

## 7. BUSINESS OVERVIEW

### 7.1 HISTORY AND MILESTONES OF OUR GROUP

Our history can be traced back to the incorporation of SSB in 2005 by our Promoter and Managing Director, Loo Chai Lai and his brother Loo Chai Sing, each holding 60% and 40% equity interest respectively.

In December 2020, Loo Chai Sing resigned as a director of SSB and subsequently in January 2021 sold his entire equity interest to Loo Chai Lai and Loo Jing Kai.

In November 2021, following Loo Chai Sing's exit, SSB entered into a trademark assignment agreement with MBS Tools, whereby SSB assigned the ownership of its brand trademark, namely 'Mocha' trademark, to MBS Tools. MBS Tools was a company owned by Loo Chai Sing and his spouse. Under the same trademark assignment agreement, SSB retained the right to import products bearing the 'Mocha' trademark until 31 December 2023 and supplying the 'Mocha' branded products to its customers within Malaysia.

On 14 July 2023, MSB was incorporated as a wholly-owned subsidiary of SSB.

On 31 July 2023, Loo Chai Sing and his spouse disposed of their entire equity interest in MBS Tools to Loo Chai Lai.

On 1 September 2023, MSB entered into a sale and purchase agreement with MBS Tools to purchase the fixed assets, stocks, debtors, and intellectual properties rights namely the 'Mocha' and 'i-Born' trademarks of MBS Tools. The 'Mocha' and 'i-Born' trademarks were assigned to MSB on 1 September 2023 pursuant to the aforementioned sale and purchase agreement.

Loo Chai Lai also co-founded Sorento Bathware Sdn Bhd on 5 March 2014, NSSB on 27 June 2014, and IBSB on 18 October 2018. Sorento Bathware Sdn Bhd subsequently underwent a name change to BBSB on 11 September 2014. Please refer to Section 6.2 for details on the principal activities of our Group's subsidiaries.

The table below sets out the history and milestones of our business:-

Year	Key events and milestones
2005	<ul style="list-style-type: none"> <li>At the initial stage of our business, we were involved in the distribution and sale of bathroom and kitchen sanitary wares focusing on smaller items such as faucets, mixers, shower heads, bidets, and related accessories and parts. We sold our products under our first and primary house brand, namely 'Sorento' to our distributors comprising dealers and chain store retailers for onward sales to end-consumers.</li> <li>We operated from a rented premise with a total built-up area of approximately 6,940 sq ft in Jalan Meru, Klang, which was used as our office and for storage. We ceased the rental of the premise in 2020.</li> </ul>
2009	<ul style="list-style-type: none"> <li>We launched our second and third house brands of bathroom and kitchen sanitary wares under the brand 'Cabana' and 'Mocha' respectively.</li> <li>We expanded our product offerings to distribute kitchen sinks under the brand 'Sorento'.</li> </ul>

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

<b>Year</b>	<b>Key events and milestones</b>
2010	<ul style="list-style-type: none"> <li>We expanded our product offerings to include wash basins under the brand 'Sorento'.</li> <li>We expanded our operations and rented a larger premise with a total built-up area of approximately 63,059 sq ft in Jalan Meru, Klang which was used as our new office to store our products. We ceased the rental of the premise in 2021.</li> </ul>
2014	<ul style="list-style-type: none"> <li>We were appointed by Bravat (China) GmbH, a German bathroom sanitary ware provider as the authorised distributor for 'Bravat' branded sanitary wares in Malaysia. With this, we expanded our product offerings to include our first third-party branded luxury sanitary wares under the brand 'Bravat'.</li> <li>We supplied our 'Sorento' branded kitchen sanitary wares to a landed residential project in Taman Alam Putra, Seri Kembangan, marking our first sales to property projects. During the Financial Years under Review, we have supplied bathroom and kitchen sanitary wares to many property projects. Please refer to Section 7.2.1(ii) of this Prospectus for the list of our notable projects during the Financial Years Under Review.</li> </ul>
2015	<ul style="list-style-type: none"> <li>We further expanded our product offerings to distribute and sell water closets under the brand 'Sorento' and 'Mocha'.</li> </ul>
2016	<ul style="list-style-type: none"> <li>We began to distribute and sell water closets under the brand 'Cabana'.</li> <li>Our dealer network achieved a new milestone of more than 100 dealers, whereby we distributed our products to 140 dealers by FYE 2016.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Our project sales achieved a new milestone of more than 100 project customers, whereby we supplied to 119 project customers by FYE 2017.</li> </ul>
2019	<ul style="list-style-type: none"> <li>We added a third-party brand of luxury sanitary wares under the brand 'Infinity' from Spain, into our product offerings.</li> </ul>
2020	<ul style="list-style-type: none"> <li>We launched our Sorento Master Club, an exclusive networking platform for professional designers to gain access to our latest designer product range and a collaboration platform with professional interior designers using the products we offer. Please refer to Section 7.8(b) of this Prospectus for further details on our Sorento Master Club.</li> <li>We relocated our operations to a rented premises in Bukit Raja Facility, which remains as our headquarters to-date. The premises have a total built-up area of approximately 68,540 sq ft.</li> </ul>
2021	<ul style="list-style-type: none"> <li>We acquired a premise in Penang Facility, as a storage facility for our products to cater to the increased demand in the northern region. The premise has a total built-up area of approximately 6,826 sq ft and facilitated our delivery services to our customers in the northern region.</li> </ul>

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

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<b>Year</b>	<b>Key events and milestones</b>
2023	<ul style="list-style-type: none"><li>• In line with our on-going business expansion, we rented another premise with a total built-up area of approximately 65,804 sq ft, in Jalan Meru Facility used as additional storage for our products.</li><li>• We launched our first Sorento Experience Centre at our Bukit Raja Facility to showcase the latest innovative bathroom and kitchen sanitary solutions, designs and trends using the products we offer. Visitation to our Sorento Experience Centre is by invitation only.</li></ul>

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.2 PRINCIPAL BUSINESS ACTIVITIES AND BUSINESS MODEL

Our Group is principally involved in the marketing, distribution and sale of bathroom and kitchen sanitary wares. We have an extensive range of bathroom and kitchen sanitary ware products under our house brands, namely 'Sorento', which is our flagship brand, 'Mocha', 'Cabana' and 'i-Born'. We are also the appointed distributor for foreign third party brand of bathroom and kitchen sanitary ware products, namely 'Bravat' and 'Infinity'. Our extensive range of bathroom and kitchen sanitary wares enable us to serve a wide range of customers as a one-stop bathroom and kitchen sanitary ware solution provider for residential and commercial use.

Our business model is summarised below:-



As at the LPD, approximately 82.19% which is 4,392 SKU of products that we carry are our house brands. We focus on branding, product development, promotion and marketing of our house brands to enhance our brand presence and recognition in the market. Over the years, we have established a wide network of distribution channels which allow us to have wide customer reach comprising B2B customers and B2C customers.

Our Group adopts a multi-channel distribution strategy to sell our products through our network of distributors comprising dealers and project customers (i.e. property developers' trading/ purchasing arms, trading companies, contractors and interior designers), and to end-consumers through our online stores. Please refer to Section 7.2.1 for further details on our distribution channels and customers.

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With branding, marketing and promotion of our house brands, we aim to create brand equity which includes creating high brand awareness and loyalty, and establishing the desired brand image. As such, we primarily market our products through our various house brands namely, 'Sorento', 'Mocha', 'Cabana' and 'i-Born'. With these brands, the Group aims to increase its market penetration into different target customer demographics and types of property development projects. The flagship 'Sorento' products are marketed as premium quality Malaysian-branded bathroom and kitchen sanitary wares at competitive prices yet remain accessible to a broad customer base who are seeking quality and value. The other two brands 'Mocha', 'Cabana' as well as the Group's new house brand, 'i-Born', are marketed as more affordable bathroom and kitchen sanitary ware products that cater to more budget-conscious customers.

The creation of brand equity is supported by our continuous advertising and promotional activities through digital marketing on social media platforms, sales campaigns by our dealers, as well as trade fairs and exhibitions. We are responsible for setting the prices of our house brands and determining our distribution strategy and channels, both through our in-house sales and marketing team and through our external distribution network. Please refer to Section 7.8 for further information on our Group's sales and marketing activities.

We also carry foreign third-party branded bathroom and kitchen sanitary ware products to complement our product offerings. These imported luxury products that are generally offered at higher prices as compared to the Group's premium products range and are targeted to customers who seek exclusivity and internationally recognised branded and/ or luxury designer range of bathroom and kitchen sanitary wares. As at the LPD, we are the authorised distributor for 'Bravat' branded sanitary wares in Malaysia (non-exclusive), since our appointment in 2014 by Bravat (China) GmbH, a German sanitary ware provider. We are also authorised distributor for 'Infinity' branded bathroom sanitary wares in Malaysia (exclusive), for which we were appointed on January 2024 by IDC Group Company SL, a Spanish sanitary ware provider. Save for Bravat (China) GmbH and IDC Group Company SL, we have not entered into any agreements with any other brand principals of third-party branded products.

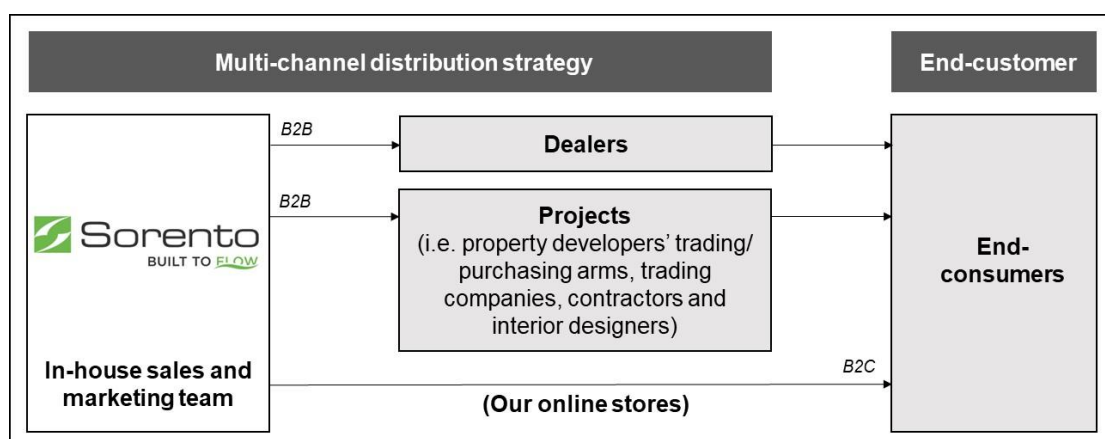
During the Financial Years Under Review, we have also distributed the "elleci" brand bathroom sanitary ware for which we have no distributorship agreement. However, as at the LPD, we have stopped purchasing new stock of 'elleci' branded bathroom sanitary wares and we intend to cease the distribution of 'elleci' branded bathroom sanitary wares once existing stocks are cleared.

We outsource the design and manufacturing of our house brands to approved third-party manufacturers. All the products that are manufactured by third-party manufacturers are in accordance with our requirements and are labelled under our house brands. This allows us to adopt an asset light operation and to focus our time, human resource and operations in product development, promotion and marketing of our house brands and expanding our distribution network. For third-party branded products, we purchase the products directly from our product principals. Please refer to Section 7.3 and Section 7.12 for further information on our Group's third-party manufacturers and suppliers respectively.

### 7.2.1 Our distribution network and customers

Our Group adopts a multi-channel distribution strategy to sell its products through its network of dealers comprising of wholesalers and retailers. Our Group also supply our products to property projects through our project customers, and sell our products directly to end consumers through our online stores.

## 7. BUSINESS OVERVIEW (Cont'd)



### Note:-

- denotes our direct customers.

During the Financial Years Under Review, our customers base, comprising dealers and project sales, increased by approximately 28.11% from 370 customers in FYE 2021 to 474 customers in FYE 2023, and by 56.96% to 744 customers as at the LPD.

Further information on our distribution channels are as follows:-

### (i) Dealers

We distribute bathroom and kitchen sanitary wares to dealers for onward sale to end-consumers.

Dealers comprise wholesalers and retailers. Wholesalers generally purchase in large quantity to be distributed to other retailers or sold through its own retail channels. Our retail customers comprise home improvement or hardware retailers and chain store retailers who may sell our products through their physical retail stores and/ or through e-commerce platforms. These retailers may offer various types of home improvement and hardware products while exclusively carrying only our products or may carry multiple brands of bathroom and kitchen sanitary wares.

Our dealers purchase products outright from us on purchase order basis, to be sold to their customers. All of our dealers are required to adhere to our product pricing guide when setting the retail prices of our products. Generally, we update our product pricing guide three times a year and the updated guide will be disseminated to all our dealers. We provide trainings to our dealers when onboard new dealers and as and when required for existing dealers, on the specifications and functionality of our products and provide them with marketing materials to facilitate the marketing of our products to their customers.

For new dealers, we will assess their financial status, industry experience, store locations and product offerings before qualifying them as our distributors. We provide renovation subsidies for new dealers to set up the space within their stores to promote and sell our products. We monitor the performance of our dealers on an on-going basis with the intention to extend any marketing and/ or technical support to them in a timely manner.

We also have incentives or reward programmes throughout the year for our dealers to drive sales of our products and reward high performing dealers. These incentives and rewards are granted based on our dealers' sales performance. We incentivise high performing dealers who meet their sales targets in the form of paid overseas trips,

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special rebates for product purchases, marketing and promotional subsidies or cash rebates.

The breakdown of the distribution of our dealers, by geographical region in Malaysia, in the FYE 2023 and as at the LPD are as shown in the table below:-

Geographical region	Number of active <sup>(1)</sup> dealers	
	FYE 2023	As at the LPD
Peninsular Malaysia		
• Central <sup>(2)</sup>	158	289
• Northern <sup>(3)</sup>	70	134
• Southern <sup>(4)</sup>	60	117
• East Coast <sup>(5)</sup>	25	45
East Malaysia	2	7
<b>Total</b>	<b>315</b>	<b>592</b>

### Notes:-

- (1) Recorded based on the number of active dealers who had made at least one sale transaction with our Group in the FYE 2023 and up to the LPD.
- (2) Central region comprises Selangor, Kuala Lumpur and Putrajaya.
- (3) Northern region comprises Perlis, Kedah, Penang and Perak.
- (4) Southern region comprises Negeri Sembilan, Malacca and Johor.
- (5) East Coast region comprises Pahang, Kelantan and Terengganu.
- (6) East Malaysia region comprises Sabah and Sarawak.

Our dealers may operate one or more physical stores and our products may be displayed and sold at some or all their physical stores. Among our dealers, as at the LPD, we have entered into a trading contract with one chain store retailer at our dealer's request. The trading contract comprises credit terms, sales targets, rebates and fees (e.g. advertising and promotion, distribution cost). The contract is valid for a period of one year and is renewable upon expiry and consensus agreement to the terms in the trading contract. Save for this dealer, we have not entered into any contracts with our other dealers.

### (ii) Projects

We supply our products to residential and commercial property projects, including new build, refurbishment and renovation projects. As at the LPD, we supplied to 152 projects customers, comprising property developers' trading/ purchasing arm, trading companies, contractors and interior designers.

We submit our proposals with recommended products and pricing to project customers, based on the requirements for their projects. Generally, for project sales, we will receive purchase orders from our customers to confirm us as their supplier for bathroom and kitchen sanitary wares. Some project customers will issue us letter of award or letter of confirmation as supplier. The purchase orders and letter of award/ letter of confirmation include information on the brand, type and quantity of products to be delivered, as well as the estimated delivery period. For new build projects, the purchase orders and letter of award/ letter of confirmation are typically secured at the start of a project development, and the delivery of our products takes place during the interior fit-out stage which generally takes place up to three years from the commencement of the development project. For refurbishment and renovation projects, and occasionally for new build projects, we receive purchase orders that require delivery of goods within weeks to months from confirmation of orders. We are responsible to deliver the goods to our customers' project site, and our products will then be installed in the property units by their contractors.

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Our notable projects that contributed above RM2.00 million revenue to our Group during the Financial Years Under Review, are as follows:-

<b>Name of project</b>	<b>Product supplied</b>	<b>Status</b>
The Valley Residences @ SkySierra, Setiawangsa	Water closets, wash basins, bathroom faucets	Completed
MUZE @ Penang International Commercial City (PICC)	Bathroom faucets, bathroom accessories, shower and bidets	Completed
Vertu Resort Condominium @ Aspen	Water closets, wash basins, bathroom faucets	Completed
Sentul Point Apartment Suites	Water closets, wash basins, bathroom accessories, shower and bidets	Completed
Horizon Suites	Water closets, wash basins, bathroom accessories, shower and bidets	Completed
Residensi Aurora @ Cyberjaya	Water closets, wash basins, bathroom accessories, shower and bidets, floor grating	Completed
Avara Seputeh	Water closets, wash basins, bathroom accessories, shower and bidets, floor grating	Completed
M Arisa	Shower and bidets, bathroom faucets, wash basins	Completed
Vivo Executive Apartment @ Aspen	Water closets, wash basins and bathroom accessories	Completed
Edgewood Residence @ SkySanctuary	Water closets, kitchen sinks, bathroom faucets, shower and bidets	Expected to be completed by 2nd quarter of 2024
Avela @ IJM Rimbayu	Water closets, wash basins, bathroom accessories, shower and bidets	Expected to be completed by 3rd quarter of 2024
M Luna	Water closets, wash basins, bathroom accessories, shower and bidets	Expected to be completed by 3rd quarter of 2024
Curvo Residence	Water closets, kitchen sinks, bathroom accessories, shower and bidets	Expected to be completed by 4th quarter of 2025



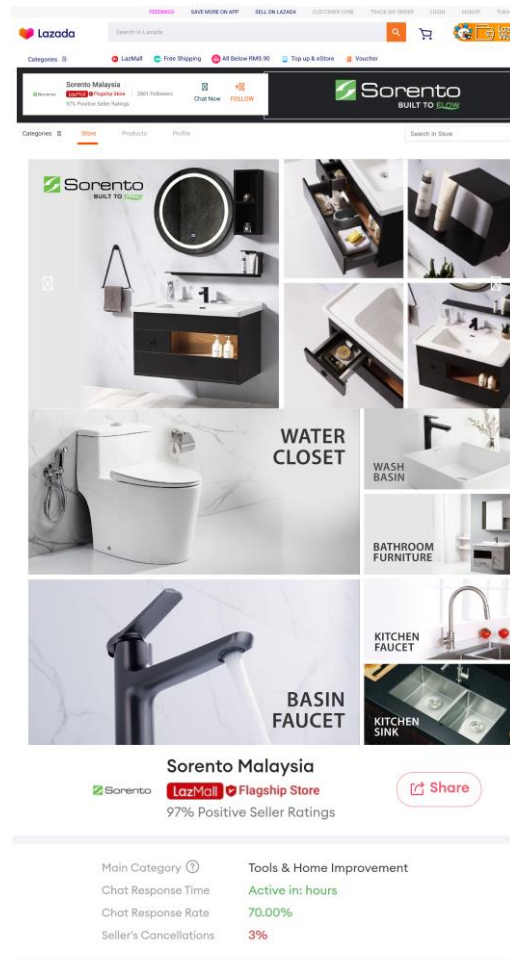
7. BUSINESS OVERVIEW (Cont'd)

(iii) Our online stores

We market and sell our products directly to end-customers through third party e-commerce platforms namely Lazada and Shopee.

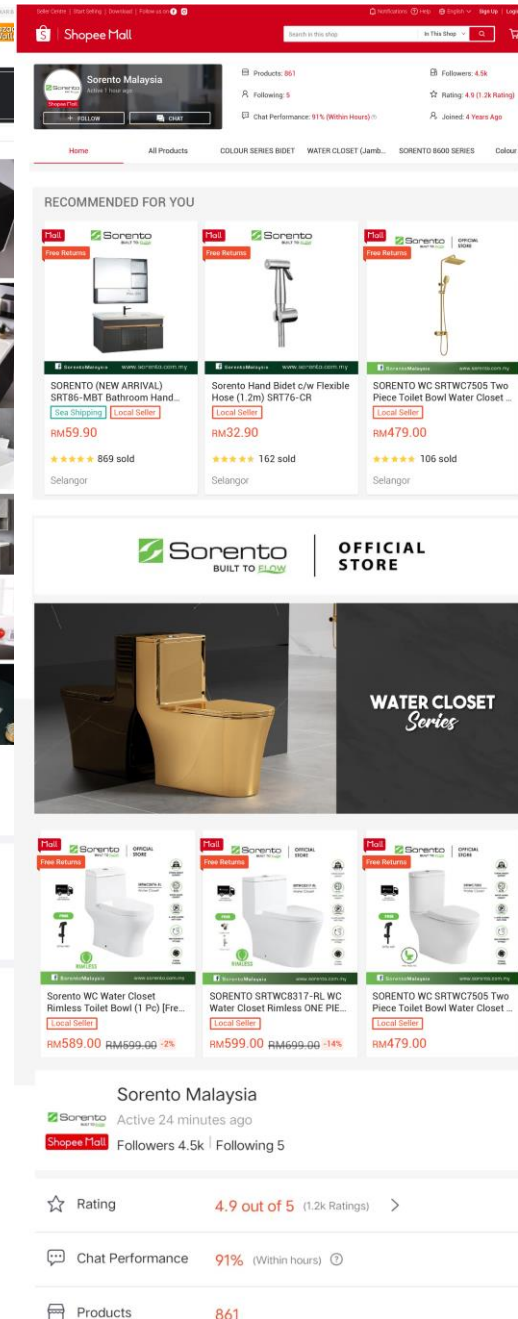
Our store on Lazada

(a) Sorento



Our store on Shopee

(a) Sorento



7. BUSINESS OVERVIEW (Cont'd)

Our store on Lazada

(b) Mocha



Our store on Shopee

(b) Mocha



Our online stores on these third party e-commerce platforms are managed internally by our sales and marketing team. By establishing our presence on third party e-commerce platforms, we are able to expand our customer reach, brand equity and product exposure to retail end-users. Our online stores also serve as official brand pages with up-to-date and accurate product information. We also adhere to our product pricing guide when setting the retail prices of our products sold on our online stores to prevent sales cannibalisation with our dealers.

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

The strategy of using indirect distribution through our B2B customers is in line with our objective of targeting the mass market. Using a wide network of distributors, property developers' trading arm and contractors enable us to utilise their network to expand our market coverage as well as to reach out to a wide customer base to achieve economies of scale and grow our market share. We actively source new distributors where we assess their suitability based on their respective customer base, product range, market outreach, geographical coverage and level of commitment to promote our products. Further, we actively market our products to property developers' trading arm and contractors to use our products in their projects.

In addition, selling directly to end-consumers (B2C customers) through our online platforms gives us an avenue to have direct engagement with our end-consumers to gather product feedback and to assess consumer data. This enables us to have access to first-hand consumer data based on prevailing market trends, which are essential for us to adapt our overall marketing strategy and product development to keep abreast with changing consumer trends.

**7.2.2 Details of our products**

Our bathroom and kitchen sanitary wares comprise a comprehensive range of offerings which comprise wash basins, water closets, jacuzzi and bathtub, bathroom furniture, bathroom faucets, shower and bidets and bathroom accessories, kitchen sinks and kitchen accessories. As at the LPD, we have approximately 82.19% which is 4,392 SKUs are our house brands. All of our products are sold as off-the-shelf products.

As at the LPD, the bathroom and kitchen sanitary wares that we offer under the respective brands are as follows:-

<b>Categories</b>	<b>Bathroom sanitary wares</b>	<b>Kitchen sanitary wares</b>
<b>House brands – (premium &amp; affordable range)</b>		
<b>Sorento</b>	<ul style="list-style-type: none"> <li>• Wash basins</li> <li>• Water closets</li> <li>• Jacuzzi and bathtubs</li> <li>• Bathroom furniture and mirrors</li> <li>• Bathroom faucets</li> <li>• Shower and bidets</li> <li>• Bathroom accessories</li> <li>• Water pumps</li> </ul>	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> <li>• Kitchen accessories</li> <li>• Kitchen faucets</li> </ul>
<b>Mocha</b>	<ul style="list-style-type: none"> <li>• Wash basins</li> <li>• Water closets</li> <li>• Jacuzzi and bathtubs</li> <li>• Bathroom furniture and mirrors</li> <li>• Bathroom faucets</li> <li>• Shower and bidets</li> <li>• Bathroom accessories</li> <li>• Water pump</li> </ul>	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> <li>• Kitchen accessories</li> <li>• Kitchen faucets</li> </ul>
<b>Cabana</b>	<ul style="list-style-type: none"> <li>• Wash basins</li> <li>• Water closets</li> <li>• Jacuzzi and bathtubs</li> <li>• Bathroom furniture and mirrors</li> <li>• Bathroom faucets</li> <li>• Shower and bidets</li> <li>• Bathroom accessories</li> </ul>	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> <li>• Kitchen accessories</li> <li>• Kitchen faucets</li> </ul>
<b>i-Born</b>	<ul style="list-style-type: none"> <li>• Water closets</li> <li>• Wash basins</li> <li>• Bathroom furniture and mirrors</li> <li>• Bathroom accessories</li> <li>• Bidets</li> <li>• Bathroom faucets</li> </ul>	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> <li>• Kitchen faucets</li> </ul>

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<b>Categories</b>	<b>Bathroom sanitary wares</b>	<b>Kitchen sanitary wares</b>
<b>Foreign third party brand/ Luxury range</b>		
<b>Bravat</b>	<ul style="list-style-type: none"><li>• Water closets</li><li>• Wash basins</li><li>• Bathtubs</li><li>• Bathroom faucets</li><li>• Shower and bidets</li><li>• Bathroom accessories</li></ul>	<ul style="list-style-type: none"><li>• Kitchen faucets</li></ul>
<b>Infinity</b>	<ul style="list-style-type: none"><li>• Water closets</li><li>• Wash basins</li><li>• Bathtubs</li><li>• Bathroom faucets</li><li>• Shower and bidets</li><li>• Bathroom accessories</li></ul>	<ul style="list-style-type: none"><li>• Kitchen faucets</li></ul>

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7. BUSINESS OVERVIEW (Cont'd)





7. BUSINESS OVERVIEW (Cont'd)

# MOCHA<sup>®</sup>

ITALY



*Excellent Quality*

————— For Your Home

7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)





7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)

# ∞. Infinity



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.2.3 Warranty policy

We provide product warranty claims to end-consumers against manufacturing defects. As at the LPD, we have warranty policy for 'Sorento' branded products. There is no warranty offered for 'Mocha', 'Cabana' and 'i-Born' branded products to keep the pricing of this product range relatively lower compared to 'Sorento'. We provide warranty coverage from the range of one year to a lifetime warranty, from the date of purchase, depending on the type of product. Our dealers may facilitate warranty claims from their customers by submitting the claim request to us on behalf of their customers.

The eligibility for warranty claims by end-consumers is subject to conditions such as the provision of a valid proof of purchase of the product, and registering the product at the Group's warranty page on our website upon purchase. During a claim, end-consumers may send the products directly to our warehouses or to our dealers from which they purchased their products for product inspection to determine the cause of defect. The inspection allows our Group to assess whether the claimed defects are genuine manufacturing defects, and whether the parts are eligible for warranty claims. For repair and replacement of parts and products covered under our warranty, we have a back-to-back agreement with our third party manufacturers to cover the cost of repair and replacement of parts and products.

Our Group does not provide cash returns or refunds for our products. We are also not liable for any defects caused by unsuitable or improper use, external force, wear and tear, wilful damage, negligence and failure to follow our instructions.

### 7.2.4 Our locations

Our business operations are based in Malaysia at the following locations:-

Facility	Function	Location
Bukit Raja Facility	Head office and warehouse	Bandar Bukit Raja, Klang, Selangor
Jalan Meru Facility	Warehouse and office	Jalan Meru, Klang, Selangor
Penang Facility	Warehouse and office	Simpang Ampat, Penang

## 7.3 OUR THIRD PARTY MANUFACTURERS

We outsource all manufacturing works of our house brands to third party manufacturers as we are not involved in any manufacturing activities. Our third party manufacturers are responsible for the design, purchase of materials and manufacturing/ assembly of our house brands in accordance to our specifications and requirements. The products sourced from our third party manufacturers are final products for onward sale to our customers.

The third party manufacturers engaged by our Group are evaluated and selected based on their pricing, production capabilities, product quality (i.e. in terms of minimal defects and usability) and ability to deliver within the stipulated timeframe. We also carry out annual review on our third party manufacturers to evaluate the quality of their products and services.

As at the LPD, we have engaged 12 third party manufacturers for the manufacturing of our house brands, whereby we have at least one transaction with each of these manufacturers. All of our third party manufacturers are located in China. Nevertheless, we source plastics parts and components, as well as complementary products (e.g. toilet seats, soap dispenser, floor trap, cistern fittings, flush valves, etc) from suppliers in Malaysia and Singapore.

Generally, we maintain a list of approved third party manufacturers which allow us to source high volume SKUs (e.g. water closets), from more than one third party manufacturer. In the event that we are unable to procure our products from our existing third party manufacturers, we are able to replace with other third party manufacturers as these manufacturers have similar product and service offerings.

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### 7.4 OUR BUSINESS SEGMENTS AND PRINCIPAL MARKETS

In the Financial Years Under review, the sales from our dealer segment was the largest revenue contributor as they contributed 61.58%, 61.46% and 62.86% to our Group revenue, respectively.

The breakdown of revenue by distribution channels is as follows:-

Revenue by distribution channels	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Dealers	40,712	61.58	55,738	61.46	70,598	62.86
Project-based sales	25,317	38.30	34,490	38.03	41,216	36.70
Online	78	0.12	460	0.51	497	0.44
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>

The breakdown of the Group's revenue by product segments for the Financial Years Under Review is as follows:-

Revenue by product segments	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	56,702	85.77	75,385	83.13	93,973	83.67
• Wash basins, water closets, jacuzzi and bathtubs	24,561	37.15	33,395	36.83	42,122	37.50
• Bathroom furniture	7,130	10.79	10,790	11.90	11,828	10.53
• Bathroom faucets, shower and bidets	19,271	29.15	23,997	26.46	30,663	27.30
• Bathroom accessories	5,740	8.68	7,203	7.94	9,360	8.34
Kitchen sanitary ware	8,636	13.07	14,365	15.84	17,530	15.61
• Kitchen sinks	5,594	8.47	9,301	10.26	12,212	10.87
• Kitchen faucets and accessories	3,042	4.60	5,064	5.58	5,318	4.74
Others <sup>(1)</sup>	769	1.16	938	1.03	808	0.72
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>

**Note:-**

(1) Comprises water pump and titles.

All of our Group's revenue is generated in Malaysia which is the principal market in which our Group operates. The breakdown of revenue by geographical region in the Financial Years Under Review is as follows:-

Revenue by geographical region	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Central <sup>(1)</sup>	43,401	65.65	58,392	64.39	71,205	63.40
Northern <sup>(2)</sup>	11,949	18.07	18,481	20.38	20,712	18.44
Southern <sup>(3)</sup>	7,124	10.78	9,043	9.97	13,245	11.79
East Coast <sup>(4)</sup>	1,993	3.02	2,979	3.28	4,185	3.73
East Malaysia <sup>(5)</sup>	1,640	2.48	1,793	1.98	2,964	2.64
<b>Total</b>	<b>66,107</b>	<b>100.00</b>	<b>90,688</b>	<b>100.00</b>	<b>112,311</b>	<b>100.00</b>

**Notes:-**

- (1) Central region comprises Selangor, Kuala Lumpur and Putrajaya, and also includes online sales.
- (2) Northern region comprises Perlis, Kedah, Penang and Perak.
- (3) Southern region comprises Negeri Sembilan, Malacca and Johor.
- (4) East Coast region comprises Pahang, Kelantan and Terengganu.
- (5) East Malaysia region comprises Sabah and Sarawak.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.5 COMPETITIVE STRENGTHS

Our competitive strengths as set out below provide us with a platform for future growth.

#### 7.5.1 We have an established history and proven track record in the bathroom and kitchen sanitary ware industry in Malaysia

We have an established track record in Malaysia as we involved in the distribution and sales of bathroom and kitchen sanitary wares, with a history that spans 19 years since the commencement of our business in 2005. Over the years, we have grown our business from supplying 'Sorento' products to a company offering a wide range of sanitary wares' products for bathroom and kitchen for residential and commercial use. Further, we have expanded the brands under our Group from 'Sorento' to include 'Mocha', 'Cabana', and 'i-Born' as well as foreign luxury third party brands, namely 'Bravat' and 'Infinity', to cater to different budgets and design preferences.

While construction activities in Malaysia is gradually improving after the COVID-19 pandemic, the sustained focus on hygiene, coupled with ongoing urbanisation and economic growth, paints a resilient picture for the continued growth of the bathroom and kitchen sanitary wares market. Further, as tourism activities resume to pre-COVID level in 2024, the demand for accommodation and public sanitary facilities is expected to increase to support tourism activities, which consequently drives the demand for bathroom and kitchen sanitary wares. With a wide range of products under our product offerings as well as a solid foundation and proven track record, we are well-positioned to ride on this continuous demand for bathroom and kitchen sanitary wares to continue to expand and grow our business.

Armed with a 19-year business history in the bathroom and kitchen sanitary ware industry, our Group has been through business and economic cycles. Despite the COVID-19 pandemic, our Group's revenue grew from RM66.11 million in FYE 2021 to RM112.31 million in FYE 2023, representing a CAGR of 30.34%. This demonstrates our business resilience and sustainability, including weathering adverse economic and market conditions.

#### 7.5.2 We have an extensive product range as a one-stop bathroom and kitchen sanitary wares' solution provider for residential and commercial use

As at the LPD, approximately 82.19% which is 4,392 SKU of products are our house brands. Our products comprise water closets, wash basins, bathroom and kitchen faucets and related parts, kitchen sinks and related parts and accessories, which essentially covers all the needs for bathroom and kitchen sanitary wares in any single residential or commercial premises.

We sell our products under various brands to cater to different design preferences and consumer budgets. Our flagship 'Sorento' products are marketed as premium Malaysian-branded bathroom and kitchen sanitary wares' products at competitive prices. The 'Sorento' brand of products is a recognisable brand in the market and is often marketed to large property development projects by large and reputable property developers. Our other house brands, namely 'Mocha', 'Cabana' and 'i-Born', are marketed as more affordable products targeted at customers who are more budget conscious. Our third-party branded bathroom and kitchen sanitary wares, namely 'Bravat' and 'Infinity' are imported luxury products, targeting customers who seek international brands and/ or designer range products which are generally uniquely designed and/or made of more expensive materials.

With our wide range of product and brand offerings, we are positioned as a one-stop solution provider of bathroom and kitchen sanitary wares, whereby our B2B and B2C customers can essentially purchase all of their bathroom and kitchen sanitary wares from our Group.

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

### **7.5.3 We have a wide customer base including dealers, project customers and end-consumers through direct online stores**

As we operate in a consumer-oriented industry, having an extensive market reach is crucial to ensure our products can be easily accessed and purchased by end-consumers. We leverage on our customer base which includes dealers for onward sales to end-consumers; and property developers trading arms or appointed contractors who install our products in their development projects, to extend our market reach to end-consumers. As at the LPD, we sold our products to a total of approximately 592 dealers, and 152 project customers.

Apart from leveraging on our B2B customers (i.e. dealers, chain store retailers, property developer trading arms, and contractors) we also sell our house brands directly to end-consumers through online channels, whereby we have set up online stores for 'Sorento' and 'Mocha' established on third party e-commerce platforms, namely Shopee and Lazada. The move towards establishing our online presence since 2020 was in recognition of the increasing popularity of online shopping, and the accessibility to consumer purchasing data which provides insights to our Group on the latest consumer preferences that serves as valuable feedback for product development.

Project sales give us large volume orders and amplify our brand visibility within new development projects, which will in turn enhance the growth of our financial performance and the sustainability of our Group. This approach fosters consumer recognition, and enables our brand to be top-of-mind when customers seek similar products for future purchases. The presence of our products in development projects not only reinforces brand recognition among end-consumers but also signals a reputable and trustworthy brand image to property developers and contractors, further enhancing our brand's market standing. We are also able to leverage on the reputation of property developers to further grow our brand presence. With a strong brand presence, our house brands can be perceived as the preferred home-grown brands for bathroom and kitchen sanitary wares in Malaysia, thus increasing the demand for our products, which ultimately serves as a strong foundation to support our Group's future business expansion and growth.

### **7.5.4 We have a team of experienced and hands-on key senior management personnel**

Our Group is led by an experienced and technically skilled management team that has accumulated years of industry experience and in-depth knowledge of our business operations. Our Managing Director, Loo Chai Lai, who has 40 years of experience in home improvement and renovation industry with 21 years of experience in the bathroom and kitchen sanitary ware industry, has played a pivotal role in steering the growth and success of our Group. His experience, drive and passion for our business have been instrumental to our Group's success to date. He has conceptualised and implemented various business and marketing strategies that led our Group to its current position in the industry.

He is supported by our Executive Directors, namely Loo Jing Kai and Lee Chee Keong; and key senior management, namely Tan Gine Ngee, Loo Ai Cheng, Ng Lai Heong and Lam Li Hua, with extensive experience in their respective expertise.

Our management team has strong industry and functional expertise as a result of years of experience in their respective fields. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand. Please refer to Sections 5.1.2, 5.2.2 and 5.4.2 of this Prospectus for the profiles of our Executive Directors and key senior management.



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.6 FUTURE PLANS AND STRATEGIES

#### 7.6.1 We intend to enhance our distribution reach to grow our market share by strengthening our support to existing dealers and expanding our network of dealers

As part of our efforts to grow our market share in the bathroom and kitchen sanitary ware industry, we have established a dedicated team to manage the sales and marketing activities for our dealer segment. Our dealers provide us a wide reach to end-consumers, which will in turn enhance the visibility of our brands and products, and drive the growth of our market share and financial performance. As such, we intend to enhance our distribution network, comprising existing and new dealers.

As at the LPD, we have a network of 592 dealers. We target to recruit approximately 200 new dealers throughout Malaysia over the next three years. In order to facilitate this plan and enhance our support for our existing and new dealers, we intend to implement the following initiatives over the next three years:-

- (a) continue to motivate sales efforts and performance through incentive trips for our dealers who meet the sales targets;
- (b) provide subsidy to existing and new dealers to facilitate the following enhancements and upgrades:-
  - (i) enhance personalised marketing collaboration with our selected dealers through store-specific marketing efforts, such as subsidising their grand store opening and highlighting their store(s) on our social media to bring awareness to their stores, co-organising roadshows, digital marketing campaigns and targeted marketing activities based on their target markets;
  - (ii) provide subsidy to upgrade the product displays or storefront signage at selected dealers' retail stores; and
  - (iii) provide subsidy for renovation cost and design ideas to set up or upgrade the display areas for our products at our selected dealers' stores to enhance their customers' shopping experience. The display areas comprise customised carpentry racking or standard racking for our bathroom sanitary wares, and kitchen sink racking, as shown below:-

**Customised carpentry racking**



**Standard racking**



**Kitchen sink racking**



## 7. BUSINESS OVERVIEW (Cont'd)

The allocation of this subsidy will range from RM10,000 to RM80,000 per store based on the size of the store and forecast sales return.

- (c) provide subsidy to existing and new dealers that will sell our house brands exclusively at their stores. Each of these stores will market and sell any selected house brands, namely 'Sorento', 'Mocha' and/ or 'Cabana', based on their target market. The stores will display a wide range of our product offerings. We intend to provide subsidies for renovation and fit-out cost to facilitate the setting up of these stores. The allocation of this subsidy will range from RM80,000 to RM150,000 per store, based on the size of the store and forecast sales return.
- (d) provide subsidy to existing and new dealers to operate Sorento concept stores which will showcase our 'Sorento' products exclusively, focusing on higher-end product range. These concept stores will target customers with higher purchasing power and design conscious to have higher quality of life. Further, the concept stores serve as a showroom for our B2B customers to view our 'Sorento' product range and envision how our products can be used in their projects. We intend to provide subsidies for renovation and fit-out cost and/ or supply of display units to facilitate the setting up of these concept stores. The allocation of this subsidy will range from RM300,000 to RM500,000 per concept store, based on the size of the store and forecast sales return.

We are unable to determine the number of dealers which we will subsidise, as the exact cost of renovation and fit-out for each store cannot be ascertained as at the LPD. This cost can only be determined as and when the existing and new dealers are selected for renovation and fit-out of their stores based on the size of the stores and forecast sales return. Further, as we do not have ownership of any of our dealers' stores, our dealers ultimately decide their participation in our initiatives and implementation of any changes to their stores. Nevertheless, our total estimated budget for the enhancement of our distribution network, comprising existing and new dealers, is approximately RM20 million, which will be funded via a combination of the proceeds from our IPO and internally-generated funds. We plan to utilise RM[●] million from our IPO proceeds within 36 months from the date of our Listing to partially fund this plan. Please refer to Section 4.4.2 of this Prospectus for the breakdown of the total estimated expenses for this plan.

### 7.6.2 We intend to grow our revenue from project-based sales

We will continue to grow our revenue from project-based sales, which will enhance our revenue and subsequently increase our market share in the bathroom and kitchen sanitary ware industry. Project-based sales would provide us with large volume orders and amplify our brand visibility within property projects, which will in turn enhance the growth of our financial performance and the sustainability of our Group. This approach fosters customers' awareness, and enables our brands to be more recognisable when customers seek similar products for their future purchases. The presence of our products in property projects not only reinforces brand recognition among the end consumers but also signals a reputable and trustworthy brand image to property developers, contractors and interior designers, further enhancing our brand's market standing.

In addition to residential projects, we intend to increase our participation in other building segments such as affordable housing, hotels and offices, comprising new builds and renovation projects. While some of these projects typically have shorter delivery lead times, our Group has extensive industry knowledge and strong understanding of the market trends to plan our product inventory to cater for projects with shorter delivery lead time. We are also supported by our established network of third party manufacturers and have sufficient warehouse space to cater for the anticipated increase in orders for our products.



## 7. BUSINESS OVERVIEW (Cont'd)

We plan to utilise RM[●] million from our IPO proceeds within 12 months from the date of our Listing to fund the purchase of product inventory. This product inventory will support both sales to dealers and projects. Please refer to Section 4.4.4 of this Prospectus for the breakdown of the total estimated expenses for this plan.

### 7.6.3 We intend to enhance our brand recognition through investment in branding and marketing activities in Malaysia

We intend to roll out a brand elevation initiative to uplift our brand positioning which include the development of our company profile, brand story, product videos and marketing materials. We aim to develop informative materials in the form of videos and infographics for better engagement. Furthermore, we intend to establish an online resource library with a comprehensive database of product specifications, design concepts, product brochures as well as detailed product training videos, including installation guides and maintenance instructions. This library is accessible to our dealers only and designed to support dealers and our project sales personnel with easy accessibility and standardised marketing materials, ensuring a cohesive and professional representation across all sales channels.

We intend to collaborate with advertising agencies to develop and execute external campaigns, via online and offline channels:-

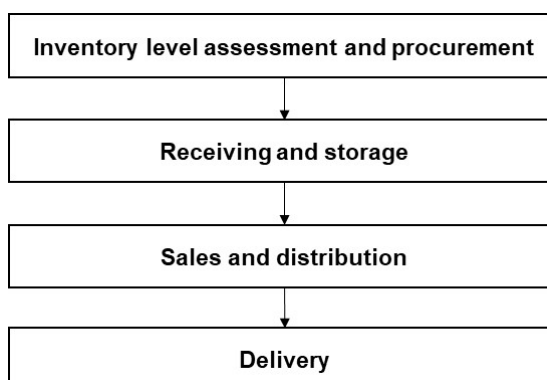
- (a) intensify our marketing and promotional events to increase face-to-face interactions with our customers for higher brand engagement in exhibitions and trade fairs;
- (b) improve customers overall buying experience from our online and offline channels as customers prefer to gather product information from online channels (i.e. website and online stores) before making a physical store visit. For example, our marketing effort involves providing relevant information, such as product specifications and design ideas to support customers' buying journey and leading them to our dealers' physical stores or purchasing through our online stores;
- (c) utilise pay per impression or pay per click advertising across search engines and social media platforms such as Google, YouTube, Facebook, Instagram, Tiktok, and Xiaohongshu;
- (d) utilise search engine optimisation, where it enables maximisation of traffic to our website and online stores through high ranking of our website and online stores on Google search results; and
- (e) utilise search engine marketing, where it increases the visibility of our product advertisements on Google search results when customers search for the product keywords.

We plan to utilise RM[●] million from our IPO proceeds within 36 months from the date of our Listing to fund our branding and marketing plans. This will, in turn, aid our Group in enhancing our brand recognition and expanding our market reach in the industry. Please refer to Section 4.4.1 of this Prospectus for the breakdown of the total estimated expenses for this plan.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.7 OUR BUSINESS AND OPERATIONAL PROCESS

Our operational process flow is set out as follows:-



(a) Inventory level assessment and procurement

We conduct inventory level assessment on a weekly basis to identify the type and quantity of products to be replenished. The product inventory level to be replenished depends on our purchase orders received, projected sales, lead time required for the specific SKUs to arrive at our facilities, and the pricing of the products. For any SKUs with insufficient inventory level, we will submit purchase orders to our suppliers for replenishment of inventory.

(b) Receiving and storage

Upon receiving ordered products from our suppliers, we will conduct quality checks on the products received and ensure the products received match with the quantity and specifications ordered. We will inform our suppliers in case there are discrepancies or defects for product replacement or payment deductions. Our inventory will be stored in our warehouse before delivery to our customers upon confirmation of sales.

(c) Sales and distribution

The following are the sales and distribution processes of our B2B and B2C customers.

(i) B2B

For sales to dealers, we will prepare the price quotations according to the inquiries for our customers to review. Once our dealers agree with our price quotations, the sales orders will be confirmed with the issuance of purchase orders by our dealers. Upon recipient of the purchase orders, we will proceed to prepare and pack the products to arrange for delivery based on delivery schedule.

For project sales, we may be invited to quote or we may approach our project customers to participate in submitting quotations for projects. We prepare and submit our quotations based on the project specifications. While some customers for project sales will issue us letter of award or letter of confirmation as supplier, most of the customers only confirm us via issuance of purchase order. The purchase orders and letter of award/ letter of confirmation include information on the brand, type and quantity of products to be delivered, as well as the estimated delivery period. For new build projects, the purchase orders and letter of award/ letter of confirmation are typically secured at the start of a project development, and the delivery of our products takes place during the interior fit-out stage which generally takes place up to three years from the

## 7. BUSINESS OVERVIEW (Cont'd)

commencement of the development project. For refurbishment and renovation projects, and occasionally for new build projects, we receive purchase orders that require delivery of goods within weeks to months from confirmation of orders. Typically, affordable housing projects have shorter delivery lead time. Further, when there are projects that may have last minute changes in the sanitary wares used due to changes in budget or insufficient stock availability for the original shortlisted products, the delivery lead time is also relatively short. Upon the receipt of purchase order with the quantity and delivery schedule from our customers for project sales, we will prepare and pack the products to arrange for delivery. We will conduct quality checks on the products before packing and ensure the products match with the quantity and specifications ordered.

(ii) B2C

Upon receiving purchase order from our end-customers through our online stores on Lazada and Shopee, we will prepare and pack the products to arrange for delivery. We will conduct quality checks on the products before packing and ensure the products match with the quantity and specifications ordered.

(d) Delivery

We utilise in-house transportation as well as third party logistics services to deliver the products to our customers. As at the LPD, we have an in-house fleet of 12 lorries and two vans to primarily to cater for delivery of our products to customers within the Klang Valley. We utilise third-party logistics services to provide delivery of the products to most of our customers outside Klang Valley.

For B2B sales, upon delivery of the products, our customer is required to acknowledge receipt by signing off on the delivery note. We will issue the invoice to our customers for payment, some are on cash terms while some are given credit terms ranging from 30 to 90 days.

## 7.8 SALES AND MARKETING

Our Group has a dedicated team to manage the sales and marketing activities, including branding, promotion and marketing of our brands to enhance our brand presence and recognition in the market. We actively engage in the following sales and marketing strategies:-

(a) **Multi-channel distribution network**

Our Group adopts a multi-channel distribution strategy to sell its products through its network of dealers comprising of wholesalers and retailers. Our Group also supply our products to property projects through our project customers, and sell our products directly to end consumers through our online stores. Please refer to Section 7.2.1 for further information on our distribution network.

(b) **Sorento Master Club**

The Sorento Master Club is an exclusive membership programme for interior designers. As at the LPD, we have approximately 2,032 Sorento Master Club members. Interior designers play an important role in facilitating end-consumers' renovation or home improvement projects whereby our products can be part of the interior designers' design solution offered to their customers.

## 7. BUSINESS OVERVIEW (Cont'd)

The Sorento Master Club serves as a collaborative platform for professional designers, our affiliated partners (such as tile and lighting experts) and ourselves. Together, we work with designers to create bathroom and kitchen designs, incorporating products from both our affiliated partners and our own collection.

This platform not only fosters a closer connection with interior designers who wield direct influence over homeowners' brand choices for their renovations but also serves as another avenue for us to build brand awareness among interior designers as an exclusive and premium brand. The designs crafted through this collaboration are then brought to life as mock bathrooms and/or kitchens at our Sorento Experience Centre at our Bukit Raja Facility. Here, we showcase the most recent lifestyle trends and distinctive innovations in bathroom and kitchen sanitary solutions, highlighting trends derived from the collaborative efforts of our team, professional designers, and affiliated partners. Any visitation to our Sorento Experience Centre is by invitation only. Other than interior designers, we may extend the invitation to our Sorento Experience Centre to our project customers and product principals.

### (c) Digital and print advertising

We place digital advertisements to promote our brands and products on social media platforms. Our social media pages are managed jointly between our in-house team and third-party media agency to generate promotional contents for our social media pages (e.g. Facebook, YouTube, Instagram, Tiktok and Xiaohongshu) to increase brand awareness.

We also place advertisement on outdoor billboards on highways and dealers stores signages. To support our dealers, we maximise brand awareness space in their stores through posters, product displays, banners and printed flyers.

### (d) Exhibitions and fairs

We participate in trade fairs and exhibitions to trade fairs and exhibitions to promote our products and establish contact with potential customers while promoting our brand. We may also collaborate with our dealers to participate in trade fairs and exhibitions by providing them subsidy on the set up cost of their booth.

Trade exhibitions and events that our Group participated as exhibitor over the Financial Years Under Review and up to the LPD are as follows:-

<u>Year</u>	<u>Exhibition/event</u>	<u>Organiser</u>	<u>Location</u>
2021	Homedec Exhibition <sup>(1)</sup>	CIS Network Sdn Bhd	Kuala Lumpur, Malaysia
2021	Homefair'21 – Home Furnishing Exhibition <sup>(1)</sup>	X Two Media Sdn Bhd	Johor Bharu, Malaysia
2022	Archidex <sup>(2)</sup>	CIS Network Sdn Bhd	Kuala Lumpur, Malaysia
2022	Modern Living Home Expo <sup>(1)</sup>	Modern Living Event Sdn Bhd	Johor Bharu, Malaysia
2022	Homefair'22 <sup>(1)</sup>	X Two Media Sdn Bhd	Johor Bharu, Malaysia
2022	Modern Living Exhibition <sup>(1)</sup>	Modern Living Event Sdn Bhd	Johor Bharu, Malaysia
2023	Home Living Exhibition <sup>(1)</sup>	Eco & Green Exhibition Sdn Bhd	Johor Bharu, Malaysia

## 7. BUSINESS OVERVIEW (Cont'd)

### Notes:-

- (1) Participated jointly with our dealers, whereby we provided subsidy on the set up cost of their booths.
- (2) Direct participations.

### 7.9 QUALITY AND GREEN CERTIFICATIONS

Our Group places strong emphasis on the safety and quality of all products including house brands products and third party branded products. Further, we must ensure our ceramic bathroom sanitary wares that we import comply with the requirements of Malaysian Standards (“MS”) before it can be imported and distributed in Malaysia pursuant to the Procedures for Importing Construction Products Fifth Edition issued by CIDB Act 1994. The compliance to the MS standards is a pre-requisite for us to apply for the mandatory certifications/ registrations required for our business such as standard compliance certificates by CIDB, other relevant product certificates issued by accredited certification bodies and supplier registration with SPAN. Please refer to Section 6.8 of this Prospectus for the list and further information on our standard compliance certificates issued by CIDB, other relevant product certificates issued by accredited certification bodies and supplier registration.

We participate in green product recognition assessments with Malaysian Green Technology and Climate Change Corporation (“MGTC”) and SPAN under the Water Efficient Product Labelling Scheme for some of our products. The assessments enable the endorsement of water efficiency capabilities in our products after being compared through a scoring system or criteria.

#### MGTC/ MyHIJAU mark

MyHIJAU mark is a government initiative to promote the sourcing and purchasing of green products and services in Malaysia. This programme was approved by the Green Technology & Climate Change Council (MTHPI) on 23 October 2012.

MGTC is entrusted to manage MyHIJAU mark and directory and is responsible for the promotion, business advisory, verification, and monitoring of certified green products and services. Registered green products and services will be listed in the MyHIJAU directory which as a reference for green procurement (including Government Green Procurement; GGP and Green Private Purchasing; GPP), green incentives (including Green Investment Tax Allowance; GITA and Green Income Tax Exemption; GITE) and related green technology initiatives.

For a product and services to be qualified for MyHIJAU mark, the product and services must be deemed to minimise the degradation of the environment or reduce greenhouse emission; and promotes health and improvement of the environment; and conserves the use of energy, water and/or other forms of natural resources or promote the use of renewable energy or able to recycle waste material resources.

#### **MyHIJAU mark**



The certifications issued by MGTC allow us to use MyHIJAU mark on our registered products. As at the LPD, we have received the following registration certificates from MGTC:-

<b>Product (number of models)</b>	<b>Brands</b>	<b>Issue date</b>	<b>Expiry date</b>
Basin cold tap (10 models), basin tap (2 models), wall mounted basin cold tap (1 model), pillar mounted kitchen tap (1 model) and bib tap (1 model)	Sorento, Mocha and Cabana	24 October 2023	14 June 2026
One piece water closet (15 models)	Sorento, Mocha and Cabana	10 November 2023	31 May 2026

## 7. BUSINESS OVERVIEW (Cont'd)

### SPAN/ WEPLS label

WEPLS is a voluntary Water Efficient Product Labelling Scheme initiated by SPAN to register and label water efficient products according to the guidelines set by SPAN.

WEPLS label serves to inform consumers of the product's water efficiency rating and the consumers will be able to take these factors into accounts when making their purchasing decision. five types of products are covered under WEPLS, namely water taps which include basin tap, sink tap, shower tap and ablution tap, water closet, urinal equipment, shower heads and clothes washing machine. Water efficiency products are rated according to their water consumption based on the 3 star rating system.

Once the products are rated and registered with SPAN, we can use the relevant WEPLS label on our registered products. As at the LPD, we have received seven registration certificates from SPAN for our 'Sorento', 'Cabana' and 'Mocha' water closet (66 models) and water taps (15 models), issued in 2023 and expiring in 2026.

### A sample of WEPLS label



### 7.10 TECHNOLOGY USED

We adopt a cloud-based business management solution comprising an accounting system and relevant plug-ins which is used for automating and streamlining core business processes, including sales lead management, financial management, order processing, inventory management, production, supply chain and warehouse operations, through a single and integrated suite of applications. It also provides access to real-time data from across departments for business analysis purposes. The analysis generated by the system furnishes us with information which allows it to make data-driven decisions to facilitate efficient operations.

### 7.11 RESEARCH AND DEVELOPMENT

Due to the nature of our business, we do not conduct any research and development activities and we do not have any specific research and development policy.

However, we conduct product development activities which primarily revolve around efforts in developing new product range and improving or enhancing existing product features. We leverage on the manufacturing and design expertise of our third-party manufacturers, and combine their capabilities with our extensive industry experience and knowledge of our markets and customer preferences in our product development activities. Through this close collaboration with our third-party manufacturers, we adapt their designs to align with the specific preferences of our customer base. This process involves adjustments to various specifications including colours, materials, lengths, shapes, and value added features, ensuring our products comply to MS standards and suit our target customers.

Gathering customer feedback and market observations through our direct interactions with our customers and through our online stores, are important parts of our product development activities, whereby we keep abreast with latest market trends and consumer preferences on the design and functions of sanitary wares. We also participate (directly or through our dealers) in renovation, home improvement and interior design fairs and exhibitions, and engage with our distribution network stakeholders, including our dealers and project customers to discover the latest consumer trends and preferences.

## 7. BUSINESS OVERVIEW (Cont'd)

As we have established online stores on third party e-commerce platforms, we have access to consumer purchasing data where we are able to analyse sales data (e.g. top sale products) as well as product reviews, which are valuable feedback for product development and enhancement. Our product development activities are headed by Loo Chai Lai, our co-founder and Managing Director, who has 40 years of experience in home improvement and renovation industry with 21 years of experience in the bathroom and kitchen sanitary ware industry, together with Loo Jing Kai (our Executive Director).

### 7.12 OUR SUPPLIERS

Our suppliers comprise third party manufacturers and trading houses, suppliers in Malaysia and Singapore, as well as our product principals:-

(a) Third party manufacturers and trading houses

We source and negotiate directly with our third party manufacturers and ensure our house brands ordered are manufactured based on our specifications and requirements. If intermediaries are required, we will engage their services after the purchase orders are placed with our end suppliers. During the Financial Years Under Review, all of our house brands were imported from China. Our suppliers comprised third party manufacturers in China and intermediaries such as trading houses in China and Malaysia. We regard our third party manufacturers as our end suppliers as our products are ultimately sourced from them. We also appoint trading houses in China to assist some of our third party manufacturers to ship the products to Malaysia and to conduct quality check on the goods before shipping to Malaysia, as these third party manufacturers do not have export licenses for the export of goods from China to Malaysia. As such, we also regard intermediaries as our direct suppliers.

During the Financial Years Under Review, we had increasingly purchased our house brands directly from our third party manufacturers without going through trading houses at 35.00%, 41.85% and 78.42% of our Group's total purchases respectively. With on-going business growth, we have gained the relevant supply chain knowledge to manage imports directly and we have also achieved economies of scale and sufficient purchase volume to import goods directly to reduce our reliance on trading houses. Further, most of our third party manufacturers in China have obtained their respective export licenses, which reduces the need to engage trading houses to handle export logistics.

For purchases through trading houses, the respective trading houses will issue invoices to us for the cost of the products ordered from our third party manufacturers, customs duties, SST, exportation/importation fee for the trading houses and the freight management service provider fees. We make payments to these trading houses against their invoices which are denominated in RMB and USD for trading houses in China, and the trading houses pass on the applicable portion of these payments to the relevant third party manufacturers in settlement for the price of the products we purchase. As at the LPD, we do not have any minimum purchase obligations with any of our third party manufacturers.

Please refer to Section 7.3 for further information on our third party manufacturers.

(b) Suppliers in Malaysia and Singapore

We source plastics parts and components, as well as complementary products (e.g. toilet seats, soap dispenser, floor trap, cistern fittings, flush valves, etc) from suppliers in Malaysia and Singapore.

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

## (c) Product principals

For foreign third party brands, we purchase directly from our product principals which are located in overseas. They issue us invoices and make all the necessary export and logistics arrangements based on our delivery schedule.

**7.13 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

Our purchases in the Financial Years Under Review comprised product inventory as detail below:-

Supplies	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Bathroom sanitary ware	<b>41,817</b>	<b>85.07</b>	<b>40,372</b>	<b>81.29</b>	<b>45,790</b>	<b>84.61</b>
• Wash basins, water closets, jacuzzi and bathtubs	15,578	31.69	19,017	38.29	21,722	40.14
• Bathroom furniture	4,721	9.60	5,276	10.62	5,894	10.89
• Bathroom faucets, shower and bidets	15,980	32.51	11,981	24.13	13,404	24.77
• Bathroom accessories	5,538	11.27	4,098	8.25	4,770	8.81
Kitchen sanitary ware	<b>6,417</b>	<b>13.05</b>	<b>8,295</b>	<b>16.70</b>	<b>7,588</b>	<b>14.02</b>
• Kitchen sinks	4,073	8.29	4,840	9.75	5,331	9.85
• Kitchen faucets and accessories	2,344	4.77	3,455	6.96	2,257	4.17
Others <sup>(1)</sup>	925	1.88	996	2.01	740	1.37
<b>Total purchases</b>	<b>49,159</b>	<b>100.00</b>	<b>49,663</b>	<b>100.00</b>	<b>54,118</b>	<b>100.00</b>

**Note:-**

(1) Comprises water pump and titles.

For our house brands, we maintain a list of approved third party manufacturers which allow us to source any particular SKU from multiple third party manufacturers, if required. In the event that we are unable to purchase from our existing third party manufacturers, we are able to replace with other third party manufacturers. When required, we also source for plastic products in smaller quantities as and when requested by our customers from local suppliers comprising manufacturers and suppliers. These are offered as value added services to our customers.

We do not enter into any contracts with our third party manufacturers and our product principals. Our third party manufacturers will commence the manufacturing process upon receiving purchase orders from us. The lead time for delivery is generally about 45 days. For foreign third party brands, upon receiving purchase orders from us, our product principals will arrange for delivery of the products if there is available stock or commence manufacturing to fulfil our orders. The prices of our supplies are subject to price fluctuations as the result of fluctuations in production costs and fluctuations in exchange rates. Please refer to Section 7.3 and Section 7.12 for further information on our third party manufacturers and suppliers respectively.

In order to ensure that our inventory is sufficient to support the distribution and sale of our products to dealers, projects and end-consumers, we will generally maintain a minimum inventory of four months. The product inventory level to be replenished depends on our purchase orders received, projected sales, lead time required for the specific SKUs to arrive at our facilities, and the pricing of the products. We have not experienced any major inventory shortages in the past as we recognise the importance of maintaining sufficient inventory level to cater for our customers' needs.



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.14 PRODUCTION CAPACITY, OUTPUT AND UTILISATION

We outsource all manufacturing works of our house brands to third party manufacturers, and purchase foreign third party branded products directly from our product principals. As such, production capacity is not applicable in our business model.

In terms of storage of our product inventory, our Group's estimated annual capacity, actual annual utilisation and utilisation rate for the FYE 2023 of our warehouse facilities, are as set out below:-

	<b>Bukit Raja Facility</b>	<b>Jalan Meru Facility</b>	<b>Penang Facility</b>
Annual capacity (Number of pallets) <sup>(1)</sup>	3,940	3,602	363
Actual annual utilisation (Number of pallets) <sup>(2)</sup>	3,883	1,324	322
<b>Utilisation rate (%) <sup>(3)</sup></b>	<b>98.55</b>	<b>36.76</b>	<b>88.71</b>

**Notes:-**

- (1) The annual capacity is tabulated based on the number of pallets that can be stored at the allocated storage spaces in the warehouse comprising the floor space, racks and loose space, at the end of each month during the FYE 2023.
- (2) The actual annual utilisation is tabulated based on pallet counts recorded at the end of the month during the FYE 2023.
- (3) The utilisation rate is computed by dividing actual annual utilisation against estimated annual capacity.

### 7.15 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for minor interruptions to our operations arising from COVID-19 pandemic as detailed below, our Group had not experienced any other interruptions in our operations in the last 12 months from the LPD which had a significant effect on our operations.

**(a) Impact on our business operations**

Pursuant to the outbreak of the COVID-19 pandemic in 2020, the Government of Malaysia had implemented different forms of MCO since 18 March 2020 to contain the spread of the virus. During this period, our Group was required to comply with the changes in SOP outlined by MITI throughout the period. Our business and operations were temporarily suspended from 18 March 2020 to 4 May 2020 due to the imposition of the 1<sup>st</sup> MCO. Thereafter, our Group was allowed to operate while complying with MITI's SOP such as reducing workforce capacity. The reduction of workforce capacity as per MITI's SOP during this period did not result in material adverse impact to our business and operations.

Malaysia entered into the "Transition to Endemic" phase beginning 1 April 2022. Our business operations were not impacted by the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

**(b) Impact on sales, delivery and receipt of supplies**

Pursuant to the outbreak of the COVID-19 pandemic, for the FYE 2021, our sales of products were slightly affected due to the slowdown in demand as construction and renovation activities were disrupted by the SOPs that were implemented during the pandemic. Between June 2020 and July 2020, we experienced port closure and congestion in Malaysia which resulted in extended period required to store our goods at the port, which caused us to incur RM112,256.00 for storage and demurrage charges.

## 7. BUSINESS OVERVIEW (Cont'd)

Nevertheless, there was no material impact to our revenue as we recorded an increase in revenue in FYE 2021.

Save for the temporary disruptions to our business operations as disclosed above, there was no material impact on the delivery of our products, receipt of supplies, and the collectability of our trade receivables. Further, there was no material impact on our sales, delivery, and receipt of supplies upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

There was no material impact to our business cash flows, liquidity, financial position and financial performance for the Financial Years Under Review.

### 7.16 SEASONALITY

Due to the nature of our business, there are no significant seasonality or cyclical patterns in the revenue of our Group during the Financial Years.

### 7.17 EMPLOYEES

As at FYE 2023, we employed a total of 107 employees, all of which are full time Malaysian employees, and as at the LPD, we employed a total of 164 employees, all of which are Malaysian full time employees. The breakdown of our employees by division is set out as follows:-

Department/ Business function	Number of employees	
	FYE 2023	As at the LPD
Directors	3	3
Finance and account	6	12
Human resources and admin	4	10
Purchasing	3	6
Dealer sales	5	15
Project sales	22	20
Retail support personnel	3	5
Marketing	12	16
Customer service	15	21
Warehouse	34	56
<b>Total</b>	<b>107</b>	<b>164</b>

None of our employees belong to any labour union. During the Financial Years Under Review and up to the LPD, we did not experience any strikes or other disruptions due to labour disputes.

We have in place a management succession policy to identify key competencies and requirements of managers and higher ranking personnel, to take positive approach towards addressing talent management to ensure our Group has talent readily available from a capability perspective to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.18 MAJOR CUSTOMERS

For the Financial Years Under Review, our top five customers' revenue contributions are 21.55%, 17.31% and 15.28%, respectively. Our top five customers in the Financial Years Under Review comprise dealers and project customers.

As none of our top five major customers each contributed to more than 10% of our Group's total revenue during the Financial Years Under Review, we are not dependent on any of our top five major customers.

Our Group's top five customers for the Financial Years Under Review are as follows:-

#### FYE 2021

Customer name	Customer type	Products sold	Type of project supplied	Length of relationship (years) <sup>(1)</sup>	Sales (RM '000)	% of our Group's revenue (%)
PSM <sup>(2)</sup>	Dealer	Bathroom and kitchen sanitary wares	Not applicable	11	3,985	6.03
Eco World Trading Sdn Bhd <sup>(3)</sup>	Project	Bathroom and kitchen sanitary wares	Semi-detached houses and bungalow houses	5	2,908	4.40
Customer A <sup>(4)</sup>	Project	Bathroom and kitchen sanitary wares	Residential houses	4	2,716	4.11
Trade Empire Sdn Bhd	Project	Bathroom and kitchen sanitary wares	Condominium and serviced residences	5	2,422	3.66
Home Product Center (Malaysia) Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	6	2,216	3.35
<b>Sub-total</b>					<b>14,247</b>	<b>21.55</b>
<b>Total revenue</b>					<b>66,107</b>	<b>100.00</b>

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

**FYE 2022**

<b>Customer name</b>	<b>Customer type</b>	<b>Products sold</b>	<b>Type of project supplied</b>	<b>Length of relationship (years) <sup>(1)</sup></b>	<b>Sales (RM '000)</b>	<b>% of our Group's revenue (%)</b>
PSM <sup>(2)</sup>	Dealer	Bathroom and kitchen sanitary wares	Not applicable	12	4,346	4.79
Eco World Trading Sdn Bhd <sup>(3)</sup>	Project	Bathroom and kitchen sanitary wares	Serviced residence and terrace houses	6	3,127	3.45
Home Product Center (Malaysia) Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	7	3,126	3.45
Exaco Marketing Sdn Bhd	Project	Bathroom and kitchen sanitary wares	Not applicable	3	3,080	3.40
Customer B <sup>(5)</sup>	Project	Bathroom and kitchen sanitary wares	Residential houses	1	2,019	2.22
				<b>Sub-total</b>	<b>15,698</b>	<b>17.31</b>
				<b>Total revenue</b>	<b>90,688</b>	<b>100.00</b>

**7. BUSINESS OVERVIEW (Cont'd)****FYE 2023**

<b>Customer name</b>	<b>Customer type</b>	<b>Products sold</b>	<b>Type of project supplied</b>	<b>Length of relationship (years) <sup>(1)</sup></b>	<b>Sales (RM '000)</b>	<b>% of our Group's revenue (%)</b>
PSM <sup>(2)</sup>	Dealer	Bathroom and kitchen sanitary wares	Not applicable	13	3,776	3.36
Home Product Center (Malaysia) Sdn Bhd	Dealer	Bathroom and kitchen sanitary wares	Not applicable	8	3,614	3.22
Mah Sing Trading Sdn Bhd <sup>(6)</sup>	Project	Bathroom and kitchen sanitary wares	Service apartment condominium and apartment	9	3,441	3.06
Eco World Trading Sdn Bhd <sup>(3)</sup>	Project	Bathroom and kitchen sanitary wares	Serviced residence, serviced apartment, terrace houses	7	3,274	2.92
Customer B	Project	Bathroom and kitchen sanitary wares	Residential houses	2	3,053	2.72
<b>Sub-total</b>					<b>17,158</b>	<b>15.28</b>
<b>Total revenue</b>					<b>112,311</b>	<b>100.00</b>

**Notes:-**

- (1) Length of business relationship with the major customers is determined at each respective FYE.
- (2) PSM is a related party. Please refer to Section 10 of this Prospectus for further information.
- (3) Eco World Trading Sdn Bhd is a subsidiary of Eco World Development Group Berhad, a company listed on the Main Market of Bursa Securities and is involved in trading or business of building materials.
- (4) Customer A is a company involved in trading of construction materials located in Malaysia. It is a subsidiary of a public listed company on the Main Market of Bursa Securities. Customer A's holding company is a company involved in infrastructure and property. Customer A's name has not been disclosed as consent was not provided by them. It is one of our major customers for FYE 2021.
- (5) Customer B is a company involved in fabrication, installation and sale of wood products, provisions of kiln dry services, sale of building materials and household goods located in Malaysia. It is a subsidiary of a public listed company on the Main Market of Bursa Securities. Customer B's holding company is a company primarily involved in property development. Customer B's name has not been disclosed as consent was not provided by them. It is one of our major customers for FYE 2022 and FYE 2023.
- (6) Mah Sing Trading Sdn Bhd is a subsidiary of Mah Sing Group Berhad, a company listed on the Main Market of Bursa Securities and is involved in trading of building materials.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.19 MAJOR SUPPLIERS

For the Financial Years Under Review, our top five suppliers' purchase of products contributions are 91.99%, 90.62% and 74.10%, respectively. Our Group's top five suppliers by total purchases for the Financial Years Under Review are as follows:-

#### FYE 2021

<u>Supplier name</u>	<u>Countries</u>	<u>Type of supplier</u>	<u>Products sourced</u>	<u>Length of relationship (years) <sup>(1)</sup></u>	<u>Purchases (RM '000)</u>	<u>% of our Group's purchases (%)</u>
MPM Resources Sdn Bhd <sup>(2)</sup>	Malaysia	Trading house	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Bathroom furniture</li> <li>• Faucets</li> <li>• Jacuzzi</li> <li>• Kitchen sinks</li> <li>• Shower and bidets</li> </ul>	4	24,596	50.03
Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom furniture</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	5	10,442	21.24
Chaozhou Changhong Sanitary Ware Co., Ltd.	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom furniture</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	5	6,764	13.77
Bravat (China) GMBH	China	Product principal	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Faucets</li> <li>• Jacuzzi</li> <li>• Shower</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	7	2,165	4.40
Shenzhen Onetouch Business Service Ltd	China	Trading house	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> </ul>	5 months	1,255	2.55
				<b>Subtotal</b>	<b>45,222</b>	<b>91.99</b>
				<b>Total purchases</b>	<b>49,159</b>	<b>100.00</b>

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

**FYE 2022**

<b>Supplier name</b>	<b>Countries</b>	<b>Type of supplier</b>	<b>Products sourced</b>	<b>Length of relationship (years) <sup>(1)</sup></b>	<b>Purchases (RM '000)</b>	<b>% of our Group's purchases (%)</b>
MPM Resources Sdn Bhd <sup>(2)</sup>	Malaysia	Trading house	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Faucets</li> <li>• Jacuzzi</li> <li>• Kitchen sinks</li> <li>• Shower and bidets</li> </ul>	5	20,286	40.85
Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom furniture</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	6	13,270	26.72
Chaozhou Changhong Sanitary Ware Co., Ltd.	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Bathroom furniture</li> <li>• Faucets</li> <li>• Shower and bidets</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	6	7,050	14.19
Heshan Hang Chuan Trading Co., Ltd	China	Trading house	<ul style="list-style-type: none"> <li>• Kitchen sinks</li> </ul>	5	2,982	6.00
Bravat (China) GMBH	China	Product principal	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Faucets</li> <li>• Jacuzzi</li> <li>• Showers</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	8	1,419	2.86
<b>Subtotal</b>					<b>45,007</b>	<b>90.62</b>
<b>Total purchases</b>					<b>49,663</b>	<b>100.00</b>

7. BUSINESS OVERVIEW (Cont'd)

**FYE 2023**

<b>Supplier name</b>	<b>Countries</b>	<b>Type of supplier</b>	<b>Products sourced</b>	<b>Length of relationship (years) <sup>(1)</sup></b>	<b>Purchases (RM '000)</b>	<b>% of our Group's purchases (%)</b>
Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Bathroom furniture</li> <li>• Faucets</li> <li>• Shower</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	7	16,493	30.48
Xiamen Taiyang Technology Co., Ltd	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Faucets</li> <li>• Shower and bidets</li> </ul>	5	10,682	19.74
Chaozhou Jinbaichuan Sanitary Ware Co., Ltd	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom furniture</li> <li>• Wash basins</li> <li>• Water closets</li> </ul>	7	4,638	8.57
Guangdong Yanggang Intelligent Technology Co., Ltd	China	Third party manufacturer	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Kitchen sinks</li> </ul>	10	4,408	8.14
Dongguan Yuyi Trading Co., Ltd.	China	Trading house	<ul style="list-style-type: none"> <li>• Bathroom accessories</li> <li>• Bathroom furniture</li> <li>• Faucets</li> <li>• Jacuzzi</li> <li>• Showers</li> </ul>	7 months	3,881	7.17
<b>Subtotal</b>					<b>40,102</b>	<b>74.10</b>
<b>Total purchases</b>					<b>54,118</b>	<b>100.00</b>

**Notes:-**

- (1) Length of business relationship with the major suppliers is determined at each respective Financial Years Under Review.
- (2) MPM Resources Sdn Bhd, a local trading house, which contributed 50.03% and 40.85% of the Group's total purchases in FYE 2021 and FYE 2022, ceased as its top five major supplier in FYE 2023 as the Group increased direct purchases from its third party manufacturers who have obtained their export licences.



## 7. BUSINESS OVERVIEW (Cont'd)

During the financial year under review, our purchases from Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory increased from 21.24%, 26.71% and 30.48% of our Group's total purchases in the respective FYEs. We have been purchasing Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory since 2016, and it is our main supplier for our water closets and wash basins. We also source these products from two other third party manufacturers in China. In the event Chaozhou Chaoan Fengtang Dafuyuan Ceramic Factory is unable to fulfil our orders, we can engage the other third party manufacturers to manufacture the same products for us. We have obtained the relevant product certifications for CIDB registration which enable us to import water closets and wash basins from all three third party manufacturers. As at the LPD, our Group has identified more third party manufacturers to manufacture our water closets and wash basins to support the anticipated future increased demand for these products. Once the selection is finalised, we will submit the relevant applications and product testing to obtain the relevant product certifications for CIDB registration for importation of water closets and wash basins from the new suppliers.

Xiamen Taiyang Technology Co., Ltd became our major supplier in FYE 2023, contributed 19.74% of our Group's total purchases. We have been purchasing bathroom faucets, showerheads and related accessories from Xiamen Taiyang Technology Co., Ltd since 2018, and it is our main supplier for our bathroom faucets, shower and related accessories. Prior to FYE 2023, purchases from Xiamen Taiyang Technology Co., Ltd were made through MPM Resources Sdn Bhd. We also source these products from three other third party manufacturers in China. In the event Xiamen Taiyang Technology Co., Ltd is unable to fulfil our orders, we can engage the other three third party manufacturers to manufacture the same products for us. Product certifications and CIDB registration for bathroom faucets, shower and related accessories are not mandatory.

Notwithstanding that certain major suppliers of our Group have contributed substantially to our Group's purchases during the Financial Years Under Review, we are not dependent on any of our suppliers as we maintain a list of approved third party manufacturers which allow us to source high volume SKUs (e.g. water closets, from more than one third party manufacturer. In the event that we are unable to procure our products from our existing third party manufacturers, we are able to replace with other third party manufacturers as these manufacturers have similar product and service offerings. As such, our Group is not dependent on any of our major suppliers. Please refer to Section 7.3, Section 7.12 and Section 7.13 for further information on our third party manufacturers, suppliers and purchases respectively.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.20 ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”) PRACTICES

We recognise the importance of ensuring environmentally responsible operations, providing a conducive workplace for our employees and adopting a high standard of corporate governance in shaping our Group’s future growth and development. Our Group’s sustainability efforts are guided by our sustainability policy. We have implemented and are in the midst of implementing the following practices:-

#### (i) Environmental

Our Group aims to integrate sustainable and eco-friendly practices into our business operations to minimise our impact on the environment. The measures that we have taken or plan to take including the following:-

##### (a) Reduce energy, water consumption and vehicle emissions

At our workplace, we prioritise energy saving practices to promote sustainability. We actively encourage our employees to adopt responsible habits such as powering off all electrical and electronic devices, including laptops, computers, lights, fans and air conditioners when they are not in use. By doing so, we aim to minimize unnecessary energy consumption. Furthermore, we emphasize the importance of conserving water by reminding everyone to turn off water taps when not in use. Together, these efforts contribute to a more environmentally conscious and efficient workplace.

Our vehicles also undergo regular checks and maintenance to ensure their emission controls are functioning optimally and in compliance with the pollutant emission standards set by the government. By doing so, we actively promote cleaner and more efficient operation of our vehicles. Our commitment to maintaining these standards not only helps reduce harmful emissions but also contributes to a healthier environment.

##### (b) Waste management

We prioritise the reuse wooden pallets to efficiently organise storage space in our warehouses. Additionally, we repurpose packaging scraps by utilising them as fillers or protective cushioning within our product carton boxes. These practices ensure that our products are well-protected during transit.

In addition, we sort the waste according to waste-sorting labels (paper, plastic, e-waste and general waste) to ensure proper segregation of waste which in turn helps to enhance efficiency in the recycling process.

We are also committed to practice paperless initiative where our Group is moving towards digitalising our marketing materials by reducing printing of the catalogues and brochures and uploading them to our website. As for our office administrative function, we encourage our employees to reduce paper usage and recycle used papers. Going forward, we intend to adopt enterprise resource planning system to further reduce unnecessary printing while enhancing our operational efficiency.

## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) Social

The safety and health of our employees are our priorities, specifically on mitigating any safety and health risks at our workplace to create a healthy and productive environment.

This objective is achieved throughout the exercises and goals in the following aspects:-

#### (a) Occupational, safety and health

In accordance with Occupational Safety and Health Act 1994, we have established a Safety and Health Committee with our Group to create a workplace that prioritises safety, health and environment.

Besides, personal protection equipment such as safety helmet, safety harness, weightlifting waist belt and safety shoes are provided to our employees, when necessary. This measure is aimed to ensure personnel safety and prevent any injuries at workplace.

In response to the COVID-19 situation, our Group had also implemented precautionary measures across our premises to protect our employees and customers and we ensured compliance with the relevant laws and regulations introduced by the Malaysian government from time to time to curb the spread of COVID-19.

#### (b) Diversity and equal opportunity

We practice gender equality and cultural diversity with equal opportunities irrespective of one's age, gender and ethnicity for employment, career development and advancement to attract and retain talent. As at the LPD, our Group's workforce comprises 45% female and 55% male employees. From ethnicity perspective, our workforce comprises 53% Bumiputera, 46% Malaysian Chinese and 1% Malaysian Indian employees.

We promote team bonding among our employees by organising festival celebrations and activities. These events provide a platform for cultural exchange, enabling our employees to appreciate and celebrate the various cultural heritages and traditions within our Group. Promoting cross-cultural understanding, cultivates a sense of unity, respect and appreciation among our workforce.

In addition, we empower our employees by supporting their personal and professional growth. We aim to enhance the skills of our employees through training programmes and education initiatives such as production techniques, leadership skills and self-development training. In 2023, we invested approximately RM25,000 in personal and professional development training programmes for our employees.

#### (c) Corporate social responsibility

We remain committed to supporting the communities where we operate by actively contributing to their well-being. In our on-going efforts to consistently assist these communities, we donated and sponsored approximately RM59,100 to non-governmental organisations in 2023. These organisations include Sekolah Jenis Kebangsaan (China) Pui Ying, Sekolah Menengah Kebansaaan Bandar Putra, Khor Teng Tong & Hunza Charity Berhad, Mah Sing Foundation, Eco World Foundation and Bandar Raya Developments Berhad- Rotary Children's Residence.

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## 7. BUSINESS OVERVIEW (Cont'd)

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### (iii) Governance

Our Group recognises that high standard of corporate governance is the foundation upon which we build a sustainable business. In essence, we are committed to conduct our business ethically and ensure compliance with all relevant laws and regulations that govern our business operations.

As at the LPD, our Group has adopted the following recommendations under the Malaysian Code on Corporate Governance:-

- (a) at least half of our Board members are independent directors;
- (b) at least 30% of our Board members are women directors;
- (c) our ARMC comprises solely independent directors; and
- (d) our Non-Independent Non-Executive Chairman is not a member of any of our board committees.

We have also established the following policies and procedures to ensure the sufficiency and integrity of our Group's risk management and internal control system:-

- (a) Anti-Bribery and Anti-Corruption Policy to promote ethical business conduct;
- (b) Whistleblowing Policy to encourage reporting of inappropriate, unethical or unlawful behaviour and practices by our management or employees, which in turn helps to maintain trust and integrity within our Group and our stakeholders; and
- (c) Conflict of Interest Policy to identify, manage and minimise the conflict arising from personal and financial interest of individuals which may interfere their professional responsibilities. This policy also serves to ensure that the engagement between our Group and the ARMC is free from any conflict of interest element, which could impair its objectivity and independence.