paul Tan Hong  
No. 03459/11/2025 J  
Chartered Accountant

**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION****1. INTRODUCTION**

The pro forma combined statement of financial position of Feytech Holdings Berhad (“Feytech Holdings” or “Company”) and its subsidiaries Gosford Leather Industries Sdn. Bhd., Trimex Distribution (M) Sdn. Bhd., Feytech Sdn. Bhd., Gosford Leather Trim (S) Pte. Ltd. and Trimex Automotive Australia Pty. Ltd. (the “Group”) has been compiled by the Directors of Feytech Holdings, for illustrative purposes only, for inclusion in the prospectus of Feytech Holdings (“Prospectus”) in conjunction with the listing of and quotation for the entire enlarged issued shares in Feytech Holdings (“Feytech Holdings Shares”) on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

1.1 In conjunction with the admission of Feytech Holdings to the Official List of Bursa Securities and the listing of and quotation for its entire enlarged issued Feytech Holdings Shares on the Main Market of Bursa Securities (“Listing”), Feytech Holdings had undertaken the following transactions:

**1.2 Acquisition of subsidiaries (the “Acquisitions”) and Share Split****1.2.1 Acquisition of Gosford Leather Industries Sdn. Bhd. (“GLI”)**

Feytech Holdings had on 3 September 2023, entered into a conditional share sale agreement with Tan Sun Sun, Go Yoong Chang and Connie Go (“GLI Vendors”) to acquire the entire issued share capital of GLI of RM600,100 comprising 600,100 ordinary shares in GLI for a purchase consideration of RM77,549,399. The acquisition of GLI is to be wholly satisfied by the issuance of 77,549,399 new Feytech Holdings Shares at an issue price of RM1.00 per Feytech Holdings Share to the GLI Vendors. The acquisition of GLI was completed on 11 March 2024.

The purchase consideration of RM77,549,399 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited net assets (“NA”) of GLI as at 31 December 2022.

**1.2.2 Acquisition of Trimex Distribution (M) Sdn. Bhd. (“TDM”)**

Feytech Holdings had on 3 September 2023, entered into a conditional share sale agreement with Tan Sun Sun and Go Yoong Chang (“TDM Vendors”) to acquire the entire issued share capital of TDM of RM80,000 comprising 80,000 ordinary shares in TDM for a purchase consideration of RM8,290,900. The acquisition of TDM is to be wholly satisfied by the issuance of 8,290,900 Feytech Holdings Shares at an issue price of RM1.00 per Feytech Holdings Share to the TDM Vendors and Connie Go (the nominated recipient by the TDM Vendors to receive part of the new Feytech Holdings Shares to be issued pursuant to the acquisition of TDM). The acquisition of TDM was completed on 11 March 2024.

The purchase consideration of RM8,290,900 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited NA of TDM as at 31 December 2022.



**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)****1. INTRODUCTION (CONTINUED)****1.2 Acquisitions and Share Split (continued)****1.2.3 Acquisition of Feytech Sdn. Bhd. ("FSB")**

Feytech Holdings had on 3 September 2023, entered into a conditional share sale agreement with Tan Sun Sun and Careen Tan Kai Lin ("FSB Vendors") to acquire the entire issued share capital of FSB of RM300,000 comprising 300,000 ordinary shares in FSB for a purchase consideration of RM1. The acquisition of FSB is to be wholly satisfied by cash to the FSB Vendors. The acquisition of FSB was completed on 11 March 2024.

The purchase consideration of RM1 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited net liabilities of FSB as at 31 December 2022.

**1.2.4 Acquisition of Gosford Leather Trim (S) Pte. Ltd. ("GLT")**

Feytech Holdings had on 3 September 2023, entered into a conditional share sale agreement with Connie Go, Tan Sun Sun and Go Yoong Chang ("GLT Vendors") to acquire the entire issued share capital of GLT of SGD250,000 comprising 250,000 ordinary shares in GLT for a purchase consideration of RM1,165,500. The acquisition of GLT is to be wholly satisfied by the issuance of 1,165,500 Feytech Holdings Shares at an issue price of RM1.00 per Feytech Holdings Share to the GLT Vendors. The acquisition of GLT was completed on 11 March 2024.

The purchase consideration of RM1,165,500 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited NA of GLT as at 31 December 2022.

**1.2.5 Acquisition of Trimex Automotive Australia Pty. Ltd. ("TAA")**

Feytech Holdings had on 3 September 2023, entered into a conditional share sale agreement with Tan Sun Sun, ("TAA Vendor") to acquire the entire issued share capital of TAA of AUD100 comprising 100 ordinary shares in TAA for a purchase consideration of RM478,600. The acquisition of TAA is to be wholly satisfied by the issuance of 478,600 Feytech Holdings Shares at an issue price of RM1.00 per Feytech Holdings Share to the TAA Vendor. The acquisition of TAA was completed on 11 March 2024.

The purchase consideration of RM478,600 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited NA of TAA as at 31 December 2022.



**12. FINANCIAL INFORMATION (CONT'D)****FYTECH HOLDINGS BERHAD****PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)****1. INTRODUCTION (CONTINUED)****1.2 Acquisitions and Share Split (continued)****1.2.6 Share Split**

Following the Acquisitions, Feytech Holdings subdivide its 87,484,400 Feytech Holdings Shares into 699,875,200 Feytech Holdings Shares on the basis of every 1 existing Feytech Holdings Share subdivided into 8 Feytech Holdings Shares. The share split was completed on 25 March 2024.

**1.3 Listing Scheme****1.3.1 Public Issue**

The public issue of 143,324,800 new Feytech Holdings Shares at an issue price of RM0.80 per Feytech Holdings Share, representing approximately 17.00% of the enlarged number of Feytech Holdings Shares, will be allocated in the following manner:

- (i) 42,160,000 new Feytech Holdings Shares made available to the Malaysian public by way of balloting;
- (ii) 25,296,000 new Feytech Holdings Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group; and
- (iii) 75,868,800 new Feytech Holdings Shares made available by way of private placement to selected investors.

(Collectively hereinafter referred to as "Public Issue").

**1.3.2 Offer for Sale**

Offer for sale of 109,616,000 existing Feytech Holdings Shares at an offer price of RM0.80 per Feytech Holdings Share representing 13.00% of the enlarged issued share capital of Feytech Holdings by way of private placement to Bumiputera investors approved by the MITI and selected investors.

**1.3.3 Listing**

The admission of Feytech Holdings to the Official List of Bursa Securities and the listing of and quotation for its entire enlarged issued share capital of RM202,144,240 comprising 843,200,000 Feytech Holdings Shares on the Main Market have been approved by Bursa Securities.



**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION**

- 2.1 The pro forma combined statement of financial position has been prepared to illustrate the pro forma combined financial position of Feytech Holdings and its subsidiaries as at 31 December 2023, adjusted for the Acquisition of subsidiaries, Share Split, Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2, 1.3.1, 1.3.2 and 3.2.1 respectively.
- 2.2 The accountants' report of the Feytech Holdings for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 were reported by the auditors to the Directors of Feytech Holdings on 3 April 2024 without any modifications.
- 2.3 The pro forma combined statement of financial position of Feytech Holdings has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of Feytech Holdings and does not purport to predict the future financial position and results of Feytech Holdings.
- 2.4 The pro forma combined statement of financial position of Feytech Holdings have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statement of financial position based on the accountants' report of Feytech Holdings for FYE 31 December 2023, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.
- 2.5 The pro forma combined statement of financial position of Feytech Holdings have been prepared in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group in the preparation of its accountants' report for the FYE 31 December 2023 and the adoption of the following new accounting policies, which had been adopted by the Group as its group accounting policies:

**Merger accounting**

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.



---

**12. FINANCIAL INFORMATION (CONT'D)**

---

**FEYTECH HOLDINGS BERHAD**

---

**2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

2.5 (continued)

**Merger accounting (continued)**

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve/deficit.

2.6 In connection with the Listing, the audited statement of financial position of Feytech Holdings as at 31 December 2023 have been presented after adjusting for the Acquisition of subsidiaries, Share Split, Public Issue, Offer for Sale and use of proceeds as described in Notes 1.2, 1.3.1, 1.3.2, and 3.2.1 respectively.



**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD**

3.1 The pro forma combined statement of financial position of Feytech Holdings as set out below, for which the Directors of Feytech Holdings are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of Feytech Holdings as at 31 December 2023, had the Acquisition of subsidiaries, Share Split, Public Issue, Offer for Sale and Utilisation of Proceeds as described in Notes 1.2, 1.3.1, 1.3.2 and 3.2.1 respectively, been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Statements of Financial Position as at 31 December 2023 RM'000	Pro Forma I After the Acquisitions and Share Split RM'000	Pro Forma II After Pro Forma I, Public Issue and Offer for Sale RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	-	42,634	42,634	42,634
Investment properties	-	7,945	7,945	7,945
Deferred tax assets	-	35	35	35
	-	50,614	50,614	50,614
<b>Current assets</b>				
Inventories	-	45,082	45,082	45,082
Trade and other receivables	-	42,372	42,372	42,372
Contract assets	-	57	57	57
Current tax assets	-	309	309	309
Cash and short-term deposits	&	42,520	157,180	152,231
	&	130,340	245,000	240,051
<b>TOTAL ASSETS</b>	&	<b>180,954</b>	<b>295,614</b>	<b>290,665</b>



**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.1 (Continued)

	Audited Statements of Financial Position as at 31 December 2023 RM'000	Pro Forma I After the Acquisitions and Share Split RM'000	Pro Forma II After Pro Forma I, Public Issue and Offer for Sale RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	&	87,484	202,144	200,784
Reorganisation reserve	-	(85,743)	(85,743)	(85,743)
Translation reserve	-	200	200	200
Retained earnings	(3,149)	105,792	105,792	102,203
<b>TOTAL EQUITY</b>	<b>(3,149)</b>	<b>107,733</b>	<b>222,393</b>	<b>217,444</b>
<b>Non-current liabilities</b>				
Loans and borrowings	-	25,142	25,142	25,142
Deferred tax liabilities	-	1,047	1,047	1,047
	-	26,189	26,189	26,189
<b>Current liabilities</b>				
Loans and borrowings	-	3,249	3,249	3,249
Trade and other payables	3,149	42,994	42,994	42,994
Current tax liabilities	-	789	789	789
	3,149	47,032	47,032	47,032
<b>TOTAL LIABILITIES</b>	<b>3,149</b>	<b>73,221</b>	<b>73,221</b>	<b>73,221</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>&amp;</b>	<b>180,954</b>	<b>295,614</b>	<b>290,665</b>

Pro Forma Combined Statement of Financial Position





**12. FINANCIAL INFORMATION (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

**3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.1 (Continued)

	Audited Statements of Financial Position as at 31 December 2023	Pro Forma I After the Acquisitions and Share Split	Pro Forma II After Pro Forma I, Public Issue and Offer for Sale	Pro Forma III After Pro Forma II and Utilisation of Proceeds
Number of ordinary shares in issue ('000)	#	699,875	843,200	843,200
Net Assets ("NA") attributable to the owners of the Company (RM'000)	(3,149)	107,733	222,393	217,444
NA per share attributable to the owners of the Company (RM)	&	0.15	0.26	0.26
Interest-bearing borrowings (RM'000) <sup>&gt;</sup>	-	18,895	18,895	18,895
Gearing (times) *	-	0.18	0.08	0.09

**Note:**

& *RM1*

# *1 share*

> *Refers to interest-bearing loans and borrowings and hire purchase arrangements, excluding lease liabilities arising from right-of-use assets*

\* *Gearing ratio is calculated based on total interest-bearing borrowings divided by total equity of the Group*



**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.2 Notes to the pro forma combined statement of financial position are as follows:

3.2.1 The proceeds from the Public Issue would be used in the following manner:

<b>Purposes</b>	<b>RM'000</b>	<b>%</b>	<b>Estimated time for defrayment (from listing date)</b>
Acquisition of land <sup>(1)</sup>	11,600	10.1	Within 6 months
Construction of new corporate office with manufacturing plant and warehouse <sup>(1)</sup>	21,125	18.4	Within 24 months
Construction of new manufacturing plant, warehouse, annex office building and staff hostel <sup>(1)&amp;(2)</sup>	18,760	16.4	Within 24 months
Purchase of machineries <sup>(1)</sup>	3,000	2.6	Within 12 months
Working capital	52,175	45.5	Within 12 months
Estimated listing expenses	8,000	7.0	Immediate
<b>Total</b>	<b>114,660</b>	<b>100.00</b>	

**Notes:**

- (1) As at the latest practicable date, Feytech Holdings has yet to enter into any contractual binding agreement or issue any purchase order in relation to the acquisition of land, construction of new corporate office with manufacturing plant and warehouse, and the construction of new manufacturing plant, warehouse, annex office building and staff hostel, and the purchase of machineries. Accordingly, the utilisation of proceeds earmarked for the acquisition of land, construction of new corporate office with manufacturing plant and warehouse, and the construction of new manufacturing plant, warehouse, annex office building and staff hostel, and the purchase of machineries are not reflected in the pro forma combined statement of financial position.
- (2) Refer to Feytech Sdn. Bhd.'s proposed new manufacturing plant to be built on a piece of vacant industrial land held under HSD 83979, PT 1104, Pekan Sungai Karang, Daerah Kulim, Negeri Kedah.

3.2.2 The pro forma combined statement of financial position should be read in conjunction with the notes below:

**(a) Pro Forma I**

Pro Forma I incorporates the following effects:

- (i) Acquisitions as described in Note 1.2 on the audited financial statements of Feytech Holdings as at 31 December 2023:

	<b>RM'000</b>
Purchase consideration	87,484
Less: Share capital of acquired subsidiaries	(1,741)
Reorganisation reserve	85,743

**Pro Forma Combined Statement of Financial Position**

**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.2 (continued)

3.2.2 (continued)

**(a) Pro Forma I (continued)**

- (i) The Acquisitions had the following impact on the combined statement of financial position of Feytech Holdings as at 31 December 2023:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Property, plant and equipment	42,634	-
Investment properties	7,945	-
Deferred tax assets	35	-
Inventories	45,082	-
Trade and other receivables	42,372	-
Contract assets	57	-
Current tax assets	309	-
Cash and bank balances	62,743	-
Share capital	-	87,484
Reorganisation reserve	-	(85,743)
Translation reserve	-	200
Retained earnings	-	129,164
Loans and borrowings - non-current	-	25,142
Deferred tax liabilities	-	1,047
Loans and borrowings - current	-	3,249
Trade and other payables	-	39,845
Current tax liabilities	-	789
	201,177	201,177

- (ii) GLI had on 9 January 2024 and 8 March 2024 declared first and second single-tier interim dividend of RM16.70 and RM17.00 per ordinary share in respect of the financial year ended 31 December 2023 amounting to RM10,021,670 and RM10,201,700 respectively. The dividends were paid on 10 January 2024 and 13 March 2024.

**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.2 (continued)

3.2.2 (continued)

**(a) Pro Forma I (continued)**

(ii) The declaration of dividends had the following impact of audited statement of financial position as at 31 December 2023:

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	(20,223)	-
Retained earnings	-	(20,223)
	(20,223)	(20,223)

(iii) Upon the completion of the Share Split, the resultant issued share capital of Feytech Holdings will comprise 699,875,200 Feytech Holdings Shares. The Share Split does not have an impact on the audited statement of financial position of Feytech Holdings as at 31 December 2023, other than an increase in the number of Feytech Holdings Shares subsequent to the Share Split.

**(b) Pro Forma II**

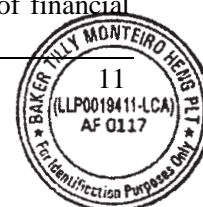
Pro Forma II incorporates the cumulative effects of Pro Forma I and the Public Issue and Offer for Sale as described in Note 1.3.1 and Note 1.3.2 respectively.

The Public Issue will have the following impact on the audited statement of financial position as at 31 December 2023:

	<b>Increase</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	114,660	-
Share capital	-	114,660
	114,660	114,660

Upon the completion of the Public Issue of 143,324,800 Feytech Holdings Shares, its entire enlarged issued share capital would amount to RM202,144,240 comprising 843,200,000 Feytech Holdings Shares.

The Offer for Sale does not have an impact on the audited statement of financial position as at 31 December 2023.

**Pro Forma Combined Statement of Financial Position**

**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.2 (Continued)

3.2.2 (Continued)

**(c) Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM106.66 million after deducting RM8.00 million of estimated listing expenses.

The proceeds arising from the Public Issue earmarked for acquisition of land, construction of new corporate office with manufacturing plant and warehouse, the construction of new manufacturing plant, warehouse, annex office building and staff hostel and the purchase of machineries are not reflected in the pro forma combined statement of financial position as Feytech Holdings has yet to enter into any contractual binding agreement or issue any purchase order in relation these items. As such, these proceeds will be included in Cash and Bank Balances Account.

The proceeds arising from the Public Issue earmarked for working capital purposes will be debited to Cash and Bank Balances Account.

As at 31 December 2023, out of the total estimated expenses of RM8.00 million, RM3.05 had been charged to the Retained Earnings Account. Of the remaining RM4.95 million, RM3.59 million will be charged to Retained Earnings Account and the remaining RM1.36 million will be capitalised in Share Capital upon listing as these are directly attributable expenses relating to the new issuance of shares.

The utilisation of proceeds will have the following impact on the audited statement of financial position of Feytech Holdings as at 31 December 2023:

	<b>Decrease</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	4,949	-
Share capital	-	1,360
Retained earnings	-	3,589
	4,949	4,949



**12. FINANCIAL INFORMATION (CONT'D)****FEYTECH HOLDINGS BERHAD****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.2 (Continued)

3.2.3 Movements in share capital and reserves are as follows:

	← Share Capital →		Reorganisation Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000
	Number of shares '000	Amount RM'000				
<b>Audited statement of financial position as at 31 December 2023</b>	#	&	-	-	(3,149)	(3,149)
Arising from the Acquisitions and Share Split	699,875	87,484	(85,743)	200	108,941	110,882
<b>As per Pro Forma I</b>	<b>699,875</b>	<b>87,484</b>	<b>(85,743)</b>	<b>200</b>	<b>105,792</b>	<b>107,733</b>
Arising from the Public Issue and Offer for Sale	143,325	114,660	-	-	-	114,660
<b>As per Pro Forma II</b>	<b>843,200</b>	<b>202,144</b>	<b>(85,743)</b>	<b>200</b>	<b>105,792</b>	<b>222,393</b>
Arising from Utilisation of Proceeds	-	(1,360)	-	-	(3,589)	(4,949)
<b>As per Pro Forma III</b>	<b>843,200</b>	<b>200,784</b>	<b>(85,743)</b>	<b>200</b>	<b>102,203</b>	<b>217,444</b>

**Note:**& *RM1*# *1 share*

**12. FINANCIAL INFORMATION (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

**3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF FEYTECH HOLDINGS BERHAD (CONTINUED)**

3.2 (Continued)

3.2.4 Movements in cash and bank balances are as follows:

	<b>RM'000</b>
<b>Audited as at 31 December 2023</b>	<b>&amp;</b>
Arising from the Acquisitions and Share Split	42,520
<b>As per Pro Forma I</b>	<b>42,520</b>
Arising from Public Issue and Offer for Sale	114,660
<b>As per Pro Forma II</b>	<b>157,180</b>
Arising from Utilisation of Proceeds	(4,949)
<b>As per Pro Forma III</b>	<b>152,231</b>

**Note:**  
& *RM1*

3.2.5 Movements in loans and borrowings are as follows:

	<b>RM'000</b>
<b>Audited as at 31 December 2023</b>	<b>-</b>
Arising from the Acquisitions and Share Split	18,895
<b>As per Pro Forma I</b>	<b>18,895</b>
Arising from Public Issue and Offer for Sale	-
<b>As per Pro Forma II</b>	<b>18,895</b>
Arising from Utilisation of Proceeds	-
<b>As per Pro Forma III</b>	<b>18,895</b>

**Note:**  
*Refers to interest-bearing loans and borrowings and hire purchase arrangements, excluding lease liabilities arising from right-of-use assets*

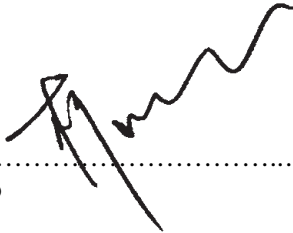


**12. FINANCIAL INFORMATION (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

**APPROVAL BY BOARD OF DIRECTORS**

Approved and adopted on behalf of the Board of Directors of Feytech Holdings Berhad in accordance with a resolution dated **03 APR 2024**



.....  
**Connie Go**  
Director



.....  
**Go Yoong Chang**  
Director





---

**13. ACCOUNTANTS' REPORT**

---



Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA)  
Chartered Accountants (AF 0117)  
Baker Tilly Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000  
F : +603 2282 9980

info@bakertilly.my  
www.bakertilly.my

3 April 2024

The Board of Directors  
**Feytech Holdings Berhad**  
No. 1, Jalan Bayu 2/6  
Kawasan Perindustrian Tampoi Jaya  
81200, Johor Bahru  
Johor.

Dear Sirs,

---

**Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Feytech Holdings Berhad ("Feytech" or the "Company")**

---

**Opinion**

We have audited the accompanying combined financial statements of the Company and its combining entities (collectively known as the "Group") as detailed in Note 2 to the combined financial statements, which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended ("FYE(s)") 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and notes to the combined financial statements, including material accounting policy information, as set out on pages 6 to 77.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of the Company gives a true and fair view of the financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and of its financial performance and its cash flows for the FYEs 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards as well as Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Responsibilities of the Directors for the Combined Financial Statements**

The directors of the Company are responsible for the preparation of the combined financial statements contained in the Accountants' Report of the Company, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**13. ACCOUNTANTS' REPORT (CONT'D)**



**FEYTECH HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**Other Matter**

This report is made solely to the Company and has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong  
No. 03459/11/2025 J  
Chartered Accountant

Kuala Lumpur

Date: 3 April 2024

---

**13. ACCOUNTANTS' REPORT (CONT'D)**

---

**FEYTECH HOLDINGS BERHAD**

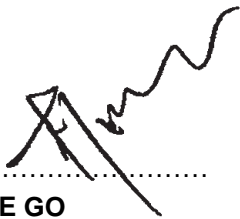
Accountants' Report

---

**STATEMENT BY DIRECTORS**

We, **CONNIE GO** and **GO YOONG CHANG**, being two of the directors of FEYTECH HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and of its financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:



.....  
**CONNIE GO**  
Director



.....  
**GO YOONG CHANG**  
Director

Kuala Lumpur

Date: 03 APR 2024

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	← As at 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	18,385	20,984	20,929	42,634
Investment properties	6	8,701	8,449	8,197	7,945
Deferred tax assets	14	-	-	33	35
<b>Total non-current assets</b>		<b>27,086</b>	<b>29,433</b>	<b>29,159</b>	<b>50,614</b>
<b>Current assets</b>					
Inventories	7	19,121	15,883	34,920	45,082
Trade and other receivables	8	22,223	37,953	50,758	42,372
Contract assets	9	-	-	62	57
Current tax assets		768	372	292	309
Cash and short-term deposits	10	28,411	30,009	30,611	62,743
<b>Total current assets</b>		<b>70,523</b>	<b>84,217</b>	<b>116,643</b>	<b>150,563</b>
<b>TOTAL ASSETS</b>		<b>97,609</b>	<b>113,650</b>	<b>145,802</b>	<b>201,177</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Invested equity	11	1,441	1,741	1,741	1,741
Translation reserve	12	42	13	102	200
Retained earnings		61,782	71,049	83,639	126,015
<b>TOTAL EQUITY</b>		<b>63,265</b>	<b>72,803</b>	<b>85,482</b>	<b>127,956</b>

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

	Note	← As at 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Non-current liabilities</b>					
Loans and borrowings	13	14,314	14,536	11,145	25,142
Deferred tax liabilities	14	168	716	622	1,047
<b>Total non-current liabilities</b>		<b>14,482</b>	<b>15,252</b>	<b>11,767</b>	<b>26,189</b>
<b>Current liabilities</b>					
Loans and borrowings	13	2,216	3,122	2,882	3,249
Trade and other payables	15	17,646	22,420	43,158	42,994
Current tax liabilities		-	53	2,513	789
<b>Total current liabilities</b>		<b>19,862</b>	<b>25,595</b>	<b>48,553</b>	<b>47,032</b>
<b>TOTAL LIABILITIES</b>		<b>34,344</b>	<b>40,847</b>	<b>60,320</b>	<b>73,221</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>97,609</b>	<b>113,650</b>	<b>145,802</b>	<b>201,177</b>

The accompanying notes form an integral part of these combined financial statements.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	← FYE 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	16	79,368	85,179	126,877	211,223
Cost of sales		(50,305)	(50,808)	(77,070)	(130,420)
<b>Gross profit</b>		<b>29,063</b>	<b>34,371</b>	<b>49,807</b>	<b>80,803</b>
Other income	17	2,500	2,916	2,893	3,313
Administrative expenses		(9,331)	(11,027)	(15,109)	(23,043)
<b>Operating profit</b>		<b>22,232</b>	<b>26,260</b>	<b>37,591</b>	<b>61,073</b>
Finance costs	18	(477)	(589)	(600)	(1,011)
Profit before tax	19	<b>21,755</b>	<b>25,671</b>	<b>36,991</b>	<b>60,062</b>
Income tax expense	21	(3,627)	(6,622)	(9,398)	(16,186)
<b>Profit for the financial year</b>		<b>18,128</b>	<b>19,049</b>	<b>27,593</b>	<b>43,876</b>
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		53	(29)	89	98
<b>Total comprehensive income for the financial year</b>		<b>18,181</b>	<b>19,020</b>	<b>27,682</b>	<b>43,974</b>
<b>Earnings per share</b>					
Basic (sen)	22	1,258.02	1,094.14	1,584.89	2,520.16

The accompanying notes form an integral part of these combined financial statements.



**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
Accountants' Report

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	← Invested equity RM'000	Attributable to owners of the Company Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2020</b>	1,441	(11)	55,557	56,987
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	-	-	18,128	18,128
Other comprehensive income	-	53	-	53
<b>Total comprehensive income</b>	-	53	18,128	18,181
<b>Transaction with owners</b>				
Dividends declared	-	-	(11,903)	(11,903)
<b>At 31 December 2020</b>	<b>1,441</b>	<b>42</b>	<b>61,782</b>	<b>63,265</b>
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	-	-	19,049	19,049
Other comprehensive income	-	(29)	-	(29)
<b>Total comprehensive income</b>	-	(29)	19,049	19,020
<b>Transactions with owners</b>				
Issuance of ordinary shares	300	-	-	300
Dividends declared	-	-	(9,782)	(9,782)
<b>At 31 December 2021</b>	<b>1,741</b>	<b>13</b>	<b>71,049</b>	<b>72,803</b>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
Accountants' Report

**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	← Invested equity RM'000	Attributable to owners of the Company Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2022</b>	1,741	13	71,049	72,803
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	-	-	27,593	27,593
Other comprehensive income	-	89	-	89
Total comprehensive income	-	89	27,593	27,682
<b>Transactions with owners</b>				
Dividends declared	-	-	(15,003)	(15,003)
<b>At 31 December 2022</b>	<b>1,741</b>	<b>102</b>	<b>83,639</b>	<b>85,482</b>

23

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
Accountants' Report

**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	← Invested equity RM'000	Attributable to owners of the Company Translation reserve RM'000	Retained earnings RM'000	→ Total equity RM'000
<b>At 1 January 2023</b>	1,741	102	83,639	85,482
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	-	-	43,876	43,876
Other comprehensive income	-	98	-	98
<b>Total comprehensive income</b>	-	98	43,876	43,974
<b>Transactions with owners</b>				
Shares issued upon incorporation	*	-	-	-
Dividends declared	-	-	(1,500)	(1,500)
<b>At 31 December 2023</b>	<b>1,741</b>	<b>200</b>	<b>126,015</b>	<b>127,956</b>

\* Denotes < RM1,000

The accompanying notes form an integral part of these combined financial statements.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS**

	←	FYE 31 December →			
		2020	2021	2022	2023
Note		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		21,755	25,671	36,991	60,062
Adjustments for:					
Depreciation of property, plant and equipment		1,823	2,546	3,315	4,404
Depreciation of investment properties		252	252	252	252
Finance costs		477	589	600	1,011
Interest income		(523)	(758)	(776)	(694)
Net unrealised loss/(gain) on foreign exchange		244	(12)	290	(590)
Gain on disposal of property, plant and equipment		-	(26)	(12)	(267)
Gain on lease modification		-	-	-	(106)
Property, plant and equipment written off		20	59	*	3
Inventories written off		186	22	35	2,223
Impairment loss on trade receivables		-	-	544	-
Bad debts written off		-	157	15	21
Reversal of impairment loss on trade receivables		-	-	-	*
<b>Operating profits before changes in working capital</b>		<b>24,234</b>	<b>28,500</b>	<b>41,254</b>	<b>66,319</b>
Changes in working capital:					
Inventories		1,613	3,216	(19,072)	(12,385)
Contract assets		-	-	(62)	5
Trade and other receivables		6,260	(5,875)	(13,149)	(2,261)
Trade and other payables		(13,334)	3,488	14,451	17,637
Net cash generated from operations		18,773	29,329	23,422	69,315
Income tax paid		(5,429)	(5,625)	(6,985)	(17,832)
Income tax refunded		-	-	-	327
Interests received		379	398	398	608
<b>Net cash from operating activities</b>		<b>13,723</b>	<b>24,102</b>	<b>16,835</b>	<b>52,418</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	10(ii)	(10,375)	(1,579)	(2,738)	(18,547)
Proceeds from disposal of property, plant and equipment		-	26	29	560
Change in pledged deposits		2,925	(4)	(4)	-
<b>Net cash used in investing activities</b>		<b>(7,450)</b>	<b>(1,557)</b>	<b>(2,713)</b>	<b>(17,987)</b>

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

	←	FYE 31 December →			
		2020	2021	2022	2023
Note		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from financing activities</b>	<b>10(iii)</b>				
Drawdown of term loans		3,708	-	-	11,000
Repayment of term loans		(817)	(1,537)	(2,725)	(2,410)
Net change in lease liabilities		(1,074)	(1,114)	(1,392)	(1,930)
Proceeds from issuance of shares		-	300	-	*
Net change in amount owing to/(by) related parties		5,694	(10,019)	1,756	8,627
Net change in amount owing to/(by) shareholders		-	2,541	1,221	(3,762)
Net change in amount owing to/(by) directors		526	(22)	(1,989)	1,989
Interests paid		(477)	(589)	(600)	(1,011)
Interests received		144	360	378	82
Dividends paid		(1,881)	(10,842)	(9,983)	(15,482)
<b>Net cash from/(used in) financing activities</b>		<b>5,823</b>	<b>(20,922)</b>	<b>(13,334)</b>	<b>(2,897)</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,096</b>	<b>1,623</b>	<b>788</b>	<b>31,534</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>16,028</b>	<b>28,191</b>	<b>29,785</b>	<b>30,383</b>
Effect of exchange rate changes on cash and bank balances		67	(29)	(190)	594
<b>Cash and cash equivalents at the end of the financial years</b>	<b>10(i)</b>	<b>28,191</b>	<b>29,785</b>	<b>30,383</b>	<b>62,511</b>

\* Denotes &lt; RM1,000

The accompanying notes form an integral part of these combined financial statements.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Feytech Holdings Berhad ("Feytech" or the "Company") was incorporated as a private company limited by shares on 11 April 2023 under Companies Act 2016 and is domiciled in Malaysia. On 24 August 2023, Feytech was converted to a public limited company.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at No. 1, Jalan Bayu 2/6, Kawasan Perindustrian Tampoi Jaya, 81200, Johor Bahru, Johor.

The principal activity of the Company is investment holding. The details of the combining entities are as follows:

<b>Combining entities</b>	<b>Principal place of business/ country of incorporation</b>	<b>Principal activities</b>
Gosford Leather Industries Sdn. Bhd.	Malaysia	Manufacturing and installation of automotive upholstery products
Trimex Distribution (M) Sdn. Bhd.	Malaysia	Marketing and sale of automotive upholstery products and accessories
Feytech Sdn. Bhd.	Malaysia	Manufacturing and sale of automotive seats and other parts
Gosford Leather Trim (S) Pte. Ltd.	Singapore	Installation, marketing and sale of automotive upholstery products and accessories
Trimex Automotive (AUS) Pty. Ltd.	Australia	Wholesale of automotive upholstery products and accessories

There have been no significant changes in the nature of these principal activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 3 April 2024.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION**

The combined financial statements of Feytech consist of the financial statements of the following entities under common control which is accounted for using the merger method of accounting (collectively hereinafter referred to as the "Group") for each of the financial years:

Entities Under Common Control	FYE 31 December			
	2020	2021	2022	2023
Gosford Leather Industries Sdn. Bhd.	√,^	√,^	√,^	√,^
Trimex Distribution (M) Sdn. Bhd.	√,^	√,^	√,^	√,^
Feytech Sdn. Bhd.	>	√,^	√,^	√,^
Feytech Holdings Berhad	>	>	>	√,^
Gosford Leather Trim (S) Pte. Ltd.	√,@	√,@	√,^	√,^
Trimex Automotive (AUS) Pty. Ltd.	√,@	√,@	√,^	√,^

√ The combined financial statements of the Group include the financial statements of these combining entities prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and/or the International Financial Reporting Standards ("IFRSs") for the respective financial years.

^ The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.

> No financial statements were available for Feytech Sdn. Bhd. and Feytech Holdings Berhad as they were incorporated on 1 April 2021 and 11 April 2023 respectively.

@ The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group.

The audited financial statements of all the combining entities within the Group for the relevant years reported above were not subject to any qualification or modification.

---

**13. ACCOUNTANTS' REPORT (CONT'D)**

---

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

---

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)**

Combined financial statements of the Group for FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the combined financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

**2.1 Statement of compliance**

The combined financial statements of the Group have been prepared in accordance with the MFRSs and IFRSs.



**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective**

- (a) The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

<u>Amendments/Improvements to MFRSs</u>		<b>Effective for financial periods beginning on or after</b>
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rate	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below:

***Amendments to MFRS 16 Leases***

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

***Amendments to MFRS 101 Presentation of Financial Statements***

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the combined financial statements.

***Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures***

Amendments to MFRS 107 and MFRS 7 respond to investors' concerns that some supplier finance arrangements – also referred to as supply chain finance, trade payables finance or reverse factoring arrangements – used by entities are not sufficiently visible, hindering investors' analysis.

The disclosure requirements require entities to disclose information that would enable users of financial statements to assess how supplier finance arrangements affect an entity's operations; including the effects supplier finance arrangements have on an entity's liability, cash flows and exposures to liquidity risk. The new disclosure requirements would also inform users of financial statements on how an entity might be affected if the arrangements were no longer available to it.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

***Amendments to MFRS 121 The Effect if Changes in Foreign Exchange Rates***

Amendments to MFRS 121 respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies.

Applying the Amendments, entities will be applying a consistent approach in determining if a currency can be exchanged into another currency. These amendments provide guidance on the spot exchange rate to use when a currency is not exchangeable into another currency and the disclosures entities need to provide to enable users of financial statements to understand the impact on the entities' financial performance, financial position and cash flows as a result of a currency being not exchangeable into another currency.

- (c) The initial application of the above applicable new MFRS and amendments/improvements to MFRSs are not expected to have any material impact on the combined financial statements.

**2.3 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

**2.4 Basis of measurement**

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. MATERIAL ACCOUNTING POLICY INFORMATION**

The Group has adopted the amendments to MFRS 101, *Presentation of Financial Statements* whereby an entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information in the Group's financial statements, it can reasonably be expected to influence decisions that the primary users make on the basis of those financial information.

The Group has early adopted the amendments to MFRS 101 to reporting periods before 1 January 2023. Accordingly, the Group disclosed their material accounting policy information in these combined financial statements. However, the amendments did not result in changes to the accounting policies of the Group.

Unless otherwise stated, the following material accounting policy information have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

**3.1 Basis of combination****Business combination**

The Group applies the merger method of accounting to account for business combinations under common control.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve or merger deficit.

**3.2 Financial instruments****Financial assets - subsequent measurement and gains and losses**Debt instruments at amortised cost

The Group subsequently measures these assets at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Financial liabilities – subsequent measurement and gains and losses**

The Group classifies the financial liabilities at amortised cost.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Financial instruments (continued)****Financial liabilities – subsequent measurement and gains and losses (continued)**

The Group subsequently measures other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**3.3 Property, plant and equipment**

Property, plant and equipment other than right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment (other than the right-of-use assets as disclosed in Note 3.4) are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	<b>Useful lives (years)</b>
Building	50 years
Machinery and equipment	5 - 10 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Computer and software	3 - 5 years
Signboard	6.6 -10 years
Electrical equipment	6.6 - 10 years
Renovation	6.6 - 10 years
Air conditioner	10 years
Fire-fighting system	10 years
Furniture and fittings	10 years

**3.4 Leases****Lessee accounting**

The Group presents right-of-use assets that do not meet the definition of investment property as property, plant and equipment in Note 5 and lease liabilities as loans and borrowings in Note 13.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.4 Leases (continued)****Lessee accounting (continued)**Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Accordingly, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-use assets

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

**3.5 Investment properties**

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. All other investment properties are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	<b>Useful lives (years)</b>
Buildings	50 years
Leasehold land and building	37 years

**3.6 Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on first-in-first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based in normal operating capacity. These costs are assigned on a weighted average cost basis.

---

**13. ACCOUNTANTS' REPORT (CONT'D)**

---

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

---

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.7 Revenue****(a) Sales of goods**

The Group manufactures and sells automotive seats and upholstery products. Revenue from sale of manufactured goods is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term range from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's combined financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's combined financial statements within the next financial year are disclosed as follows:

**(a) Impairment of financial assets and contract assets**

The impairment provisions for the financial assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

---

**13. ACCOUNTANTS' REPORT (CONT'D)**

---

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

---

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**(a) Impairment of financial assets and contract assets (continued)**

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's financial assets and contract assets are disclosed in Note 24(b).

**(b) Write-down of slow-moving inventories**

The Group writes down its obsolete or slow-moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow-moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amount of the Group's inventories is disclosed in Note 7.



**13. ACCOUNTANTS' REPORT (CONT'D)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT**

Cost	Note	Building		Machinery and equipment		Motor vehicles		Office equipment		Computer and software		Signboard		Electrical equipment		Renovation		Air conditioner		Fire fighting system		Furniture and fittings		Right-of-use assets		Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2020		-	7,547	1,071	544	1,519	5	389	752	70	49	99	3,245	15,290												
Additions		10,500	1,777	47	33	43	1	734	937	60	-	-	2,843	16,975												
Written-off		-	-	-	(146)	-	(5)	-	(667)	-	-	-	-	(818)												
Reversals		-	-	-	-	-	-	-	-	-	-	-	-	-												
Exchange differences		-	*	*	*	*	-	-	-	-	-	-	(1,345)	(1,345)												
At 31 December 2020		10,500	9,324	1,118	431	1,562	1	1,123	1,022	130	49	99	4,743	30,102												
<b>Accumulated depreciation</b>																										
At 1 January 2020		-	7,108	779	397	1,296	5	386	679	37	8	79	1,263	12,037												
Depreciation charge for the financial year		110	316	87	41	69	-	38	45	9	8	3	1,097	1,823												
Written-off	19	-	-	-	(128)	-	(5)	-	(665)	-	-	-	-	(798)												
Reversals		-	-	-	-	-	-	-	-	-	-	-	-	-												
Exchange differences		-	*	*	*	*	-	-	-	-	-	-	(1,345)	(1,345)												
At 31 December 2020		110	7,424	866	310	1,365	-	424	59	46	16	82	1,015	11,717												
<b>Net carrying amount</b>																										
At 31 December 2020		10,390	1,900	252	121	197	1	699	963	84	33	17	3,728	18,385												

\* Denotes < RM1,000

**13. ACCOUNTANTS' REPORT (CONT'D)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Cost	Note	Building		Machinery and equipment		Motor vehicles		Office equipment		Computer and software		Signboard		Electrical equipment		Renovation		Air conditioner		Fire fighting system		Furniture and fittings		Right-of-use assets		Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2021		10,500	9,324	1,118	431	1,562	1	1,123	1,022	130	49	99	4,743	30,102												
Addition		-	1,057	63	2	52	14	100	228	-	-	51	3,791	5,358												
Disposals		-	(81)	-	-	-	-	-	-	-	-	-	-	(81)												
Written-off		-	(1,180)	(3)	(157)	(544)	-	(385)	-	(16)	(20)	(8)	-	(2,313)												
Transfer from/(to)		-	-	464	-	-	-	-	(165)	-	-	-	(464)	-												
Reversal of cost	(b)	-	-	-	-	-	-	-	-	-	-	-	-	(165)												
Exchange differences		-	-	2	1	5	-	-	-	-	-	1	12	21												
At 31 December 2021		10,500	9,120	1,644	277	1,075	15	838	1,085	114	29	143	8,082	32,922												
<b>Accumulated depreciation</b>																										
At 1 January 2021		110	7,424	866	310	1,365	-	424	59	46	16	82	1,015	11,717												
Depreciation charge for the financial year		205	487	192	30	73	-	102	163	12	8	4	1,270	2,546												
Disposals		-	(81)	-	-	-	-	-	-	-	-	-	-	(81)												
Written-off		-	(1,166)	(3)	(134)	(539)	-	(384)	-	(16)	(4)	(8)	-	(2,254)												
Transfer from/(to)		-	-	252	-	-	-	-	-	-	-	-	(252)	-												
Exchange differences		-	-	2	1	5	-	-	-	-	-	1	1	10												
At 31 December 2021		315	6,664	1,309	207	904	-	142	222	42	20	79	2,034	11,938												
<b>Net carrying amount</b>																										
At 31 December 2021		10,185	2,456	335	70	171	15	696	863	72	9	64	6,048	20,984												

**13. ACCOUNTANTS' REPORT (CONT'D)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Note	Building RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Computer and software RM'000	Signboard RM'000	Electrical equipment RM'000	Renovation RM'000	Air conditioner RM'000	Fire fighting system RM'000	Furniture and fittings RM'000	(a) Right-of-use assets RM'000	Total RM'000
<b>Cost</b>														
At 1 January 2022		10,500	9,120	1,644	277	1,075	15	838	1,085	114	29	143	8,082	32,922
Reclassification		-	(3)	-	19	-	1	3	(1)	32	-	(51)	-	-
Addition		-	1,425	946	434	115	-	145	83	-	-	-	76	3,224
Disposals		-	(36)	(144)	-	(26)	-	-	-	(2)	-	-	-	(208)
Written-off		-	(7)	(95)	-	(2)	-	-	-	(3)	-	-	-	(107)
Transfer from/(to)		-	954	1,284	-	-	-	-	-	-	-	-	(2,238)	-
Exchange differences		-	1	54	2	22	-	-	-	-	-	4	23	106
At 31 December 2022		10,500	11,454	3,689	732	1,184	16	986	1,167	141	29	96	5,943	35,937
<b>Accumulated depreciation</b>														
At 1 January 2022		315	6,664	1,309	207	904	*	142	222	42	20	79	2,034	11,938
Reclassification		-	-	-	-	-	-	-	-	1	-	(1)	-	-
Depreciation charge for the financial year		-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	19	210	887	516	38	79	2	122	166	14	6	2	1,273	3,315
Written-off		-	(36)	(127)	-	(26)	-	-	-	(2)	-	-	-	(191)
Transfer from/(to)		-	(7)	(95)	-	(2)	-	-	-	(3)	-	-	-	(107)
Exchange differences		-	572	397	-	-	-	-	-	-	-	-	(969)	-
		-	-	19	2	21	-	-	-	-	-	4	7	53
At 31 December 2022		525	8,080	2,019	247	976	2	264	388	52	26	84	2,345	15,008
<b>Net carrying amount</b>														
At 31 December 2022		9,975	3,374	1,670	485	208	14	722	779	89	3	12	3,598	20,929

\* Denotes < RM1,000

**13. ACCOUNTANTS' REPORT (CONT'D)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Cost	Note	Building RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Computer and software RM'000	Signboard RM'000	Electrical equipment RM'000	Renovation RM'000	Air conditioner RM'000	Fire fighting system RM'000	Furniture and fittings RM'000	(a) Right-of-use assets RM'000	Total RM'000
At 1 January 2023		10,500	11,454	3,689	732	1,184	16	986	1,167	141	29	96	5,943	35,937
Addition		13,783	1,933	831	74	66	-	396	48	3	-	-	10,148	27,282
Disposals		-	-	(618)	(2)	(15)	-	-	-	-	-	-	-	(635)
Written-off		-	(67)	-	(18)	(259)	-	-	-	(2)	-	-	-	(346)
Derecognition due to end of lease term		-	-	-	-	-	-	-	-	-	-	-	(423)	(423)
Lease modification		-	-	-	-	-	-	-	-	-	-	-	(2,197)	(2,197)
Elimination		-	-	-	-	19	-	-	-	-	-	-	-	19
Exchange differences		-	1	46	2	24	-	-	-	-	-	4	17	94
At 31 December 2023		24,283	13,321	3,948	788	1,019	16	1,382	1,215	142	29	100	13,488	59,731

**Accumulated  
depreciation**

At 1 January 2023		525	8,080	2,019	247	976	2	264	388	52	26	84	2,345	15,008
Depreciation charge for the financial year	19	210	1,155	506	64	78	2	144	178	13	3	3	2,048	4,404
Disposals		-	-	(329)	(2)	(11)	-	-	-	-	-	-	-	(342)
Written-off		-	(67)	-	(16)	(259)	-	-	-	(1)	-	-	-	(343)
Derecognition due to end of lease term		-	-	-	-	-	-	-	-	-	-	-	(423)	(423)
Lease modification		-	-	-	-	-	-	-	-	-	-	-	(1,272)	(1,272)
Elimination		-	-	-	-	19	-	-	-	-	-	-	-	19
Exchange differences		-	1	19	2	24	-	-	*	-	-	4	(4)	46
At 31 December 2023		735	9,169	2,215	295	827	4	408	566	64	29	91	2,694	17,097

**Net carrying amount**

At 31 December 2023		23,548	4,152	1,733	493	192	12	974	649	78	-	9	10,794	42,634
---------------------	--	--------	-------	-------	-----	-----	----	-----	-----	----	---	---	--------	--------

\* Denotes < RM1,000

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(a) Right-of-use assets**

Information about leases for which the Group is lessee is presented below:

	Land RM'000	Machinery and equipment RM'000	Motor vehicles RM'000	Factory buildings RM'000	Total RM'000
At 1 January 2020	-	764	720	498	1,982
Additions	1,743	-	671	429	2,843
Depreciation	(145)	(191)	(199)	(562)	(1,097)
At 31 December 2020	1,598	573	1,192	365	3,728
Additions	-	-	164	3,627	3,791
Transfer to property, plant and equipment	-	-	(212)	-	(212)
Depreciation	(290)	(191)	(219)	(570)	(1,270)
Exchange differences	-	-	8	3	11
At 31 December 2021	1,308	382	933	3,425	6,048
Transfer to property, plant and equipment	-	(382)	(887)	-	(1,269)
Additions	-	-	40	36	76
Depreciation	(290)	-	(36)	(947)	(1,273)
Exchange differences	-	-	-	16	16
At 31 December 2022	1,018	-	50	2,530	3,598
Additions	6,099	1,914	-	2,135	10,148
Lease modification	(798)	-	-	(127)	(925)
Depreciation	(269)	(486)	(39)	(1,254)	(2,048)
Exchange differences	-	-	-	21	21
At 31 December 2023	6,050	1,428	11	3,305	10,794

The Group leases land and factory buildings for its office space and operations. The leases for office space and operations generally have lease term of two (2) to thirty (30) years.

The Group leases machinery and equipment with lease term of three (3) years and has the option to purchase the assets at the end of the contract term.

The Group also leases motor vehicles with lease term of three (3) to seven (7) years and has the option to purchase certain motor vehicles at the end of the contract term.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(b) Reversal of cost**

During the financial year 31 December 2022, there was a reversal of cost of renovation recognised in the previous financial year amounting to RM165,297 due to discount given by the contractor due to defect works.

**6. INVESTMENT PROPERTIES**

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<b><u>31 December 2020</u></b>				
<b>Cost</b>				
At 1 January 2020	462	7,340	2,065	9,867
<b>Accumulated depreciation</b>				
At 1 January 2020	-	657	257	914
Depreciation charge for the financial year	-	198	54	252
At 31 December 2020	-	855	311	1,166
<b>Carrying amount</b>				
At 31 December 2020	462	6,485	1,754	8,701

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES (CONTINUED)**

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<b><u>31 December 2021</u></b>				
<b>Cost</b>				
At 1 January 2021	462	7,340	2,065	9,867
<b>Accumulated depreciation</b>				
At 1 January 2021	-	855	311	1,166
Depreciation charge for the financial year	-	198	54	252
At 31 December 2021	-	1,053	365	1,418
<b>Carrying amount</b>				
At 31 December 2021	462	6,287	1,700	8,449
<b><u>31 December 2022</u></b>				
<b>Cost</b>				
At 1 January 2022	462	7,340	2,065	9,867
<b>Accumulated depreciation</b>				
At 1 January 2022	-	1,053	365	1,418
Depreciation charge for the financial year	-	198	54	252
At 31 December 2022	-	1,251	419	1,670
<b>Carrying amount</b>				
At 31 December 2022	462	6,089	1,646	8,197

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES (CONTINUED)**

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<b>31 December 2023</b>				
<b>Cost</b>				
At 1 January 2023	462	7,340	2,065	9,867
<b>Accumulated depreciation</b>				
At 1 January 2023	-	1,251	419	1,670
Depreciation charge for the financial year	-	198	54	252
At 31 December 2023	-	1,449	473	1,922
<b>Carrying amount</b>				
At 31 December 2023	462	5,891	1,592	7,945

**(a) Assets pledged as security**

Freehold land and building with an aggregate carrying amount of RM581,620 (2022: RM586,224, 2021: RM590,827 and 2020: RM595,431) has been pledged as security to secure banking facilities of the Group as disclosed in Note 13.

Leasehold land and building with an aggregate carrying amount of RM7,364,722 (2022: RM7,611,585, 2021: RM7,858,447 and 2020: RM8,105,309) has been pledged as security to secure banking facilities of the Group as disclosed in Note 13.

The following are recognised in profit or loss in respect of investment properties:

	← As at 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Rental income	745	781	853	872
Direct operating expenses:				
- income generating investment properties	28	28	28	31

**Fair value information**

The fair value of investment properties of approximately RM19,169,000 (2022: RM14,584,000, 2021: RM11,730,000 and 2020: RM10,818,000) is categorised at Level 2 of fair value hierarchy.

There are no Level 1 and Level 3 investment property or transfer between Level 1, Level 2 and Level 3 during the financial years ended 31 December 2023, 31 December 2022, 31 December 2021 and 31 December 2020.



**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES (CONTINUED)****Level 2 fair value**

Level 2 fair values of buildings have been derived using sales comparison approach. Sales prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable buildings.

**Valuation processes applied by the Group**

The Group's finance department includes a team that performs valuation analysis of land required for financial reporting purposes, including Level 2 fair values. This team reports directly to the directors.

**Highest and best use**

In estimating the fair value of the property, the highest and best use of the property is its current use.

**7. INVENTORIES**

	<b>As at 31 December</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At lower of cost and net realisable value:</b>				
Raw materials	11,765	9,432	20,144	31,179
Work-in-progress	668	671	984	983
Finished goods	5,456	4,782	7,281	7,082
Goods in transit	1,232	998	6,511	5,838
	<u>19,121</u>	<u>15,883</u>	<u>34,920</u>	<u>45,082</u>
Inventories recognised as expenses	<u>37,255</u>	<u>38,526</u>	<u>51,829</u>	<u>102,109</u>

The cost of inventories of the Group recognised as an expense during the financial year in respect of write-off of inventories was RM2,222,556 (2022: RM34,809, 2021: RM22,386 and 2020: RM186,025).

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****8. TRADE AND OTHER RECEIVABLES**

	Note	← As at 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Trade</b>	<b>(a)</b>				
- Related party		311	-	-	-
- Third parties		20,667	25,580	33,651	39,982
Less: Impairment losses on trade receivables		-	-	(544)	(535)
		20,978	25,580	33,107	39,447
<b>Non-trade</b>					
Other receivables		387	1,234	2,755	821
Deposits		152	422	691	510
Prepayments		343	335	3,579	1,594
Amount owing by related parties	<b>(b)</b>	363	10,382	8,626	-
Amount owing by a director	<b>(b)</b>	-	-	2,000	-
		1,245	12,373	17,651	2,925
Total trade and other receivables		22,223	37,953	50,758	42,372

**(a) Trade receivables**

Trade receivables are non-interest bearing and normal credit terms offered by the Group is 30 to 90 days (2022: 30 to 90 days, 2021: 30 to 90 days and 2020: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	← As at 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>At 1 January</b>	-	-	-	544
Charge for the financial year	-	-	544	-
Reversal during the financial year	-	-	-	(6)
Written off	-	-	-	(20)
Exchange differences	-	-	-	17
<b>At 31 December</b>	-	-	544	535

### 13. ACCOUNTANTS' REPORT (CONT'D)

#### FEYTECH HOLDINGS BERHAD

Accountants' Report

#### NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### 8. TRADE AND OTHER RECEIVABLES (CONTINUED)

##### (b) Amount owing by related parties and a director

Amount owing by related parties and a director are unsecured, non-trade in nature, repayable on demand and are expected to be settled in cash.

Amount owing by related parties are non-interest bearing, other than the amount owing by a related party of Nil (2022: RM8,151,184, 2021: RM10,098,296 and 2020: RM135,264) bearing interest rate of Nil (2022, 2021 and 2020: 3.90%).

The information about the credit exposure is disclosed in Note 24(b)(i).

#### 9. CONTRACT ASSETS

	←	As at 31 December			→
	2020	2021	2022	2023	
	RM'000	RM'000	RM'000	RM'000	
Contract assets relating to timing differences between recognition of revenue and issuance of invoices	-	-	62	57	

##### Significant changes in contract balances

	←	As at 31 December			→
	2020	2021	2022	2023	
	Contract assets	Contract assets	Contract assets	Contract assets	
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	
	RM'000	RM'000	RM'000	RM'000	
Increase due to revenue recognised for unbilled goods transferred to customers during the financial year	-	-	62	57	
Transfer from contract assets recognised at the beginning of financial year to receivables	-	-	-	(62)	

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****10. CASH AND SHORT-TERM DEPOSITS**

	←	As at 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Cash in hand	15	5	5	5
Cash at banks	28,176	29,780	30,378	62,506
Short-term deposits	220	224	228	232
	28,411	30,009	30,611	62,743

- (i) For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

	←	As at 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Short-term deposits	220	224	228	232
Less: Pledged deposits	(220)	(224)	(228)	(232)
	-	-	-	-
Cash and bank balances	28,191	29,785	30,383	62,511
	28,191	29,785	30,383	62,511

Included in the fixed deposits with a licensed bank of the Group is an amount of RM231,928 (2022: RM227,739, 2021: RM224,153 and 2020: RM220,510) pledged as security for term loan as disclosed in Note 13 to the financial statements.

- (ii) During the financial years under review, the Group made the following cash payments to purchase property, plant and equipment.

	←	As at 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	16,975	5,358	3,224	27,282
Operating lease recognised as right-of-use assets	(2,172)	(3,678)	(76)	(8,235)
Financed by way of loan arrangements	(4,000)	-	-	-
Financed by way of lease arrangements	(428)	(101)	(410)	(500)
	10,375	1,579	2,738	18,547

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**10. CASH AND SHORT-TERM DEPOSITS (CONTINUED)**

(iii) Reconciliation of changes in liabilities arising from financing activities are as follows:

	<b>1.1.2020</b>	<b>Cash flows</b>	<b>Non-cash</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Others</b>	<b>RM'000</b>
			<b>RM'000</b>	
Term loans	6,898	2,891	4,000	13,789
Lease liabilities	1,215	(1,074)	2,600	2,741
Amount owing by related parties	(6,057)	5,694	-	(363)
Amount owing (by)/to directors	(504)	526	-	22
	<b>1,552</b>	<b>8,037</b>	<b>6,600</b>	<b>16,189</b>

	<b>1.1.2021</b>	<b>Cash flows</b>	<b>Non-cash</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Others</b>	<b>RM'000</b>
			<b>RM'000</b>	
Term loans	13,789	(1,537)	-	12,252
Lease liabilities	2,741	(1,114)	3,779	5,406
Amount owing by related parties	(363)	(10,019)	-	(10,382)
Amount owing to shareholders	-	2,541	-	2,541
Amount owing to director	22	(22)	-	-
	<b>16,189</b>	<b>(10,151)</b>	<b>3,779</b>	<b>9,817</b>

	<b>1.1.2022</b>	<b>Cash flows</b>	<b>Non-cash</b>	<b>31.12.2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Others</b>	<b>RM'000</b>
			<b>RM'000</b>	
Term loans	12,252	(2,725)	-	9,527
Lease liabilities	5,406	(1,392)	486	4,500
Amount owing by related parties	(10,382)	1,756	-	(8,626)
Amount owing to shareholders	2,541	1,221	-	3,762
Amount owing by directors	-	(1,989)	-	(1,989)
	<b>9,817</b>	<b>(3,129)</b>	<b>486</b>	<b>7,174</b>

	<b>1.1.2023</b>	<b>Cash flows</b>	<b>Non-cash</b>	<b>31.12.2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Others</b>	<b>RM'000</b>
			<b>RM'000</b>	
Term loans	9,527	8,590	-	18,117
Lease liabilities	4,500	(1,930)	7,704	10,274
Amount owing (by)/to related parties	(8,626)	8,627	-	1
Amount owing to shareholders	3,762	(3,762)	-	-
Amount owing by directors	(1,989)	1,989	-	-
	<b>7,174</b>	<b>13,514</b>	<b>7,704</b>	<b>28,392</b>

---

**13. ACCOUNTANTS' REPORT (CONT'D)**

---

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

---

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**11. INVESTED EQUITY**

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The invested equity constitutes the share capital of Feytech Holdings Berhad, Gosford Leather Industries Sdn. Bhd., Trimex Distribution (M) Sdn. Bhd., Feytech Sdn. Bhd., Gosford Leather Trim (S) Pte. Ltd. and Trimex Automotive (Aus) Pty. Ltd.

**12. TRANSLATION RESERVE**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

**13. ACCOUNTANTS' REPORT (CONT'D)**
**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**
**13. LOANS AND BORROWINGS**

	Notes	← As at 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Non-current:</b>					
<b>Secured</b>					
Term loans	(a)				
- I		3,467	3,055	2,464	2,288
- II		305	245	180	-
- III		5,781	5,417	4,960	4,533
- IV		1,596	1,182	-	-
- V		1,106	819	539	-
- VI		-	-	-	9,767
		12,255	10,718	8,143	16,588
Lease liabilities	(b)	2,059	3,818	3,002	8,554
		14,314	14,536	11,145	25,142
<b>Current:</b>					
<b>Secured</b>					
Term loans	(a)				
- I		400	400	592	367
- II		61	60	65	-
- III		359	333	396	429
- IV		421	437	-	-
- V		293	304	331	-
- VI		-	-	-	733
		1,534	1,534	1,384	1,529
Lease liabilities	(b)	682	1,588	1,498	1,720
		2,216	3,122	2,882	3,249
<b>Total loans and borrowings:</b>					
Term loans	(a)	13,789	12,252	9,527	18,117
Lease liabilities	(b)	2,741	5,406	4,500	10,274
		16,530	17,658	14,027	28,391

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****13. LOANS AND BORROWINGS (CONTINUED)****(a) Term loans**

- (i) Term loan I of the Group bears interest at 4.79% (2022: 4.37%, 2021: 3.31% and 2020: 3.33%) per annum and is repayable by monthly instalments over ten years commencing from the day of first drawdown and is secured and supported as follows:

- (i) All monies charge over the freehold land of a related party; and
- (ii) Joint and several guarantee by a director.

- (ii) Term loan II of the Group bears interest at 4.50% (2022: 3.45%, 2021 and 2020: 4.16%) per annum and is repayable by monthly instalments over ten years commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over the freehold investment property of the Group as disclosed in Note 6; and
- (ii) Joint and several guarantee by the Group's directors.

Term loan II of the Group has been settled during the financial year ended 31 December 2023.

- (iii) Term loan III of the Group bears interest at 4.50% (2022: 4.25%, 2021 and 2020: 4.50%) per annum and is repayable by monthly instalments over seventeen years commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over the leasehold investment property of the Group as disclosed in Note 6;
- (ii) Joint and several guarantee by the Group's directors; and
- (iii) Short-term deposits pledged with the licensed banks.

- (iv) Term loan IV of the Group bears interest at Nil (2022: Nil, 2021 and 2020: 2.50%) per annum and is repayable by monthly instalments over five years commencing from the day of first drawdown and is secured and guaranteed by a director.

Term loan IV of the Group has been settled during the financial year ended 31 December 2022.

- (v) Term loan V of the Group bears interest at Nil (2022, 2021 and 2020: 2.25%) per annum and is repayable by monthly instalments over five years commencing from the day of first drawdown and guaranteed by a director.

Term loan V of the Group has been settled during the financial year ended 31 December 2023.



**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****13. LOANS AND BORROWINGS (CONTINUED)****(a) Term loans (continued)**

(vi) Term loan VI of the Group bears interest at 4.91% (2022, 2021 and 2020: Nil) per annum and is repayable by monthly instalments over fifteen years commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over the freehold land of the Group;
- (ii) Open all monies facility agreement; and
- (iii) Corporate guarantee by its related company.

**(b) Lease liabilities**

Certain machinery and equipment and motor vehicles of the Group as disclosed in Note 5(a) are pledged for finance leases. The effective interest rates implicit in the leases ranges from 3.57% to 7.20% (2022: 3.57% to 4.67%, 2021: 3.57% to 7.46% and 2020: 3.57% to 8.12%).

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:				
Not later than one year	837	1,604	1,680	1,929
Later than one year and not later than five years	2,251	4,315	3,209	4,329
Later than five years	102	54	-	8,880
	3,190	5,973	4,889	15,138
Less: Future finance charges	(449)	(567)	(389)	(4,864)
Present value of lease payments	2,741	5,406	4,500	10,274
Present value of minimum lease payments payable:				
Not later than one year	682	1,588	1,498	1,720
Later than one year and not later than five years	1,969	3,774	3,002	3,046
Later than five years	90	44	-	5,508
	2,741	5,406	4,500	10,274
Less: Amount due within twelve months	(682)	(1,588)	(1,498)	(1,720)
Amount due after twelve months	2,059	3,818	3,002	8,554

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****14. DEFERRED TAX (ASSETS)/ LIABILITIES**

	As at 1 January 2020 RM'000	Recognised in in profit or loss RM'000 (Note 21)	As at 31 December 2020 RM'000
<b>Deferred tax assets:</b>			
Lease liabilities	-	(8)	(8)
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	386	(210)	176
	386	(218)	168
	As at 1 January 2021 RM'000	Recognised in in profit or loss RM'000 (Note 21)	As at 31 December 2021 RM'000
<b>Deferred tax assets:</b>			
Lease liabilities	(8)	(12)	(20)
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	176	560	736
	168	548	716
	As at 1 January 2022 RM'000	Recognised in in profit or loss RM'000 (Note 21)	As at 31 December 2022 RM'000
<b>Deferred tax assets:</b>			
Lease liabilities	(20)	5	(15)
Impairment losses on trade receivables	-	(106)	(106)
	(20)	(101)	(121)
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	736	(26)	710
	716	(127)	589

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**14. DEFERRED TAX (ASSETS)/ LIABILITIES (CONTINUED)**

	As at 1 January 2023 RM'000	Recognised in in profit or loss RM'000 (Note 21)	As at 31 December 2023 RM'000
<b>Deferred tax assets:</b>			
Lease liabilities	(15)	(16)	(31)
Impairment losses on trade receivables	(106)	(3)	(109)
	(121)	(19)	(140)
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	710	442	1,152
	589	423	1,012
	← As at 31 December →		
	2020 RM'000	2021 RM'000	2022 RM'000
	2023 RM'000		
<b>Presented after appropriate offsetting as follows:</b>			
Deferred tax assets	-	-	(33)
Deferred tax liabilities	168	716	622
	168	716	589
	1,012	1,012	1,012

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****15. TRADE AND OTHER PAYABLES**

	Note	← As at 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Current:</b>					
<b>Trade</b>					
Trade payables	(a)	5,074	6,972	10,936	19,747
<b>Non-trade</b>					
Other payables		259	807	2,657	2,689
Accruals		1,988	2,807	11,464	20,110
Dividend payables		10,022	8,962	13,982	-
Deposits received		235	246	234	237
Amount owing to related parties	(b)	7	-	-	1
Amount owing to a director	(b)	22	-	11	-
Amount owing to shareholders	(b)	-	2,541	3,762	-
Goods and service tax ("GST") payables		39	8	38	49
Sales and service tax ("SST") payables		-	77	74	161
		12,572	15,448	32,222	23,247
Total trade and other payables		17,646	22,420	43,158	42,994

**(a) Trade payables**

Trade payables of the Group are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 60 days (2022: 30 to 60 days, 2021: 30 to 60 days and 2020: 30 to 60 days).

**(b) Amount owing to related parties, a director and shareholders**

Amount owing to related parties, a director and shareholders are unsecured, non-trade in nature, non-interest bearing and repayment upon demand.

Amount owing to a director and shareholders have been fully repaid during the financial year ended 31 December 2023.

For explanation on the Group's liquidity risk management processes, refer to Note 24(b)(ii).

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****16. REVENUE**

	←	FYE 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<u>Timing of revenue recognition</u>				
At a point in time:				
Sale of goods	79,368	85,179	126,877	211,223

**17. OTHER INCOME**

	←	FYE 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Delivery charges	512	585	502	406
Gain on disposal of property plant and equipment	-	26	12	267
Gain on lease modification	-	-	-	106
Interests income	523	758	776	694
Rental income	752	793	865	872
Miscellaneous	173	219	248	247
Management fee	38	42	42	-
Scrap sales	14	25	38	99
COVID-19-related rent concession income	-	123	141	-
Wages subsidy	488	332	199	32
Reversal of impairment loss on trade receivable	-	-	-	*
Net realised gain on foreign exchange	-	-	70	-
Net unrealised gain on foreign exchange	-	13	-	590
	2,500	2,916	2,893	3,313

\* Denotes &lt; RM1,000

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****18. FINANCE COSTS**

	←	FYE 31 December			→
	2020	2021	2022	2023	
	RM'000	RM'000	RM'000	RM'000	
Interest expenses on:					
- Term loans	362	350	369	714	
- Lease liabilities	115	239	231	297	
	477	589	600	1,011	

**19. PROFIT BEFORE TAX**

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

		←	FYE 31 December			→
	Note	2020	2021	2022	2023	
		RM'000	RM'000	RM'000	RM'000	
Auditors' remuneration						
- current year		88	94	124	229	
- prior year		(13)	-	(2)	3	
Depreciation of property, plant and equipment	5	1,823	2,546	3,315	4,404	
Depreciation of investment properties	6	252	252	252	252	
Inventories written off		186	22	35	2,223	
Bad debts written off		-	157	15	21	
Impairment losses on trade receivables	8	-	-	544	-	
Incorporation expenses		-	-	-	4	
Loss on disposal of property, plant and equipment		-	-	-	*	
Property, plant and equipment written off		20	59	*	3	
Employee benefits expense		13,558	13,209	19,687	25,686	
Net realised loss on foreign exchange		115	32	325	473	
Net unrealised loss on foreign exchange		244	1	290	-	
Rental expense on:						
- Factory		127	419	276	-	
- Hostel		7	10	40	73	
- Motor vehicles		4	-	10	33	
- Office equipment		7	9	20	13	
- Car park		4	6	6	4	

\* Denotes < RM1,000

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****20. EMPLOYEE BENEFITS EXPENSE**

	← FYE 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Salaries and other staff benefits	12,216	11,852	17,320	23,068
Defined contribution plans	585	610	1,004	1,373
Other staff related expenses	757	747	1,363	1,245
	13,558	13,209	19,687	25,686
Included in the employee benefits expenses are:				
Directors' salaries, bonuses and allowances	997	1,001	946	2,055
Defined contribution plans	55	38	163	180
Other related expenses	2	17	21	5
	1,054	1,056	1,130	2,240

**21. INCOME TAX EXPENSE**

The major components of income tax expense for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	← FYE 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Statements of comprehensive income</b>				
<b>Current income tax:</b>				
- Current income tax charge	3,907	6,549	9,547	15,772
- Adjustment in respect of prior financial years	(62)	(475)	(22)	(9)
	3,845	6,074	9,525	15,763
<b>Deferred tax: (Note 14)</b>				
- (Reversal)/ Origination of temporary differences	(31)	63	(112)	80
- Adjustment in respect of prior financial years	(187)	485	(15)	343
	(218)	548	(127)	423
Income tax expense recognised in profit or loss	3,627	6,622	9,398	16,186

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****21. INCOME TAX EXPENSE (CONTINUED)**

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial years.

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expenses are as follows:

	←	FYE 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Profit before tax	21,755	25,671	36,991	60,062
Tax at Malaysian statutory income tax rate of 24%	5,221	6,161	8,878	14,415
Different tax rates in different countries	*	(4)	6	22
Adjustments:				
Non-deductible expenses	138	484	464	1,420
Non-taxable income	(16)	-	(2)	-
Tax incentives	(1,477)	-	-	-
Tax exemption	-	(14)	(30)	(5)
Adjustment in respect of current income tax of prior years	(62)	(475)	(22)	(9)
Deferred tax assets not recognised on tax losses and temporary differences	10	-	119	-
Adjustment in respect of deferred tax of prior years	(187)	485	(15)	343
Utilisation of previously unrecognised deferred tax assets	-	(15)	-	-
Income tax expense	3,627	6,622	9,398	16,186

\* Denotes < RM1,000



**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****21. INCOME TAX EXPENSE (CONTINUED)**Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Unused tax losses	694	630	640	687
Unabsorbed capital allowance	23	-	474	-
	717	630	1,114	687

Deferred tax assets have not been recognised in respect of the above items as there is no profitable future taxable profits will be available against which the unused tax losses can be utilised.

**22. EARNINGS PER SHARE****Basic earnings per ordinary share**

Basic earnings per ordinary share are based on the profit for the financial years attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial years, calculated as follows:

	← FYE 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the owners of the Group	18,128	19,049	27,593	43,876
Weighted average number of ordinary shares for basic and diluted earnings per share	1,441	1,741	1,741	1,741
Basic earnings per ordinary share (sen)	1,258.02	1,094.14	1,584.89	2,520.16

**Diluted earnings per share**

The diluted earnings per ordinary share is not applicable as the Company does not have potential dilutive equity instrument in issue as at the end of the each of the financial years that have dilutive effect to the basic earnings per ordinary share.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. DIVIDENDS**

	←	As at 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Recognised during the financial year:</b>				
Dividends on ordinary shares:				
Single-tier interim dividend of RM16.70 per ordinary share in respect of financial year ended 31 December 2020, paid on 13 April 2021, 1 October 2021, 9 November 2021, 5 December 2021 and 19 January 2022.				
	10,022	-	-	-
Single-tier interim dividend of RM23.52 per ordinary share in respect of financial year ended 31 December 2020, paid on 6 March 2020.				
	1,881	-	-	-
Single-tier interim dividend of RM16.30 per ordinary share in respect of financial year ended 31 December 2021, paid on 2 August 2021, 4 March 2022, 9 May 2022 and 31 July 2022.				
	-	9,782	-	-
Single-tier interim dividend of RM25.00 per ordinary share in respect of financial year ended 31 December 2022, paid on 21 September 2022 and 1 April 2023.				
	-	-	15,003	-
Single-tier final dividend of RM18.75 per ordinary share in respect of financial year ended 31 December 2023 paid on 6 July 2023.				
	-	-	-	1,500
	<u>11,903</u>	<u>9,782</u>	<u>15,003</u>	<u>1,500</u>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS**

**(a) Categories of financial instruments**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned at amortised cost:

(i) Amortised cost

	<b>Carrying amount RM'000</b>	<b>Amortised cost RM'000</b>
<b>At 31 December 2020</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	21,880	21,880
Cash and short-term deposits	28,411	28,411
	<u>50,291</u>	<u>50,291</u>
<b>Financial liabilities</b>		
Loans and borrowings	(16,530)	(16,530)
Trade and other payables, less GST payables	(17,607)	(17,607)
	<u>(34,137)</u>	<u>(34,137)</u>
<b>At 31 December 2021</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	37,618	37,618
Cash and short-term deposits	30,009	30,009
	<u>67,627</u>	<u>67,627</u>
<b>Financial liabilities</b>		
Loans and borrowings	(17,658)	(17,658)
Trade and other payables, less GST and SST payables	(22,335)	(22,335)
	<u>(39,993)</u>	<u>(39,993)</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned at amortised cost (continued)

**(i) Amortised cost (continued)**

	<b>Carrying amount RM'000</b>	<b>Amortised cost RM'000</b>
<b>At 31 December 2022</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	47,179	47,179
Cash and short-term deposits	30,611	30,611
	<u>77,790</u>	<u>77,790</u>
<b>Financial liabilities</b>		
Loans and borrowings	(14,027)	(14,027)
Trade and other payables, less GST and SST payables	(43,046)	(43,046)
	<u>(57,073)</u>	<u>(57,073)</u>
<b>At 31 December 2023</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	40,778	40,778
Cash and short-term deposits	62,743	62,743
	<u>103,521</u>	<u>103,521</u>
<b>Financial liabilities</b>		
Loans and borrowings	(28,391)	(28,391)
Trade and other payables, less GST and SST payables	(42,784)	(42,784)
	<u>(71,175)</u>	<u>(71,175)</u>

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned at amortised cost (continued)

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

**(b) Financial risk management****(i) Credit risk**

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk arises primarily from trade and other receivables. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

**Trade receivables and contract assets**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the combined statements of financial position.

The carrying amounts of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting period, the Group has a significant concentration of credit risk in the form of three (3) (2022: six (6), 2021 and 2020: four (4)) trade receivables, representing approximately 62% (2022: 87%, 2021: 84% and 2020: 77%) of the Group's total trade receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the impairment losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward-looking information.

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(i) Credit risk (continued)**

**Trade receivables and contract assets (continued)**

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows:

	Contract assets RM'000	Current RM'000	Trade receivables					Total RM'000
			1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
<b>At 31 December 2020</b>								
Gross carrying amount at default	-	5,943	8,789	2,269	2,988	81	908	20,978
Impairment losses	-	-	-	-	-	-	-	-
Net balance	-	5,943	8,789	2,269	2,988	81	908	20,978
<b>At 31 December 2021</b>								
Gross carrying amount at default	-	15,740	4,765	3,703	326	51	995	25,580
Impairment losses	-	-	-	-	-	-	-	-
Net balance	-	15,740	4,765	3,703	326	51	995	25,580

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(i) Credit risk (continued)**

**Trade receivables and contract assets (continued)**

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

	Contract assets RM'000	Current RM'000	Trade receivables					Total RM'000
			1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
<b>At 31 December 2022</b>								
Gross carrying amount at default	62	29,377	2,746	412	169	22	925	33,651
Impairment losses	-	-	-	-	(2)	(3)	(539)	(544)
Net balance	62	29,377	2,746	412	167	19	386	33,107
<b>At 31 December 2023</b>								
Gross carrying amount at default	57	24,020	10,043	4,470	252	430	767	39,982
Impairment losses	-	-	-	-	-	-	(535)	(535)
Net balance	57	24,020	10,043	4,470	252	430	232	39,447

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Other receivables and other financial assets**

For other receivables and other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than credit terms in making a contractual payment.

Intercompany loans between related parties are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.



**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Other receivables and other financial assets (continued)**

The Group did not recognise any loss allowance for impairment for other receivables and other financial assets throughout the financial years under review.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arises principally from trade and other payables and loans and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's finance department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

**Maturity analysis**

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

	← Contractual cash flows →				Total RM'000
	Carrying amount RM'000	On demand or within one year RM'000	Between one to five years RM'000	More than five years RM'000	
<b>At 31 December 2020</b>					
Term loans	13,789	1,996	7,574	6,525	16,095
Lease liabilities	2,741	837	2,251	102	3,190
Trade and other payables					
less GST payables	17,607	17,607	-	-	17,607
Financial guarantees	9,360	-	-	-	-
	43,497	20,440	9,825	6,627	36,892

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk (continued)**Maturity analysis

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows: (continued)

	← Contractual cash flows →				Total RM'000
	Carrying amount RM'000	On demand or within one year RM'000	Between one to five years RM'000	More than five years RM'000	
<b>At 31 December 2021</b>					
Term loans	12,252	1,965	7,156	5,640	14,761
Lease liabilities	5,406	1,604	4,315	54	5,973
Trade and other payables					
less GST and SST payables	22,335	22,335	-	-	22,335
Financial guarantees	9,360	-	-	-	-
	49,353	25,904	11,471	5,694	43,069
<b>At 31 December 2022</b>					
Term loans	9,527	1,531	5,050	4,736	11,317
Lease liabilities	4,500	1,680	3,209	-	4,889
Trade and other payables					
less GST and SST payables	43,046	43,046	-	-	43,046
Financial guarantees	8,160	-	-	-	-
	65,233	46,257	8,259	4,736	59,252
<b>At 31 December 2023</b>					
Term loans	18,117	2,218	6,246	14,082	22,546
Lease liabilities	10,274	1,929	4,329	8,880	15,138
Trade and other payables					
less GST and SST payables	42,784	42,784	-	-	42,784
Financial guarantees	10,621	-	-	-	-
	81,796	46,931	10,575	22,962	80,468

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial years.

	Carrying amount RM'000	Change in basis point	Effect on profit for the financial year RM'000
<b>31 December 2020</b>			
Term loans	10,373	+ 50	(39)
		- 50	39
<hr/>			
<b>31 December 2021</b>			
Term loans	9,510	+ 50	(36)
		- 50	36
<hr/>			
<b>31 December 2022</b>			
Term loans	8,657	+ 50	(33)
		- 50	33
<hr/>			
<b>31 December 2023</b>			
Term loans	18,117	+ 50	(69)
		- 50	69
<hr/>			

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**  
Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(iv) Foreign currency risk**

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and bank balances that are denominated in a foreign currency).

Management has set up a policy that requires all companies within the Group to manage its treasury activities and exposures. The Group also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	←	As at 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Financial assets not held in functional currencies				
<b><u>Trade and other receivables</u></b>				
Australian Dollar ("AUD")	150	48	42	4
Chinese Renminbi ("RMB")	24	-	95	-
Singapore Dollar ("SGD")	15	12	48	87
New Zealand Dollar ("NZD")	495	245	152	42
United States Dollar ("USD")	70	693	1	437
Euro ("EUR")	-	2	915	-
Korean Won ("KRW")	-	-	987	-
	754	1,000	2,240	570

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(iv) Foreign currency risk (continued)**

	←	As at 31 December		→
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Financial assets not held in functional currencies				
<b><u>Cash and bank balances</u></b>				
AUD	386	1,749	2,098	1,588
RMB	212	733	927	320
EUR	8	4	497	6
Japanese Yen ("JPY")	4	4	1,950	2,457
NZD	303	1,424	1,521	217
SGD	718	1,507	276	1,495
USD	979	2,068	3,626	1,655
	2,610	7,489	10,895	7,738
Financial liabilities not held in functional currencies				
<b><u>Trade and other payables</u></b>				
AUD	-	-	79	-
RMB	1,674	589	1,273	2,242
EUR	-	-	55	311
USD	49	3	1,194	1,806
KRW	-	177	-	7,044
JPY	-	-	3,080	3,414
Indian Rupee ("INR")	-	-	3	-
SGD	-	-	-	63
	1,723	769	5,684	14,880

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iv) Foreign currency risk (continued)**Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to AUD, RMB, EUR, JPY, NZD, SGD, USD, KRW and INR.

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, RMB, EUR, JPY, NZD, SGD, USD, KRW and INR with all other variables held constant on the Company's total equity and profit for the financial years.

	<b>Change in rate</b>	<b>Effect on profit for the financial year RM'000</b>
<b>31 December 2020</b>		
AUD	+5%	20
	-5%	(20)
RMB	+5%	(55)
	-5%	55
EUR	+5%	*
	-5%	*
JPY	+5%	*
	-5%	*
NZD	+5%	30
	-5%	(30)
SGD	+5%	28
	-5%	(28)
USD	+5%	38
	-5%	(38)

\* Denotes < RM1,000

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**24. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management (continued)**

**(iv) Foreign currency risk (continued)**

Sensitivity analysis for foreign currency risk (continued)

The Group's principal foreign currency exposure relates mainly to AUD, RMB, EUR, JPY, NZD, SGD, USD, KRW and INR.

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, RMB, EUR, JPY, NZD, SGD, USD, KRW and INR with all other variables held constant on the Company's total equity and profit for the financial years.

	<b>Change in rate</b>	<b>Effect on profit for the financial year RM'000</b>
<b>31 December 2021</b>		
AUD	+5%	68
	-5%	(68)
RMB	+5%	5
	-5%	(5)
EUR	+5%	*
	-5%	*
JPY	+5%	*
	-5%	*
NZD	+5%	63
	-5%	(63)
SGD	+5%	58
	-5%	(58)
USD	+5%	105
	-5%	(105)
KRW	+5%	(7)
	-5%	7

\* Denotes < RM1,000

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iv) Foreign currency risk (continued)**Sensitivity analysis for foreign currency risk (continued)

The Group's principal foreign currency exposure relates mainly to AUD, RMB, EUR, JPY, NZD, SGD USD, KRW and INR.

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, RMB, EUR, JPY, NZD, SGD, USD, KRW and INR with all other variables held constant on the Company's total equity and profit for the financial years.

	<b>Change in rate</b>	<b>Effect on profit for the financial year RM'000</b>
<b>31 December 2022</b>		
AUD	+5%	78
	-5%	(78)
RMB	+5%	(10)
	-5%	10
EUR	+5%	52
	-5%	(52)
JPY	+5%	(43)
	-5%	43
NZD	+5%	64
	-5%	(64)
SGD	+5%	12
	-5%	(12)
USD	+5%	92
	-5%	(92)
KRW	+5%	37
	-5%	(37)
INR	+5%	*
	-5%	*

\* Denotes < RM1,000



**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iv) Foreign currency risk (continued)**Sensitivity analysis for foreign currency risk (continued)

The Group's principal foreign currency exposure relates mainly to AUD, RMB, EUR, JPY, NZD, SGD USD, KRW and INR.

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, RMB, EUR, JPY, NZD, SGD, USD, KRW and INR with all other variables held constant on the Company's total equity and profit for the financial years.

	<b>Change in rate</b>	<b>Effect on profit for the financial year RM'000</b>
<b>31 December 2023</b>		
AUD	+5%	60
	-5%	(60)
RMB	+5%	(73)
	-5%	73
EUR	+5%	(12)
	-5%	12
JPY	+5%	(36)
	-5%	36
NZD	+5%	10
	-5%	(10)
SGD	+5%	58
	-5%	(58)
USD	+5%	11
	-5%	(11)
KRW	+5%	(268)
	-5%	268

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****24. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Fair value measurement**

The carrying amounts of bank balances, receivables and payables and short-term borrowings are reasonably approximate to their fair value due to relatively short-term nature of these financial instruments.

Other long-term financial liabilities are reasonable approximation of their fair values because they are floating rate instruments which are re-priced to market interest rates or estimated by discounting future cash flows using current lending rates for similar types of arrangements.

It is not practical to determine the fair value of finance lease liabilities which are at fixed rate due to lack of market information of comparable instruments with similar characteristic and risk profile.

Policy on transfer between levels

The fair value of asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

During the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, there was no transfer between the fair value measurement hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. COMMITMENTS****Capital commitments**

The Group has made commitments for the following capital expenditures:

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Capital expenditures contracted but not provided for:				
- Purchase of property, plant and equipment	-	-	1,227	-

**26. RELATED PARTIES****(a) Identification of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Entities in which directors have substantial financial interests;
- (ii) Entity in which a shareholder connected to a director of the Group;
- (iii) Shareholder; and
- (iv) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****26. RELATED PARTIES (CONTINUED)****(b) Significant related party transactions**

	←	FYE 31 December			→
	2020	2021	2022	2023	
	RM'000	RM'000	RM'000	RM'000	
<b>Sales of goods to</b>					
Entity in which a director has substantial financial interests	311	9	-	-	
<b>Purchase of goods from</b>					
Entity in which a shareholder connected to a director of the Group	152	167	213	6	
<b>Purchase of property, plant and equipment from</b>					
A shareholder	-	-	35	-	
<b>Rental income received from</b>					
Entity in which a director has substantial financial interests	8	12	12	-	
<b>Rental expenses paid to</b>					
Entity in which a director has substantial financial interests	238	476	476	489	
<b>Management fees received from</b>					
Entity in which a director has substantial financial interests	38	42	42	-	
<b>Interest income received from</b>					
Entity in which a director has substantial financial interests	202	367	392	-	

**(c) Compensation of key management personnel**

	←	FYE 31 December			→
	2020	2021	2022	2023	
	RM'000	RM'000	RM'000	RM'000	
Directors' salaries, bonuses and allowances	997	1,001	946	2,055	
Defined contribution plans	55	38	163	180	
Other related expenses	2	17	21	5	
	1,054	1,056	1,130	2,240	

68

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****27. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

The Group monitors capital using gearing ratio, which is total debts divided by total equity of the Group. The gearing ratio as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

		← As at 31 December →			
	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Loans and borrowings	13	16,530	17,658	14,027	28,391
Total debts		<u>16,530</u>	<u>17,658</u>	<u>14,027</u>	<u>28,391</u>
Equity attributable to owners of the Group					
Total equity		<u>63,265</u>	<u>72,803</u>	<u>85,482</u>	<u>127,956</u>
Gearing ratio (times)		<u>0.26</u>	<u>0.24</u>	<u>0.16</u>	<u>0.22</u>

There were no changes in the Group's approach to capital management during the financial years under review.

The Group is not subject to externally imposed capital requirements.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS****(a) Acquisition of land**

On 3 November 2022, Feytech Sdn. Bhd. entered into a sale and purchase agreement to acquire a piece of freehold land for a total consideration of RM13,782,600. The purchase was completed on 6 March 2023.

**(b) Acquisition of subsidiaries**

On 3 September 2023, the Company entered into Conditional Share Sale Agreements with Go Yoong Chang, Tan Sun Sun, Connie Go and Careen Tan Kai Lin for the acquisition of the following companies pursuant to the proposed listing and restructuring exercise:

**(i) Acquisition of Gosford Leather Industries Sdn. Bhd.**

The issuance of 77,549,399 new ordinary shares of the Company at an issue price of RM1.00 per share for the acquisition of the entire issued share capital of Gosford Leather Industries Sdn. Bhd..

**(ii) Acquisition of Trimex Distribution (M) Sdn. Bhd.**

The issuance of 8,290,900 new ordinary shares of the Company at an issue price of RM1.00 per share for the acquisition of the entire issued share capital of Trimex Distribution (M) Sdn. Bhd..

**(iii) Acquisition of Feytech Sdn. Bhd.**

The acquisition of 100% equity interest (representing 300,000 ordinary shares) in Feytech Sdn. Bhd. for purchase consideration of RM1.

**(iv) Acquisition of Gosford Leather Trim (S) Pte. Ltd.**

The issuance of 1,165,500 new ordinary shares of the Company at an issue price of RM1.00 per share for the acquisition of the entire issued share capital of Gosford Leather Trim (S) Pte. Ltd..

**(v) Acquisition of Trimex Automotive Australia Pty. Ltd.**

The issuance of 478,600 new ordinary shares of the Company at an issue price of RM1.00 per share for the acquisition of the entire issued share capital of Trimex Automotive Australia Pty. Ltd..

The acquisition of subsidiaries was completed on 11 March 2024.

**13. ACCOUNTANTS' REPORT (CONT'D)****FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR****Declaration of dividend**

On 9 January 2024, Gosford Leather Industries Sdn. Bhd. declared first single-tier interim dividend of RM16.70 per ordinary share in respect of the financial year ended 31 December 2023 amounting to RM10,021,670 and paid on 10 January 2024.

On 8 March 2024, Gosford Leather Industries Sdn. Bhd. declared second single-tier interim dividend of RM17.00 per ordinary share in respect of the financial year ended 31 December 2023 amounting to RM10,201,700 and paid on 13 March 2024.

**30. SEGMENT INFORMATION**

The group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by Directors for the purpose of making decisions about resource allocation and performance assessment.

The four reportable segments are as follows:

<b>Segments</b>	<b>Products</b>
Automotive seat covers	Manufacturing of automotive seats covers
Interior parts covers	Manufacturing of interior parts covers
Automotive seats	Manufacturing of automotive seats
Others	Trading of fabric industrial masks

There is no inter-segment pricing.

Factors used to identify reportable segments

The group is organised into business units based on its business segment purposes.

Segment profit

Segment performance is used to measure performance as Directors believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the combined financial statements.

Segment assets

The total of segment asset is measured based on all of a segment, as included in the internal reports that are reviewed by the Directors.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Directors, hence no disclosures are made on segment liabilities.

---

**13. ACCOUNTANTS' REPORT (CONT'D)**


---

**FEYTECH HOLDINGS BERHAD**

 Accountants' Report
 

---

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**
**30. SEGMENT INFORMATION (CONTINUED)**

	Automotive seats covers RM'000	Interior parts covers RM'000	Automotive seats RM'000	Others RM'000	Total RM'000
<b>31 December 2020</b>					
<b>Revenue:</b>					
Revenue from external customers	59,657	16,789	-	2,922	79,368
Results:					
Included in the measure of segment profit are:					
Depreciation of property, plant and equipment					(1,823)
Rental income					752
Interest income					523
Employee benefits expense					(13,558)
Interest expense					(477)
<b>Segment profit</b>					<b>21,755</b>
Income tax expense					(3,627)
Profit for the financial year					<b>18,128</b>
<b>Assets:</b>					
Addition to non-current assets					16,975
<b>Segment assets</b>					<b>16,975</b>



**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**30. SEGMENT INFORMATION (CONTINUED)**

	Automotive seats covers RM'000	Interior parts covers RM'000	Automotive seats RM'000	Others RM'000	Total RM'000
<b>31 December 2021</b>					
<b>Revenue:</b>					
Revenue from external customers	63,657	21,522	-	-	85,179
<b>Results:</b>					
Included in the measure of segment profit are:					
Depreciation of property, plant and equipment					(2,546)
Rental income					793
Interest income					758
Employee benefits expense					(13,209)
Interest expense					(589)
<b>Segment profit</b>					25,671
Income tax expense					(6,622)
Profit for the financial year					19,049
<b>Assets:</b>					
Addition to non-current assets					5,358
<b>Segment assets</b>					5,358

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**30. SEGMENT INFORMATION (CONTINUED)**

	Automotive seats covers RM'000	Interior parts covers RM'000	Automotive seats RM'000	Others RM'000	Total RM'000
<b>31 December 2022</b>					
<b>Revenue:</b>					
Revenue from external customers	81,437	25,922	19,518	-	126,877
<b>Results:</b>					
Included in the measure of segment profit are:					
Depreciation of property, plant and equipment					(3,315)
Impairment losses on trade receivables					(544)
Rental income					865
Interest income					776
Employee benefits expense					(19,687)
Interest expense					(600)
<b>Segment profit</b>					36,991
Income tax expense					(9,398)
Profit for the financial year					27,593
<b>Assets:</b>					
Addition to non-current assets					3,224
<b>Segment assets</b>					3,224

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**30. SEGMENT INFORMATION (CONTINUED)**

	Automotive seats covers RM'000	Interior parts covers RM'000	Automotive seats covers RM'000	Others RM'000	Total RM'000
<b>31 December 2023</b>					
<b>Revenue:</b>					
Revenue from external customers	95,762	34,409	81,052	-	211,223
<b>Results:</b>					
Included in the measure of segment profit are:					
Depreciation of property, plant and equipment					(4,404)
Rental income					872
Interest income					694
Employee benefits expense					(25,686)
Interest expense					(1,011)
<b>Segment profit</b>					<b>60,062</b>
Income tax expense					(16,186)
Profit for the financial year					<b>43,876</b>
<b>Assets:</b>					
Addition to non-current assets					27,282
<b>Segment assets</b>					<b>27,282</b>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**30. SEGMENT INFORMATION (CONTINUED)**

Geographical Information

Revenue and non-current assets information based on geographical location of customers are as follows:

	<b>Revenue RM'000</b>	<b>Non-current assets RM'000</b>
<b>31 December 2020</b>		
Malaysia	69,458	26,445
Singapore	4,609	633
Australia	3,981	8
New Zealand	888	-
Others	432	-
	79,368	27,086
<b>31 December 2021</b>		
Malaysia	77,084	28,526
Singapore	5,470	901
Australia	1,117	6
New Zealand	1,043	-
Others	465	-
	85,179	29,433
<b>31 December 2022</b>		
Malaysia	120,309	28,340
Singapore	4,956	816
Australia	908	3
New Zealand	421	-
Others	283	-
	126,877	29,159
<b>31 December 2023</b>		
Malaysia	204,923	49,747
Singapore	5,044	866
Australia	914	1
New Zealand	179	-
Others	163	-
	211,223	50,614

76

**13. ACCOUNTANTS' REPORT (CONT'D)**

**FEYTECH HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**30. SEGMENT INFORMATION (CONTINUED)**

Information about major customers

Revenue from external customers which contributed 10% or more to the total revenue recognised is as follows:

	← FYE 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Customer A	18,785	19,319	28,253	41,466
Customer B	13,527	17,848	20,775	16,621
Customer C	14,666	20,401	24,330	83,885
Customer D	13,397	11,161	14,734	4,802
Customer E	-	-	19,455	47,612

---

**14. ADDITIONAL INFORMATION**


---

**14.1 EXTRACT OF OUR CONSTITUTION**

The following provisions are extracted from our Constitution which complies with the Listing Requirements, the Act and the Rules of Depository.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined here or the context otherwise requires.

**14.1.1 Remuneration, voting and borrowing powers of Directors****(i) Remuneration of Directors****Clause 84 – Remuneration**

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.

**Clause 93 – Remuneration of Directors**

- (1) The Company may from time to time by an ordinary resolution passed at a general meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a general meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (4) The following expenses shall be determined by the Directors:
  - (a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and
  - (b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.
- (5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but their salaries may not include a commission on or percentage of turnover.

**14. ADDITIONAL INFORMATION (CONT'D)**

**(ii) Voting of Directors**

**Clause 105 – Directors' interest in contracts**

- (1) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.
- (2) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

**Clause 107 – Passing of resolution by the Directors**

- (1) The Directors may pass a resolution without a Board Meeting, if a majority of the Directors entitled to vote and sign on the resolution signed the resolution, signifying their agreement to the resolution set out in the document.
- (2) Any such resolution may consist of several documents in like form, each signed by one (1) or more of the Directors, and shall be as valid and effectual as if it were a resolution duly passed at a Board Meeting.

**Clause 118 – Voting at Board Meetings**

- (1) Subject to the Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.
- (2) Each Director is entitled to cast one (1) vote on each matter for determination.

**Clause 119 – Casting Vote**

In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.

**(iii) Borrowing powers of Directors**

**Clause 95 – Powers of Directors**

Without limiting the generality of Clauses 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4) (a) lend and advance money or give credit to any person or company;

---

**14. ADDITIONAL INFORMATION (CONT'D)**

---

- (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
  - (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;
- and otherwise to assist any person or company.

**14.1.2 Changes to share capital**

**Clause 12(1) & (2) – Issue of securities and pre-emptive rights shall not apply**

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:
  - (a) issue and allot shares in the Company; and
  - (b) grant rights to subscribe for shares or options over unissued shares in the Company.
- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
  - (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
  - (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
  - (c) for such consideration as the Directors may determine.

**Clause 12(3) – Issue of new shares or securities to Members**

- (1) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.
- (2) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.
- (3) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.



**14. ADDITIONAL INFORMATION (CONT'D)****Clause 12(4) – General mandate for issue of securities**

Subject to Paragraph 6.06 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a general meeting of the precise terms and conditions of the issue.

**Clause 46 – Alteration of capital**

- (1) The Company may from time to time by an ordinary resolution and subject to other applicable laws or requirements:
  - (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
  - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (2) The Company may from time to time by a special resolution and subject to other applicable requirements:
  - (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
  - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.
- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

**14.1.3 Transfer of securities****Clause 14 – Transfer of Securities**

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules of Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

**14. ADDITIONAL INFORMATION (CONT'D)****14.1.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights****Clause 8(1) – Variation of rights**

If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

- (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
- (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

**14.2 SHARE CAPITAL**

- (a) No securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.
- (b) As at the date of this Prospectus, we only have 1 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.
- (c) Save as disclosed in **Sections 4.2.8, 6.2, 6.3 and 6.5** of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company or any of our Subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 3 years preceding the date of this Prospectus.
- (d) As at the date of this Prospectus, save for the Pink Form Allocation, there is no scheme involving our Directors or employees in the share capital of our Company or any of our Subsidiaries.
- (e) As at the date of this Prospectus, save for the Pink Form Allocation, no person has been or is entitled to be given an option to subscribe for any share, stock, debenture, convertible securities or any other security of our Company or any of our Subsidiaries.
- (f) As at the date of this Prospectus, none of the share capital of our Company or any of our Subsidiaries is under option, or agreed conditionally or unconditionally to be put under any option.
- (g) As at the date of this Prospectus, none of our Company or any of our Subsidiaries has any outstanding warrants, options, convertible securities and uncalled capital.
- (h) Save as disclosed in this Prospectus and as provided under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares.

**14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS**

As our Shares are proposed for quotation on the Official List of Main Market, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, holders of our Shares must deposit their Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Malaysia and such Shares may not be traded on Bursa Securities.

**14. ADDITIONAL INFORMATION (CONT'D)**

Dealing in our Shares deposited with Bursa Depository may only be effected by a person having a securities account/ CDS Account with Bursa Depository by means of entries in the securities account/ CDS Account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

**14.4 LIMITATION ON THE RIGHT TO OWN SECURITIES AND/OR EXERCISE VOTING RIGHTS**

Subject to **Section 14.3** of this Prospectus, there is no limitation on the right to own our Shares and/or securities in our Company, including any limitation on the right of non-residents or non-Malaysian shareholders to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

**14.5 PUBLIC TAKE-OVERS**

Since our Company's incorporation up to the LPD, there were no:

- (a) public take-over offers by third parties in respect of our Shares; and
- (b) public take-over offers by our Company in respect of shares in other companies.

**14.6 MATERIAL CONTRACTS**

Save as disclosed below, we have not entered into any material contracts (not being contracts in the ordinary course of business) during the FY Under Review and up to the date of this Prospectus:

- (a) letter dated 5 October 2021 issued by Super Ceramic Tiles (JB) Sdn Bhd (as tenant) to Trimex Malaysia (as landlord) for the renewal of the tenancy agreement dated 23 October 2018 between Super Ceramic Tiles (JB) Sdn Bhd and Trimex Malaysia in relation to the rental of a single storey detached factory building and 3-storey office building bearing address No. 6, Jalan Angkasa Mas 1, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor, for a period of 3 years from 10 October 2021 to 9 October 2024 at a monthly rental of RM65,000.00 for the first 6 months and RM71,500.00 for the remaining period;
- (b) novation agreement dated 28 December 2020 entered between Eleven Docks, Gosford Malaysia and Blessplus Sdn Bhd (as supplemented by a letter of agreement dated 14 October 2021 between Eleven Docks and Gosford Malaysia) to novate a building agreement dated 25 February 2020 entered into between Blessplus Sdn Bhd and Eleven Docks for the construction of the Tampoi Plant (which was completed on 1 July 2020) from Eleven Docks to Gosford Malaysia;
- (c) inter-company loan agreement dated 1 June 2020 between Gosford Malaysia (as lender) and Go Capital (as borrower) for an aggregate loan amount of up to RM10,000,000.00, which was fully paid and settled by Go Capital on 3 July 2023 and the inter-company loan agreement was terminated vide a termination notice issued by Gosford Malaysia on the same date. Please refer to **Section 10.1.3** of this Prospectus for further details on the repayment of the loan;

**14. ADDITIONAL INFORMATION (CONT'D)**

- (d) sale and purchase agreement dated 3 November 2022 between Globalview Properties Sdn Bhd (as vendor) and Feytech SB (as purchaser) for the acquisition of a piece of vacant industrial land held under HSD 83979 PT 1104, Pekan Sungai Karang, Daerah Kulim, Negeri Kedah measuring approximately 8.11 acres in area at a cash consideration of RM13,782,600. The sale and purchase agreement was completed on 9 October 2023 following the delivery of vacant possession to Feytech SB. Please refer to **Section 7.21** of this Prospectus for further details on the property;
- (e) share sale agreement dated 3 September 2023 between our Company and the Gosford Malaysia Vendors for the acquisition by Feytech Holdings of all the 600,100 ordinary shares in Gosford Malaysia, representing the entire issued share capital of Gosford Malaysia, from the Gosford Malaysia Vendors, for a total purchase consideration of RM77,549,399.00, which was entirely satisfied by the issuance of 77,549,399 new Shares at an issue price of RM1.00 per Share to the Gosford Malaysia Vendors. The Acquisition of Gosford Malaysia was completed on 11 March 2024;
- (f) share sale agreement dated 3 September 2023 between our Company and the Feytech SB Vendors for the acquisition by Feytech Holdings of all the 300,000 ordinary shares in Feytech SB, representing the entire issued share capital of Feytech SB, from the Feytech SB Vendors, for a total purchase consideration of RM1.00, which was entirely satisfied in cash. The Acquisition of Feytech SB was completed on 11 March 2024;
- (g) share sale agreement dated 3 September 2023 (as supplemented by a supplemental letter dated 26 September 2023) between our Company and the Trimex Malaysia Vendors for the acquisition by Feytech Holdings of all the 80,000 ordinary shares in Trimex Malaysia, representing the entire issued share capital of Trimex Malaysia, from the Trimex Malaysia Vendors, for a total purchase consideration of RM8,290,900.00, which was entirely satisfied by the issuance of 8,290,900 new Shares at an issue price of RM1.00 per Share to the Trimex Malaysia Vendors and Connie Go (the nominated recipient to receive part of the new Shares issued pursuant to the Acquisition of Trimex Malaysia). The Acquisition of Trimex Malaysia was completed on 11 March 2024;
- (h) share sale agreement dated 3 September 2023 between our Company and the Gosford Singapore Vendors for the acquisition by Feytech Holdings of all the 250,000 ordinary shares in Gosford Singapore, representing the entire issued share capital of Gosford Singapore, from the Gosford Singapore Vendors, for a total purchase consideration of RM1,165,500.00, which was entirely satisfied by the issuance of 1,165,500 new Shares at an issue price of RM1.00 per Share to the Gosford Singapore Vendors. The Acquisition of Gosford Singapore was completed on 11 March 2024;
- (i) share sale agreement dated 3 September 2023 between our Company and Tan Sun Sun for the acquisition by Feytech Holdings of all the 100 ordinary shares in Trimex Australia, representing the entire issued share capital of Trimex Australia, from Tan Sun Sun, for a total purchase consideration of RM478,600.00, which was entirely satisfied by the issuance of 478,600 new Shares at an issue price of RM1.00 per Share to Tan Sun Sun. The Acquisition of Trimex Australia was completed on 11 March 2024;
- (j) Underwriting Agreement dated 18 April 2024 between our Company and the Managing Underwriter and Joint Underwriters for the underwriting of 67,456,000 Issue Shares as detailed in **Section 4.7** of this Prospectus.

---

**14. ADDITIONAL INFORMATION (CONT'D)**

---

**14.7 MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

As at the LPD, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

**14.8 CONSENTS**

- (a) Our Principal Adviser, Managing Underwriter, Joint Underwriters, Joint Placement Agents, Company Secretaries, Due Diligence Solicitors for our IPO, Share Registrar and Issuing House have given their written consents before the issuance of this Prospectus for the inclusion of their names and all references thereto in the form, manner and context in which they are included in this Prospectus, and have not subsequently withdrawn;
- (b) Our Auditors and Reporting Accountants have given their written consent before the issuance of this Prospectus for the inclusion of their name and all references thereto, the Accountants' Report and the Reporting Accountants' Report on the compilation of Pro Forma Statement of Financial Position as at 31 December 2023, in the form, manner and context in which they are included in this Prospectus, and have not subsequently withdrawn; and
- (c) Our IMR has given its written consent before the issuance of this Prospectus with the inclusion of its name and all references thereto and the IMR Report in the form, manner and context in which they are included in this Prospectus, and have not subsequently withdrawn.

**14.9 RESPONSIBILITY STATEMENTS**

Our Directors, Promoters and Selling Shareholders 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.

TA Securities, being the Principal Adviser, Managing Underwriter, Joint Underwriter and Joint 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.

**14.10 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at our Registered Office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia during the normal office hours for a period of 6 months from the date of this Prospectus:

- (a) our Constitution;
- (b) the IMR Report referred to in **Section 8** of this Prospectus;
- (c) the Reporting Accountants' Report on the compilation of Pro Forma Statements of Financial Position as at 31 December 2023 as referred to in **Section 12.14** of this Prospectus;
- (d) the Accountants' Report as included in **Section 13** of this Prospectus;

---

**14. ADDITIONAL INFORMATION (CONT'D)**

---

- (e) the material contracts referred to in **Section 14.6** of this Prospectus;
- (f) the letters of consent referred to in **Section 14.8** of this Prospectus; and
- (g) the audited financial statements of Gosford Malaysia, Feytech SB, Trimex Malaysia, Gosford Singapore and Trimex Australia for the FY Under Review.

[ The rest of this page has been intentionally left blank ]

## 15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU SHALL NOT RELY ON THIS SUMMARY FOR THE PURPOSES OF ANY APPLICATION FOR OUR ISSUE SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.**

**Unless otherwise defined, all words and expressions used in this Section shall carry the same meaning as ascribed to them in our Prospectus. Unless the context otherwise requires, words used in the singular include the plural, and vice versa.**

### 15.1 OPENING AND CLOSING OF APPLICATIONS

Applications for our Issue Shares will open and close at the time and date stated as follows:

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 2 MAY 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 8 MAY 2024

If there is any change to the indicative timetable above, we will advertise a notice of the changes in a widely circulated English and Bahasa Malaysia daily newspapers within Malaysia and make the relevant announcement(s) on Bursa Securities' website.

**Late Applications will not be accepted.**

### 15.2 METHODS OF APPLICATIONS

#### 15.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Persons

<b>Types of Application and category of investors</b>	<b>Application Method</b>
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only
Applications by the Eligible Persons	Pink Application Form only

#### 15.2.2 Application for our Issue Shares via placement

<b>Types of Application</b>	<b>Application Method</b>
Applications by:	
Selected investors	Our Joint Placement Agents will contact the Selected Investors directly. They should follow the Joint Placement Agents' instructions.

Selected investors may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

**15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)****15.3 ELIGIBILITY****15.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts will not be accepted** for the Applications.

Only **ONE** Application Form for **each category** from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO TEN (10) YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

**15.3.2 Application by the Malaysian Public**

You can only apply for our Issue Shares if you fulfill all of the following:

- (i) You must be one of the following:
  - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
  - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
  - (a) White Application Form;
  - (b) Electronic Share Application; or
  - (c) Internet Share Application.



## 15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (*CONT'D*)

### 15.3.3 Application by the Eligible Persons

The Eligible Person will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

The Eligible Person may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, TA Securities, participating organisation of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

## 15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.80 for each Issue Share.

Payment must be made out in favour of "**TIH SHARE ISSUE ACCOUNT NO. 765**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

**TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD**

*(Registration No. 197101000970 (11324-H))*

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Wilayah Persekutuan, Malaysia

**OR**

**DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 8 May 2024 or by such other time and date specified in any change to the date or time for closing of the application for our Issue Shares.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all of your enquiries in respect of the White Application Form to the Issuing House.

---

## **15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

---

### **15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

### **15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

### **15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE**

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
  - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (b) are illegible, incomplete or inaccurate; or
  - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 (*Unsuccessful / Partially Successful Applicants*) below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

---

**15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**


---

**15.8 OVER / UNDER-SUBSCRIPTION**

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The results of the allocation of Issue shares derived from successful balloting will be made available to the public by our Issuing House to the Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website <https://tiih.online> within 1 Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of our Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned to you in full (without any interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in **Section 4.2.4** of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

**15.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful/partially successful in your Application, your Application monies will be refunded to you (without any interest) in the following manner.

**15.9.1 For applications by way of Application Forms**

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, or provided an incorrect or incomplete CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

## **15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten (10) Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by the issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

### **15.9.2 For applications by way of Electronic Share Application and Internet Share Application**

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5<sup>th</sup> Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

### **15.10 SUCCESSFUL APPLICANTS**

If you are successful in your Application:

- (i) our Shares allotted to you will be credited to your CDS account.
- (ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) in accordance with section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) in accordance with section 29 of the SICDA, all dealings in our Issue Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

**15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)****15.11 ENQUIRIES**

Any enquiries in respect of the Applications may be directed as follows:

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House Enquiry Services at telephone no. +603-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tjih.online>, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

[ The rest of this page has been intentionally left blank ]