

7. BUSINESS OVERVIEW

7.1 HISTORY

Our Company was incorporated in Malaysia on 13 May 2019 under the Act as a private limited company under the name of Smart Asia Chemical Sdn Bhd. Subsequently, our Company was converted to a public limited company on 30 May 2023 and assumed our present name as Smart Asia Chemical Bhd.

The history of our Group dates back to 11 May 2012 when Ztree (M) Sdn Bhd was incorporated as a private limited company. On 8 March 2016, Ztree (M) Sdn Bhd underwent a name change to Smart Paint (Selangor).

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

Year	Key events and milestones
2012	<ul style="list-style-type: none"> Ztree (M) Sdn Bhd was incorporated on 11 May 2012 by our founder and Managing Director, Goh Chye Hin, along with our Non-Independent Executive Director, Kee Hui Lang, to venture into the trading of third party branded decorative paints, protective coatings as well as painting tools and accessories. Prior to setting up Ztree (M) Sdn Bhd, Goh Chye Hin had accumulated approximately 30 years of experience in the decorative paints and protective coatings industry.
2013	<ul style="list-style-type: none"> We ventured into the decorative paints and protective coatings manufacturing business upon the incorporation of Bond Paints (M) Sdn Bhd, which later underwent a name change to Smart Paint Manufacturing in 2015. Bond Paints (M) Sdn Bhd was incorporated by our founder and Managing Director, Goh Chye Hin, along with his cousin, Goh Bee Sim. We manufactured and sold decorative paints and protective coatings under our first house brand 'Smart Paints'. We rented and operated from Johor Factory 1. Upon commencement of our business, our decorative paints and protective coatings offering comprised standard, ready-mix and paint bases as well as decorative paints and protective coatings with enhanced mechanical properties such as easy-to-clean, UV-protected, dirt resisting, and environmental friendly with low odour and VOC. We were involved in product development activities to develop new colour formulation for our decorative paints and protective coatings. With our product development activities, we were also able to formulate and manufacture in-plant colourants for use in our manufacturing of decorative paints and protective coatings. Please refer to Section 7.3.3 of this Prospectus for further details of our colourants. We distributed our decorative paints and protective coatings directly to wholesalers and dealers (i.e. retail hardware stores and paint shops) throughout Malaysia. Further details on our wholesalers and dealers are as set out in Section 7.2.6 of this Prospectus. We recorded our first export sales when we exported our products to a customer in Brunei. In the same year, we also recorded our first export sales to Singapore, which further expanded our customer base. We launched our second house brand 'Toplus' to carry our decorative paints and protective coatings.

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Year	Key events and milestones
2013	<ul style="list-style-type: none"> We first acquired several Smart Colour POS Tinting Machines and set up the machines at our dealers' stores. Smart Colour POS Tinting Machines are machines that allow on-the-spot mixing to obtain a wide range of paint colours whereby colourants (i.e. concentrated pigment solution) are mixed with a paint base in accordance to the colour codes selected by retail end-users. It allows our dealers to offer a large variety of paint colours to retail end-users while optimising inventory space as it eliminates the need to store large inventories of coloured paints at their stores. Further details on our Smart Colour POS Tinting Machines are as set out in Section 7.2.6 of this Prospectus.
2014	<ul style="list-style-type: none"> We recorded our first export sales to Indonesia as our Group continued to expand our regional presence.
2015	<ul style="list-style-type: none"> As our business grew, we acquired an adjacent factory, Johor Factory 2 from Yudo Asian (Malaysia) Sdn Bhd at a purchase consideration of RM6.50 million. This factory has been used to store finished goods as well as to house our product development facility until to-date. We expanded our product offerings when we began to manufacture and sell binding and coating chemicals under our third house brand 'King-Bond'. Our binding and coating chemicals are additives that are used to improve certain properties of cement or mortar. Please refer to Section 7.3.4 of this Prospectus for further details of our binding and coating chemicals.
2016	<ul style="list-style-type: none"> To further enhance the value-added functions of our offerings to promote better air quality, we launched our first Zero VOC paint series, namely Eco-Wash. This series is catered for customers who have higher requirement on VOC restriction in paints which are suitable for places with more stringent contaminant controls such as nurseries, hospitals and laboratories. We recorded our first export sales to Cambodia. We launched our fourth house brand 'Hunter' to carry our decorative paints and protective coatings. We continued to expand the distribution of our Smart Colour POS Tinting Machines and achieved a new milestone with approximately 140 retail hardware stores/retail paint shops carrying our Smart Colour POS Tinting Machines across Malaysia by the end of 2016.
2017	<ul style="list-style-type: none"> We expanded our product offerings to include aerosol spray paints which is launched under our fifth house brand 'Bond7'.
2018	<ul style="list-style-type: none"> We acquired Johor Factory 1 from UT Holdings at a purchase consideration of RM6.80 million, which remains as our headquarters and manufacturing facility until to-date. We started manufacturing POS universal colourants in Johor Factory 1. POS universal colourants are in-house developed colourants that are specifically catered for use in our Smart Colour POS Tinting Machines. Prior to this, we sourced colourants for use in our Smart Colour POS Tinting Machines from our supplier. The distribution of our Smart Colour POS Tinting Machines expanded further and we recorded approximately 200 retail hardware stores/retail paint shops carrying our Smart Colour POS Tinting Machines across Malaysia by the end of 2018. We also recorded our first sales of Smart Colour POS Tinting Machines to Indonesia. In anticipation of our future expansion, we acquired Perak Land from Perbadanan Kemajuan Negeri Perak at a purchase consideration of approximately RM2.79 million. Further details on our expansion plan are as set out in Section 7.22.1 of this Prospectus.

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Year	Key events and milestones
2019	<ul style="list-style-type: none"> We launched our sixth house brand 'Aquatint' to carry our POS universal colourants as well as in-plant colourants.
2020	<ul style="list-style-type: none"> We continued to enhance the value-added functions of our paints when we launched our anti-viral and anti-bacterial paint series, Eco-Medi SafeGuard+ which eliminates human coronavirus OC43 ("CoV-OC43") with efficacy of 99.94%, human enterovirus 71 ("EV-A71") with efficacy of 99.93%, Escherichia Coli and Staphylococcus Aureus bacteria with efficacy of 99.99% as well as SARS-CoV-2 ("COVID-19 virus") with efficacy greater than 99.99% that comes in contact with the paint.⁽¹⁾ We launched our seventh house brand 'Durra Paints' to carry our decorative paints and protective coatings. We launched our eighth and ninth house brand, 'Unitint' and 'Flexitint' to carry our in-plant colourants. We recorded our first export sales to Vietnam and PRC.
2021	<ul style="list-style-type: none"> We achieved a new milestone when the distribution of our Smart Colour POS Tinting Machines reached approximately 320 retail hardware stores/retail paint shops across Malaysia by the end of 2021. By the end of 2021, we also achieved a cumulative sale of 53 units of Smart Colour POS Tinting Machine across Indonesia, Singapore, Brunei and Cambodia. Further details on the distribution of Smart Colour POS Tinting Machines are as set out in Section 7.2.6 of this Prospectus.
2022	<ul style="list-style-type: none"> We acquired the trademark of 'Goldliner' from UT Holdings and with that, 'Goldliner' became our tenth house brand. We further expanded our operational facilities when we acquired another adjacent factory, Johor Factory 3 from Sheng Sin Equipment Sdn Bhd at a purchase consideration of RM7.20 million. This factory has been used to store raw materials until to-date. We commenced construction of our Perak Plant on the Perak Land that we acquired in 2018. Please refer to Section 7.22.1 of this Prospectus for further details on the construction of our Perak Plant.
2023	<ul style="list-style-type: none"> We received The BrandLaureate SMEs BestBrands Award 2023 from The World Brands Foundation, an award that recognises a company's effort in branding. Companies are evaluated based on brand strategy, brand culture, brand innovation, brand performance and brand communication, prior to being selected as winners amongst their respective categories.

Note:

(1) The efficacy of Eco-Medi SafeGuard+ in eliminating CoV-OC43, EV-A71, Escherichia Coli and Staphylococcus Aureus bacteria, as well as COVID-19 virus is verified through tests carried out by the following independent laboratories:

- (a) Institute of Health & Community Medicine - Universiti Malaysia Sarawak between 30 August 2020 and 10 September 2020 on Eco-Medi SafeGuard+. The test result reported that surfaces treated with Eco-Medi SafeGuard+ showed virucidal efficacy (for CoV-OC43 and EV-A71) of greater than 90% after 2 hours of exposure, and the efficacy increased to 99.94% for CoV-OC43 and 99.93% for EV-A71 after exposure for 24 hours, as compared to untreated control surfaces.
- (b) SGS (Malaysia) Sdn Bhd (an independent laboratory) between 14 August 2020 and 1 September 2020 on Eco-Medi SafeGuard+. The test result reported that surfaces treated with Eco-Medi SafeGuard+ showed bactericidal efficacy (for Escherichia Coli and Staphylococcus Aureus) of 99.99% after 24 hours of exposure, as compared to untreated control surfaces.

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- (c) *Antimikrop Antimikrobiyal Mad Lab (an independent laboratory based in Turkey and is accredited by the General Directorate of Public Health of the Ministry of Health Turkey) between 29 November 2021 and 3 December 2021 on Eco-Medi SafeGuard+. The test result reported that surfaces treated with Eco-Medi SafeGuard+ were able to kill COVID-19 virus at a rate of >99.99% within 6 hours, 12 hours and 24 hours, as compared to untreated control surfaces.*

The tests carried out by the independent laboratories mentioned above only determine the efficacy of Eco-Medi SafeGuard+ in eliminating CoV-OC43, EV-A71, Escherichia Coli and Staphylococcus Aureus bacteria, as well as COVID-19 virus on treated surfaces after 24 hours of exposure. However, no further tests have been carried out to determine the period of efficacy of Eco-Medi SafeGuard+ in eliminating CoV-OC43, EV-A71, Escherichia Coli and Staphylococcus Aureus bacteria, as well as COVID-19 virus on treated surfaces.

7.2 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

Our Group is principally involved in the development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications. In addition, we are also involved in the development, manufacturing, distribution and sale of related products, namely colourants, and binding and coating chemicals; sale and trading of painting tools and accessories, aerosol spray paints and other related products to complement our decorative paints and protective coatings offerings. We also provide ODM services of decorative paints, protective coatings as well as binding and coating chemicals for third party brand owners.

7.2.1 Development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications

We develop, manufacture, distribute and sell decorative paints and protective coatings under our house brands 'Smart Paints', 'Durra Paints', 'Toplus' and 'Hunter'.



We have an in-house product development team to formulate and develop new decorative paints and protective coatings based on market trends and preferences. We have a laboratory located within Johor Factory 2 to carry out product development activities to formulate and develop new products. Our laboratory in our Johor Factory 2 has not been certified by any certification bodies, as it is used solely for our internal product development activities. As at the LPD, we have an in-house product development team consisting of 4 chemists and 3 lab assistants led by our Senior Lead Chemist, Nurul Farhah binti Abdullah, who carry out product development activities in our laboratory. Please refer to Section 7.15 of this Prospectus for further details on our product development activities. As at the LPD, our decorative paints and protective coatings are manufactured in Johor Factory 1. Please refer to Section 7.8 of this Prospectus for further details on the manufacturing process of our decorative paints and protective coatings.

Our decorative paints and protective coatings are primarily distributed to our network of wholesalers, dealers and authorised distributors for onward sale to retail end-users. Please refer to Section 7.2.6 of this Prospectus for further details on our network of wholesalers, dealers and authorised distributors. We also sell our decorative paints and protective coatings directly to business end-users (e.g. factories, construction companies and renovation companies) locally and overseas. In the Financial Years Under Review, sales to our wholesalers, dealers and authorised distributors collectively accounted for 95.06%, 96.84% and 98.53% of our Group's revenue, respectively, while sales to business and retail end-users as

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disclosed in Section 7.2.6(c) for direct use accounted for 4.94%, 3.16% and 1.47% of our Group's revenue, respectively.

Our decorative paints and protective coatings are primarily sold as off-the-shelf products to retail end-users and business end-users. Upon request, we may also provide product customisation for business end-users according to their specific business requirement. Please refer to Section 7.3 of this Prospectus for further details on our product offerings.

For branding, promotion and marketing of our in-house branded products, we aim to create brand equity which includes creating high brand awareness and loyalty and establishing the desired brand image. As such, we market our products through our various house brands namely, 'Smart Paints', 'Durra Paints', 'Toplus' and 'Hunter'. Our Group's 'Smart Paint' products are sold at a higher price bracket, whereas 'Durra Paints', 'Toplus' and 'Hunter' products are sold at a lower price bracket. Our Group's 'Smart Paint', 'Durra Paints', 'Toplus' and 'Hunter' products have varying quality levels based on their value-added features as set out in Section 7.3.1 of this Prospectus. The introduction of 'Durra Paints', 'Toplus' and 'Hunter' were mainly for marketing purposes to provide more brand options to users.

7.2.2 Development, manufacturing, distribution and sale of related products

(a) Colourants

We develop and manufacture colourants for use in our Smart Colour POS Tinting Machines. Colourants that are manufactured for use in our Smart Colour POS Tinting Machines are termed as POS universal colourants, and are used for our water-based and solvent-based decorative paints. Our product development team is equipped with the expertise to develop our own colourants in-house. Our POS universal colourants are sold to our wholesalers, dealers and authorised distributors under our house brands 'Aquatint' and 'Smart Paints'. Our 'Smart Paints' POS universal colourants are used for 'Smart Paints' paint bases, whereas 'Aquatint' POS Universal colourants are used for 'Durra Paints', 'Toplus', and 'Hunter' paint bases.



In addition, we also develop and manufacture colourants for in-plant paints and protective coatings manufacturing activities. Colourants that are used for manufacturing activities are termed as in-plant colourants. We sell our in-plant colourants to third party manufacturers under our house brand 'Aquatint', 'Flexitint' and 'Unitint'. Our 'Aquatint' colourants are used for water-based decorative paints manufacturing, whereas our 'Flexitint' and 'Unitint' colourants are used for solvent-based decorative paints and protective coatings manufacturing.



Colourants are amongst the key raw materials used in our Smart Colour POS Tinting Machines as well as in our in-house manufacturing of decorative paints and protective coatings. The chemical composition of our POS universal colourants is different from in-plant colourants whereby our POS universal colourants are required to achieve high accuracy of colour strength as it will be used by our wholesalers, dealers and authorised distributors when selling our decorative paints and protective coatings at their retail hardware stores/retail paint shops. On the other hand, the requirement on the accuracy of colour strength for in-plant colourants, is less stringent as the colour of the decorative paints and protective coatings can be adjusted during manufacturing to achieve the required colour specification.

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Our POS universal colourants and in-plant colourants are developed by our in-house product development team. Please refer to Section 7.15 of this Prospectus for further details on our product development activities. As at the LPD, our colourants are manufactured in Johor Factory 1. Please refer to Section 7.8 of this Prospectus for further details on the manufacturing process of our colourants.

(b) Binding and coating chemicals

We develop, manufacture and sell binding and coating chemicals under our house brand 'King-Bond'.



We leverage on the expertise of our in-house product development team to formulate and develop binding and coating chemicals. Binding and coating chemicals manufactured by our Group include cementitious waterproofing bonding agents and water repellent solutions. Cementitious waterproofing bonding agents are binders and additives that are added into cement or mortar to improve waterproofing properties and bonding strength. Water repellent solutions are water-based solutions that provide water repelling properties when coated on surfaces. As at the LPD, our binding and coating chemicals are manufactured in Johor Factory 1. Please refer to Section 7.8 of this Prospectus for further details on the manufacturing process for our binding and coating chemicals.

Our binding and coating chemicals are sold as off-the-shelf products to retail-end users and business end-users. Please refer to Section 7.3 of this Prospectus for further details on our product offerings.

7.2.3 Sale and trading of painting tools and accessories, aerosol spray paints and other related products

(a) OEM sales

We sell painting tools and accessories under our house brand 'Goldliner'.



Our painting tools and accessories comprise a variety of rollers, roller handles, paint brushes and extension poles, to complement our paints and protective coatings offerings. We engage OEMs in PRC and Vietnam to manufacture our painting tools and accessories in which the products are manufactured according to our specification.

Our painting tools and accessories are sold to wholesaler, dealers and authorised distributors for onward sale to retail end-users, as well as to business end-users.

We also sell aerosol spray paints under our house brand 'Bond7'.



Our aerosol spray paints are available in a variety of colours. We engage OEMs in PRC and Hong Kong to manufacture our aerosol spray paints in which the products are manufactured according to our colour specifications.

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Our aerosol spray paints are sold to wholesalers, dealers and authorised distributors for onward sale to retail-end users.

(b) Trading

We trade raw materials such as binders, pigment and additives upon customers' requests, which we sourced from our suppliers. We also trade aerosol spray paints under third party brand 'Anchor', as well as painting tools and accessories under third party brand 'Golben'.

Our raw materials, third party branded aerosol spray paints and third party branded painting tools and accessories are sold to wholesalers, dealers and authorised distributors for onward sale to retail end-users.

7.2.4 Provision of ODM services of decorative paints, protective coatings as well as binding and coating chemicals for third party brand owners

We leverage on our in-house manufacturing capabilities to provide decorative paints, protective coatings as well as binding and coating chemicals ODM services to third party brand owners (i.e. ODM customers) upon request. We are engaged by our ODM customers, who are also our authorised distributor or dealers to manufacture decorative paints, protective coatings as well as binding and coating chemicals under their brand names and according to their specifications. We formulate and manufacture the decorative paints, protective coatings and/or binding and coating chemicals based on the specifications provided by the ODM customers. As at the LPD, we have 4 ODM customers that engage us for ODM services of decorative paints, protective coatings as well as binding and coating chemicals, of which 3 are also our dealers, and 1 is also our authorised distributor. In the Financial Years Under Review, our ODM services accounted for 2.38%, 3.91% and 4.47% of our Group's revenue, respectively. The sales to our ODM customers are primarily generated from ODM services, which amounted to 44.27%, 57.07% and 57.29% of the total sales generated from our ODM customers in the Financial Years Under Review, respectively. Further, revenue generated from the sale of our house brands products to our ODM customers are substantially lower, ranging from 7.66% to 12.40% of the total sales generated from our ODM customers. The remaining of our total sales to ODM customers were generated from trading of raw materials (i.e. additives, binder, and pigments) which amounted to 43.33%, 33.78% and 35.05% in the Financial Years Under Review, respectively. Premised on this, there is no potential conflict between our Group and our ODM customers.

Breakdown of sales generated from our ODM customers are as follows:










	FYE 2020		FYE 2021		FYE 2022	
	RM ('000)	%	RM ('000)	%	RM ('000)	%
ODM services	1,703	44.27	3,119	57.07	3,538	57.29
Trading of raw materials	1,667	43.33	1,846	33.78	2,165	35.05
Sale of house brands products	477	12.40	500	9.15	473	7.66
Total sales generated from ODM customers	3,847	100.00	5,465	100.00	6,176	100.00

Given that our ODM services support our customers throughout the entire process from formulation to manufacturing and delivery, it provides convenience for our customers as we are able to provide a full array of services and as such, our customers do not need to source for multiple suppliers. With that, our customers are able to focus their resources and investments on branding, marketing, distributing and retailing their products to consumers.

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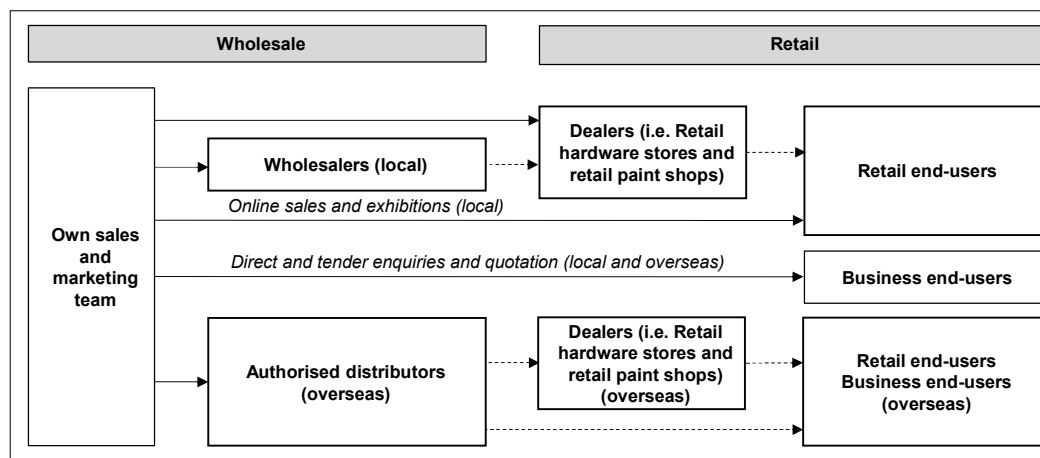
7.2.5 Business model

A summary of our Group's business model is illustrated as follow:

Principal activities	Development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications	Development, manufacturing, distribution and sale of related products	Sale and trading of painting tools and accessories, aerosol spray paints and other related products	Provision of ODM services of decorative paints, protective coatings as well as binding and coating chemicals for third party brand owners
Products	<ul style="list-style-type: none"> Decorative paints Protective coatings 	<ul style="list-style-type: none"> Colourants Binding and coating chemicals 	<ul style="list-style-type: none"> Painting tools and accessories Aerosol spray paints Raw materials 	<ul style="list-style-type: none"> Decorative paints Protective coatings Binding and coating chemicals
House brands	        	Third party brand names		
Distribution channels	Third-parties <ul style="list-style-type: none"> Local: Wholesalers and dealers Overseas: Authorised distributors 	In-house team <ul style="list-style-type: none"> Own sales and marketing team 		Own sales and marketing team
Customers	Wholesale segment <ul style="list-style-type: none"> Wholesalers (local) Authorised distributors (overseas) 	Retail segment <ul style="list-style-type: none"> Dealers (local retail hardware stores and retail paint shops) Retail end-users (local) Business end-users (local and overseas) 		ODM customers
Locations	Headquarters and manufacturing factory <ul style="list-style-type: none"> Current: Johor New manufacturing factory: Batu Gajah, Perak (under construction) 			Sales and administrative office <ul style="list-style-type: none"> Selangor

7.2.6 Our distribution channels and customers

Our Group adopts a multi-channel distribution strategy comprising wholesalers, dealers and authorised distributors, as well as our own sales and marketing team, resulting in a wide network of distribution reach and a diverse customer base in the wholesale and retail segments. Our Group's direct customers comprise wholesalers, dealers, authorised distributors, business end-users (e.g. factories, construction companies and renovation companies), as well as retail end-users.



Notes:

- —> denotes direct sales to our customers.
- - -> denotes indirect sales.

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Breakdown of the revenue contribution by wholesalers, dealers, authorised distributors as well as business and retail end-users in the Financial Years Under Review is as follows:

	FYE 2020		FYE 2021		FYE 2022	
	RM ('000)	%	RM ('000)	%	RM ('000)	%
Wholesalers	11,566	16.16	13,000	16.30	10,751	13.57
Dealers	43,389	60.60	50,565	63.39	52,561	66.35
Authorised distributors	13,105	18.30	13,678	17.15	14,738	18.61
Business and retail end-users	3,539	4.94	2,523	3.16	1,168	1.47
Total revenue	71,599	100.00	79,766	100.00	79,218	100.00

(a) Wholesalers and dealers (local)

For the local market, we sell decorative paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories as well as aerosol spray paints in bulk to wholesalers who distribute our products to dealers (i.e. retail hardware stores and retail paint shops). Wholesalers who have their own retail hardware stores or retail paint shops may also sell our decorative paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories as well as aerosol spray paints through their stores to retail end-users. As at the LPD, our Group has a network of 8 wholesalers located throughout Malaysia. We issue appointment letters to all our wholesalers, of which the appointment is valid for 1 year and is renewable upon expiry. Each of our wholesalers is assigned with their territory comprising the assigned geographical coverage. Assigned geographical coverage refers to a specific area of coverage within a state assigned to wholesalers where the wholesalers are allowed to secure their own dealers. Our wholesalers' dealers are not our Group's customers, as they do not purchase products directly from our Group. Each wholesaler will have their own assigned geographical coverage that does not overlap with one another. While our Group will assign each wholesaler with its own territory of geographical coverage, there will be a mutual agreement between our Group and our wholesalers on the assigned geographical coverage. Our wholesalers are not exclusive distributors of our house brand products, whereby they may also distribute other brands of paint and coating products.

We also sell decorative paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories as well as aerosol spray paints to dealers for onward sale to retail end-users through their retail hardware stores and retail paint shops. Our dealers may also sell our products to retail end-users through e-commerce platforms. As at the LPD, our Group has a network of 747 dealers located throughout Malaysia. Our Group enters into agreements with 108 out of our 747 dealers to be our preferred dealer, whereby these dealers are given incentives to achieve their respective annual sales target set by our Group. The period of agreement is 1 year and is renewable upon expiry based on their sales performance (i.e. achieving the annual sales target set by our Group).

We introduce the Smart Rewards Programme to all our wholesalers and dealers in Malaysia whereby they will be able to use their accumulated points to exchange for rewards such as overseas trips, cars, phones, electrical appliances and cash vouchers. We provide sales support (e.g. colour cards, posters and sales kits) to all our wholesalers and dealers to assist them in their sales. In addition, we also continuously monitor their sales performance to ensure that marketing and technical support can be provided in a timely manner to promote sales.

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The strategy of using indirect distribution is in line with our objective of targeting the mass market. Using a wide network of wholesalers and dealers enables 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 wholesalers and dealers 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.

For wholesalers and dealers who had registered their interest to carry our Smart Colour POS Tinting Machines, we will set up our Smart Colour POS Tinting Machines at their retail hardware stores and retail paint shops to facilitate the sales of our products. Wholesalers and dealers who use our Smart Colour POS Tinting Machines will also be provided with product and technical training to operate our machines. In return, these wholesalers and dealers will pay our Group an annual maintenance fee for the service provided by our Group to upkeep the Smart Colour POS Tinting Machines. However, if our wholesalers and dealers are able to achieve the annual sales target set by our Group, we will waive the maintenance fee on the Smart Colour POS Tinting Machines. We may also set up our Smart Colour POS Tinting Machines at retail hardware stores or retail paint shops owned by our wholesalers' customers who wish to carry our Smart Colour POS Tinting Machines. As at the LPD, we have set up our Smart Colour POS Tinting Machines in 363 retail hardware stores/retail paint shops throughout Malaysia.

Further breakdown on the distribution of our wholesalers, dealers and stores/shops with Smart Colour POS Tinting Machines, by geographical region, in Malaysia are as shown in the table below:

Geographical region	Distribution as at the LPD			
	No. of wholesalers	No. of dealers ⁽⁵⁾	Total	No. of stores/shops with Smart Colour POS Tinting Machines ⁽⁶⁾
Peninsular Malaysia				
• Northern ⁽¹⁾	2	18	20	45
• Central ⁽²⁾	1	250	251	112
• Southern ⁽³⁾	3	208	211	66
• East Coast ⁽⁴⁾	1	103	104	55
East Malaysia	1	168	169	85
Total	8	747	755	363

Notes:

- (1) Northern region consists of Penang, Perak, Perlis and Kedah.
- (2) Central region consists of Selangor, Kuala Lumpur and Negeri Sembilan.
- (3) Southern region consists of Johor and Malacca.
- (4) East Coast region consists of Pahang, Kelantan and Terengganu.
- (5) Number of dealers presented only includes dealers that purchase products from our Group directly.
- (6) The number of stores/shops with Smart Colour POS Tinting Machines may be greater than the total number of wholesalers and dealers as some wholesalers and dealers may have stores/shops in more than one location carrying our Smart Colour POS Tinting Machine. Further, the number of stores/shops with Smart Colour POS Tinting Machines presented above also includes stores/shops with Smart Colour POS Tinting Machines owned by our wholesalers' customers.

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For overseas markets, we appoint authorised distributors and sell decorative paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories as well as aerosol spray paints to them for onward sale to retail hardware stores and retail paint shops, business end-users (e.g. factories, construction companies and renovation companies) and/or retail-end users (e.g. home owners and painters) within their designated territory. We issue appointment letters to all our authorised distributors, of which the appointment is valid for 1 year and is renewable upon expiry. As at the LPD, our Group has a network of 12 authorised distributors located in 5 countries, namely Singapore, Brunei, Cambodia, Indonesia and Vietnam. Each of our authorised distributor is assigned with their territory comprising the assigned geographical coverage.

We provide sales support (e.g. colour cards, posters, sales kits and colour scheme proposals) to our authorised distributors to aid them in their sales. In addition, we also continuously monitor their sales performance to ensure that marketing and technical support can be provided remotely through email correspondence, telephone conversation and video conferencing in a timely manner to promote sales.

Authorised distributors who have their own retail hardware stores and retail paint shops may purchase our Smart Colour POS Tinting Machines from our Group to aid in their sales. We sell our Smart Colour POS Tinting Machines to our authorised distributors as they are located overseas and we do not collect maintenance fee from them. Our authorised distributors may also purchase our Smart Colour POS Tinting Machines for onward sale to their dealers (i.e. retail hardware stores and retail paint shops). As at the LPD, we have cumulatively sold 69 units of Smart Colour POS Tinting Machines to our authorised distributors overseas.

Further breakdown on the distribution of our authorised distributors and the number of Smart Colour POS Tinting Machines sold, by countries, are as shown in the table below:

Countries	Distribution as at the LPD	
	No. of authorised distributors	No. of units of Smart Colour POS Tinting Machines ⁽¹⁾
• Singapore	4	8
• Brunei	3	33
• Cambodia	2	23
• Indonesia	2	5
• Vietnam	1	-
Total	12	69

Note:

(1) Refers to the cumulative number of Smart Colour POS Tinting Machines sold to our authorised distributors overseas.

(c) In-house sales and marketing team

Our Group markets our decorative paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories as well as aerosol spray paints to consumers through our Facebook at "Smart Paint Malaysia", YouTube channel at "Smart Paints Malaysia" and corporate website at <https://smart-paints.com/>. Our Group has a dedicated sales and marketing team managing sales to direct customers comprising wholesalers, dealers, authorised distributors and business end-users (e.g. factories, construction companies and renovation companies), as well as walk-in requests by other business end-users such as painters or contractors.

7. BUSINESS OVERVIEW (Cont'd)

Further, our sales and marketing team handles direct tender enquiries and quotation submissions from business end-users to supply decorative paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories as well as aerosol spray paints to local and overseas customers. Further, we also sell our decorative paints, protective coatings, binding and coating chemicals, as well as painting tools and accessories through third party e-commerce platform, namely Shopee, to retail end-users.

Please refer to Section 7.14 of this Prospectus for further information on our sales and marketing activities.

7.2.7 Our locations

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

Facilities	Location	Function
Johor Factory 1	No. 11, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor	Head office, manufacturing facility and quality control facility
Johor Factory 2	No. 9, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor	Storage of finished goods and product development facility
Johor Factory 3	No.15, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor	Storage of raw materials
Selangor Office	Lot 2-43 & 2-45, Jalan SU 8 (Lion Industrial Park), Persiaran Tengku Ampuan, Taman Perindustrian Subang, Seksyen 26, 40400 Shah Alam, Selangor	Sales and administrative office

7.2.8 Warranty

We provide warranty of 5 to 11 years for our exterior paints. In the event that defects are formed on the surfaces after application of our exterior paints, we will conduct investigation on the root causes of the defects formed. Defects that are covered under our product warranty policy include peeling, cracking and fungus growth. If the defects are concluded to be caused by our products, we will provide our customers with replacement products. We do not provide warranty for interior paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories and aerosol spray paints.

In the Financial Years Under Review and up to LPD, we did not receive any warranty claims from our customers.

7. BUSINESS OVERVIEW (Cont'd)

7.3 OUR PRODUCTS

Our products can be categorised into 6 main categories, namely decorative paints, protective coatings, colourants, binding and coating chemicals, painting tools and accessories as well as aerosol spray paints. Details of our decorative paints are as follows:

7.3.1 Decorative paints

Our decorative paints are used for wall application (i.e. interior and exterior) and roof application, primarily catered for residential and commercial buildings. We also manufacture paints that are used on other surfaces (e.g. doors, frames, staircase railing, roof trusses, metal gates and grills) such as wall sealer, wood and metal care, wood varnish and general emulsion. Our decorative paints are available in the form of water-based and solvent-based decorative paints. Water-based decorative paints utilise water as the main diluent and are normally applied in areas that are less ventilated due to the lower odour intensity and quick drying properties. Solvent-based decorative paints utilise solvent as the main diluent to adjust curing properties and viscosity of the paints and are normally applied on surfaces that require high resistance to wear and tear. We also manufacture low VOC and Zero VOC paint series which is a water-based decorative paint series that contains relatively lower volume of VOC per litre of paint.

We offer decorative paints under our house brands, namely 'Smart Paints', 'Durra Paints' and 'Toplus' and 'Hunter'.

- **Smart Paints**



- **Durra Paints**



7. BUSINESS OVERVIEW (Cont'd)

- Toplus



- Hunter



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7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, the decorative paints that we offer under our respective house brands are as follows:

Decorative paints				
Categories	Smart Paints	Durra Paints	Toplus Paints	Hunter
Exterior paints	- Cool Weather Diamond ⁽¹⁾⁽²⁾ - Cool Weather ⁽²⁾ - Roof Max ⁽²⁾	- Weather Plus ⁽¹⁾⁽²⁾ - Super Roof ⁽²⁾	- Weatherplus ⁽¹⁾	- Super Weather ⁽²⁾
Interior paints	- Eco-Medi Safeguard+ ⁽²⁾⁽³⁾⁽⁴⁾ - Eco-Mediglo ⁽²⁾⁽³⁾⁽⁴⁾ - Eco-Ultrasilk ⁽²⁾⁽⁵⁾ - Vinyl Glo ⁽²⁾⁽⁴⁾ - Smartex Eco-Wall ⁽²⁾⁽³⁾⁽⁵⁾ - Eco-Wash ⁽²⁾⁽⁵⁾ - Easywash	- Anti-Viral Safe+ ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ - Silk Glo ⁽¹⁾⁽²⁾ - Super Max ⁽¹⁾⁽²⁾⁽³⁾ - Easy Wash ⁽¹⁾⁽²⁾	- Silk Glo Plus - Gold	- Super Silk - Gold
Wall sealer	- Eco Sealer ⁽⁵⁾ - Green Sealer 850 ⁽²⁾ - Wall Sealer Super 5400 ⁽²⁾ - Wall Sealer 400S ⁽²⁾ - High Performance Sealer 900 - GP Wall Sealer 400 ⁽²⁾	- Eco Sealer 5100 ⁽²⁾ - Wall Sealer 400 - High Performance Sealer 5170	- Eco Sealer ⁽²⁾	- Eco Sealer 5400 ⁽²⁾ - Wall Sealer 400 - Solvent Based Sealer 900
Wood and metal care	- High Gloss Diamond Series 9000 ⁽¹⁾ - Smart Glo	- High Gloss	- High Gloss	- High Gloss
Wood varnish	- Wood stain - PU Solar Wood	- Solar Varnish	- Wood Stain	- Wood Stain
General emulsion	- Smartex ⁽¹⁾⁽²⁾ - Eco Painter ⁽²⁾ - Odourless Snow White	- Deluxe Emulsion ⁽²⁾	- Emulsion	- Home Deluxe
Gold paint	- 24K Pure Gold	-	- Gold paint	-

Notes:

- (1) This product is compliant with MS 134:2007.
- (2) This product is compliant with SIRIM ECO 019:2012 and is certified under the SIRIM Eco-Labeling Scheme to use the MyHIJAU Mark.
- (3) This product provides antiviral efficacy.
- (4) This product provides anti-bacterial efficacy.
- (5) This product contains Zero VOC.

7. BUSINESS OVERVIEW (Cont'd)

7.3.2 Protective coatings

Protective coatings are coatings that primarily provide protective functions. Protective coatings are used on steel and cement surfaces such as heavy structural steelwork, cemented floors and industrial walls, as well as for industrial machinery, where chemical, oil and abrasion resistant coatings are required to prevent surface deterioration and corrosion under harsh environment. Some protective coatings may also be available in a series of different colours for aesthetic or marking purposes. Further, our protective coatings also include roadline paint for road marking such as centrelines, edge lines, car parks and pedestrian crossings.

We offer protective coatings under our house brands 'Smart Paints', 'Durra Paints', 'Toplus', and 'Hunter'.

- **Smart Paints**



- **Durra Paints**



- **Toplus**



7. BUSINESS OVERVIEW (Cont'd)

- **Hunter**



As at the LPD, the protective coatings that we offer under our house brands are as follows:

Protective coatings				
Categories	Smart Paints	Durra Paints	Toplus	Hunter
Industrial coating	<ul style="list-style-type: none"> - Etching primer - Zinc phosphate primer - Aluminium paint - Aluminium heat resistance - Oxide primer - Micaceous iron oxide - Roadline paint - Epoxy BE4 Finish - Epoxy BE5 Finish - Acrylic Tile 1000 - General Purpose White Undercoat 	<ul style="list-style-type: none"> - Oxide primer - Aluminium paint - General Purpose White Undercoat - Epoxy finish - Roadline paint 	<ul style="list-style-type: none"> - Oxide primer - Aluminium paint - General Purpose White Undercoat - Epoxy finish - Roadline paint 	<ul style="list-style-type: none"> - Oxide primer - Aluminium paint - General Purpose White Undercoat - Epoxy finish - Roadline paint
Waterproofing sealer	<ul style="list-style-type: none"> - Elasto 200 - Elasto Hybrid 	-	-	-

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7. BUSINESS OVERVIEW (Cont'd)

7.3.3 Colourants

A colourant is a concentrated pigment solution that is mixed with a paint base (e.g. a solid substance that forms the body of the paint and conveys the characteristic of the paint such as the opaqueness, elasticity and hardness) to produce a specific colour. We manufacture and sell POS universal colourants to wholesalers, dealers and authorised distributors for use in our Smart Colour POS Tinting Machines. POS universal colourants are sold under our house brands 'Aquatint' and 'Smart Paints'. As at the LPD, we have 4 POS universal colourant series, namely the Aquatint 810 Series, Aquatint 888 Series, Aquatint 300 Series and Smart Paints Smart Colour 810 Series.



We also manufacture and sell in-plant colourants to third party manufacturers for manufacturing use. Our in-plant colourants are sold under our house brands 'Aquatint', 'Flexitint' and 'Unitint'. As at the LPD, we have 5 in-plant colourant series, namely the Aquatint T-Series, Flexitint E Series, Flexitint OPP Series, Unitint A Series and Unitint L Series.



7.3.4 Binding and coating chemicals

As at the LPD, we develop, manufacture and sell binding and coating chemicals under our house brand 'King-Bond', which comprise bonding agents and waterproofing products such as King-Bond Easy Seal 107, King-Bond Latex-33, King-Bond Latex-55, King-Bond Latex-88, King-Bond Latex-99, King-Bond Water Block C and King-Bond T-200 as follows:



7. BUSINESS OVERVIEW (Cont'd)

7.3.5 Painting tools and accessories

As at the LPD, we sell painting tools and accessories under our house brand 'Goldliner' as well as trade third party branded painting tools and accessories under the brand of 'Golben', which comprise a variety of rollers, roller handles, paint brushes and extension poles to complement our paints and protective coatings offerings.



7.3.6 Aerosol spray paints

As at the LPD, we sell aerosol spray paints under our house brand 'Bond7', as well as trade third party branded aerosol spray paints under the brand of 'Anchor'. Our aerosol spray paints can be applied on metal, wood and plastic surfaces.



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7. BUSINESS OVERVIEW (Cont'd)**7.4 OUR BUSINESS SEGMENTS AND PRINCIPAL MARKETS**

In the Financial Years Under review, the sales of our products and services from our manufacturing segment which comprises decorative paints, protective coatings, colourants, ODM services as well as binding and coating chemicals were the largest revenue contributor as they contributed 77.91%, 84.01% and 88.48% to the total revenue, respectively. The breakdown of revenue by business segment and principal product is as follows:

Revenue	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Manufacturing Segment:						
Decorative paints	45,791	63.95	53,583	67.18	54,041	68.22
Protective coatings	3,218	4.49	3,941	4.94	5,963	7.53
Colourants	4,307	6.02	5,561	6.97	5,430	6.85
ODM services ⁽¹⁾	1,703	2.38	3,119	3.91	3,538	4.47
Binding and coating chemicals	764	1.07	803	1.01	1,114	1.41
Sub-total	55,783	77.91	67,007	84.01	70,086	88.48
Sale and Trading Segment:						
OEM ⁽²⁾	4,226	5.90	4,428	5.55	4,899	6.18
Non-OEM ⁽³⁾	4,537	6.34	3,263	4.09	3,082	3.89
Sub-total	8,763	12.24	7,691	9.64	7,981	10.07
Others:						
Disinfecting products ⁽⁴⁾	5,942	8.30	4,959	6.22	802	1.01
Smart Colour POS Tinting Machines						
- Maintenance services	102	0.14	42	0.05	81	0.10
- Sales of machines	178	0.25	51	0.06	189	0.24
Painting services ⁽⁵⁾	831	1.16	16	0.02	79	0.10
Sub-total	7,053	9.85	5,068	6.35	1,151	1.45
Total	71,599	100.00	79,766	100.00	79,218	100.00

Notes:

(1) We are engaged by our ODM customers to manufacture decorative paints, protective coatings as well as binding and coating chemicals under their brand names.

(2) Our Group engaged OEM in PRC, Vietnam and Hong Kong to manufacture our aerosol spray paints and painting tools and accessories in which the products are manufactured according to our specification. We then sell these OEM products under our house brand 'Bond7' and 'Goldliner' for aerosol spray paints and painting tools and accessories, respectively.

The trademark for 'Goldliner' was owned by UT Holdings until FYE 2021, before we acquired the trademark from UT Holdings in FYE 2022.

(3) Non-OEM comprises revenue generated from trading products which we purchase from our suppliers. This includes raw materials (such as binders, pigments and additives), third party branded aerosol spray paints under the brand of 'Anchor', third party branded painting tools and accessories and face masks. We have ceased the sale of face masks in June 2022.

7. BUSINESS OVERVIEW (Cont'd)

- (4) We utilised our manufacturing line to manufacture surface disinfectants during the COVID-19 pandemic as there was demand for disinfecting products. We also source hand sanitisers from a third party manufacturer in Malaysia in which the products are manufactured and packed under our house brand 'Smart Cares Sihat+'. We sell the surface disinfectants and hand sanitisers under our house brand 'Smart Cares Sihat+'. However, we have ceased the manufacturing of surface disinfectants in April 2022.
- (5) We provide painting services for construction and renovation projects, whereby we are engaged by our customers to supply products and concurrently provide painting services using the products we supply as part of our value-added services provided to our customers. Under these engagements, we outsource the painting services to painting sub-contractors.

Our Group's principal market is in Malaysia which accounted for 80.97%, 82.63%, and 81.47% of revenue in the Financial Years Under Review. During this period, our Group also derived revenue from 6 countries overseas. The following table details our Group's principal markets in the Financial Years Under Review:

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia ⁽¹⁾	57,976	80.97	65,907	82.63	64,539	81.47
Singapore ⁽²⁾	4,901	6.84	6,911	8.66	7,845	9.90
Brunei ⁽³⁾	3,577	5.00	3,121	3.91	2,753	3.48
Cambodia ⁽⁴⁾	3,743	5.23	1,819	2.28	2,178	2.75
Others ⁽⁵⁾	1,402	1.96	2,008	2.52	1,903	2.40
Total	71,599	100.00	79,766	100.00	79,218	100.00

Notes:

- (1) Comprises the product brands of Smart Paints, Toplus Paints, Durra Paints, Hunter Paints, Bond7, King-Bond, Goldliner, Aquatint, Unitint and Flexitint.
- (2) Comprises the product brands of Smart Paints, Toplus Paints, Durra Paints, Bond7, Goldliner and Aquatint.
- (3) Comprises the product brands of Smart Paints, Durra Paints, Hunter Paints, Bond7, Goldliner and Aquatint.
- (4) Comprises the product brands of Smart Paints and Durra Paints.
- (5) Comprises sales from Indonesia, PRC and Vietnam which includes product brands of Smart Paints, Toplus Paints, King-Bond, Bond7, Unitint and Aquatint.

The breakdown of revenue by geographical regions in Malaysia is as follows:

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Peninsular Malaysia						
• Northern	6,688	11.54	5,571	8.45	4,331	6.71
• Central	15,875	27.38	16,107	24.44	14,777	22.90
• Southern	13,691	23.62	17,093	25.93	15,216	23.58
• East Coast	4,484	7.73	6,654	10.10	6,764	10.48
East Malaysia	17,238	29.73	20,482	31.08	23,451	36.33
Total revenue derived from Malaysia	57,976	100.00	65,907	100.00	64,539	100.00

7. BUSINESS OVERVIEW (Cont'd)

7.5 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 faced temporary disruptions with details as follows:

- (i) Our operations were temporarily suspended from 18 March 2020 to 18 April 2020 due to the imposition of the 1st MCO. This did not result in material adverse impact to our business and operations.
- (ii) From 7 August 2021 to 12 August 2021, our Group voluntarily closed our manufacturing facility for disinfection to contain the spread of the COVID-19 virus among our employees. There were 2 employees who were tested positive for the COVID-19 virus prior to the closure from 7 August 2021 to 12 August 2021. This did not result in material adverse impact to our business and operations.
- (iii) From 24 August 2021 to 26 August 2021 and 7 March 2022 to 13 March 2022, our manufacturing facility was temporarily closed for disinfection as instructed by the Ministry of Health due to positive COVID-19 cases amongst our employees. This did not result in material adverse impact to our business and operations.

Aside from the abovementioned temporary suspensions of business operation, our Group was allowed to operate while complying with the SOP (e.g. reduced workforce capacity) outlined by MITI throughout the pandemic. 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 2022, our sales of decorative paints, in terms of volume sold, were affected due to the slowdown in demand as construction and renovation activities were disrupted by the SOPs that were implemented during the pandemic. Nevertheless, there was no material impact to our revenue as we recorded an increase in revenue in FYE 2021 with a slight decrease in FYE 2022 due to increase in average selling price for all products in our manufacturing segment in FYE 2021 and FYE 2022.

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.

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

In response to the COVID-19 pandemic, our Group has established a standard safety protocol that outlines several infection control measures based on the guidelines and

7. BUSINESS OVERVIEW (Cont'd)

SOP issued by MITI from time to time to protect employees and customers against COVID-19 infection. Since the outbreak of the COVID-19 pandemic and up to the LPD, there have been no actions taken or penalties issued by the relevant authorities for breach of any laws relating to COVID-19 restrictions and/or SOPs.

7.6 COMPETITIVE STRENGTHS

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

7.6.1 We have a wide range of products sold under our house brands

With a history that spans approximately 10 years since the commencement of our business in 2012, we have successfully grown our product offerings to include a wide range of decorative paints and protective coatings for household and industrial applications, as well as colourants, binding and coating chemicals, painting tools and accessories, and aerosol spray paints. Our products are sold under our house brands, namely 'Smart Paints', 'Durra Paints', 'Toplus', 'Hunter', 'Aquatint', 'Unitint', 'Flexitint', 'King-Bond', 'Goldliner' and 'Bond7'.

We offer a diverse range of decorative paints and protective coatings for various applications such as wall application, roof application, wall sealer, wood and metal care and wood varnish. In addition, we also offer decorative paints with value-added functions such as low VOC paints, Zero VOC paints, anti-viral and anti-bacterial paints. To complement our decorative paints and protective coatings, we also offer painting tools and accessories, and aerosol spray paints to provide the convenience for retail end-users and business end-users to source all necessary materials to carry out painting works from a single source.

Further, to enhance the sales and marketing effort of our wholesalers, dealers and authorised distributors, we also develop and manufacture POS universal colourants for use in our Smart Colour POS Tinting Machines. Our in-house development of POS universal colourants enables our Group to ensure the quality and colour accuracy of our decorative paints sold to retail end-users at retail hardware stores and retail paint shops. This enables our Group to build our reputation on the quality of our products thus, enhancing brand recognition among retail end-users.

Please refer to Section 7.3 of this Prospectus for further details of the products offered under our house brands.

7.6.2 We adopt a multi-channel distribution network to distribute our products

Our Group adopts a multi-channel distribution network comprising wholesalers, dealers and authorised distributors as well as our own sales and marketing team, to reach out to a wide customer base to achieve economies of scale and grow our market share. As at the LPD, our Group has a total of 8 wholesalers and 747 dealers across Malaysia, and 12 authorised distributors overseas. Please refer to Section 7.2.6 of this Prospectus for further details on our Group's distribution channels and customers.

Further, we have set up our Smart Colour POS Tinting Machines in 363 retail hardware stores/retail paint shops throughout Malaysia and have cumulatively sold 69 units of Smart Colour POS Tinting Machines to our authorised distributors overseas. These machines are used to allow our wholesalers, dealers and authorised distributors to offer a wide variety of coloured paints to retail end-users while optimising storage space as it eliminates the need to store large inventories of coloured paints, thus providing our wholesalers, dealers and authorised distributors the ease to sell our products.

Our Group believes that our wide distribution network provides a strong foundation for our future business expansion and growth.

7. BUSINESS OVERVIEW (Cont'd)

7.6.3 Our technical expertise and product knowledge enable us to develop and manufacture decorative paints, protective coatings and colourants that align with current market trends and demand

Our technical expertise and knowledge on decorative paints, protective coatings and colourants is backed by our in-house product development team, consisting of 4 chemists and 3 lab assistants which is led by our Senior Lead Chemist, Nurul Farhah binti Abdullah, who has 10 years of experience in the paints and coatings industry. All our chemists hold science degree qualifications. Our in-house product development capabilities have enabled us to innovate, develop new products and improve existing products that align with current market trends and demand. As at the LPD, our Group offers 50 decorative paints series, 15 protective coatings series, 9 colourants series, 4 binding and coating chemical series, 5 painting tools and accessories series, and 7 aerosol spray paints series.

We commenced our business by offering decorative paints and protective coatings which comprised standard, ready-mix and paint bases, as well as decorative paints and protective coatings with enhanced mechanical properties such as easy-to-clean, UV-protected, dirt resisting, and environmental friendly with low VOC. Subsequently, in response to market demand for more environmental friendly products and to cater to more health-conscious consumers, we had in 2016, launched our first Zero VOC paint series namely Eco-Wash, which is a water-based decorative paint series that contains less than 5 grams of VOC per litre of paint. We then further enhanced the value-added functions of our decorative paints when we launched our Eco-Medi SafeGuard+, an anti-viral and anti-bacterial decorative paint series with the capability to kill viruses associated with COVID-19 and HFMD in 2020. The claims for our Eco-Medi SafeGuard+ do not require acknowledgment from the Ministry of Health. Further details on our product development activities are as set out in Section 7.15 of this Prospectus.

Further, with our technical expertise and knowledge, we have the flexibility to source raw materials to adapt to our costing, formulation and manufacturing needs, thus giving us the flexibility to choose our suppliers. This allows us to ensure that the quality of our decorative paints and protective coatings are consistent as well as to promote better cost management. As such, we do not have dependency on any particular suppliers for our raw materials.

As a decorative paints and protective coatings manufacturer, we also develop and manufacture colourants for in-plant manufacturing use, as well as for use in our Smart Colour POS Tinting Machines. Colourants are critical ingredients that influence the colour quality of our decorative paints and protective coatings. Our ability to develop and manufacture colourants enables us to achieve faster production turnaround time, ensure consistent quality and supply of colourants, and reduce production cost. In addition, our in-house developed POS universal colourants provide our Group with enhanced competitive edge as we are able to control the quality and cost as well as to ensure the colour accuracy of our decorative paints sold to retail end-users at retail hardware stores and retail paint shops, thus allowing our Group to provide competitively-priced coloured paints to retail-end users. As at the LPD, we have 5 in-plant colourant series, namely Aquatint T-Series, Flexitint E Series, Flexitint OPP Series, Unitint A Series and Unitint L Series. Hence, we are not reliant on third party colourant suppliers to develop and supply colourants based on market needs, which enables us to expand our business without supply restrictions. We are also able to develop different tones and shades of colourants which allows us to offer a wider variety of products in the market.

As we strive to ensure that we remain at the forefront of the paints and coatings industry, our Group continuously invests in product development activities, as well as staying abreast with the latest market trends and demand. All of these will serve as a foundation for our Group to further grow and expand our range of product offerings moving forward.

7. BUSINESS OVERVIEW (Cont'd)

7.6.4 We have an experienced and hands-on key senior management team

Our Group is led by an experienced and technically skilled key management team that has accumulated years of industry experience and in-depth knowledge of our business operations. Our Managing Director, Goh Chye Hin, who has 40 years of experience in the paints and coatings 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 Non-Independent Executive Directors and key senior management as follows:

Name	Designation	Years of relevant working experience
Kee Hui Lang	Non-Independent Executive Director	43
Lim Kok Beng	Chief Operating Officer / Non-Independent Executive Director	40
Jiu Chieh Yin	Chief Financial Officer	12
Khoo Khiow Jin	Sales and Marketing Manager	20
Tan Kim Peng	General Manager	12
Nurul Farhah binti Abdullah	Senior Lead Chemist	10

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 5.4.3 of this Prospectus for the profiles of our Executive Directors and key senior management.

7.7 SEASONALITY

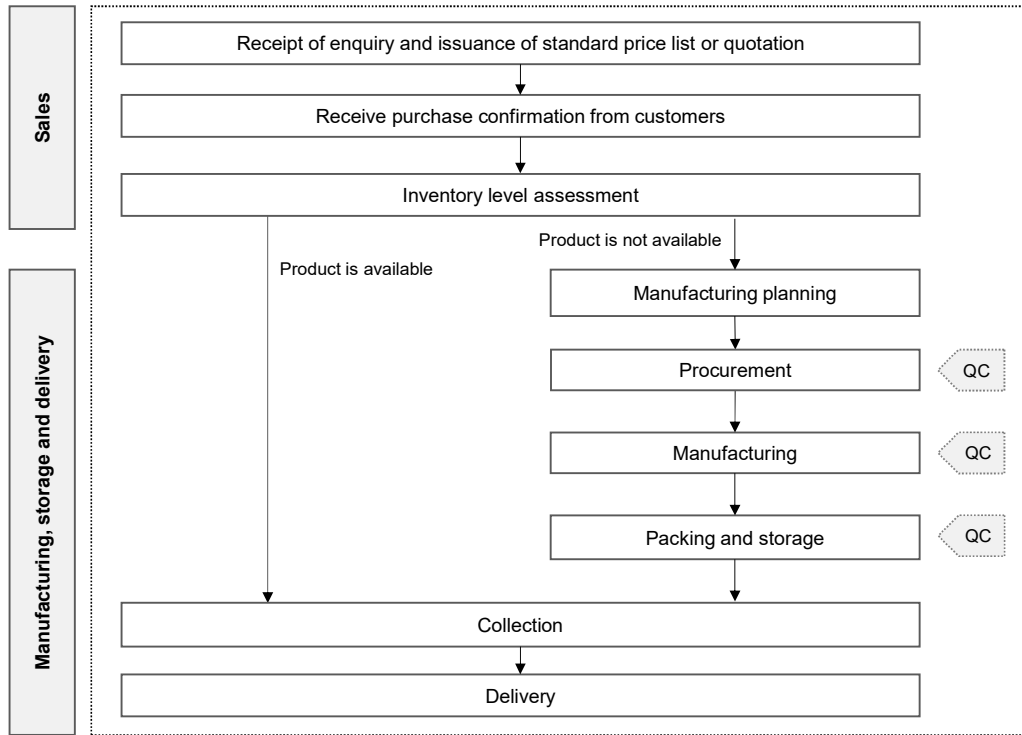
Our operations are not affected by seasonal effects as our products and services are provided to our customers which generally operate throughout the year.

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7. BUSINESS OVERVIEW (Cont'd)

7.8 OUR BUSINESS AND OPERATION PROCESS

Our operational process flow is set out as follows:



(a) Sales

Upon receiving enquiry from customers who are our wholesalers, dealers and authorised distributors, they will be provided with a standard price list. For customers who are business end-users, we will issue a quotation to the customers based on the type of products and volume required.

Upon receiving the purchase confirmation from our customers, we will assess our inventory to determine the availability of the requested products. If the product is available, a delivery order will be issued and the products will be collected for delivery. The products will be delivered to our customers within 1 to 5 working days from the receipt of order for domestic delivery. For sales to East Malaysia and export sales, we will arrange product shipment within 1 to 5 working days from the receipt of order.

If the product is unavailable, we will issue a work order in preparation for manufacturing of the requested products. The lead time to complete the manufacturing of products from purchase confirmation is approximately 3 to 10 working days for decorative paints, protective coatings and colourants. The products are delivered to our customers within 1 to 5 working days upon completion of manufacturing. For sales to East Malaysia and export sales, we will arrange for product shipment within 1 to 5 working days upon completion of manufacturing.

(b) Manufacturing, storage and delivery

(i) Manufacturing planning

Based on weekly inventory assessment, we will develop a detailed manufacturing plan that specifies all the manufacturing details such as type of products, raw materials required and manufacturing schedule.

7. BUSINESS OVERVIEW (Cont'd)

(ii) Procurement

Our Group conducts weekly inventory assessment to ensure that there are sufficient raw materials, packaging materials, labelling and cartons to meet manufacturing needs and to prevent major disruptions to our manufacturing activities as well as to ensure timely delivery of products to our customers according to the agreed schedule. Upon the receipt of supplies (e.g. raw materials and packaging materials), our Group will conduct quality checks before storing the supplies.

We also undertake quarterly inventory assessment to ensure that we have sufficient supply of painting tools and accessories, and aerosol spray paints. Upon the receipt of painting tools and accessories, and aerosol spray paints, we will store these supplies in our factory or in third party warehouse.

Please refer to Section 7.10 of this Prospectus for further details on the quality control procedures that is put in place for the receipt of supplies.

(iii) Manufacturing

(aa) Decorative paints and protective coatings manufacturing

Based on the work order issued, we will prepare the required raw materials and packaging materials. The work order also includes the formulation of the decorative paints or protective coatings to be manufactured. Further details on our product development activities to develop new colour formulation and value-added functions are as set out in Section 7.16 of this Prospectus.

Decorative paints and protective coatings' bases are manufactured by mixing binders, solvent/water, extenders, pigments and additives in accordance with the composition stated in the formulation. If colour is needed, in-plant colourants will be added to produce the required colour, this is known as the tinting process. The tinting process for our decorative paints and protective coatings is mainly carried out by our workers by mixing the in-plant colourants manually with the paint bases. Our Group has also installed an industrial tinting system in our Johor Factory 1, whereby it is able to automate the tinting process through automated dispensing of in-plant colourants into paint bases according to the selected colour formulations. Our Group commenced the installation of the industrial tinting system in Johor Factory 1 in January 2022, and completed the installation in August 2022. The industrial tinting system in our Johor Factory 1 is being implemented in stages. As at to-date, the industrial tinting system in Johor Factory 1 is still under testing stage, as we are still in the midst of finalising the colour formulations and process method. Hence some of our tinting processes are still carried out manually. Upon the full implementation of the industrial tinting system, the tinting process in our Johor Factory 1 is expected to be automated. The Group expects the full implementation of the industrial tinting system in Johor Factory 1 by first quarter 2024.

Empty cans that we received from our suppliers are readily labelled with our product design and we will ensure that the labelled cans are correctly picked according to the decorative paints or protective coatings manufactured. Once the decorative paints or protective coatings are ready, empty cans will be placed onto the filling machine to be filled and capped. Manufacturing batch number and colour code will also be printed onto the cans.

Please refer to Section 7.10 of this Prospectus for further details on the quality control procedures undertaken during the manufacturing process as well as on the final product.

7. BUSINESS OVERVIEW (Cont'd)

(bb) Colourant manufacturing

We manufacture our POS universal colourants and in-plant colourants. Based on the work order issued, we will prepare the required raw materials and packaging materials. The work order also includes the formulation of the colourants to be manufactured. Further details on our product development activities to develop new colour formulation and value-added functions are as set out in Section 7.15 of this Prospectus.

Colourants are manufactured by mixing pigments, binders, solvent/water and additives in accordance with the composition stated in the formulation. The mixing process also encompasses grinding to further grind the pigment into the required particle size to ensure the uniformity of the colourant.

Colourants that are ready will be filled into empty cans that are placed on the filling machine and capped. The cans will be printed with the manufacturing batch number and colour code (i.e. empty cans that we received from our suppliers are readily labelled with our product design) before being packed and transferred for temporary storage. On the other hand, in-plant colourants that are manufactured for our in-house manufacturing use will be stored and used for the coloured paints and coloured protective coatings manufacturing.

Please refer to Section 7.10 of this Prospectus for further details on the quality control procedures undertaken during the manufacturing process as well as on the final product.

(cc) Binding and coating chemicals manufacturing

Our manufacturing process for binding and coating chemicals is similar to the manufacturing processes for decorative paints and protective coatings. Raw materials used in the manufacturing process of binding and coating chemicals include water, emulsion polymer and additives.

(iv) Packaging and storage

For 1 litre and 5 litres can size, the final product will be packed into cartons and palletised before being stored in our factory; whereas for 7 litres, 15 litres, 18 litres and 20 litres can size, the final product will be directly palletised and stored in our factory. We may also store our manufactured products in a third party warehouse located approximately 13km away from our Johor Factory 1. For the Financial Years Under Review and up to the LPD, a majority of our manufactured products are stored in the third party warehouse, as our current factories are utilised for production as well as to store raw materials. As at the LPD, the value of the products stored in the third party warehouse is approximately RM7.61 million and these products are adequately insured with fire and burglary insurances.

(v) Delivery

Once the logistics dispatch order is issued, the products will be collected from our factory or third party warehouse to be delivered to the customer by third party logistic providers (i.e. servicing delivery outside Johor and exports) and in-house logistics team (i.e. servicing delivery within Johor).

7. BUSINESS OVERVIEW (Cont'd)**7.9 TECHNOLOGY USED AND TO BE USED**

Over the years, we have invested in various software to improve our operational processes and capability. As at the LPD, our Group uses the following software and system in our operations:

Name of software / system	Description
Colibri	An automated colour matching software that is used to perform automated colour matching whereby it enables the selection of colour formulation from a database of known colour formulations to produce the required colours. The software was purchased and, based on the terms and conditions, does not require license renewal.
Adobe Creative Cloud	A design software that is used to design the labelling of our products, marketing materials such as product brochures, advertising materials for our social media postings, and our Group's website. The software was purchased and, based on the terms and conditions, is subject to annual license renewal.
DingTalk	An enterprise communication and collaboration platform that allows internal messaging, audio and video conference, data storage, as well as management features such as tasks assignment, approvals and calendar. The application is available for free on Google Play Store and Apple App Store.
Santint Industrial Dispenser	A system used in our tinting process in which it allows the automatic dispense of colourants into paint bases in our decorative paints and protective coatings production process according to the selected colour formulation. The system was purchased and, based on the terms and conditions, does not require license renewal.
Data Colour 800 Spectrophotometer	A machine that aids in our colour formulation activities whereby the machine is able to measure the intensity of light that is absorbed by a coloured compound in order to determine the concentration of the particular colour. This enables our Group to achieve the desired colour formulation with high accuracy while optimising time and cost efficiency. The machine is also able to store databases of colour formulation for use in our manufacturing. The machine was purchased and, based on the terms and conditions, does not require license renewal.
ColorExpert and Prisma Pro	Tinting machine software that are used in our Smart Colour POS Tinting Machine in which they provide information on the pricing of the product type and colour selected by retail-end users. Upon confirmation by the retail end-users, the software will instruct the machine to dispense POS universal colourants according to the selected colour formulation. The software were purchased and, based on the terms and conditions, do not require license renewal.

7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, our Group plan to use the following software and system in our operations:

Name of software / system	Description
Automated paint production system	An integration of multiple machinery and equipment to form an automated production line, which will be used in our Perak Plant that is able to automate the transfer of raw materials from the storage tanks into the dispersion tanks, movement of semi-finished products from one station to another, loading and unloading of semi-finished products, and performing quality checks. The system was purchased from the vendor with customisations according to our Group's requirements, and, based on the terms and conditions, does not require license renewal.

7.10 QUALITY CONTROL PROCEDURES AND CERTIFICATIONS

Our Group places strong emphasis on the safety and quality of all products manufactured. Our Group is committed to ensure that the quality management system is in accordance with internationally recognised standards.

The quality control procedures that have been incorporated into our manufacturing process are detailed below:

Objective	Criteria	Description
Quality control checks on incoming raw materials and packing materials	Raw materials	
	<ul style="list-style-type: none"> • Specification 	<ul style="list-style-type: none"> • To check the raw materials is within the specification approved for manufacturing.
	<ul style="list-style-type: none"> • Packaging condition 	<ul style="list-style-type: none"> • To ensure that there are no damages on the packaging of the raw materials.
	<ul style="list-style-type: none"> • Weight 	<ul style="list-style-type: none"> • To ensure that the weight of the raw materials is in accordance with the stated packaging.
	Packaging materials	
	<ul style="list-style-type: none"> • Quantity 	<ul style="list-style-type: none"> • To ensure the quantity of the packaging materials is in accordance with the delivery order.
	<ul style="list-style-type: none"> • Physical appearance 	<ul style="list-style-type: none"> • To ensure the size and labelling of packaging materials is in accordance with the delivery order, and that there are no defects on the printing of the labels.
<ul style="list-style-type: none"> • Packaging condition 	<ul style="list-style-type: none"> • To ensure that there are no damages and contamination of the packaging materials. 	
Quality control checks on manufacturing	Dispersion	
	<ul style="list-style-type: none"> • Colour matching 	<ul style="list-style-type: none"> • To ensure that the desired colour has been manufactured.
	<ul style="list-style-type: none"> • Viscosity 	<ul style="list-style-type: none"> • To ensure that the viscosity level is within specification.

7. BUSINESS OVERVIEW (Cont'd)

Objective	Criteria	Description
	<ul style="list-style-type: none"> pH level 	<ul style="list-style-type: none"> To ensure that the pH level of the product achieves the required product type's pH level.
	<ul style="list-style-type: none"> Specific gravity 	<ul style="list-style-type: none"> To measure the weight reading of the product.
	<ul style="list-style-type: none"> Opacity 	<ul style="list-style-type: none"> To measure the strength of coverage of the paint upon application.
	<ul style="list-style-type: none"> Gloss level 	<ul style="list-style-type: none"> To measure the glossiness of the paint.
	Filling and printing	
	<ul style="list-style-type: none"> Filling 	<ul style="list-style-type: none"> To ensure that the decorative paints, protective coatings, colourants and binding and coating chemicals are correctly filled into the labelled cans and according to the right weight. Samples for each batch of our decorative paints, protective coatings, colourants and binding and coating chemicals are retained for 3 years for further monitoring.
	<ul style="list-style-type: none"> Printing 	<ul style="list-style-type: none"> To ensure that the manufacturing batch number and product description is clearly printed and correctly positioned on the cans and cartons.
	Packaging	
	<ul style="list-style-type: none"> Packaging condition 	<ul style="list-style-type: none"> To ensure that the final products are properly packed into the cartons and that there are no damages on the cans and cartons.

The quality control facility located in our Johor Factory 1 has a built-up area of approximately 404 sq ft. The equipment used in our quality control facility include amongst others, applicator bar, pH meter, specific gravity cup, drying time recorders, drying oven, viscometer, sagging tester, moisture analyser, fineness of grind gauge, glossmeter, bird-type film applicator, precision balance and digital reactor block.

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7. BUSINESS OVERVIEW (Cont'd)

Our Group's commitment to product quality and safety is further attested by our compliance with local and international quality standards, and we were awarded the certifications of compliance as follows:

Standard	Certification body	Country of certification body	Date first awarded	Current validity period	Scope of certification
Green Label Certification (ISO 14024 Type I ECO-Labels)	Malaysian Green Technology and Climate Change Corporation	Malaysia	December 2019	December 2023	A green label certification which authorises the use of MyHIJAU Mark on our products, in recognition of our products meeting local and international environmental standards
SIRIM ECO 019:2012	SIRIM QAS International Sdn Bhd	Malaysia	February 2014	December 2023	An eco-label licence for the use of SIRIM Eco-Labeling mark on the packaging and promotional materials of products that are verified to be in compliant with specific eco-label criteria and standards
MS 134:2007	SIRIM QAS International Sdn Bhd	Malaysia	April 2014	December 2023	Product certification licence on latex emulsion paint for exterior and interior use
MS 903:1984	SIRIM QAS International Sdn Bhd	Malaysia	December 2014	December 2023	Product certification licence on latex emulsion paint for interior use
MS 125:1995	SIRIM QAS International Sdn Bhd	Malaysia	October 2015	December 2023	Product certification licence on paint for wood and metal surface use
MS 164:2007	SIRIM QAS International Sdn Bhd	Malaysia	May 2018	December 2023	Product certification licence on paint for road marking use

7. BUSINESS OVERVIEW (Cont'd)

Standard	Certification body	Country of certification body	Date first awarded	Current validity period	Scope of certification
ISO 9001:2015	Alberk QA Technic GMBH	Germany	December 2020	December 2023	Quality management system for the manufacturing of various purpose chemicals, paints and coating for commercial and residential

Our Group renew our certifications regularly to provide confidence to our customers by ensuring our products consistently comply with local and international quality standards. Our SIRIM ECO certificates are renewed every 2 years, MS certificates are renewed every year and ISO certificates are renewed every 3 years. In order to renew our certifications, inspections will be carried out at our factories prior to the renewal by authorised representatives and samples of our products will be selected for re-testing at the certification bodies' laboratories. As for our Green Label Certification, the criteria for the renewal is subject to the renewal of our SIRIM ECO certificates.

Our Group offers anti-viral and anti-bacterial decorative paint products such as Smart Paints Eco-Medi SafeGuard+ Series, Eco-Mediglo Series, Smartex Eco-Wall Series and Durra Anti-Viral Safe+ Series. Our anti-viral and anti-bacterial paint products have undergone product tests by third party laboratories for external verification on the efficacy of our products in removing pathogens. We are not required to send our products for re-testing.

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7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, we have obtained the following testing certificates:

Testing laboratory	Country of testing laboratory	Date achieved	Description of testing
Setsco Services Pte Ltd	Singapore	January 2017	Green label test for Smart Eco-Wash paint to test the level of certain chemicals (e.g. VOC) contained within the paint that is harmful to the environment. The certification certifies that the product has met the criteria for low emission and is environmental friendly, which is expected to reduce the negative impact on the environment.
Setsco Services Pte Ltd	Singapore	June 2017	Green label test for Smartex Eco-Wall paint to test the level of certain chemicals (e.g. VOC) contained within the paint that is harmful to the environment. The certification certifies that the product has met the criteria for low emission and is environmental friendly, which is expected to reduce the negative impact on the environment.
TÜV SÜD PSB Pte Ltd	Singapore	March 2020	Anti-bacterial activity and efficacy test for Eco-Mediglo paint in which it is effective against pathogens comprising Staphylococcus aureus, Escherichia coli and Methicillin-resistant Staphylococcus aureus.
Institute of Health and Community Medicine, Universiti Malaysia Sarawak	Malaysia	September 2020	Virucidal efficacy test for Eco-Medi SafeGuard+ paint in which it has a virucidal efficacy greater than 90% against pathogens comprising Human coronavirus OC43 and Human enterovirus EV-A71 after exposure for 2 hours, and the virucidal efficacy increased to greater than 99.9% after exposure for 24 hours.
Institute of Health and Community Medicine, Universiti Malaysia Sarawak	Malaysia	September 2020	Virucidal efficacy test for Eco-Mediglo paint in which it has a virucidal efficacy greater than 99.9% against pathogens comprising Human coronavirus OC43 and Human enterovirus EV-A71, after exposure for 24 hours.
Institute of Health and Community Medicine, Universiti Malaysia Sarawak	Malaysia	September 2020	Virucidal efficacy test for Durra Anti-Viral Safe+ paint in which it has a virucidal efficacy greater than 99.9% against pathogens comprising Human coronavirus OC43 and Human enterovirus EV-A71, after exposure for 24 hours.

7. BUSINESS OVERVIEW (Cont'd)

Testing laboratory	Country of testing laboratory	Date achieved	Description of testing
SGS (Malaysia) Sdn Bhd	Malaysia	September 2020	Anti-bacterial activity and efficacy test for Eco-Medi SafeGuard+ and Durra Anti-Viral Safe+ paint in which it has an anti-bacterial efficacy of up to 99.99% against pathogens comprising Staphylococcus aureus and Escherichia coli, after exposure for 24 hours.
TÜV SÜD PSB Pte Ltd	Singapore	September 2021	Anti-bacterial activity and efficacy test for Smartex Eco-Wall paint in which it is effective against pathogens comprising Staphylococcus aureus, Escherichia coli and Methicillin-resistant Staphylococcus aureus.
Antimikrop Antimikrobiyal Mad Lab	Turkey	October 2021	Anti-viral efficacy test for Smartex Eco-Wall and Durra Super Max paint in which it has a virucidal efficacy greater than 99.99% against pathogens comprising SARS-CoV-2 virus, after exposure for 24 hours.
Antimikrop Antimikrobiyal Mad Lab	Turkey	December 2021	Anti-viral efficacy test for Eco-Medi SafeGuard+ paint in which it has a virucidal efficacy greater than 99.99% against pathogens comprising SARS-CoV-2 virus after exposure for 6 hours.
Antimikrop Antimikrobiyal Mad Lab	Turkey	December 2021	Anti-viral efficacy test for Eco-Mediglo paint in which it has a virucidal efficacy of up to 99.76% against pathogens comprising SARS-CoV-2 virus after exposure for 6 hours, and the virucidal efficacy increased to greater than 99.99% after exposure for 12 hours.

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7. BUSINESS OVERVIEW (Cont'd)**7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

Our purchases primarily comprise raw materials, packing materials and others, as follows:

Supplies	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Raw materials						
Binders	10,541	22.99	12,744	27.18	14,035	31.09
Pigment	7,091	15.47	9,287	19.80	9,369	20.75
Additives	7,191	15.68	6,269	13.37	6,188	13.71
Solvent	2,164	4.72	1,265	2.70	1,899	4.21
Extender ⁽¹⁾	1,719	3.75	1,622	3.46	1,440	3.19
Colour Paste	256	0.56	122	0.26	46	0.10
Packing materials	6,443	14.05	6,729	14.35	5,740	12.72
Others⁽²⁾	10,446	22.78	8,853	18.88	6,422	14.23
Total purchases	45,851	100.00	46,892	100.00	45,140	100.00

Notes:

- (1) Extender comprises calcium carbonate, kaolin, calcined kaolin, talcum powder and silica.
- (2) Comprise amongst others, painting tools and accessories, aerosol spray paints, disinfectant sprays, hand sanitisers, tile flakes and thinner.

Our Group has not encountered any major disruptions in the purchase of raw materials and packing materials in the Financial Years Under Review. Our raw materials and packing materials are also generally readily available and can be easily sourced from local and overseas suppliers. The breakdown of our purchases by local and overseas suppliers is as follows:

Location of suppliers	FYE 2020		FYE 2021		FYE 2022	
	RM ('000)	%	RM ('000)	%	RM ('000)	%
Local	35,315	77.02	37,871	80.76	33,481	74.17
Overseas	10,536	22.98	9,021	19.24	11,659	25.83
Total purchases	45,851	100.00	46,892	100.00	45,140	100.00

The prices of our raw materials namely binders, pigment, additives and solvent are subject to fluctuations according to the global commodity prices. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in cost of raw materials to our customers. In the Financial Years Under Review, we have been able to pass on the increase in cost of raw materials to our customers.

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7. BUSINESS OVERVIEW (Cont'd)**7.12 MATERIAL MACHINERY AND EQUIPMENT**

As at the LPD, the material machinery and equipment used in our business operations are as follows:

System	Function	Machinery / Equipment contained in the System	No. of Units/ Sets	Average Life Span (Years)	NBV as at 31 December 2022 (RM'000)
Manual Paint and Colorant Production System	Traditional method of paint and colorant production using stirring, dissolving and dispersion methods	High speed stirrer, mixing tank, pallet jack, weighting equipment, pump and mixer	24 units	5	373
Semi-Auto Paint Production System	Intelligent Mixing System technology using rotor and stator for paint production	Pipe, tank, chiller, valves and sensor accessories	1 set	5	678
Grinding & Milling System	Grinding of pigment to finer particles	Milling machine and cooling system	10 units	5	558
Industrial Tinting System	Automated dispensing of in-plant colourants into paint bases according to the selected colour formulations	Industrial tinting system and Smart Colour POS Tinting Machines	4 sets	5	251
Semi-Auto Filling & Capping System	Filling and capping of paint products	Filling and capping machineries, conveyor, printer	12 units	5	487

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7. BUSINESS OVERVIEW (Cont'd)**7.13 ANNUAL CAPACITY, OUTPUT AND UTILISATION**

Our Group's estimated annual capacity, actual annual output and utilisation rate is measured based on the capacity of our decorative paints and protective coatings manufacturing line. The manufacturing of our Group's water-based and solvent-based decorative paints and protective coatings share the same manufacturing line. We have 2 manufacturing lines in Johor Factory 1 as follows:

- (a) Line 1: 2 sets of tanks in which each set is capable of producing 9,000 litres per day measured based on 8 hours of operations per day. Hence, the manufacturing capacity per day is 18,000 litres. Based on 22 working days per month and 12 working months per year, the estimated annual capacity for Line 1 is 4,752,000 litres per year; and
- (b) Line 2: 5 sets of tanks in which each set is capable of producing 3,000 litres per day, measured based on 8 hours of operations per day. Hence, the manufacturing capacity per day is 15,000 litres. Based on 22 working days per month and 12 working months per year, the estimated annual capacity for Line 2 is 3,960,000 litres per year.

Our Group's estimated annual capacities, actual annual outputs and utilisation rates for decorative paints and protective coatings manufacturing for the Financial Years Under Review are as follows:

	Estimated annual capacity (litres)⁽¹⁾⁽²⁾	Actual annual output (litres)⁽²⁾	Utilisation rate (%)
FYE 2020	8,712,000	8,028,438	92.15
FYE 2021	8,712,000	8,552,182	98.17
FYE 2022	8,712,000	7,756,721	89.03

Notes:

- (1) *The total annual capacity is calculated by adding up the annual capacity of Line 1 and Line 2 of 4,752,000 litres and 3,960,000 litres, respectively.*
- (2) *The manufacturing lines for decorative paints and protective coatings are also used to carry out the manufacturing of binding and coating chemicals as and when required. The actual annual output for the Financial Years Under Review are inclusive of actual annual output of binding and coating chemicals. For the Financial Years Under Review, sale of binding and coating chemicals contributed to 1.07%, 1.01% and 1.47% to our Group's revenue, respectively. Hence, the actual annual outputs for binding and coating chemicals were minimal in the Financial Years Under Review.*

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7. BUSINESS OVERVIEW (Cont'd)

The breakdown of the actual annual output by water-based and solvent-based decorative paints, protective coatings, ODM products as well as binding and coating chemicals is as follows:

Categories	FYE 2020		FYE 2021		FYE 2022	
	litres	%	litres	%	litres	%
Water-based decorative paints (house brands)	6,515,222	81.15	6,953,576	81.31	5,683,398	73.27
Water-based products for ODM	74,022	0.92	131,815	1.54	103,160	1.33
Water-based binding and coating chemicals (house brands)	53,698	0.67	62,037	0.73	55,822	0.72
Solvent-based decorative paints (house brands)	1,051,300	13.10	1,041,967	12.18	1,444,331	18.62
Solvent-based protective coatings (house brands)	334,196	4.16	362,787	4.24	448,915	5.79
Solvent-based products for ODM	-	-	-	-	17,067	0.22
Solvent-based binding and coating chemicals (house brands)	-	-	-	-	4,028	0.05
Actual annual output	8,028,438	100.00	8,552,182	100.00	7,756,721	100.00

For the Financial Years Under Review, water-based decorative paints accounted for 81.15%, 81.31% and 73.27% of our actual annual output for decorative paints, protective coatings as well as binding and coating chemicals, respectively; whereas solvent-based decorative paints accounted for 13.10%, 12.18% and 18.62% of our actual annual output for decorative paints, protective coatings as well as binding and coating chemicals, respectively. Our Group does not have fixed percentage output between water-based decorative paints and solvent-based decorative paints, whereby the production of water-based decorative paints and solvent-based decorative paints are based on orders made by our Group's customers.

The manufacturing of colourants (i.e. POS universal colourants and in-plant colourants) is carried out using a different machinery due to the different process involved as compared to the manufacturing of decorative paints and protective coatings. Our Group's estimated annual capacity, actual annual output and utilisation rate for colourant manufacturing is measured based on 1 set of machinery, which is capable of producing 1,000 litres of colourants per cycle, in which 1 cycle takes 1 working day to complete. Hence, the manufacturing capacity per month is 22,000 litres. Based on 12 working months per year, the estimated annual capacity for the machinery is 264,000 litres per year.

Our Group's estimated annual capacities, actual annual outputs and utilisation rates for colourant manufacturing for the Financial Years Under Review are as follows:

	Estimated annual capacity (litres)	Actual annual output (litres)	Utilisation rate (%)
FYE 2020	264,000	158,364	59.99
FYE 2021	264,000	175,111	66.33
FYE 2022	264,000	185,478	70.26

7. BUSINESS OVERVIEW (Cont'd)

The breakdown of the actual annual output by water-based and solvent-based colourant is as follows:

Categories	FYE 2020		FYE 2021		FYE 2022	
	litres	%	litres	%	litres	%
Water-based colourant	146,430	92.46	149,613	85.44	162,813	87.78
Solvent-based colourant	11,934	7.54	25,498	14.56	22,665	12.22
Actual annual output	158,364	100.00	175,111	100.00	185,478	100.00

7.14 MODE OF SALES AND MARKETING

Our Group's sales and marketing activities are spearheaded by our Sales and Marketing Manager, Khoo Khiow Jin. Details of our sales and marketing strategies are as follows:

(a) Digital and media advertising

We conduct advertising and marketing activities of our house brands through digital and media channels. To increase brand awareness and to drive traffic to our social media page, we utilise boosted posts on Facebook where we display specific advertisements and promotions which are targeted to specific Facebook users as well as video advertisements on YouTube and Google Ads.

We also generate product postings on our social media pages (e.g. Facebook at "Smart Paint Malaysia", YouTube channel at "Smart Paints Malaysia", Instagram at "smart_paints", Tik Tok at "smartpaint.malaysia" and LinkedIn at "Smart Paints Malaysia") to increase brand awareness. We also develop tutorial videos of decorative paints and protective coatings application to create brand recognition among consumers.

In addition, we leverage on e-commerce platform such as Shopee to market and sell our products through our official store. The sales and marketing activities on our Shopee official store are managed in-house.

Further, some of our dealers advertise our brand and products via displaying glass panel posters on their store's glass windows, wall posters, counter posters, as well as displaying our brand logo on their store's signboards, which increases our brand awareness and recognition among consumers.

(b) Brand ambassadors

We appoint brand ambassadors to enhance the market acceptance and recognition of our brands and products. We have entered into an agreement with Harith Iskander V Day Productions Sdn Bhd on 14 August 2020, for the appointment of Harith Iskander bin Musa ("Harith Iskander"), a Malaysian actor and comedian, and his family, to be our brand ambassadors up to 14 September 2024. Through this agreement, Harith Iskander and his family will promote our 'Smart Paints' brand in commercials and photographic materials, as well as in events held by our Group to promote our 'Smart Paints' products.

(c) Corporate website

Our Group's corporate website, <https://smart-paints.com/>, is used to introduce and market our products as well as to provide immediate searchable information on our Group.

The current widespread use of the Internet as a source of information enables us to cross geographical boundaries and facilitates access from any part of the world, enhancing our potential market reach and exposure. Moving forward, we will continue to explore and engage in different advertising and marketing activities that are suited to the latest consumer trend to expand our brand presence.

7. BUSINESS OVERVIEW (Cont'd)

7.15 PRODUCT DEVELOPMENT

Our product development activities are carried out in-house by our product development team, consisting of 4 chemists and 3 lab assistants, which is led by our Senior Lead Chemist, Nurul Farhah binti Abdullah, who has 10 years of experience in the paints and coatings industry. Our product development team stays abreast with the latest interior design and paint trends introduced in the market to identify possible opportunities to develop and introduce new products to expand our offerings.

Our Group's product development activities primarily focus on the formulation of new paint colours as well as value-added functions (e.g. Zero VOC, anti-viral and anti-bacterial properties) for our decorative paints and protective coatings. Once a new formulation is obtained, the formulation will be added into our database for use in our manufacturing. We also undertake continuous product development activities to enhance our existing products by improving the product formulation or to incorporate additional value-added function. The development of new products and enhancement of existing products is part of our continuous effort to remain competitive in the market by constantly offering products that is in accordance with market trends and demand. Development of new product formulations is also carried out upon request by our business end-users for customised paints and protective coatings.

We also carry out product development activities to develop new series of colourants for use in different types of paint application such as polyurethane-based paints and epoxy-based paints. The development of new colourants allows us to serve a wider customer base by offering colourants that are specifically developed for different types of paint bases.

Over the years, we have developed a wide range of decorative paints and protective coatings in which we have 50 series of decorative paints and 15 series of protective coatings. We have also developed a total of 9 series of colourants, of which 4 are POS universal colourants and 5 are in-plant colourants. We believe that by expanding and enhancing our product offerings, we will be well-positioned to capture business opportunities and to expand our market presence.

For the Financial Years Under Review, the product development expenses incurred by our Group amounted to RM0.78 million, RM1.11 million and RM0.61 million respectively, representing 1.09%, 1.39% and 0.77% of our Group's total revenue.

The built-up area of our product development facility located in our Johor Factory 2 is approximately 1,008 sq ft. The machineries and equipment used in our production development facility include amongst others, universal oven, pH meter, moisture analyser, precision balance, glossmeter, viscometer, accelerated weathering tester, spectrophotometer, lab scale high speed dispersing machine, wet abrasion tester, autoclave machine, drying time recorder, drying oven, incubator, magnetic hot plate stirrer, mixer, and vacuum stirrer.

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Registration No. 201901016953 (1326281-T)

7. BUSINESS OVERVIEW

7.16 INTELLECTUAL PROPERTIES






As at the LPD, our Group does not own and has not applied for the registration of any other intellectual properties other than those disclosed below:

7.16.1 Trademark Registrations

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status Registration validity /
2013011726 / 2	Intellectual Property Corporation of Malaysia ("MyIPO")		Smart Paints (M)	Paints included in class 2.	Registered ⁽¹⁾ / 22 August 2013 – 22 August 2033
40201515721W / 2	Intellectual Property Office of Singapore ("IPOS")		Smart Paint Manufacturing	Paints included in class 2.	Registered ⁽¹⁾ / 8 March 2016 - 10 September 2025
47037 / 2	Brunei Intellectual Property Office ("BruiPO")		Smart Paint Manufacturing	Paints.	Registered ⁽¹⁾ / 18 January 2017 – 28 September 2025
504536 / 2	Intellectual Property Office of the Philippines ("IPOP HL")		Smart Paint Manufacturing	Coatings for roofing felt (paints); coatings (paints); enamels for painting; enamels (varnishes); paints; primers; wood stains; wood coatings (paints); as far as included in Class 2 and not in other classes.	Registered ⁽¹⁾ / 17 November 2016 – 17 November 2026







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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
4-0319820-000 / 2	Intellectual Property Office of Viet Nam ("IP Viet Nam")		Smart Paint Manufacturing	Coatings for roofing (paint); coating; enamel layer used for painting; enamel (varnish); paint; primer; wood colorants; coating for wood (paint).	Registered ⁽¹⁾ / 8 May 2019 – 23 August 2026
4/12140/2016 / 2	Myanmar Intellectual Property Department		Smart Paint Manufacturing	Coatings for roofing felt (paints); coatings (paints); enamels for painting; enamels (varnishes); paints; primers; wood stains; wood coatings (paints).	Date of Cautionary Notice: 8 August 2016 – no date of expiry ⁽¹⁾
Nil / 2	Timor-Leste Intellectual Property Office		Smart Paint Manufacturing	Coatings for roofing felt (paints); coatings (paints); enamels for painting; enamels (varnishes); paints; primers; wood stains; wood coatings (paints).	Date of Cautionary Notice: 18 February 2019 – no date of expiry ⁽¹⁾
TM2019019228 / 2	MyIPO		Smart Paint Manufacturing	Coatings for roofing felt (paints); coatings (paints); wood coatings (paints); all included in class 2.	Registered / 29 May 2019 - 29 May 2029
2015067573 / 19	MyIPO		Smart Paint Manufacturing	Bituminous coatings for roofing; bituminous products for building; fireproof cement coatings; coatings (building materials); road coating materials; materials for making and coating roads; all included in class 19.	Registered / 20 October 2015 – 20 October 2025





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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status Registration validity /
2015067574 / 2	MyIPO		Smart Paint Manufacturing	Coatings for roofing felt (paints); coatings (paints); wood coatings (paints); all included in class 2.	Registered / 20 October 2015 – 20 October 2025
2015067575 / 1	MyIPO		Smart Paint Manufacturing	Cement-water proofing chemicals, except paints; concrete preservatives, except paints and oils; cement-water proofing preparations, except paints; all included in class 1.	Registered / 20 October 2015 – 20 October 2025
TM2019046851 / 2	MyIPO		Smart Paint Manufacturing	Paints; Coatings for roofing felt (paints); Coatings (paints); Wood coatings (paints); Pigments; Color pigments; Pigments for paints; all included in class 2.	Registered / 19 December 2019 – 19 December 2029
40201927390Q / 2	IPOS		Smart Paint Manufacturing	Paints; coating for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; pigment for paints.	Registered / 11 June 2020 – 19 December 2029
KH/2022/88102/ 2	Department of Intellectual Property Rights Cambodia (“Cambodia DIPR”)		Smart Paint Manufacturing	Paints; coating for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; pigment for paints.	Registered / 30 May 2022 – 16 December 2031
51206 / 2	BruIPO		Smart Paint Manufacturing	Paints; Coatings for roofing felt (paints); Coatings (paints); Wood coatings (paints); Pigments; Color pigments; Pigments for paints.	Registered / 7 June 2022 – 24 December 2029




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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
02008546 / 8	MyIPO		Smart Paint Manufacturing	Hand tools and implements (hand-operated); hand operated painters tools; scrapers, palette knives, spanners, wrenches, hammers, pliers, screwdrivers, files, riveters, cutting tools, chisels, hex keys, saws; all being hand tools; all included in class 8.	Registered / 19 July 2002 – 19 July 2032
02008547 / 16	MyIPO		Smart Paint Manufacturing	Paper and paper articles, printed matter, stickers, artists materials, paint palettes, paint roller trays, paint rollers, paint trays, painters' brushes, painting materials (other than paints); all included in class 16.	Registered / 19 July 2002 – 19 July 2032
TM2019042114 / 2	MyIPO		Color Breeze	Paints; Coatings for roofing felt (paints); Coatings (paints); Wood coatings (paints); Pigments; Color pigments; Pigments for paints; all included in class 2.	Registered / 15 November 2019 – 15 November 2029
40201922367V / 2	IPOS		Color Breeze	Paints; Coatings for roofing felt (paints); Coating for (paints); Wood coatings (paints); pigments; Color pigments; Pigments for paints.	Registered / 16 April 2020 – 11 October 2029





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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status Registration validity /
4-2019-15766 / 2	IPOPHL		Color Breeze	Colourant; Pigment; Lacquers; paints; primers; spray coatings (paints); automotive paint; coating (paints); spray on paint; epoxy paint (other than insulating paints); polyurethane paint; anti-corrosive oils; anti-rust oils; thinner for paints; turpentine; coating compositions having waterproofing properties (paints or oils).	Registered / 22 February 2020 – 22 February 2030
KH/2021/85910 / 2	Cambodia DIPR		Color Breeze	Colourant; Pigment; Lacquers; paints; primers; spray coatings (paints); automotive paint; coating (paints); spray on paint; epoxy paint (other than insulating paints); polyurethane paint; anti-corrosive oils; anti-rust oils; thinner for paints; turpentine; coating compositions having waterproofing properties (paints or oils).	Registered / 26 October 2021 – 4 September 2029
IDM000841944 / 2	Indonesian Directorate General of Intellectual Property ("Indonesia DGIP")		Color Breeze	Anti-rust oil, base paint, pigment (dying agent); epoxy coating for concrete floors; turpentine (paint thinners); paints; varnish; paint coating (decorative); dye; coating (paint), waterproofing preparations (paint); vehicle paint; anti-rust oil.	Registered / 5 September 2021 – 5 September 2029





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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status Registration validity /
4-0408244-000 / 2	IP Viet Nam		Color Breeze	Colourant; dyes; lacquer; paint; primer; coatings (paint); automotive paints (not insulating paint); coating; spray paints; base coatings (save for insulating paints); PU paint; anti-corrosion oil; anti-rust oil; paint thinner; turpentine (paint thinners); Paint or oil-based water-repellent coating	Registered / 5 January 2022 – 4 September 2029
40814361 / 2	China National Intellectual Property Administration (“China IP”)		Color Breeze	Colorants; pigments; lacquers, varnishes, primers: paints (paints); anticorrosion agents; antirust greases; thinner for paints; turpentine; water proofing powder coatings	Registered / 21 April 2020 – 20 April 2030
TM2019042115 / 2	MyIPO		Color Breeze	Paints; Coatings for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; pigments for paints; all included in class 2.	Registered / 15 November 2019 – 15 November 2029
40201922366X / 2	IPOS		Color Breeze	Paints; Coatings for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; pigments for paints.	Registered / 28 February 2020 – 11 October 2029






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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
KH/2021/82625 / 2	Cambodia DIPR		Color Breeze	Colourant; pigment; lacquers; paints; primers; spray coatings (paints); automotive paint; coating (paints); spray on paint; epoxy paint (other than insulating paints); polyurethane paint; anti-corrosive oils; anti-rust oils; thinner for paints; turpentine; coating compositions having waterproofing properties (paints or oils).	Registered / 12 May 2021– 4 September 2029
IDM000842010 / 2	Indonesia DGIP		Color Breeze	Anti-rust oil; base coatings, pigment (dyeing agent); epoxy coating for concrete floors, turpentine (paint thinners); paint; varnish; paint coating (decorative) dye; coating (paint); waterproofing preparations (paint); vehicle paint; anti-rust oil.	Registered / 6 April 2021 – 5 September 2029
4-0420588-000 / 2	IP Viet Nam		Color Breeze	Colourant; dyes; lacquers; paints; primers; coatings (paints); automotive paints (save for electrical and thermal insulation paints); coatings; spray paints; base coatings (save for electrical and thermal insulation paints); PU paint; anti-corrosion oil; anti-rust oil; paint thinner; turpentine (paint thinners); Paint or oil-based water-repellent coating	Registered / 29 April 2022 – 4 September 2029
40838340 / 2	China IP		Color Breeze	Pigments; anti-corrosion agents; anti-rust oil	Registered / 21 June 2020 – 20 June 2030


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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
43938165 / 2	China IP		Color Breeze	Colorants; pigments; paints, paint thinners; paints (paints); primers; varnishes; turpentine (paint thinners); water-repellent powders (paints); anticorrosion agents; anti-rust oil	Registered / 28 September 2020 – 27 September 2030
TM2019027483 / 2	MyIPO		Smart Paint Manufacturing	Coatings for roofing felt (paints); coatings (paints); wood coatings (paints); all included in class 2.	Registered / 29 July 2019 – 29 July 2029
TM2021035011 / 2	MyIPO		Smart Paint Manufacturing	Paints; coatings for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; pigmented coatings in the nature of paint.	Registered / 14 December 2021 – 14 December 2031
40202130223R / 2	IPOS		Smart Paint Manufacturing	Paints; coatings for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; Pigments for paints.	Registered / 12 September 2022 – 14 December 2031
2014070001 / 2	MyIPO		Smart Paint Manufacturing	Coatings (paints); paints, varnishes, lacquers; all included in class 2.	Registered / 31 December 2014 – 31 December 2024

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7. BUSINESS OVERVIEW (Cont'd)

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
2017073585 / 2	MyIPO		Smart Paint Manufacturing	Coatings for roofing felt (paints); coatings (paints); wood coatings (paints); all included in class 2.	Registered / 27 November 2017 – 27 November 2027

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7. BUSINESS OVERVIEW (Cont'd)

Note:

(1) As at the LPD, the sole proprietor of our Group's customer and also authorised distributor in Cambodia, Toplus Paint, had registered our Group's 'Smart Paints' logo as its trademark in Cambodia without our Group's permission.

Our Group supplies products to 2 Cambodian customers, namely Toplus Paint and Kung Huy Construction Material Supply Co. Ltd. 'Smart Paints' branded products are solely supplied to Toplus Paint while 'Durra Paints' branded products are solely supplied to Kung Huy Construction Material Supply Co. Ltd. Toplus Paint was previously our Group's top 5 customers in FYE 2020. However, it has ceased to be our Group's top 5 customers in FYE 2021 and FYE 2022.



Our Group currently still supplies our 'Smart Paints' branded products in Cambodia to Toplus Paint and Toplus Paint is the sole distributor of 'Smart Paints' branded products in Cambodia.

Although the sole proprietor of Toplus Paint has registered the logo 'Smart Paints' in Cambodia, our Group is of the view that there will not be any adverse impact to our Group's business and profitability as our Group is not dependent on the Cambodia market and the sale of 'Smart Paints' products to Cambodia only represents 5.23%, 2.28% and 2.75% of our revenue for the Financial Years Under Review, respectively.

Further, our Group does not intend to bring any action against the sole proprietor of Toplus Paint as our Group intend to maintain our business relationship with them and has no plans to expand further into the Cambodia market in the near future.


As at the LPD, the sole proprietor of Toplus Paint is unwilling to relinquish the 'Smart Paints' logo trademark to our Group, notwithstanding our Group's request. For the avoidance of doubt, Smart Paint Manufacturing has registered the trademark "Durra Paints" in Cambodia and the trademark registration is valid from 30 May 2022 to 16 December 2031.

7.16.2 Trademarks in Application

Application no. / Class	Issuing Authority	Trademark	Applicant	Description / Product name	Status / Application Date
052565 / 2	BruIPO		Smart Paint Manufacturing	Paints; coatings for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; pigments for paints.	Published ⁽¹⁾ / 17 January 2022
TM2023004539 / 2	MyIPO		Color Breeze	Paints; Coatings for roofing felt (paints); Coatings (paints); Wood coatings (paints); Pigments; Color pigments; pigmented coatings in the nature of paints.	Under substantive examination ⁽²⁾ / 23 February 2023

Registration No. 201901016953 (1326281-T)

7. BUSINESS OVERVIEW (Cont'd)

Application no. / Class	Issuing Authority	Trademark	Applicant	Description / Product name	Status / Application Date
TM2023004542 / 2	MyIPO		Color Breeze	Paints; Coatings for roofing felt (paints); Coatings (paints); Wood coatings (paints); Pigments; Color pigments; pigmented coatings in the nature of paints.	Under substantive examination ⁽³⁾ / 23 February 2023

Notes:

- (1) *The trademark has been published on 31 May 2023 on the Brunei Darussalam's Trademark Journal to allow the third parties the opportunity to oppose the registration of the trademark. In the event that no opposition is filed, or if any opposition is resolved in favour of the applicant, BruIPO will proceed with the registration of the trademark.*
- (2) *Subsequent to the LPD, MyIPO had on 8 August 2023 issued a notice of temporary refusal to Color Breeze pursuant to Section 24(2)(b) of the Trademark Act 2019 which states the registrar shall refuse to register a trademark if there exists a likelihood of confusion on the part of the public where the trademark is similar to an earlier trademark and is to be registered for goods or services identical with or similar to the earlier trademark. It was noted that a similar trademark has been registered by an individual on 13 May 2011 and is valid until 13 May 2031. Color Breeze will discontinue the trademark application and will cease utilising this trademark moving forward. The Board is of the view that the non-registration of this trademark will not affect our Group's business and profitability as our Group have only started to utilise this brand since FYE 2020 and the contribution from the 'Unitint' branded products only represents 0.04%, 0.11% and 0.02% of our revenue for the Financial Years Under Review, respectively.*
- (3) *The application is under substantive examination which entails examination by MyIPO on whether the trademark fulfils the requirements for registration under the Trademarks Act 2019 such as the distinctiveness and whether there exist potential conflicts with existing trademarks.*

Although the registration of the above trademarks ("New Trademarks") have yet to be effected, our Group's business and profitability are not dependent on the New Trademarks. Further, our Group has established a strong presence in the industry and as such, our Group will not be affected in the event of non-approval of registrations. In addition, our Group may still be able to initiate a passing off action against any person using a mark which is similar or identical to the New Trademarks pursuant to common law principles.

7.16.3 Patent Registration

Patent Grant No.	Issuing Authority	Patent Title	Registered Owner	Status / Grant Validity Period
MY-196954-A	MyIPO	Low VOC Emission Paint Formulation	Smart Paint Manufacturing	Granted / 12 May 2023 to 17 December 2030

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7. BUSINESS OVERVIEW (Cont'd)

7.16.4 Patent in Application

Patent Application No.	Issuing Authority	Patent Title	Applicant	Status / Application Date
PI2021004721	MyIPO	A Method of Manufacturing a Paint ⁽¹⁾	Smart Paint Manufacturing	Under substantive examination ⁽²⁾ / 18 August 2021

Note:

- (1) A Patent Cooperation Treaty (“PCT”) International Application was also submitted on 31 May 2022 under the Patent Application No.: PCT/MY2022/050042 for the said patent. The PCT application is an international patent application which covers over 150 countries, and this allows the applicant to simultaneously file patent applications in several PCT countries. Once a PCT application is filed, it can extend the application deadline for the filing of the overseas application by 30 months. Within the 30 months’ timeframe, the applicant will be required to decide which PCT countries they intend to file their overseas patent applications in. As at the LPD, no application has been filed overseas as our Group has yet to select the PCT countries for our overseas application.
- (2) The application is under substantive examination whereby MyIPO will examine as to whether the patent fulfils the requirements for grant under the Patent Act 1983 such as novelty, involvement of an inventive step and industrial applicability.

Although the registration of the above patent has yet to be effected, our Group is of the view that the business and profitability of our Group is not dependent on the patent. In addition, the details of the invention are kept confidential and the inventor, who is our Group’s former employee, is bound by her employment contract to not disclose to any parties any time during the continuance or after the termination of her service with our Group, the affairs and confidential information of our Group which she has knowledge of or become aware of during the course of her employment with our Group.

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7. BUSINESS OVERVIEW (Cont'd)

7.17 LICENCES AND PERMITS

Save as disclosed below, there are no other licences and permits which our Group is materially dependent on for our business or profitability as at the LPD.

No.	Licence / Issuing authority / Licence Registration or Reference no.	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
1.	Smart Paint Manufacturing / MITI / A020372	15 January 2016 ⁽¹⁾ / Valid until withdrawn	Manufacturing licence for the manufacturing of 'Paints (Decorative and Protective Coating)' at Johor Factory 1 and Johor Factory 2	(i) If there is a sale of its shares, the company shall inform MITI and MIDA regarding the sale of shares. (ii) Company must train Malaysians to promote the transfer of technology and expertise at all levels of positions.	Complied Complied
2.	Smart Paint Manufacturing / MITI / A022354	25 July 2023 ⁽²⁾ / Valid until withdrawn	Manufacturing licence for the manufacturing of 'Paints (Decorative and Protective Coating)' at Perak Land	(i) If there is a sale of Company shares, the Company shall inform MITI and MIDA regarding the sale of shares. (ii) Company must train Malaysians to promote the transfer of technology and expertise at all levels of positions. (iii) Company must have capital investment per employee (CIPE) ratio of at least RM140,000.00 (iv) Total full-time workforce of the company must comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to prevailing policies.	Complied Complied Complied Complied

7. BUSINESS OVERVIEW (Cont'd)

No.	Licencee / Issuing authority / Licence Registration Reference no. or	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
3.	Smart Paint Manufacturing / Ministry of Finance of Malaysia ("MOF") / K65832746273196777	7 June 2022 / 6 June 2025	Certificate of registration with the MOF for government procurement in respect of the supply and/or services in the sector, fields and sub-fields of 'chemicals, paint chemical materials and laboratory equipment, anti-corrosion and other additives'	<p>(i) Company shall ensure that the field registered in the certificate do not overlap with the field that has received approval by any companies that:</p> <p>(a) comprise the same owner or board of directors, management and employees; or</p> <p>(b) operates in the same premises.</p> <p>(ii) Company must submit the application for renewal within 3 months prior to the expiry date of the certificate.</p> <p>(iii) Company must ensure that the registration with the MOF remains active throughout the enforcement period of the contract.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p>
4.	Smart Paints (M) / Johor Bahru City Council / L2022457868	8 December 2022 / 31 December 2023	<p>Business License of Smart Paints (M) in respect of the following:</p> <p>(i) Sale of paints;</p> <p>(ii) Management office;</p> <p>(iii) Sale of metal goods; and</p> <p>(iv) Advertisement board, at Johor Factory 2.</p>	<p>(i) Polystyrene is prohibited from being used from 1 January 2018 onwards.</p> <p>(ii) The license is to be renewed 1 month prior to its expiry.</p>	<p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (Cont'd)

No.	Licencee / Issuing authority / Licence Registration or Reference no.	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
5.	Smart Paints (M) / Johor Bahru City Council / L2023474309	20 March 2023 / 31 December 2023	Business License of Smart Paints (M) in respect of the following: (i) Storage; and (ii) Advertisement board, at Johor Factory 2.	(i) Polystyrene is prohibited from being used from 1 January 2018 onwards. (ii) The license is to be renewed 1 month prior to its expiry.	Complied Noted
6.	Smart Paint Manufacturing/ Johor Bahru City Council / L2022438868	8 December 2022 / 31 December 2023	Business License of Smart Paint Manufacturing in respect of the following: (i) Management office; (ii) Storage; and (iii) Advertisement board, at Johor Factory 2.	(i) Polystyrene is prohibited from being used from 1 January 2018 onwards. (ii) The license is to be renewed 1 month prior to its expiry.	Complied Noted

7. BUSINESS OVERVIEW (Cont'd)

No.	Licencee / Issuing authority / Licence Registration Reference no. or	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
7.	Smart Paint Manufacturing/ Johor Bahru City Council / L2022430302	8 December 2022 / 31 December 2023	Business License of Smart Paint Manufacturing in respect of the following: (i) Paint business license; (ii) Management office; and (iii) Advertisement board, at Johor Factory 1.	(i) Polystyrene is prohibited from being used from 1 January 2018 onwards. (ii) The license is to be renewed 1 month prior to its expiry.	Complied Noted
8.	Smart Paint Manufacturing/ Johor Bahru City Council / L2022455481	8 December 2022 / 31 December 2023	Business License of Smart Paint Manufacturing in respect of the following: (i) Paint supplier license; and (ii) Advertisement board, at Johor Factory 3.	(i) Polystyrene is prohibited from being used from 1 January 2018 onwards. (ii) The license is to be renewed 1 month prior to its expiry.	Complied Noted
9.	Smart Paint Manufacturing/ Johor Bahru City Council / L2023477427	18 May 2023 / 31 December 2023	Business License of Smart Paint Manufacturing in respect of the following: (i) Storage license; and (ii) Advertisement board, at Johor Factory 3.	(i) Polystyrene is prohibited from being used from 1 January 2018 onwards. (ii) The license is to be renewed 1 month prior to its expiry.	Complied Noted

7. BUSINESS OVERVIEW (Cont'd)

No.	Licencee / Issuing authority / Licence Registration or Reference no.	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
10.	Color Breeze/ Johor Bahru City Council / L2022457867	8 December 2022 / 31 December 2023	<p>Business License of Color Breeze in respect of the following:</p> <ul style="list-style-type: none"> (i) Sale of paints; (ii) Management office; (iii) Sale of metal goods; and (iv) Advertisement board. <p>at Johor Factory 2.</p>	<ul style="list-style-type: none"> (i) Polystyrene is prohibited from being used from 1 January 2018 onwards. (ii) The license is to be renewed 1 month prior to its expiry. 	<p>Complied</p> <p>Noted</p>
11.	Smart Paint (Selangor) / Shah Alam City Council ("MBSA") / MBSA/LSP/LS/600-3/1/0283-23	22 August 2023 / 14 August 2024	<p>Business License of Smart Paint (Selangor) in respect of the following:</p> <ul style="list-style-type: none"> (i) Management office; (ii) Paint supplier services; and (iii) Advertisement board, <p>at Lot 2-43 & 2-45, Jalan SU 8 (Lion Industrial Park), Persiaran Tengku Ampuan, Taman Perindustrian Subang, Seksyen 26, 40400 Shah Alam, Selangor</p>	<ul style="list-style-type: none"> (i) This license is not transferable. (ii) This license is to be exhibited at conspicuous areas. (iii) The license is to be renewed 3 months prior to its expiry. (iv) The licensee is not permitted to hire any foreign workers who have not been issued with valid working visa / permits issued by the Immigration Department of Malaysia. (v) The licensee is prohibited from placing chairs and/or tables at the sidewalk and/or at the footway without prior permission of the MBSA. 	<p>Noted</p> <p>Complied</p> <p>Noted</p> <p>Complied</p> <p>Noted</p>

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7. BUSINESS OVERVIEW (Cont'd)

No.	Licencee / Issuing authority / Licence Registration Reference no. or	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
				(vi) There can be no change or addition in the business activities of the licensee without prior permission of the MBSA. Any changes in the business activities of the licensee should be notified to MBSA in writing.	Noted

Notes:

- (1) The manufacturing licence was issued by MITI on 15 January 2016, but the effective date of the licence is 8 October 2015.
- (2) The manufacturing licence was issued by MITI on 25 July 2023, but the effective date of the licence is 23 October 2019.

7.18 MATERIAL DEPENDENCY ON COMMERCIAL OR FINANCIAL CONTRACTS / AGREEMENTS / INTELLECTUAL PROPERTY RIGHTS / LICENCES OR PERMITS / BUSINESS PROCESSES

Save for our business and operation process in Section 7.8, trademarks in Section 7.16 and licences and permits in Section 7.17 above of this Prospectus, the business and profitability of our Group are not materially dependent on any contracts, agreements, intellectual property rights, licences and permits, and production or business processes as at the LPD.

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Registration No. 201901016953 (1326281-T)

7. BUSINESS OVERVIEW (Cont'd)

7.19 MATERIAL PROPERTIES OF OUR GROUP

7.19.1 Properties owned by our Group

The summary of the material properties owned by our Group as at the LPD are set out below:

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built-up area / Land area based on title (sq ft)	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
1.	Perak Land ⁽¹⁾	<p>Registered owner Smart Paint Manufacturing</p> <p>Title Details HSD 247906, PT 44859, Mukim Sungai Terap, Daerah Kinta, Negeri Perak</p> <p>Postal Address N/A</p>	<p>Category of Land Use Industrial</p> <p>Tenure of Property Leasehold of 99 years expiring on 10 December 2119</p>	<p>Description Vacant land where the Perak Plant is being constructed on</p> <p>Existing Use Perak Plant in construction</p>	13 August 2018 / N/A	N/A / 206,505.62	<p>Express Conditions Commercial industrial lots</p> <p>Restrictions in Interest This land can only be transferred, leased, mortgaged or secured with the permission of the state authority.</p> <p>Encumbrances Land charged in favour of CIMB Bank Berhad on 10 July 2023.</p>	2,884,039.74
2.	Perak Land 2 ⁽¹⁾	<p>Registered owner Smart Paint Manufacturing</p> <p>Title Details PN 1068819, Lot 374007, Mukim Sungai Terap, Daerah Kinta, Negeri Perak</p>	<p>Category of Land Use Industrial</p> <p>Tenure of Property Leasehold of 99 years expiring on 16 May 2115</p>	<p>Description Vacant land</p> <p>Existing Use Vacant land⁽²⁾</p>	9 July 2020 / N/A	N/A / 55,089.69	<p>Express Conditions Commercial industrial lots</p> <p>Restrictions in Interest This land can only be transferred, leased, mortgaged or secured</p>	520,204.69

7. BUSINESS OVERVIEW (Cont'd)

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built-up area / Land area based on title (sq ft)	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
		<u>Postal Address</u> N/A					with the permission of the state authority. <u>Encumbrances</u> Nil	
3.	Perak Land 3 ⁽¹⁾	<u>Registered owner</u> Smart Paint Manufacturing <u>Title Details</u> PN 1068820, Lot 374008, Mukim Sungai Terap, Daerah Kinta, Negeri Perak <u>Postal Address</u> N/A	<u>Category of Land Use</u> Industrial <u>Tenure of Property</u> Leasehold of 99 years expiring on 16 May 2115	<u>Description</u> Vacant land <u>Existing Use</u> Vacant land ⁽²⁾	9 July 2020 / N/A	N/A / 63,054.99	<u>Express Conditions</u> Commercial industrial lots <u>Restrictions in Interest</u> This land can only be transferred, leased, mortgaged or secured with the permission of the state authority. <u>Encumbrances</u> Nil	591,869.60
4.	Perak Land 4 ⁽¹⁾	<u>Registered owner</u> Smart Paint Manufacturing <u>Title Details</u> PN 1068821, Lot 374009, Mukim Sungai Terap, Daerah Kinta, Negeri Perak	<u>Category of Land Use</u> Industrial <u>Tenure of Property</u> Leasehold of 99 years expiring on 16 May 2115	<u>Description</u> Vacant land <u>Existing Use</u> Vacant land ⁽²⁾	9 July 2020 / N/A	N/A / 83,614.06	<u>Express Conditions</u> Commercial industrial lots <u>Restrictions in Interest</u> This land can only be transferred, leased, mortgaged or secured with the permission of the state authority.	776,912.48

7. BUSINESS OVERVIEW (Cont'd)

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built-up area / Land area based on title (sq ft)	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
		Postal Address N/A					Encumbrances Nil	
5.	Johor Factory 1	Registered owner Smart Paint Manufacturing Title Details HSD 506797, PTD 212908, Mukim Plentong, Daerah Johor Bahru, Negeri Johor Postal Address No. 11, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor	Category of Land Use Commercial or Industrial Tenure of Property Freehold	Description Single storey detached factory with three storey office building Existing Use Factory	10 August 2018 / 5 October 2012 and 13 April 2023 ⁽³⁾	34,198.62 / 43,475.43	Express Conditions (i) This land is to be used for medium industry single-storey factory with three-storey office for the purpose of medium-sized industries and other relevant uses built in accordance with the plan approved by the relevant local authority. (ii) All wastes and pollution caused by such activities should be directed to areas determined by the authorities. (iii) All laws and conditions determined by the authorities from time to time are to be	6,834,258.33

7. BUSINESS OVERVIEW (Cont'd)

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built-up area / Land area based on title (sq ft)	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
							<p>complied with.</p> <p>Restrictions in Interest Nil</p> <p>Encumbrances (i) Land charged in favour of OCBC Al-Amin Bank Berhad on 3 January 2019. (ii) Private caveat lodged by OCBC OCBC Al-Amin Bank Berhad on 22 October 2018.</p>	
6.	Johor Factory 2	<p>Registered owner Smart Paint Manufacturing</p> <p>Title Details HSD 506798, PTD 212909, Mukim Plentong, Daerah Johor Bahru, Negeri Johor</p> <p>Postal Address No. 9, Jalan Indah Gemilang 5, Taman</p>	<p>Category of Land Use Commercial or Industrial</p> <p>Tenure of Property Freehold</p>	<p>Description Single storey detached factory with three storey office building</p> <p>Existing Use Factory</p>	23 April 2015 / 5 October 2012	31,658.00 / 43,475.43	<p>Express Conditions (i) This land is to be used for medium industry single-storey factory with three-storey office for the purpose of medium-sized industries and other relevant uses built in accordance with the plan approved by the relevant local authority.</p>	6,212,217.95

7. BUSINESS OVERVIEW (Cont'd)

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built-up area / Land area based on title (sq ft)	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
		Perindustrian Gemilang, 81800 Ulu Tiram, Johor					(ii) All wastes and pollution caused by such activities should be directed to areas determined by the authorities. (iii) All laws and conditions determined by the authorities from time to time are to be complied with. <u>Restrictions in Interest</u> Nil <u>Encumbrances</u> Land charged in favour of CIMB Bank Berhad on 8 September 2015.	
7.	Johor Factory 3	<u>Registered owner</u> Smart Paint Manufacturing <u>Title Details</u> HSD 506796, PTD 212907, Mukim of Plentong, Daerah Johor Bahru, Negeri Johor	<u>Category of Land Use</u> Commercial or Industrial <u>Tenure of Property</u> Freehold	<u>Description</u> Single storey detached factory with three storey office building <u>Existing Use</u> Factory	10 March 2022 / 5 October 2012	28,532.00 / 43,475.43	<u>Express Conditions</u> (i) This land is to be used for medium industry single storey factory with three-storey office for the purpose of medium-sized industries and other relevant uses built in	7,529,277.54

7. BUSINESS OVERVIEW (Cont'd)

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built-up area / Land area based on title (sq ft)	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
		<p>Postal Address No. 15, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor</p>					<p>accordance with the plan approved by the relevant local authority.</p> <p>(ii) All wastes and pollution caused by such activities should be directed to areas determined by the authorities.</p> <p>(iii) All laws and conditions determined by the authorities from time to time are to be complied with.</p> <p>Restrictions in Interest The land when transferred to a Bumiputera / Bumiputera company shall not be subsequently sold, leased or transferred in any way to non-Bumiputera / non-Bumiputera companies without the consent of the state authority.</p>	

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7. BUSINESS OVERVIEW (Cont'd)

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built-up area / Land area based on title (sq ft)	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
							Encumbrances (i) Land charged in favour of Public Bank Berhad on 12 July 2022. (ii) Private caveat lodged by Public Bank Berhad on 28 April 2022.	

Note:

- (1) *Perak Land, Perak Land 2, Perak Land 3 and Perak Land 4 are adjoining to each other.*
- (2) *Perak Land 2, Perak Land 3 and Perak Land 4 are intended to be used for future expansion of our Perak Plant, for which there are no concrete plans in placed at this juncture.*
- (3) *The CCC dated 13 April 2023 is in respect of the additional structural modification of 2 metres setback behind the Johor Factory 1.*

The properties owned by our Group are not in breach of any land use or regulatory requirements.

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7. BUSINESS OVERVIEW (Cont'd)

7.19.2 Properties rented by our Group

The summary of the material properties rented by our Group as at the LPD are set out below:

No.	Description	Owner / Tenant	Existing Use	Date of issuance of CF / CCC	Built-up area (sq ft)	Period of tenancy / Rental per month
1.	2 nd floor of the three storey shophouse bearing the address of No.14A, Jalan Johar 3, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor (“ No. 14A Workers’ Quarter ”)	Lim Boon Kuan / Smart Paint Manufacturing	Workers’ accommodation	5 July 1994	1,539.00	Period of tenancy 1 April 2022 to 31 March 2024 (2 years) Rental per month RM 900.00
2.	3 rd floor of the three storey shophouse bearing the address of No.14B, Jalan Johar 3, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor (“ No. 14B Workers’ Quarter ”)	Lim Boon Kuan / Smart Paint Manufacturing	Workers’ accommodation	5 July 1994	1,539.00	Period of tenancy 1 April 2022 to 31 March 2024 (2 years) Rental per month RM 900.00
3.	3 rd floor of the three storey shophouse bearing the address of No. 28B, Jalan Johar 2, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor (“ No.28B Workers’ Quarter ”)	Li Lan Ying / Smart Paint Manufacturing	Workers’ accommodation	5 July 1994	1,283.00	Period of tenancy 15 December 2022 to 14 December 2025 (3 Years) Rental per month RM 1,000.00

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7. BUSINESS OVERVIEW (Cont'd)

No.	Description	Owner / Tenant	Existing Use	Date of issuance of CF / CCC	Built-up area (sq ft)	Period of tenancy / Rental per month
4.	Selangor Office	Tiong Nam Logistics Solutions Sdn Bhd / Smart Paint (Selangor)	Sales and Administrative office	31 October 2001	1,981.00	<u>Period of tenancy</u> 1 Sep 2022 to 30 August 2024 (2 years) <u>Rental per month</u> RM 3,962.00

Further details on the requirement for CFA is set out in Section 7.21 of this Prospectus.

The properties rented by our Group are not in breach of any land use or regulatory requirements.

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7. BUSINESS OVERVIEW (Cont'd)

7.20 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

We recognise the importance of adopting Environment, Social and Governance (“**ESG**”) practices such as ensuring environmentally responsible operations, providing conducive workplaces for employees and a high standard of corporate governance for sustainable valuation creation and maintaining the confidence of our shareholders and stakeholders. As such, we will focus on the following 3 broad categories:

(a) Environmental

We endeavour to adhere to environmentally friendly practices in our management of resources and pollution generated from our business activities. In managing environmental sustainability matters, we will focus on, amongst others, the following:

- (i) using sustainable bio-based materials in design and formulation of our products through our research and development such as using renewable agricultural materials for example plant and forestry materials or an intermediate feedstock;
- (ii) engaging licensed scheduled waste collector licensed by the DG Environment to collect and treat the production waste generated from our business activities;
- (iii) empowering 2 qualified competent persons certified by the DG Environment to ensure the compliance in relation to the waste management for scheduled waste as well as air quality monitoring and control respectively; and
- (iv) practising ERRR (Eliminate, Reduce, Re-use, Recycle) Lean Resources Management approach which includes, amongst others, reducing the use of paper in our operations and utilising digital documents where possible and practical, encouraging all employees to collect recyclable waste in the office and minimising electricity wastage to reduce carbon footprint.

Upon commencement of the operations of our Perak Plant, the environmentally friendly practices above will also be implemented at our Perak Plant.

(b) Social

We place a strong emphasis on the safety and health of our employees, driving towards mitigating any associated safety and health risks at our workplace, creating a safe environment for our employees to enhance productivity and performance. In managing social sustainability matters, we will focus on, amongst others, the following:

- (i) ensure a safe, healthy, and conducive work environment for our employees;
- (ii) practice gender equality and cultural diversity with equal opportunities regardless of one’s age, gender, ethnicity, religion, national origin, disability, sexual orientation or any other relevant characteristics for employment, career development and advancement;
- (iii) prevent any form of misconduct and improper behaviour, such as workplace bullying, discrimination based on individual differences, discriminatory and sexual harassment, intimidation and victimisation; and
- (iv) empower our workforce by supporting their personal and professional growth. We constantly upskill our employees through training programs such as safety training, production techniques, leadership skills and self-development training to prepare them for career advancement opportunities.

7. BUSINESS OVERVIEW (Cont'd)

In addition to the above, our processing facility and machineries installed within our factories have been registered under the Factories and Machinery Act 1967, any necessary CF for applicable machineries had also been obtained and maintained. Safety and health related trainings are also conducted annually to increase the level of safety and health awareness among all employees.

(c) Governance

Our Group is committed to conduct our business ethically and in compliance with all the relevant laws and regulations as disclosed in Section 7.21 of this Prospectus. In managing governance sustainability matters, we will focus on, amongst others, the following:

- (i) uphold exemplary levels of business ethics, integrity, and corporate governance practices;
- (ii) develop and continually enhance appropriate governance structures and processes;
- (iii) adhere with all relevant laws and regulations pertaining to corporate governance; and
- (iv) develop policies and procedures to ensure the sufficiency and integrity of our Group's internal control system.

Our Board is committed to achieving and sustaining high standards of corporate governance according to the MCCG (i.e. ethical behaviour, accountability, transparency and sustainability). In order to promote business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of our stakeholders, we have adopted all relevant recommendations under the MCCG.

In addition, we have in place policies, procedures and practices to promote and maintain compliances in relation to the following:

- (i) Malaysian Anti-Corruption Commission Act 2009;
- (ii) Whistleblower Protection Act 2010;
- (iii) Personal Data Protection Act 2010;
- (iv) Employment Act 1955; and
- (v) Factories and Machinery Act 1967.

7.21 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Save as disclosed below and in Section 15.6 of this Prospectus on the exchange controls, there are no other regulatory requirements and/or major environmental issues which may materially affect our operations and utilisation of our property, plant and equipment.

The following is an overview of the relevant laws, regulations and requirements of Malaysia governing the conduct of our Group's business and environmental issue which may materially affect our business operations:

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

Pursuant to Section 3(1) of the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Failure to comply is an offence and such person shall be liable on conviction to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000.00 for every day during which such default continues.

7. BUSINESS OVERVIEW (Cont'd)

“Manufacturing activity” is defined under the ICA as the “making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”.

Manufacturing companies with shareholders’ funds of RM2.50 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

Our Group had manufactured disinfectants without a valid manufacturing license during the COVID-19 period from April 2020 to April 2022. Our Group has since ceased the manufacturing of disinfectants since April 2022 and there are no future plans for our Group to recommence the manufacturing of disinfectants. Should a penalty be imposed on the Group, the potential maximum penalty that may be imposed by the authority for the non-compliance is RM2,000.00. As at the LPD, our Group has not experienced any material adverse impact on our business operations nor has our Group been imposed with any notices, penalties or compounds arising from such non-compliance.

Moving forward, in the event that our Group intends to manufacture any products that does not fall within the ambit of our current manufacturing licences, our Group will obtain a valid manufacturing license for such products prior to manufacturing the same.

As at the LPD, our subsidiary, Smart Paint Manufacturing, which carries out the manufacturing activities of our Group holds 2 valid manufacturing licences for the manufacturing of ‘paints (decorative and protective coating)’ at Johor Factory 1 and 2, and Perak Land respectively. Johor Factory 3 does not have any manufacturing licence as there is no manufacturing activities carried out in Johor Factory 3 as at the LPD. Our Group holds a valid storage licence for Johor Factory 3 as it is used for storage purposes.

(b) **Employees’ Minimum Standards of Housing and Amenities Act 1990 (“EMSA 1990”), Employees’ Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 (“EMSR”)**

Pursuant to the EMSA 1990 (as amended by the Worker’s Minimum Standards of Housing and Amenities (Amendment) Act 2019) and the EMSR that came into force on 1 September 2020, every employer or centralised accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards prescribed thereunder, including but not limited to the minimum space and basic amenities requirements. Employers and centralised accommodation providers must also ensure that the accommodation provided is fit for human habitation in accordance with the relevant written laws, preventive measures are taken to ensure employees’ safety and well-being and that employees receive necessary medical assistance. In addition, no accommodation shall be provided to an employee unless certified with a CFA.

Employers who fail to obtain a CFA or fails to ensure the employee accommodation is fit for human habitation in accordance with the EMSA 1990 commits an offence and, on conviction, will be liable to a fine not exceeding RM50,000.00. Employers who contravene any other provision of the EMSA 1990 or any regulation made thereunder or fails to carry out any order made by the Director General of Labour, will commit an offence, and if no penalty is expressly provided for the offence will, on conviction, be liable to a fine not exceeding RM50,000.00 and to a further fine not exceeding RM1,000.00 a day for each day during which the offence continues.

As at the LPD, we provide accommodation to our employees at 3 premises located within the vicinities of our factories, namely the No.14A Workers’ Quarter, No.14B Workers’ Quarter and No.28B Workers’ Quarter. All the accommodations that we provide to our

7. BUSINESS OVERVIEW (Cont'd)

employees have been awarded with valid CFA and the conditions therein have been complied with.

(c) EQA, EQSWR and EQIER

The EQA regulates and control the levels of pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without licence, prohibits the discharge of oil and wastes into Malaysian waters without a licence and prohibits open burning.

The EQSWR is a subsidiary legislation pursuant to the EQA which impose on the waste generator of premises an obligation to record, store, label, treat and dispose scheduled waste in accordance to the regulation. Any person who contravenes the aforementioned will commit an offence, and will be compounded by the DG Environment or any other public officer or local authority to whom the DG Environment has delegated such power to a sum of money not exceeding RM2,000.

The EQIER is a subsidiary legislation pursuant to the EQA regulating premises which discharge or release industrial effluent or mixed effluent, onto or into any soil, or into inland waters or Malaysian waters and impose obligations for amongst others, performance monitoring of the industrial effluent system and monitoring of discharge of industrial effluent or mixed effluent. Any person who contravenes the aforementioned shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to a term of imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000.00 a day for every day that the offence is continued after the notice by the DG Environment requiring him to cease the act as specified in the notice has been served upon him.

On 29 March 2022, our subsidiary, Smart Paint Manufacturing was issued 5 compounds by the Department of Environment (“DOE”) amounting to RM10,000.00 (which was subsequently reduced to RM7,500.00 as agreed with the Compound Appeal Committee of the DOE) for failing to observe the following provisions of the EQIER and EQSWR:

- (i) Regulation 9 of EQSWR: Failure to ensure the scheduled waste to be properly stored;
- (ii) Regulation 9 of EQSWR: Failure to ensure the scheduled waste to be stored in a container that is suitable and can prevent leakage;
- (iii) Regulation 10 of EQSWR: Failure to clearly label the scheduled waste according to its type;
- (iv) Regulation 11 of EQSWR: Failure to clearly label the scheduled waste according to its type; and
- (v) Regulation 8 of the EQIER: Failure to ensure that the components of industrial effluent treatment system are in a good condition.

Smart Paint Manufacturing has since made the necessary rectifications as required by the DOE and had settled the payment of RM7,500.00 (a reduction from the total amount of RM10,000.00 as agreed with the Compound Appeal Committee of the DOE) on 10 May 2022. The compound has been duly paid and our Group has not experienced any material adverse impact on our business operations or financial condition arising from such compound.

As at the LPD and save as disclosed above, our Group is in compliance with the relevant requirements under the EQA, EQSWR and EQIER.

7. BUSINESS OVERVIEW (Cont'd)

(d) Factories and Machinery Act 1967 (“FMA 1967”)

The FMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provide for the control of factories with respect to matters relating to the safety, health and welfare of persons in the factories, the registration and inspection of machinery and other matters connected therewith.

Section 19 of the FMA 1967 states that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is a valid certificate of fitness issued under the FMA 1967 in relation to the operation of the machinery. Any person who contravenes this provision shall be served with a notice in writing prohibiting the operation of such machinery or may render such machinery inoperative until such time as a valid certificate of fitness is issued. In addition, such person shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding 3 years or to both.

As at the LPD, our Group is in compliance with the relevant provisions under the FMA 1967 and save for 1 machinery of which the certificate of fitness was pending renewal, we have obtained valid certificates of fitness for the operation of our machineries that require certifications under the FMA 1967. Subsequent to the LPD, the Group have since obtained the renewed certificate of fitness for the aforementioned machinery on 19 August 2023.

(e) Occupational Safety and Health Act 1994 (“OSHA 1994”)

The OSHA 1994 regulates the safety, health and welfare of persons at work, to protect others against risks to safety or health in connection with the activities of persons at work, as well as to promote an occupational environment for persons at work.

Pursuant to Section 16 of the OSHA 1994, it is the duty of every employer to prepare and as often as may be appropriate revise a written statement of his general policy with respect to the safety and health at work of his employees and the organisation and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision of it to the notice of all of his employees. Employer who contravenes this provision shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 2 years or to both.

Section 29 of the OSHA 1994 requires an occupier of a place of work to which this section applies to employ a competent person to act as a safety and health officer at the place of work. An occupier who contravenes the provisions of this section shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000.00 or to a term of imprisonment not exceeding 6 months or to both. The employer of the class or description of industries that shall employ a safety and health officer can be found under Order 3 of the Occupational Safety and Health (Safety and Health Officer) Order 1997, which include any boiler and pressure vessel manufacturing activity employing more than a hundred employees.

In addition, Section 30 of the OSHA 1994 provides that every employer shall establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work or the Director General of DOSH directs the establishment of such a committee at the place of work. A person who contravenes this provision shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000.00 or to imprisonment for a term not exceeding 6 months or to both.

As at the LPD, our Group is in compliance with the relevant provisions under the OSHA 1994.

7. BUSINESS OVERVIEW (Cont'd)

Notwithstanding the above, our subsidiary, Smart Paint Manufacturing, was on 17 April 2023 issued with 14 improvement notices by DOSH pursuant to Section 48 of the OSHA 1994 due to the following non-compliances:

- (i) Regulation 3(1) of the Occupational Safety and Health (Noise Exposure) Regulations 2019 (“**OSHNER**”): Failure to conduct excessive noise identification for the workplace areas;
- (ii) Regulation 5(2) of the OSHNER: Failure to provide training for workers who are exposed to excessive noise at least once a year;
- (iii) Regulation 7(1) of the OSHNER: Failure to provide appropriate and efficient personal hearing protection to employees who are exposed to excessive noise;
- (iv) Regulation 8 of the OSHNER: Work areas exposed to excessive noise levels exceeding the specified limits was not marked with the words “Zon Perlindungan Pendengaran” or “Hearing Protection Zone”;
- (v) Regulation 9 of the OSHNER: Failure to conduct audiometric tests for workers who are exposed to excessive noise exposure limits every year;
- (vi) Regulation 9(4) of the OSHNER: Failure to conduct medical examinations for employees who have abnormal audiogram;
- (vii) Regulation 5 of the Occupational Safety and Health (Classification, Labelling And Safety Data Sheet Of Hazardous Chemicals) Regulations 2013 (“**OSHCR**”): Failure to explain chemicals as hazardous chemicals according to the format specified in the industry code of practice;
- (viii) Regulation 8(1) of the OSHCR: Failure to label all chemicals by placing the information specified in the regulation;
- (ix) Regulation 14(1) of the OSHCR: Failure to prepare an inventory of dangerous chemicals that are supplied or imported in excess of 1 metric ton per year;
- (x) Regulation 14(2) of the OSHCR: Failure to present to the Director General an inventory of hazardous chemicals for each calendar year no later than March 31 of the next year;
- (xi) Regulation 5 of the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000 (“**OSHUR**”): Failure to record all chemicals that are hazardous to health according to the format specified in the guidelines for the registration of chemicals hazardous to health;
- (xii) Regulation 17(1)(b) of the OSHUR: Failure to have the engineering control equipment checked and tested for effectiveness by hygiene technicians at regular intervals, each period of not more than twelve months;
- (xiii) Regulation 26 of the OSHUR: Failure to appoint a hygiene technician to carry out exposure monitoring based on the parameters specified in the Chemical Health Risk Assessment report; and
- (xiv) Regulation 14(1) of the OSHUR: Failure to provide workers with protective equipment of R95, organic vapor cartridge respirators.

7. BUSINESS OVERVIEW (Cont'd)

Section 48(1) of the OSHA 1994 provides that if an officer is of the opinion that a place of work, plant, substance or process is likely to be a danger, to cause bodily injury or is a serious risk to the health of any person, or is likely to cause damage to any property, he shall serve an improvement notice on the person under whose control the place of work, plant, substance or process lies, requiring the person to take measures to remove the danger or rectify any defect within such period as he shall therein specify, and in every such case the place of work, plant, substance or process shall not be used or operated even after the period of expiry of the notice until the danger has been removed or the defect made good to the satisfaction of the officer.

Pursuant to Section 49(2) of the OSHA 1994, a person who without reasonable excuse fails to comply with any improvement or prohibition notice issued under Section 48 shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding five years or to both, and to a further fine of RM500.00 for each day during which the offence continues.

As at the LPD, our Group has made all the necessary rectifications required in respect of the non-compliances and no compounds nor penalties have been imposed on our Group for the same. Our Group has via a letter dated 15 May 2023 notified DOSH of the rectifications made pursuant to the improvement notices issued and the same was acknowledged by DOSH on 24 May 2023 and 31 May 2023. Following the notifications, our Group is of the view that the rectifications are deemed sufficient and accepted by DOSH as our Group has not received any further queries nor requests for rectification from DOSH in respect of the abovementioned improvement notices.

(f) Immigration Act 1959 (“IA 1959”), Employment (Restriction) Act 1968 (“ERA 1968”) and all regulations made thereunder

The IA 1959 regulates matters relating to immigration in Malaysia where it provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit, his name is endorsed upon the said valid entry permit and he is in the company of the holder of the said entry permit or he is in possession of a valid pass lawfully issued to him to enter Malaysia or exemption is granted to him pursuant to the IA 1959.

Section 55B(1) of the IA 1959 provides that a person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid pass shall be guilty of an offence, and shall on conviction, be liable to a fine of not less than RM10,000.00 but not more than RM50,000.00 or to a term of imprisonment not exceeding 12 months or to both for each such employee. Further, where it is proved to the satisfaction of the court that the person has at the same time employed more than 5 such employees, that person shall, on conviction be liable to imprisonment for a term of not less than 6 months but not more than 5 years and shall also be liable to whipping of not more than 6 strokes.

In addition, the ERA1968 also expressly prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit. Failure to obtain the valid employment permit is an offence and shall, on conviction, be liable to a fine not exceeding RM5,000.00 or imprisonment for a term not exceeding 1 year or both.

As at the LPD, all of our foreign employees are in possession of a valid work permit.

(g) Fire Services Act 1988 (“FSA 1988”)

The FSA 1988 provides for the effective and efficient functioning of the Fire and Rescue Department of Malaysia (“**BOMBA**”), for the protection of persons and property from fire risks or emergencies. The FSA 1988 provides, among other things, that a fire certificate shall only be issued after the designated premises have been inspected and BOMBA is

7. BUSINESS OVERVIEW (Cont'd)

satisfied that there is adequate life safety, fire prevention, fire protection and firefighting facilities.

Where there is no fire certificate in force in respect of any designated premises, the owner of the premises shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 5 years or to both.

As at the LPD, all our premises which fall within the category of 'designated premises' under the FSA 1988 has a valid fire certificate issued by BOMBA and which is renewable annually. The application and renewal process are ongoing processes and at one point in time, there will be premises which are in the midst of applying for the renewal of fire certificates.

(h) Local Government Act 1976 ("LGA 1976")

The LGA 1976 empowers every local authority to grant licence or permit for any trade, occupation or premise through by-laws. Every licence or permit granted shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor. As our Group's business activities are mainly carried out in Johor and Shah Alam, we are subject to the following by-laws of the respective states:

- (i) Licensing of Trades, Business and Industries (Johor Bahru City Council) By-Laws 2004 ("**Johor Bahru Business By-Laws**") provides that no person shall use any place or premise within the area of the Johor Bahru City Council for any trade, business or industry without a licence issued by the licensing authority. The Advertisement (Majlis Perbandaran Johor Bahru) By-Laws 1981 ("**Johor Bahru Advertisement By-Laws**") provides that no person shall exhibit or cause to be exhibited any advertisement without a licence issued by the licensing authority.

Any person who contravenes any provisions of the Johor Bahru Business By-Laws commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both such fine and imprisonment. Any person who contravenes any provisions of the Johor Bahru Advertisement By-Laws shall on conviction, be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or both and in the case of a continuing offence to a fine not exceeding RM200.00 for each day during which such offence is continued after conviction; and

- (ii) The Licensing of Trades, Businesses and Industries (Shah Alam City Council) By-Laws 2007 ("**Shah Alam By-Laws**") provides that no person shall (1) operate any activity of trade, business and industry or use any place or premise in the local area of Shah Alam for any activity of trade, business and industry; or (2) exhibit any advertisement, without a licence issued by the licensing authority.

Any person who contravenes any provisions of the Shah Alam By-Laws commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or to both such fine and imprisonment.

As at the LPD, save for the Selangor Office, our Group holds and maintains valid business premise licences for all our operating business premises, valid signboard licences in respect of all premises with external signboards as well valid storage licences in respect of all premises used for storage purposes.

7. BUSINESS OVERVIEW (Cont'd)

Pending the issuance of the business premise licence for the Selangor Office, our Group was not occupying the aforementioned premise and has engaged the membership service of a co-working space, namely Co-labs Coworking Shah Alam, at B-02-01 & B-02-02 Block B, Sekitar26 Enterprise, Persiaran Hulu Selangor, Seksyen 26, 40400 Shah Alam, Selangor. Subsequent to the LPD, the Group has since obtained the business premise licence for the Selangor Office on 22 August 2023.

Details of the major approvals, licences and permits issued to our Group in order for us to carry out our operations are set out in Section 7.17 of this Prospectus. As at the LPD, our Group has complied with all relevant laws and regulations governing its business operations. Save as disclosed above, as at the LPD, there are no other material laws, regulations, rules or requirements governing the conduct of our business and/or major environmental issue which may materially affect our operations.

7.22 BUSINESS STRATEGIES AND FUTURE PLANS**7.22.1 Construction of Perak Plant**

As at the LPD, our Group carries out our manufacturing operations at Johor Factory 1. As our business continues to expand domestically, we have decided to set up our Perak Plant to streamline our manufacturing operations as well as to increase our manufacturing capacity. This is achieved through the installation of an industrial tinting system and automated paint production system in our Perak Plant which are expected to reduce our dependency on human operators for our manufacturing activities, as well as the closer proximity of our Perak Plant to calcium carbonate sources which is expected to reduce our production lead time. Please refer to this section below for further details on the closer proximity of our Perak Plant to calcium carbonate sources, and Section 7.22.2 of this Prospectus for further details on the industrial tinting system and automated paint production system to be installed in our Perak Plant. Upon the completion of our Perak Plant, the manufacturing of water-based decorative paints and protective coatings will be transferred from Johor Factory 1 to Perak Plant, whereas Johor Factory 1 will focus on the manufacturing of solvent-based decorative paints and protective coatings as well as colourants. The current breakdown of the manufacturing output and revenue, and utilisation rate between water-based and solvent-based decorative paints and protective coatings as well as colourants are as follows:

FYE 2022	Actual annual output (litres)	Utilisation rate (%)	Revenue (RM'000)
Water-based decorative paints (house brands)	5,683,398	65.24	40,019
Water-based products for ODM	103,160	1.18	3,166
Water-based binding and coating chemicals (house brands)	55,822	0.64	949
Solvent-based decorative paints (house brands)	1,444,331	16.58	14,022
Solvent-based protective coatings (house brands)	448,915	5.15	5,963
Solvent-based products for ODM	17,067	0.20	372
Solvent-based binding and coating chemicals (house brands)	4,028	0.04	165
Total :	7,756,721	89.03	64,656
Water-based colourants	162,813	61.67	5,227
Solvent-based colourants	22,665	8.59	203
Total :	185,478	70.26	5,430
Total revenue for manufacturing segment:			70,086

7. BUSINESS OVERVIEW (Cont'd)

As the manufacturing line in Perak Plant will focus on the manufacturing of water-based decorative paints, there is no breakdown of expected manufacturing capacity available. As for Johor Factory 1, the 2 manufacturing lines can be interchangeably used to manufacture solvent-based decorative paints and protective coatings, as well as water-based binding and coatings chemicals, and that there is no dedicated manufacturing line to manufacture a particular product, the breakdown of the expected manufacturing capacity by solvent-based decorative paints and protective coatings, as well as water-based binding and coatings chemicals cannot be determined as the utilisation of the manufacturing line by product type will be determined by the orders received.

Further, as the manufacturing line for colourants can be interchangeably used to manufacture water-based and solvent-based colourants, the breakdown of the expected manufacturing capacity by water-based and solvent-based colourants cannot be determined as the utilisation of the manufacturing line by product type will be determined by the orders received.

Our Perak Plant, will allow us to expand our customer-base within the Central and Northern regions of Malaysia due to closer proximity to our customers. For the Financial Years Under Review, revenue contributed by the Central and Northern regions of Malaysia collectively amounted to 31.51%, 27.17% and 24.12% of our Group's revenue, respectively. Further, according to the IMR Report, the Central and Northern regions of Malaysia collectively accounted for 61.86% of the total number of property transactions (i.e. comprising residential, commercial and industrial properties) in Malaysia, signifying higher property investments which is expected to consequently drive the demand for paints and coatings in these regions, and for this reason, we intend to target these regions for our Group's market expansion.

In addition, the decision to set up our new manufacturing plant in Perak is also driven by the close proximity to calcium carbonate sources in Perak. Perak is the primary source of calcium carbonate in Malaysia and calcium carbonate is one of the raw materials used in the manufacturing of our decorative paints and protective coatings. The close proximity of our factory to calcium carbonate sources is expected to reduce our production lead time. This is achievable by minimising the packing and transportation duration of calcium carbonate through frequent deliveries and shorter transportation distance.

Further details on the acquisition of land and indicative timeline, source of funding, expansion of manufacturing capacity, and reallocation and recruitment of employees for our Perak Plant are as set out below:

(a) Acquisition of land and indicative timeline

On 13 August 2018, we entered into a sales and purchase agreement with Perbadanan Kemajuan Negeri Perak to purchase the Perak Land at a purchase consideration of approximately RM2.79 million, for the construction of our Perak Plant. The amalgamation of the Perak Land was completed in December 2020 and we commenced the construction of our Perak Plant on July 2022.

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7. BUSINESS OVERVIEW (Cont'd)

The indicative timeline for the setting up of our Perak Plant is as follows:

Timeline	Details
August 2018	Signed sales and purchase agreement to acquire the Perak Land
December 2020	Completion of amalgamation of the Perak Land
July 2022	Commencement of construction of our Perak Plant
Fourth quarter of 2023	Completion of construction of our Perak Plant
First quarter of 2024	Commissioning of industrial tinting system and automated paint production system
Second quarter of 2024	Commencement of commercial operations

(b) Source of funding

The total estimated cost for the construction of our Perak Plant is RM[•] million, of which RM[•] million will be funded via IPO proceeds to repay bank facility that will be drawn down for the construction of Perak Plant, whereas the remaining construction cost will be funded via bank borrowing and/or internally generated funds. As at the LPD, RM[•] million has been funded via bank borrowings and internally generated funds. Please refer to Section 4.9 of this Prospectus for further details on the breakdown of the total estimated costs, source of funding and utilisation of our IPO proceeds.

(c) Expansion of manufacturing capacity

With the expanded manufacturing space, our annual manufacturing capacity for the decorative paints and protective coatings is expected to increase by 27.00 million litres (i.e. estimated monthly manufacturing capacity of 2.25 million litres), which is an increase of 309.99% from our current annual manufacturing capacity of 8.71 million litres in the FYE 2022. Further details on our annual manufacturing capacity in the Financial Years Under Review are as set out in Section 7.13 of this Prospectus, whereas details on the purchase and commission of industrial tinting system and automated paint production system in our Perak Plant are as set out in Section 7.22.2 of this Prospectus.

We commenced the manufacturing of our decorative paints and protective coatings in 2013. In the Financial Years Under Review, we achieved utilisation rates ranging from 89.04% to 98.17% for our decorative paints and protective coatings manufacturing. This demonstrates our Group's ability to reach almost full manufacturing capacity within 7 years (i.e. from 2013 to 2020). Further, the compound annual growth rate of 5.19% in our revenue recorded in the Financial Years Under Review underpins the need for an expansion in our manufacturing capacity in order to further drive the growth of our business. Hence, the increased capacity of our Perak Plant is intended to support the future long term growth of our Group. We expect to utilise approximately 50.00% of the manufacturing capacity (i.e. 13.50 million litres per annum) of our Perak Plant in the next 3 years (i.e. by 2026) and target to achieve utilisation rate of approximately 70.00% of our Perak Plant in the next 6 to 7 years (i.e. by 2029 - 2030). We expect to utilise close to maximum manufacturing capacity of our Perak Plant at above 95.00% by 2032.

The projected growth of the utilisation of our manufacturing capacity of our Perak Plant is approximately 20.00% to 35.00% per annum in the next 3 years (i.e. by 2026) and subsequently the projected growth is expected to be around approximately 10.00% per annum until we reach the maximum manufacturing capacity at above approximately 95.00% by 2032.

7. BUSINESS OVERVIEW (Cont'd)

Upon commencement of our Perak Plant in 2024, the projected growth of the utilisation of our manufacturing capacity of our Johor Factory 1 is approximately 15.00% per annum in the subsequent 2 years (i.e. 2025 and 2026), followed by projected growth of approximately 7.00% to 10.00% per annum thereafter until we reach manufacturing capacity of approximately 70.00% by 2032.

(d) Reallocation or recruitment of employees

Our Group intends to station 50 employees in our Perak Plant to support our day-to-day business activities upon the commencement of business operations in Perak Plant, of which we intend to recruit 15 new employees and reallocate 35 existing employees from various departments such as the QC, manufacturing operations and information technology departments in Johor Factory 1, Johor Factory 2, or Johor Factory 3 to our Perak Plant. The estimated cost for the recruitment and reallocation of employees is RM0.07 million and the estimated staff cost is RM1.44 million per annum, which will be funded via internally generated funds.

7.22.2 Purchase and commissioning of an industrial tinting system and automated paint production system in our Perak Plant

Upon the completion of construction of our Perak Plant, we will install and commission the following systems in our Perak Plant with further details as set out below:

(a) Industrial tinting system

Our industrial tinting system is an automated tinting machine which function similarly as our Smart Colour POS Tinting Machines but is catered for industrial use to produce a wide variety of colours for our decorative paints and protective coatings. With the use of an industrial tinting system, we will be able to automate the tinting process, whereby we will be able to reduce our dependency on human operators to perform colour tinting in our manufacturing of decorative paints and protective coatings. As we already manufacture colourants in-house, we will be able to use our colourants in the industrial tinting system.

The adoption of the industrial tinting system also aids in the reduction of yield loss as the system is able to accurately measure and disperse the exact volume of decorative paint and protective coating products to be manufactured. In addition, the system can also be effectively used for the manufacturing of decorative paints and protective coatings in small quantities. With this, customers are able to request for customised colours of decorative paints and protective coatings with lower minimum order quantity, which will enable us to be more flexible in accepting orders from customers.

7. BUSINESS OVERVIEW (Cont'd)

(b) Automated paint production system

Our automated paint production system comprises the set up and integration of machinery to form an automated production line. This automated production line is expected to reduce the need for human operators. With this system, we will be able to automate the transfer of raw materials from the storage tanks into the dispersion tanks, movement of semi-finished products from one station to another, loading and unloading of semi-finished products, and performing quality checks, thus eliminating the need for human operators for these processes. Consequently, human labour will only be only required to supervise and control the operations, including certain tasks such as adding of certain raw materials (e.g. additives) due to the low quantities required, and the movement of finished products to our storage facilities.

As at the LPD, we have an automated colour matching software installed and adopted in Johor Factory 1. Our automated colour matching software is used to perform automated colour matching which forms the main function of our manufacturing activities, whereby the software enables the selection of formulation to produce the required colour. Upon commissioning of our industrial tinting system and automated paint production system in our Perak Plant, we will integrate our automated colour matching software into the systems to support the manufacturing activities in our Perak Plant. Our industrial tinting system, which is also integrated with our automated paint production system, will enable the continuous flow of our manufacturing processes. The integration of our software and systems will enable our Group to reduce our dependency on human operators when carrying out our manufacturing activities.

The implementation of our automated paint production system, industrial tinting system and automated colour matching software in our Perak Plant will be in-line with the government's vision of progressing towards Industry 4.0 to achieve higher national productivity, create higher skilled employment as well as enhance innovation capabilities and competitiveness. With the implementation of the abovementioned systems and software, it will allow us to reduce our dependency on human operators and on foreign labour for our manufacturing activities, as well as to achieve higher productivity, cost-efficiency and quality consistency. On June 2022, our Group was given a grant under the Industry4WRD Intervention Fund Grant from the Malaysia Investment Development Authority which amounted to approximately RM0.48 million to support our Industry 4.0 initiatives mentioned above.

The total estimated cost for the purchase and commissioning of the industrial tinting system and the automated paint production system is approximately RM0.32 million and RM[•] million, respectively.

Our Group plans to fund the purchase and commissioning of the industrial tinting system via internally generated funds. For the automated paint production system, our Group intends to utilise our IPO proceeds of up to RM[•] million to fully repay the bank facility that has been drawn down/ to be drawn down (as at the LPD, outstanding balance of the banking facility is approximately RM[•] million) to part finance the purchase and commissioning of the automated paint production system and the remaining balance of RM[•] million will be funded through internally generated funds.

Please refer to Section 4.9.1 of this Prospectus for further details on the breakdown of the total estimated costs, source of funding and utilisation of our IPO proceeds.

7. BUSINESS OVERVIEW (Cont'd)

7.22.3 Purchase 250 sets of Smart Colour POS Tinting Machine to be distributed to our wholesalers and dealers to continue driving our sales

Our Group set up Smart Colour POS Tinting Machines at our wholesalers' and dealers' retail hardware stores and retail paint shops, as well as sell our Smart Colour POS Tinting Machines to our authorised distributors to facilitate the sale of our products. Our Smart Colour POS Tinting Machines allow our wholesalers, dealers and authorised distributors to offer a wide variety of paint colours to retail end-users without the need to store large inventories of coloured paints. This enables our wholesalers, dealers and authorised distributors to optimise their storage space, thus providing convenience to our wholesalers, dealers and authorised distributors to sell our products. For further details on our Smart Colour POS Tinting Machines, please refer to Section 7.2.6 of this Prospectus.

Further, the distribution and sale of our Smart Colour POS Tinting Machines also enhances our brand recognition in the paints and coating industry as well as among retail and business end-users. This may, in turn, help to retain our existing wholesalers, dealers and authorised distributors as well as to attract new wholesalers, dealers and authorised distributors to carry our products and the Smart Colour POS Tinting Machines, and consequently expand our customer base.

As at the LPD, we have set up our Smart Colour POS Tinting Machines in 363 retail hardware stores or retail paint shops across Malaysia. As our Smart Colour POS Tinting Machines are used to facilitate the sales of our decorative paints, we plan to purchase an additional 250 sets of Smart Colour POS Tinting Machine over the next 3 years (i.e. 2024 to 2026) to be distributed locally to new wholesalers and dealers as well as to existing wholesalers and dealers who set up new retail hardware stores or retail paint shops, across Malaysia. This is expected to encourage more wholesalers and dealers to market our decorative paints, which we anticipate will continue to drive the sales of our products.

The total estimated cost for the purchase of the 250 sets of Smart Colour POS Tinting Machine is RM[*] million, which will be fully funded via IPO proceeds. Please refer to Section 4.9.1 of this Prospectus for further details on the breakdown of the total estimated costs, source of funding and utilisation of our IPO proceeds.

7.22.4 Sales and marketing strategies

Given the increase in our manufacturing capacity with our upcoming Perak Plant, we will carry out the following sales and marketing strategies to ensure that we receive sufficient sales to optimise the operations at our Perak Plant to further grow our business:

- (i) We plan to expand our presence in Kota Bahru (Kelantan), Kuantan (Pahang) and Butterworth (Penang) through the appointment of wholesalers, appointment of third party warehouse service providers, or to set up our own storage facilities in the respective locations to store our products. Our Group believes that setting up warehousing/storage points at these locations enables our wholesalers and dealers in these regions to have better access to our Group due to the closer proximity, thus providing better confidence to new dealers to carry our products. On 15 September 2023, our Group secured a new wholesaler in Kuala Terengganu (Terengganu) in which the wholesaler will distribute our products in Terengganu as well as Kelantan. We are still in the midst of identifying wholesalers in Kuantan (Pahang) and Butterworth (Penang). If required, our Group plans to appoint third-party warehouse service providers or to set up our own storage facilities in the respective locations to store our products by fourth quarter of 2024.

In addition, we intend to expand our sales team from 36 personnel as at the LPD to 48 personnel to support this expansion plan. The estimated initial costs to set up our own storage facilities and expand our sales team are approximately RM1.00 million and it will be funded via our internally generated funds.

7. BUSINESS OVERVIEW (Cont'd)

- (ii) We will continuously expand our network of dealers, and target to secure 800 new dealers over the next 3 years (i.e. by 2026). Further breakdown on the expected distribution of our new dealers is as shown in the table below:

Geographical region	Number of new dealers
Peninsular Malaysia	
• Northern ⁽¹⁾	150
• Central ⁽²⁾	300
• Southern ⁽³⁾	100
• East Coast ⁽⁴⁾	150
East Malaysia	100
Total	800

Notes:

- (1) Northern region consists of Penang, Perak, Perlis and Kedah.
- (2) Central region consists of Selangor, Kuala Lumpur and Negeri Sembilan.
- (3) Southern region consists of Johor and Malacca.
- (4) East Coast region consists of Pahang, Kelantan and Terengganu.
- (iii) We will further expand the distribution of our Smart Colour POS Tinting Machines by distributing additional 250 sets to new wholesalers and dealers as well as to existing wholesalers and dealers who set up new retail hardware stores or retail paint shops across Malaysia to continue driving our sales. For further details on the purchase of 250 sets Smart Colour POS Tinting Machines to be distributed to our wholesalers and dealers are as set out in Section 7.22.3.
- (iv) We will leverage on the expanded manufacturing capacity as well as our Group's capabilities to further expand our offerings on the provision of ODM services of decorative paints, protective coatings as well as binding and coating chemicals to ODM customers. As at the LPD, we have 4 ODM customers that engage us for ODM services of decorative paints, protective coatings as well as binding and coating chemicals. With the anticipated lower production lead time attributed to the close proximity of our Perak Plant to calcium carbonate sources, our Group expects to reduce the time between orders being placed and delivery of our products to our ODM customers, thus providing competitive advantage to our Group. We plan to secure 4 additional ODM customers in the next 3 years (i.e. by 2026).

The abovementioned sales and marketing strategies will also be similarly applicable to cater to the expansion in the manufacturing of solvent-based products in our Johor Factory 1 upon the commencement of our Perak Plant. Our Group believes that our strong foundation, together with the sales and marketing strategies as set out above, we are able to utilise the increased manufacturing capacity upon the commencement of our Perak Plant, thus driving the long term growth of our business.

7. BUSINESS OVERVIEW (Cont'd)**7.23 EMPLOYEES**

As at 31 December 2022, we employed a total of 159 employees, out of which 30 are contract employees. The breakdown of our employees by division is set out as follows:

Department/ function	Business	Permanent employee		Contractual employee		Total
		Local	Foreign	Local	Foreign	
Directors		3	-	-	-	3
Admin and Resources	Human	3	-	1	-	4
Finance		8	-	-	-	8
Manufacturing operations		35	-	6	17	58
QC		9	-	-	-	9
Procurement		6	-	-	-	6
Logistics and warehouse		16	-	3	3	22
Sales and marketing		40	-	-	-	40
Information technology		2	-	-	-	2
Product development		7	-	-	-	7
Total		129	-	10	20	159

As at 31 December 2022, local employees accounted for approximately 87.42% of our total workforce while the remaining 12.58% were foreign workers.

As at the LPD, we employed a total of 168 employees, out of which 38 are contract employees. The breakdown of our employees by division is set out as follows:

Department/ function	Business	Permanent employee		Contractual employee		Total
		Local	Foreign	Local	Foreign	
Directors		3	-	-	-	3
Admin and Resources	Human	4	-	-	-	4
Finance		8	-	-	-	8
Manufacturing operations		35	-	6	25	66
QC		7	-	1	-	8
Procurement		5	-	-	-	5
Logistics and warehouse		23	-	2	4	29
Sales and marketing		36	-	-	-	36
Information technology		2	-	-	-	2
Product development		7	-	-	-	7
Total		130	-	9	29	168

As at the LPD, local employees accounted for approximately 82.74% of our total workforce while the remaining 17.26% were foreign workers. All our foreign workers have valid working permits as at the LPD, which are renewable periodically. None of our employees belongs 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 plan to identify key competencies and requirements of managers and higher ranking personnel, to take positive approach towards addressing talent management to ensure our Group has talent readily available from a capability perspective to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group.

7. BUSINESS OVERVIEW (Cont'd)

7.24 MAJOR CUSTOMERS

Our Group's top 5 customers for the Financial Years Under Review are as follows:

FYE 2020

Customer name	Customer type	Products or services sold	Length of relationship as at the LPD (Years)	Sales (RM '000)	% of our Group's revenue (%)
Toplus Paint	Authorised distributor (Cambodia)	Decorative paints, POS universal colourants, disinfecting products and Smart Colour POS Tinting Machines	5	3,743	5.23
Golden Sky (S) ⁽¹⁾	Authorised distributor (Singapore) and ODM customer	In-plant colourants, raw materials and ODM services for decorative paints	7	3,472	4.85
UA Paints & Hardware Sdn Bhd	Wholesaler	Decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories and aerosol spray paints	10	3,024	4.22
Best Team Marketing Sdn Bhd	Wholesaler	Decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories and aerosol spray paints	10	2,848	3.98
Paumin Hardware Sdn Bhd	Wholesaler	Decorative paints, protective coatings, disinfecting products, painting tools and accessories and aerosol spray paints	10	2,792	3.90
Sub-total				15,879	22.18
Total revenue				71,599	100.00

7. BUSINESS OVERVIEW (Cont'd)

FYE 2021

Customer name	Customer type	Products or services sold	Length of relationship as at the LPD (Years)	Sales (RM '000)	% of our Group's revenue (%)
Golden Sky (S) ⁽¹⁾	Authorised distributor (Singapore) and ODM customer	In-plant colourants, raw materials and ODM services for decorative paints	7	5,193	6.51
Paumin Hardware Sdn Bhd	Wholesaler	Decorative paints, protective coatings, disinfecting products, painting tools and accessories and aerosol spray paints	10	3,808	4.78
UA Paints & Hardware Sdn Bhd	Wholesaler	Decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories and aerosol spray paints	10	3,656	4.58
Best Team Marketing Sdn Bhd	Wholesaler	Decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories and aerosol spray paints	10	3,392	4.25
Yi Hang Group ⁽²⁾	Dealer	Decorative paints, protective coatings, POS universal colourants, disinfecting products, painting tools and accessories, aerosol spray paints and other trading items	11	2,358	2.96
Sub-total				18,407	23.08
Total revenue				79,766	100.00

7. BUSINESS OVERVIEW (Cont'd)

FYE 2022

Customer name	Customer type	Products or services sold	Length of relationship as at the LPD (Years)	Sales (RM '000)	% of our Group's revenue (%)
Golden Sky (S) ⁽¹⁾	Authorised distributor (Singapore) and ODM customer	In-plant colourants, raw materials and ODM services for decorative paints	7	5,570	7.03
Best Team Marketing Sdn Bhd	Wholesaler	Decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories and aerosol spray paints	10	3,291	4.16
Paumin Hardware Sdn Bhd	Wholesaler	Decorative paints, protective coatings, binding and coating chemicals, painting tools and accessories and aerosol spray paints	10	3,137	3.96
UA Paints & Hardware Sdn Bhd	Wholesaler	Decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories and aerosol spray paints	10	2,837	3.58
Yi Hang Group ⁽²⁾	Dealer	Decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories, aerosol spray paints and other trading items	11	2,285	2.88
Sub-total				17,120	21.61
Total revenue				79,218	100.00

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) *Golden Sky (S) is based in Singapore, however, in-plant colourants, raw materials and decorative paints (i.e. under ODM services) sold to Golden Sky (S) were delivered by our Group to Myanmar.*
- (2) *Comprises Yi Hang Hardware Sdn Bhd and Yee Hang Paints & Hardware Sdn Bhd. Both entities have common partners. Our Group sells decorative paints, protective coatings, POS universal colourants, binding and coating chemicals, disinfecting products, painting tools and accessories, aerosol spray paints as well as other trading items to Yi Hang Hardware Sdn Bhd and Yee Hang Paints & Hardware Sdn Bhd. Yi Hang Hardware Sdn Bhd has contributed RM1.51 million representing 1.89% of our Group's revenue for FYE 2021 and RM1.55 million representing 1.96% of our Group's revenue for FYE 2022 whereas Yee Hang Paints & Hardware Sdn Bhd has contributed RM0.85 million representing 1.07% of our Group's revenue for FYE 2021 and RM0.73 million representing 0.92% of our Group's revenue for FYE 2022.*

For the past Financial Years Under Review, our top 5 customers contributed 22.18%, 23.08% and 21.61% of our Group's total revenue respectively. Our top 5 customers in the Financial Years Under Review comprise wholesalers, dealers and authorised distributors. For the Financial Years Under Review, sales to wholesalers, dealers, and authorised distributors are our primary contributors, where they collectively accounted for 95.06%, 96.84% and 98.53% of our Group's revenue respectively. As at the LPD, our Group has a network of 8 wholesalers and 747 dealers in Malaysia, and 12 authorised distributors overseas. In the event that our top 5 customers cease to purchase from us, we believe we will be able to secure additional sales from other existing or new wholesalers, dealers and authorised distributors to compensate any loss in sales. Our Group also continuously expand our customer base by engaging potential customers to become our wholesalers, dealers and authorised distributors. Further, the revenue contribution from each of our top 5 customers was not substantial (i.e. not exceeding 10.00%). As such, we are not dependent on our major customers.

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7. BUSINESS OVERVIEW (Cont'd)

7.25 MAJOR SUPPLIERS

Our Group's top 5 suppliers by total purchases for the Financial Years Under Review are as follows:-

FYE 2020

Supplier name	Countries	Products sourced	Length of relationship as at the LPD (Years)	Purchases (RM '000)	% of our Group's purchases (%)
SUNUP Group ⁽¹⁾	Hong Kong and PRC	Solvent, pigment, additives, aerosol spray paints and packaging materials	6	5,508	12.01
Revertex (Malaysia) Sdn Bhd	Malaysia	Binders	9	3,687	8.04
UT Holdings	Malaysia	Painting tools and accessories, and aerosol spray paints	10	3,087	6.73
Tacoplast Industries Sdn Bhd	Malaysia	Packaging materials	10	2,742	5.98
Rich Source Worldwide Limited (Previously known as Rich Source Limited)	Taiwan	Pigment	5	2,419	5.28
Subtotal				17,443	38.04
Total purchases				45,851	100.00

FYE 2021

Supplier name	Countries	Products sourced	Length of relationship as at the LPD (Years)	Purchases (RM '000)	% of our Group's purchases (%)
Revertex (Malaysia) Sdn Bhd	Malaysia	Binders	9	6,212	13.25
SUNUP Group ⁽¹⁾	Hong Kong and PRC	Solvent, pigment, additives, aerosol spray paints and packaging materials	6	4,151	8.85
Tacoplast Industries Sdn Bhd	Malaysia	Packaging materials	10	2,928	6.24
Mc-Growth Resources Sdn Bhd	Malaysia	Pigment, extender and binders	10	2,457	5.24
Allnex Malaysia Sdn Bhd	Malaysia	Binders	10	2,363	5.04
Subtotal				18,111	38.62
Total purchases				46,892	100.00

7. BUSINESS OVERVIEW (Cont'd)

FYE 2022

Supplier name	Countries	Products sourced	Length of relationship as at the LPD (Years)	Purchases (RM '000)	% of our Group's purchases (%)
Revertex (Malaysia) Sdn Bhd	Malaysia	Binders	9	7,638	16.92
Rich Source Worldwide Limited (Previously known as Rich Source Limited)	Taiwan	Pigment	5	4,047	8.96
Tacoplast Industries Sdn Bhd	Malaysia	Packaging materials	10	2,309	5.12
SUNUP Group ⁽¹⁾	Hong Kong and PRC	Solvent, pigment, additives, aerosol spray paints and packaging materials	6	2,216	4.91
D&A Industrial Supply Sdn Bhd	Malaysia	Pigment, binders and additives	10	2,114	4.68
Subtotal				18,324	40.59
Total purchases				45,140	100.00

Note:

- (1) Comprises Sunup Automotive Accessory Co. Limited, Guangzhou Sunup Car Accessory Co. Ltd, and Guangzhou Taideng New Material Co. Ltd. All 3 entities have common partners. Our Group sources for solvent, pigment, additives, aerosol spray paints and packaging materials from Sunup Automotive Accessory Co. Limited as well as packaging materials and aerosol spray paints from Guangzhou Sunup Car Accessory Co. Ltd. and Guangzhou Taideng New Material Co. Ltd. Sunup Automotive Accessory Co. Limited has contributed RM3.06 million representing 6.67% of our Group's purchases for FYE 2020, RM3.98 million representing 8.49% of our Group's purchases for FYE 2021, and RM1.68 million representing 3.72% of our Group's purchases for FYE 2022. Guangzhou Sunup Car Accessory Co. Ltd. has contributed RM2.45 million representing 5.34% of our Group's purchases for FYE 2020 and RM0.17 million representing 0.36% of our Group's purchases for FYE 2021; whereas Guangzhou Taideng New Material Co. Ltd has contributed RM0.54 million representing 1.19% of our Group's purchases for FYE 2022.

For the Financial Years Under Review, our top 5 suppliers contributed 38.04%, 38.62% and 40.59% of our Group's total purchases, respectively. During the Financial Years Under Review, we have 1 supplier that continuously contributed more than 10% of our Group's total purchases, namely Revertex (Malaysia) Sdn Bhd for the FYE 2021 and FYE 2022. We mainly source binders from Revertex (Malaysia) Sdn Bhd. Nevertheless, we are not dependent on Revertex (Malaysia) Sdn Bhd for the supply of binders, as binders are readily available and can be easily sourced from other suppliers in the market. As at the LPD, we have a sourcing network comprising over 221 suppliers locally and 28 suppliers overseas. For the Financial Years Under Review and up to the LPD, we have been able to source all of our supplies (as disclosed in Section 7.11 of this Prospectus) from this network of suppliers. As such, we are not dependent on our top 5 suppliers.