"THIS DOCUMENT HAS NOT BEEN REGISTERED BY BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES"). THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY BURSA SECURITIES. UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES."



(Registration No. 201901016953 (1326281-T)) (Incorporated in Malaysia under the Companies Act, 2016)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUE SHARE CAPITAL OF SMART ASIA CHEMICAL BHD ("SMART ASIA" OR "COMPANY") ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING PUBLIC ISSUE OF 93,500,000 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:

- (I) 18,492,600 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- (II) 12,100,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF SMART ASIA AND ITS SUBSIDIARIES;
- (III) 46,231,400 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY OF MALAYSIA; AND
- (IV) 16,676,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE PRICE OF RM[*] PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Underwriter and Placement Agent



Mercury Securities Sdn Bhd

(Registration No. 198401000672 (113193-W)) (A Participating Organisation of Bursa Malaysia Securities Berhad)

Bursa Securities has approved the admission of our Company to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issue share capital on the ACE Market of Bursa Securities. This Prospectus has been registered by Bursa Securities. The approval for the admission of our Company to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities, and the registration of this Prospectus, should not be taken to indicate that Bursa Securities recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed, or report contained in this Prospectus. Bursa Securities has not, in any way, considered the merits of the securities being offered for investment. Bursa Securities is not liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 179.

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET OF BURSA SECURITIES. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET OF BURSA SECURITIES. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

All defined terms used in this Prospectus are defined under "Definitions" commencing from page vii to xii of this Prospectus.

RESPONSIBILITY STATEMENTS

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

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

STATEMENTS OF DISCLAIMER

Approval has been obtained from Bursa Securities for the listing of and quotation for the securities being offered. Our admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company, or our Shares.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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

OTHER STATEMENTS

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

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

This Prospectus is prepared and published solely in connection with our IPO under the laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. Our Company, Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent or any of their respective directors, or any other persons involved in our IPO. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our IPO would result in the contravention of any law of such countries or jurisdictions.

Neither us nor our Principal Adviser, Sponsor, Underwriter and Placement Agent nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our IPO Shares would be in compliance with the terms of our IPO as stated in this Prospectus and the Application Form and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you have accepted our IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith.

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

ELECTRONIC PROSPECTUS

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

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

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House, a paper/printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus which are identical to the copy of this Prospectus registered Bursa Securities shall prevail.

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

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and

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

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

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via web browser or other relevant software.
- (ii) the Internet Participating Institutions shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (iii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

The indicative timing of events leading to our Listing is set out below:

Events	Tentative Time / Dates
Issuance of this Prospectus / Opening of Application	10.00 a.m./[●]
Closing of Application	5.00 p.m./[●]
Balloting of the Applications	[●]
Allotment of IPO Shares to successful applicants	[•]
Listing on the ACE Market	[•]

In the event there is any change to the indicative timetable above, we will advertise a notice of the changes in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and make an announcement of such changes on Bursa Securities' website accordingly.

[The rest of this page is intentionally left blank]

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "Smart Asia" and "our Company" in this Prospectus are to Smart Asia Chemical Bhd. Unless otherwise stated, references to "Group" in this Prospectus are to our Company and our subsidiaries taken as a whole; and references to words such as "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our Group or our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to "you" are to our prospective investors.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or 2 decimal place (for percentages) or RM and sen for currency. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in "Definitions" and "Glossary of Technical Terms" sections of this Prospectus. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include natural persons, firms, companies, body corporates and corporations.

All references to dates and times are references to dates and times in Malaysia, unless otherwise stated.

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

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from our Management. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the IMR for inclusion in this Prospectus. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate or is expose to. However, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. Hence, you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version of this Prospectus shall prevail.

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

All information stated herein are as at the LPD unless otherwise specified.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, future plans and prospects, and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies, and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminologies including words such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

- (i) demand for our products, trends and competitive position;
- (ii) our business strategies, future plans and potential growth opportunities;
- (iii) our future earnings, cash flows and liquidity;
- (iv) our ability to pay future dividends; and
- (v) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the general economic, business, social, political and investment environment in Malaysia and globally:
- (ii) government policy, legislation or regulation;
- (iii) interest rates, tax rates and exchange rates;
- (iv) the competitive environment in the industry in which we operate;
- (v) availability and fluctuations in prices of raw materials;
- (vi) fixed and contingent obligations and commitments; and
- (vii) any other factors beyond our control.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 on "Risk Factors" and Section 12.3 on "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made based on information available to us as at the LPD.

Should we become aware of any subsequent material change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus) and Rules 3.12D of the Listing Requirements.

DEFINITIONS

The following terms in this Prospectus have the same meanings as set out below unless otherwise defined or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

"Smart Asia" Smart Asia Chemical Bhd (Registration No. 201901016953 (1326281-

"Company"

"Smart Asia Group" or : Smart Asia Chemical Bhd and its subsidiaries, collectively

"Group"

Smart Paints (M) Sdn Bhd (Registration No. 201301000694 (1030531-"Smart Paints (M)"

M))

Smart Paint Manufacturing Sdn Bhd (Registration No. 201301001177 "Smart Paint:

Manufacturing" (1031014-A))

"Smart Paint (Selangor)" Smart Paint (Selangor) Sdn Bhd (Registration No. 201201015811

(1001322-M))

"Smart Paints (Sabah)" Smart Paints (Sabah) Sdn Bhd (Registration No. 201301015383

(1045216-U))

"Color Breeze" Color Breeze Sdn Bhd (Registration No. 201801022557 (1284576-P))

GENERAL:

"ACE Market" The ACE Market of Bursa Securities

"Acquisitions" Collectively, Smart Paints (Sabah) Acquisition and Smart Paint

(Selangor) Acquisition

"Act" Companies Act 2016

Authorised Depository Agent(s) "ADA(s)"

"AGM" Annual general meeting

Application(s) for IPO Shares by way of Application Form, Electronic "Application(s)"

Share Application or Internet Share Application

"Application Form(s)" Printed application form(s) for the application of IPO Shares

accompanying this Prospectus

"ATM(s)" Automated teller machine(s)

"Authorised Authorised Financial Institution participating in the Internet Share

Financial

Institution" Application, with respect to payments for our IPO Shares

"Board" Board of Directors of our Company

"Bursa Depository" Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 or

"Depository"

(165570-W))

"Bursa Securities" Bursa Malaysia Securities Berhad (Registration No. 200301033577

(635998-W))

"CAGR" Compounded annual growth rate **DEFINITIONS** (Cont'd)

"CDS" : Central Depository System

"CDS Account" : An account established by Bursa Depository for a depositor for the

recording of securities and for dealing in such securities by the depositor

"CF" or "CCC" : Certificate of fitness for occupation or Certificate of Completion and

Compliance, as the case may be

"CFA" : Certificate for Accommodation issued by the Department of Labour

Peninsular Malaysia pursuant to Section 24D(2) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act

1990

"Closing Date": The date adopted in this Prospectus as the last date for acceptance and

receipt of Application

"CMSA" : Capital Markets and Services Act 2007

"Constitution" : Constitution of our Company

"COVID-19" : Novel coronavirus disease 2019, an infectious respiratory disease

which first broke out in 2019

"Depositor" : A holder of CDS Account

"Depository Rules" : Rules of Bursa Depository and any appendices thereto as they may be

amended from time to time

"Director(s)" : Director(s) of our Company

"DG Environment" : Director General of Environmental Quality pursuant to the EQA

"EBIT" : Earnings before interest and taxation

"EBITDA" : Earnings before interest, taxation, depreciation and amortisation

"Electronic Prospectus" : Copy of this Prospectus that is issued, circulated or disseminated via the

internet and/or an electronic storage medium including, but not limited

to, CD-ROMs (compact disc read-only memory)

"Electronic Share :

Application"

Application for the IPO Shares through a Participating Financial

Institution's ATM

"Eligible Persons" : Collectively, our Directors, employees of our Group and persons who have

contributed to the success of our Group and who are eligible to participate

in our IPO

"EPF" : Employees Provident Fund

"EPS" : Earnings per share

"EQA" : Environmental Quality Act 1974

"EQIER" : Environmental Quality (Industrial Effluent) Regulations 2009

"EQSWR" : Environmental Quality (Scheduled Wastes) Regulations 2005

"Financial Years Under :

Review"

Collectively, FYE 2020, FYE 2021 and FYE 2022

DEFINITIONS (Cont'd)

"FYE(s)" : Financial years ended or ending 31 December, as the case may be

"GP" : Gross profit

"IFRS" : International Financial Reporting Standards

"IMR" or "SMITH

ZANDER"

Smith Zander International Sdn Bhd (Registration No. 201301028298

(1058128-V))

"IMR Report" : Independent Market Research Report titled "Independent Market

Research Report on the Paints and Coatings Industry in Malaysia"

prepared by SMITH ZANDER

"Internet Participating

Financial Institution(s)

Participating financial institution(s) for the Internet Share Application

"Internet Share

Application"

Application for our IPO Shares through an online share application

service provided by the Internet Participating Financial Institutions

"IPO" : Initial public offering of the IPO Shares in conjunction with the Listing

"IPO Price" : RM[●] per IPO Share, where applicable

"IPO Share(s)" : All or part of the 93,500,000 new Share(s) to be issued pursuant to our

IPO

"IRB" : Inland Revenue Board of Malaysia

"ISO" : International Organisation for Standardisation

"Issuing House" or "Share :

Registrar"

Tricor Investor & Issuing House Services Sdn Bhd (Registration No.

197101000970 (11324-H))

"Johor Factory 1" : A single-storey detached factory with a three-storey office building used

as our head office as well as manufacturing and quality control facility, with a total built-up area of approximately 34,199 sq ft and land area measuring approximately 43,475 sq ft and bearing postal address of No. 11, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu

Tiram, Johor

"Johor Factory 2" : A single-storey detached factory with a three-storey office building used

to store finished goods and house our product development facility, with a total built-up area of approximately 31,658 sq ft, which has a land area of approximately 43,475 sq ft and bearing postal address of No. 9, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram,

Johor

"Johor Factory 3" : A single-storey detached factory with a three-storey office building used

to store raw materials, with a total built-up area of approximately 28,532 sq ft, which has a land area of approximately 43,475 sq ft and bearing postal address of No. 15, Jalan Indah Gemilang 5, Taman Perindustrian

Gemilang, 81800 Ulu Tiram, Johor

"Listing" : Listing of and quotation for our entire enlarged share capital of

369,850,420 Shares on the ACE Market

"Listing Requirements" : ACE Market Listing Requirements of Bursa Securities

"LPD" : 31 July 2023, being the latest practicable date prior to the issuance of

this Prospectus

"Malaysian Public": Malaysian citizens, companies, co-operatives, societies, and institutions

incorporated or organised under the laws of Malaysia

"Market Day(s)" : Any day on which Bursa Securities is open for trading of securities,

which may include a day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public

holiday at the beginning of the calendar year

"MCO" : The nationwide movement control order imposed by the Government of

Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 as a measure to contain the outbreak of

Covid-19 pandemic.

The MCO began on 18 March 2020 and unless otherwise specified, includes all its subsequent phases namely, the conditional MCO, recovery MCO, enhanced MCO and full lockdown MCO, as may be

imposed, extended and/or varied from time to time

"Mercury Securities" or : Mercury Se

"Principal Adviser" or "Sponsor" or

"Underwriter" or "Placement Agent"

Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-

W))

"MFRS" : Malaysian Financial Reporting Standards

"MIDA" : Malaysian Investment Development Authority

"MITI" : Ministry of Investment, Trade and Industry of Malaysia

"NA" : Net assets

"NBV" : Net book value

"Official List" : A list specifying all securities which have been admitted for listing of

Bursa Securities and not removed

"Paints Depot" : Paints Depot Sdn Bhd (Registration No. 200701035899 (793928-P))

"Painting Works": Painting works services by Paints Depot under the letter of award dated

22 December 2022

"Participating Financial

Institutions"

Participating financial institutions for the Electronic Share Application

"PAT" : Profit after taxation

"PBT" : Profit before taxation

"PE Multiple" : Price-to-earnings multiple

"Perak Land" : 3 pieces of land which were amalgamated to a piece of leasehold land

bearing the title details of HSD 247906, PT 44859, Mukim Sungai Terap, Daerah Kinta, Negeri Perak, measuring approximately 206,505 sq ft in

area

"Perak Land 2" : A piece of vacant leasehold land bearing land title details of PN

1068819, Lot 374007, Mukim Sungai Terap, Daerah Kinta, Negeri Perak (previously held under HSD 228711, PT 40593, Mukim Sungai Terap, Daerah Kinta, Negeri Perak) measuring approximately 55,090 sq ft in

area

"Perak Land 3" : A piece of vacant leasehold land bearing land title details of PN

1068820, Lot 374008, Mukim Sungai Terap, Daerah Kinta, Negeri Perak (previously held under HSD 228712, PT 40594, Mukim Sungai Terap, Daerah Kinta, Negeri Perak) measuring approximately 63,055 sq ft in

area

"Perak Land 4" : A piece of vacant leasehold land bearing land title details of PN

1068821, Lot 374009, Mukim Sungai Terap, Daerah Kinta, Negeri Perak (previously held under HSD 228713, PT 40595, Mukim Sungai Terap, Daerah Kinta, Negeri Perak) measuring approximately 83,614 sq ft in

area

"Perak Plant" : A plant being constructed on the Perak Land with a total built-up area of

approximately 95,170 sq ft which consist of the following:

(i) a double-storey factory with a built-up area of approximately 40.486 sq ft;

(ii) a single storey warehouse with a built-up area of approximately 21,122 sq ft;

(iii) a double-storey office building with a built-up area of approximately 24,062 sq ft which includes, amongst others,

office, a laboratory and a showroom; and

(iv) other utility facilities with a built-up area of approximately 9,500 sq ft which includes, amongst others, treatment plant, compressor

room, switch gear and transformer room

and located at Lot PT 44859, Lorong Bemban, Estate Perindustrian

Bemban, 31000 Batu Gajah, Perak

"Pink Application Form" : Application form for the application of the IPO Shares by the Eligible

Persons accompanying this Prospectus

"Pink Form Allocations" : Allocation of 12,100,000 IPO Shares to the Eligible Persons pursuant to

the IPO

"PRC" : People's Republic of China (excluding Special Administrative Regions

of Hong Kong and Macao)

"Pre-IPO Investor": The pre-IPO investor of Smart Asia, namely Tan Kim Peng

"Promoters" : Collectively, Goh Chye Hin and Kee Hui Lang

"Prospectus" : This prospectus dated [●] in relation to our IPO

"QC" : Quality control

"QMS" : Quality Management System

"R&D" : Research and development

"SC" : Securities Commission Malaysia

DEFINITIONS (Cont'd)

"Selangor Office" : A sales and administrative office, with a built-up area of approximately

1,981 sq ft located at a 3-storey office building with double-storey warehouse bearing the postal address of Lot 2-43 & 2-45, Jalan SU 8 (Lion Industrial Park), Persiaran Tengku Ampuan, Taman Perindustrian

Subang, Seksyen 26, 40400 Shah Alam, Selangor

"Share(s)" or "Smart Asia

Share(s)"

Ordinary share(s) in our Company

"Share Split" : Share split involving the subdivision of 50,900,002 existing Shares into

254,500,010 Shares, which was completed on 12 May 2023

"SICDA" or "Depository

Act"

Securities Industry (Central Depositories) Act 1991

"Smart Paints (Sabah)

Acquisition"

Acquisition by Smart Asia of the entire equity interest of Smart Paints (Sabah) from Goh Chye Hin, Kee Hui Lang and Wong Kui Ming for a purchase consideration of RM598,437.00 which was fully satisfied by the issuance of 2,992,185 new Shares at an issue price of RM0.20 per Share

"Smart Paints (Sabah)

SSA"

Conditional share sale agreement dated 19 June 2023 entered into between Smart Asia and Goh Chye Hin, Kee Hui Lang and Wong Kui

Ming for the Smart Paints (Sabah) Acquisition

"Smart Paint (Selangor) :

Acquisition"

Acquisition by Smart Asia of the entire equity interest of Smart Paint (Selangor) from Goh Chye Hin, Chu Teck, Kee Hui Lang, Goh Chye Leng and Lim Kok Beng for a purchase consideration of RM3,771,645.00 which was fully satisfied by the issuance of 18,858,225

new Shares at an issue price of RM0.20 per Share

"Smart Paint (Selangor):

SSA"

Conditional share sale agreement dated 19 June 2023 entered into between Smart Asia and Goh Chye Hin, Chu Teck, Kee Hui Lang, Goh

Chye Leng and Lim Kok Beng for the Smart Paint (Selangor) Acquisition

"Smart Rewards

Programme"

A loyalty programme where our wholesalers and dealers in Malaysia will be able to accumulate points based on their purchase of our selected

house brands products. Accumulated points can be used to exchange for rewards such as overseas trips, cars, phones, electrical appliances

and cash vouchers.

"SOCSO" : Social security organisation

"SOP" : Standard operating procedure

"Specified Shareholder(s) : Collectively, Goh Chye Hin, Kee Hui Lang, Goh Bee Guat, Goh Ji Syuan,

Goh Sim Yee, Kee Hui Cheng, Koh Kooi Soon and Goh Chye Leng

"sq ft" : Square feet

"Underwriting Agreement" : The underwriting agreement dated [•] entered into between our

Company and Mercury Securities for the purpose of our IPO

"UT Holdings" : UT Holdings Sdn Bhd (formerly known as UT Paints Sdn Bhd)

(Registration No. 199201020318 (251822-U))

DEFINITIONS (Cont'd)

CURRENCIES:

"RM" and "sen" : Ringgit Malaysia and sen respectively

"SGD" : Singapore Dollar and cents respectively

"USD" and "cents" : United State Dollars and cents respectively

[The rest of this page is intentionally left blank]

GLOSSARY OF TECHNICAL TERMS

Technical terms used throughout this Prospectus shall have the same meaning as set out below unless the term is defined otherwise or the context requires otherwise:

"Additives" : A substance added in small amounts to products to improve its

properties

"Binder" : A material or substance that holds or draws other materials together

by adhesion or cohesion

"Bonding strength" : A measure of the strength of adhesion and cohesion

"Chemical composition" : The identity, arrangement and ratio of the chemical elements

making up a compound

"Colour strength" : A measure of the concentration of pigment in the colourant to the

total weight or volume of the colourant

"Colourant" : 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, functionality and durability) to produce a specific colour

"Contaminants" : Pollutants, wastes, or prohibited discharge that pollutes the

surrounding environment

"Curing properties" : A property that makes decorative paints harder, tougher, or more

stable

"Diluent": Liquid substances that are used for dilution to reduce viscosity and

increase liquid flow rate

"Elasticity" : The extent to which paint can stretch/expand and contract when

applied on a material during extreme temperature changes without

any damage to the surface

"Extenders" : A substance that is used to modify the flow (viscosity),

sedimentation stability and film strength

"Hardness" : The measure of hardness of a coating material i.e. the force needed

to put a scratch in the surface

"In-plant colourants" : Colourants that are used in manufacturing activities

"Low VOC" : Low VOC are labels that are prescribed to paints that contain less

than 50 grams of VOC per litre of paint and complies with the SIRIM

ECO 019:2012 standards

"Off-the-shelf products" : A product that is available immediately and does not need to be

specially made to suit a particular purpose

"ODM services" : Manufacturing services provided by original design manufacturers

to third party brand owners to formulate and manufacture products

under the respective owners' brand names

"OEM" : Original equipment manufacturer builds a customer's product that

is fully designed by that customer and then contracted out to

produce

GLOSSARY OF TECHNICAL TERMS (Cont'd)

"Opacity" : Opacity refers to the degree to which a substance or material is

impenetrable to light

"Paint base" : A solid substance that forms the body of the paint and conveys the

characteristic of the paint such as the opaqueness, elasticity,

functionality and durability

"pH level" : A measure of the acidity or basicity of a substance

"Pigment(s)" : Pigments are water and oil-insoluble natural and synthetic products

that impart colour to colourants, decorative paints and protective

coatings

"POS" : Point-of-sale

"POS universal colourants" : Colourants that are specifically used in our Smart Colour POS

Tinting Machines

"Smart Colour POS Tinting

Machine"

Machines that allow on-the-spot mixing to obtain a wide range of paint colours whereby colourants are mixed with a paint base according to the selected colour formulation from the system. 1 set of Smart Colour POS Tinting Machine comprises 1 dispenser (i.e. to dispense colourant) and 1 shaker (i.e. to shake the mixture of paint base and colourant). 1 unit of Smart Colour POS Tinting

Machine may refer to either 1 dispenser or 1 shaker.

"Solvent" : A liquid in which other materials dissolve to form a solution

"Specific gravity": A measure of the density of a substance in comparison to the

density of water

"UV" : Ultraviolet

"UV protected" : Used to describe a material or substance that prohibits the intrusion

of UV rays which cause cracking and discolouration of decorative

paints and protective coatings

"Viscosity" : A measure of a fluid's resistance to flow

"VOC" : Volatile organic compounds, a group of organic chemicals that have

boiling points and vaporises under room temperatures

"Water repelling properties" : A property that makes an object or structure resistant to water

penetration

"Waterproofing properties" : A property that makes an object or structure resistant and

impervious to water penetration, and has a higher level of protection to water penetration compared to water-repelling substances

"Zero VOC" : Zero VOC are labels that are prescribed to paints that contain less

than 5 grams of VOC per litre of paint as prescribed by Green Seal

(a founding member of the Global Ecolabelling Network)

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Gender)	Designation	Residential address	Nationality
Yau Yin Wee (M)	Independent Non-Executive Chairman	27, Jalan Baiduri, Taman Kolam Air, 80100 Johor Bahru, Johor	Malaysian
Goh Chye Hin (M)	Managing Director	No. 25, Jalan Redang 1/2A, Taman Redang, 81100 Johor Bahru, Johor	Malaysian
Kee Hui Lang (F)	Non-Independent Executive Director	No. 25, Jalan Redang 1/2A, Taman Redang, 81100 Johor Bahru, Johor	Malaysian
Lim Kok Beng (M)	Non-Independent Executive Director / Chief Operating Officer	55, Persiaran Kelicap 1, 11900 Bayan Lepas, Pulau Pinang	Malaysian
Tan Suat Hoon (F)	Independent Non-Executive Director	2-O, Lorong Delima 17, Island Glades, 11700 Gelugor, Penang	Malaysian
Ang Hock Seng (M)	Independent Non-Executive Director	39, Jalan Perwira 1/7, Taman Titiwangsa, 86000 Kluang, Johor	Malaysian
Yap Yung Chien (F)	Independent Non-Executive Director	No. 3, Jalan Indah 7/5, Taman Bukit Indah, 79100 Johor Bahru, Johor	Malaysian
Notes			

Notes:

M refers to male F refers to female

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship		
Tan Suat Hoon Ang Hock Seng Yap Yung Chien	Chairman Member Member	Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director		
REMUNERATION COMMITTEE				
Name	Designation	Directorship		
Ang Hock Seng Tan Suat Hoon Yap Yung Chien	Chairman Member Member	Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director		

1. CORPORATE DIRECTORY (Cont'd)

NOMINATION COMMITTEE

Name	Designation		Directorship	
V V 01:				
Yap Yung Chien	Chairm		Independent Non-Executive Director	
Tan Suat Hoon	Member		Independent Non-Executive Director	
Ang Hock Seng	Membe	r	Independent Non-Executive Director	
REGISTERED OFFICE	:	Level 5, Tower 8, Avenue 5 Horizon 2, Bangsar South City 59200 Kuala Lumpur		
		Telephon	e number: (603) 2280 6388	
HEAD OFFICE	:	Taman P	alan Indah Gemilang 5 erindustrian Gemilang, u Tiram, Johor	
		Email add	e number: (607) 863 9855 Iress: info@smart-paints.com www.smart-paints.com	
COMPANY SECRETARIES	:	Wong Youn Kim MAICSA 7018778 SSM Practicing Certificate No. 201908000410		
		Lim Li Ho MAICSA SSM Pra		
		Wong Me MAICSA SSM Prae		
		Level 5, 1 Bangsar	Corporate Services Sdn. Bhd. Tower 8, Avenue 5, Horizon 2 South City ala Lumpur	
		Telephon	e number: (603) 2280 6388	
PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:		Securities Sdn Bhd tion No. 198401000672 (113193-W))	
ACENT		Solaris M	.2, Jalan Solaris ont Kiara ala Lumpur	
		Telephon	e number: (603) 6203 7227	

1. CORPORATE DIRECTORY (Cont'd)

SOLICITORS FOR OUR IPO : Rosli Dahlan Saravana Partnership

Level 16, Menara 1 Dutamas No.1 Jalan Dutamas 1 Solaris Dutamas 50480 Kuala Lumpur

Telephone number: (603) 6209 5400

SHARE REGISTRAR AND ISSUING

HOUSE

Tricor Investor & Issuing House Services Sdn Bhd

(Registration No. 197101000970 (11324-H))

Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur

Telephone number: (603) 2783 9299

EXTERNAL AUDITORS AND REPORTING ACCOUNTANTS

Baker Tilly Monteiro Heng PLT

(Registration No. 201906000600) (LLP0019411-LCA) & AF0117

Baker Tilly Tower

Level 10, Tower 1, Avenue 5

Bangsar South City 59200 Kuala Lumpur

Telephone number: (603) 2297 1000

Partner-in-charge: Paul Tan Hong Approval number: 03459/11/2023 J

(Chartered Accountant of the Malaysian Institute of Accountants and Fellow Member of the Association

of Chartered Certified Accountants)

INDEPENDENT MARKET RESEARCHER

Smith Zander International Sdn Bhd

(Registration No. 201301028298 (1058128-V))

15-01. Level 15. Menara MBMR

1, Jalan Syed Putra 58000 Kuala Lumpur

Telephone number: (603) 2732 7537

Person-in-charge: Dennis Tan Tze Wen

(Bachelor of Science, Memorial University of

Newfoundland, Canada)

LISTING SOUGHT : ACE Market of Bursa Securities

2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Bursa Securities

Bursa Securities had, vide its letter dated [•], approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital comprising 369,850,420 Shares on the ACE Market.

The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(a)	[•]	[•]
(b)	[•]	[•]

2.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated [•], approved our application for the resultant equity structure of our Company under the Bumiputera equity requirement for public listed companies pursuant to our Listing.

The approval from the SC is subject to the following conditions:

No. Details of conditions imposed		Status of compliance	
(a)	[•]	[•]	

The effect of our Listing on the equity structure of Smart Asia shall be as follows:

	As at the LPD		After our IPO	
Category of shareholders	No. of Shares	%	No. of Shares	%
Bumiputera	-	-	55,477,700	15.00
Non-Bumiputera	265,350,420	96.02	303,372,720	82.03
Malaysians	265,350,420	96.02	358,850,420	97.03
Foreigners	11,000,000	3.98	11,000,000	2.97
Total	276,350,420	100.00	369,850,420	100.00

2.1.3 MITI

The MITI had, vide its letter dated 26 September 2023, stated that it has taken note and has no objection to our Listing.

2. APPROVALS AND CONDITIONS (Cont'd)

2.2 MORATORIUM ON OUR SHARES

2.2.1 Specified Shareholders

In accordance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholders as follows:

- the moratorium applies to the entire shareholdings of our Specified Shareholders for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");
- (b) upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Specified Shareholders' aggregate shareholdings amounting to at least 45.00% of the total number of issued ordinary shares remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and
- (c) on the expiry of the Second 6-Month Moratorium, our Specified Shareholders may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight-line basis) of those Shares held under moratorium.

Details of our Specified Shareholders and their shareholdings which will be subject to the abovesaid moratorium, are set out below:

	Shares under the First 6-Months Moratorium		Shares under the Second 6-Months Moratorium	
	No. of		No. of	
Specified Shareholders	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾
Goh Chye Hin	164,569,789	44.50	164,569,789	44.50
Kee Hui Lang	27,774,611	7.51	1,864,047	0.50
Goh Bee Guat	1,000,000	0.27	-	-
Goh Ji Syuan	5,000,000	1.35	-	-
Goh Sim Yee	5,000,000	1.35	-	-
Kee Hui Cheng	1,250,000	0.34	-	-
Koh Kooi Soon	1,250,000	0.34	-	-
Goh Chye Leng	1,733,361	0.47	-	-
Total	207,577,761	56.13	166,433,836	45.00

	Year 2		Yea	ar 3
	No. of		No. of	
Specified Shareholders	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾
Goh Chye Hin	109,713,193	29.66	54,856,597	14.83
Kee Hui Lang	1,242,698	0.34	621,349	0.17
Goh Bee Guat	-	-	-	-
Goh Ji Syuan	-	-	-	-
Goh Sim Yee	-	-	-	-
Kee Hui Cheng	-	-	-	-
Koh Kooi Soon	-	-	-	-
Goh Chye Leng	-	-	-	-
Total	110,955,891	30.00	55,477,946	15.00

Note:

(1) Based on our enlarged issued Shares of 369,850,420 Shares after our IPO.

2. APPROVALS AND CONDITIONS (Cont'd)

2.2.2 Pre-IPO Investor

In accordance with Rule 3.19A of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by any investor who is not a specified shareholder, for a period of 6 months from the date of admission to the Official List if such investor has acquired the shares of the applicant:

- (a) within 12 months from the date of submission of the listing application to Bursa Securities; and
- (b) at a price lower than the issue price offered to the general public.

Details of our Pre-IPO Investor and his shareholding which will be subject to the abovesaid moratorium, are set out below:

	Shares under the first 6-months moratorium		
Pre-IPO Investor	No. of Shares	% ⁽¹⁾	
Tan Kim Peng	1,200,000(2)	0.32	

Notes:

- (1) Based on our enlarged issued Shares of 369,850,420 Shares after our IPO.
- (2) Assuming he subscribed in full for his Pink Form Allocations.

Our Specified Shareholders and Pre-IPO Investor have provided written undertakings to Bursa Securities that they will not sell, transfer or assign their respective Shares under moratorium during their respective moratorium period.

The moratorium restriction, which is fully accepted by our Specified Shareholders and Pre-IPO Investor are specifically endorsed on the share certificates representing their Shares which are under moratorium to ensure that our Share Registrar does not register any sale, transfer or assignment that contravenes such restrictions.

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3. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 PRINCIPAL DETAILS OF OUR IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:

	No. of IPO Shares	% ⁽¹⁾
Malaysian Public (via balloting)	18,492,600	5.00
Eligible Persons	12,100,000	3.27
Private placement to selected investors Private placement to selected Bumiputera	16,676,000	4.51
investors approved by MITI	46,231,400	12.50
	93,500,000	25.28

Note:

(1) Based on our enlarged issued Shares of 369,850,420 after our IPO.

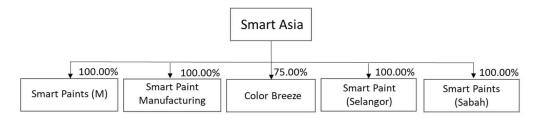
Enlarged number of issued Shares upon Listing	369,850,420
IPO Price per Share	RM[•]
Market capitalisation upon Listing	RM[•]

Further details of our IPO are set out in Section 4 of this Prospectus.

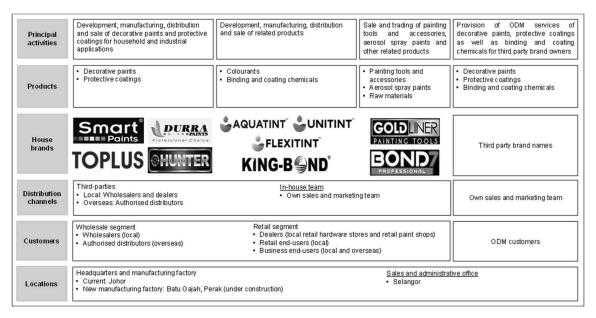
In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Specified Shareholders and Pre-IPO Investor. Further details of the moratorium are set out in Section 2.2 of this Prospectus.

3.2 GROUP STRUCTURE AND BUSINESS MODEL

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. Our Company is an investment holding company. Our Group structure after our IPO is as follows:



Through our subsidiaries, we are 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. Our business model is set out as follow:



Further details of our Group and our business model are set out in Sections 6 and 7 of this Prospectus.

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

	FYE	2020 FY		2021	FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	57,976	80.97	65,907	82.63	64,539	81.47
Singapore	4,901	6.84	6,911	8.66	7,845	9.90
Brunei	3,577	5.00	3,121	3.91	2,753	3.48
Cambodia	3,743	5.23	1,819	2.28	2,178	2.75
Others ⁽¹⁾	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

Note:

(1) Comprises sales from Indonesia, PRC and Vietnam.

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3.3 COMPETITIVE STRENGTHS

A summary of our competitive strengths is set out as follow:

(a) 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 'Bond?'.

(b) 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.

(c) 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 are 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 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.

(d) 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.

Further details of our competitive strengths are set out in Section 7.6 of this Prospectus.

3.4 IMPACT OF COVID-19 ON OUR GROUP

Pursuant to the outbreak of the COVID-19 pandemic in 2020, we faced temporary suspensions of business operation. Save for the temporary suspensions, 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.

Our sales of decorative paints and protective coatings, 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.

Further details of our impact of COVID-19 on our Group are set out in Section 7.5 of this Prospectus.

3.5 BUSINESS STRATEGIES AND FUTURE PLANS

A summary of our business strategies and future plans is set out below:

(a) Construction of Perak Plant

Our Group has decided to set up our Perak Plant to streamline our manufacturing operations as well as to increase our 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. Our Perak Plant will also allow us to expand our customer-base within the Central and Northern regions of Malaysia due to closer proximity to our customers.

(b) Purchase and commissioning of an industrial tinting system and automated paint production system in our Perak Plant

Our Group intends to purchase and commission an industrial tinting system and automated paint production system upon the completion of our Perak Plant. 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.

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

Our Group plans to purchase 250 sets of Smart Colour POS Tinting Machine over the next 3 years (i.e. 2024 to 2026) to be distributed locally to our new and existing wholesalers and dealers who set up new retail hardware stores or retail paint shops, across Malaysia. 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. 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.

Further details on our business strategies and future plans are set out in Section 7.22 of this Prospectus.

3.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk as set out in Section 9 of this Prospectus. Some of the more important risk factors are summarised below:

(a) We rely on our reputation, brands and product quality for the continued success and growth of our business

Any complaints by our wholesalers, dealers and authorised distributors in relation to amongst others, our failure to meet their expectations with respect to our products and services, delivery schedule, customer support or other matters could negatively affect our relationships with them. This may, in turn, affect our reputation in the market if we are unable to sufficiently address the complaints brought against us by our wholesalers, dealers and authorised distributors.

(b) We are dependent on our wholesalers, dealers and authorised distributors to distribute and sell our products to retail end-users

Our products are primarily distributed to our network of wholesalers, dealers and authorised distributors for onward sale to retail end-users. This is evidenced by the revenue contribution from our wholesalers, dealers and authorised distributors which accounted for 95.06%, 96.84% and 98.53% of our total revenue for the Financial Years Under Review, respectively. Should they fail to uphold their quality of services, it may reflect in negative perception towards our brand, thus resulting negatively on the demand for our products which may adversely affect our Group's financial performance as well as our future growth.

(c) We are dependent on the construction and manufacturing industries in Malaysia for our continued success and growth

The performance of our business is dependent on the construction (i.e. new building and infrastructure construction, as well as renovation of existing buildings and infrastructure) and manufacturing industries as we primarily provide decorative paints and protective coatings for household and industrial applications. As such, a decline in the construction and manufacturing industries may lead to a slowdown in the demand for our decorative paints and protective coatings.

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3.7 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Yau Yin Wee	Independent Non-Executive Chairman
Goh Chye Hin	Managing Director
Kee Hui Lang	Non-Independent Executive Director
Lim Kok Beng	Non-Independent Executive Director / Chief Operating Officer
Ang Hock Seng	Independent Non-Executive Director
Tan Suat Hoon	Independent Non-Executive Director
Yap Yung Chien	Independent Non-Executive Director
Key Senior Management	
Goh Chye Hin	Managing Director
Kee Hui Lang	Non-Independent Executive Director
Lim Kok Beng	Non-Independent Executive Director / Chief Operating
	Officer
Jiu Chieh Yin	Chief Financial Officer
Khoo Khiow Jin	Sales and Marketing Manager
Tan Kim Peng	General Manager
Nurul Farhah Binti Abdullah	Senior Lead Chemist

The details of our Promoters and substantial shareholders are as follows:

	Before IPO				Afte	r IPO		
	Direct		Indirect		Direct		Indirect	
	No. of		No. of		No. of		No. of	
Name	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾	Shares	% ⁽²⁾	Shares	% ⁽²⁾
Goh Chye Hin	164,569,789	59.55	10,000,000(3)	3.62	164,569,789	44.50	10,000,000(3)	2.70
Kee Hui Lang	27,774,611	10.05	10,000,000(3)	3.62	27,774,611	7.51	10,000,000(3)	2.70

Notes:

- (1) Based on the total number of 276,350,420 Shares before our IPO.
- (2) Based on our enlarged total number of 369,850,420 Shares after our IPO.
- (3) Deemed interested by virtue of the direct shareholding of their children, Goh Sim Yee and Goh Ji Syuan pursuant to Section 59(11)(c) of the Act.

Further details of our Promoters, substantial shareholders, Directors and key senior management are set out in Section 5 of this Prospectus.

3.8 UTILISATION OF PROCEEDS

The estimated gross proceeds arising from the IPO of approximately RM[•] million shall accrue entirely to us and will be utilised in the following manner:

Details of use of proceeds	Estimated timeframe for utilisation from the date of Listing	RM'000	%
(a) Establishment of Perak Plant:			
(i) Construction of Perak Plant	Within 12 months	[•]	[•]
(ii) Purchase and commissioning of automated paint production system	Within 12 months	[•]	[•]
(b) Purchase of 250 sets of Smart Colour POS Tinting Machine	Within 36 months	[•]	[•]
(c) Working capital	Within 12 months	[•]	[•]
(d) Estimated listing expenses	Within 1 month	[•]	[•]
	Total	[•]	100.00

Detailed information on our utilisation of proceeds is set out in Section 4.9 of this Prospectus.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

3.9.1 Historical financial information

The following table sets out the financial highlights of our historical audited combined statements of comprehensive income of our Group for the Financial Years Under Review:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	
	RM'000	RM'000	RM'000	
Revenue	71,599	79,766	79,218	
GP	22,787	26,718	23,535	
PBT	9,401	13,931	11,204	
PAT	7,442	10,690	8,614	
GP margin (%) ⁽¹⁾	31.83	33.50	29.71	
PBT margin (%) ⁽²⁾	13.13	17.46	14.14	
PAT margin (%) ⁽³⁾	10.39	13.40	10.87	

Notes:

- (1) GP margin is computed based on the GP over revenue of our Group.
- (2) PBT margin is computed based on the PBT over revenue of our Group.
- (3) PAT margin is computed based on the PAT over revenue of our Group.

There were no exceptional or extraordinary items during the Financial Years Under Review. Our audited financial statements for the Financial Years Under Review were not subject to any audit qualifications.

Further details of our Group's financial information are set out in Section 12 of this Prospectus.

3.10 DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy. As we are holding company, our ability to declare and pay dividends or make other distributions to our shareholders are depended upon the dividends we receive from our subsidiaries, present and future. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business.

The dividends declared and/or paid by our Group during the Financial Years Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
PAT attributable to owners of our Group	7,489	10,680	8,665
Dividends paid	-	650(2)	351 ⁽²⁾
Dividend payout ratio (%) ⁽¹⁾	-	6.09	4.05

Notes:

- (1) Computed based on dividends paid over PAT attributable to owners of our Group for each financial year.
- (2) The dividends paid in FYE 2021 and FYE 2022 were funded via internally generated funds.

Subsequent to the FYE 2022 and up to the LPD, there are no dividend declared, made or paid by our Group to our shareholders.

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4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION

Application for our IPO Shares will open at 10.00 a.m. on [•] and will remain open until at 5.00 p.m. on [•]. LATE APPLICATIONS WILL NOT BE ACCEPTED.

4.2 INDICATIVE TIMETABLE

Events	Tentative Time / Dates
Issuance of this Prospectus / Opening of Application	10.00 a.m./[•]
Closing of Application	5.00 p.m./[•]
Balloting of the Applications	[•]
Allotment of IPO Shares to successful applicants	[•]
Listing on the ACE Market	[•]

In the event there is any change to the indicative timetable above, we will advertise a notice of the change in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and make an announcement of such changes on Bursa Securities' website accordingly.

4.3 PARTICULARS OF OUR IPO

4.3.1 IPO

A total of 93,500,000 IPO Shares, representing approximately 25.28% of our enlarged issued Shares of 369,850,420 are offered at our IPO Price, subject to the terms and conditions of this Prospectus. The IPO Shares shall be allocated in the following manner:

(a) Malaysian Public

18,492,600 IPO Shares, representing 5.00% of our enlarged issued Shares, will be made available for application by the Malaysian Public, to be allocated via balloting process as follows:

- (i) 9,246,300 IPO Shares, representing 2.50% of our enlarged issued Shares will be made available to the Malaysian Public; and
- (ii) 9,246,300 IPO Shares representing 2.50% of our enlarged issued Shares will be made available to Bumiputera public investors.

(b) Eligible Persons

12,100,000 IPO Shares, representing 3.27% of our enlarged issued Shares, will be reserved for application by our Eligible Persons under the Pink Form Allocations as follows:

Eligible Persons	No. of Eligible Persons	Aggregate no. of IPO Shares allocated
Our eligible Directors ⁽¹⁾	5	1,000,000
Our Group's eligible employees ⁽²⁾	80	7,610,000
Persons who have contributed to the success of our Group ⁽³⁾	64	3,490,000
·	149	12,100,000

4. DETAILS OF OUR IPO (Cont'd)

Notes:

(1) The criteria for allocation to our eligible Directors (as approved by our Board) are based on, amongst others, their respective roles, responsibilities, and anticipated contributions to our Group. Details of the allocation to our eligible Directors are as follows:

Name of Directors	Designation	No. of IPO Shares allocated
Yau Yin Wee	Independent Non-Executive Chairman	200,000
Lim Kok Beng	Non-Independent Executive Director Independent Non-Executive Director	200,000 200,000
Ang Hock Seng		
Tan Suat Hoon	Independent Non-Executive Director	200,000
Yap Yung Chien	Independent Non-Executive Director	200,000
		1,000,000

Goh Chye Hin (our Managing Director) and Kee Hui Lang (our Non-Independent Executive Director) have opted not to participate in the Pink Form Allocations as they are already our substantial shareholders.

- (2) The criteria for allocation to our eligible employees (as approved by our Board) are based on, amongst others, the following factors:
 - (a) the employee must be at least 18 years of age;
 - (b) the employee must have his/her employment confirmed in writing;
 - (c) the employees' seniority, position, length of service and level of contribution to our Group; and
 - (d) Other factors deemed relevant by our Board.

Details of the allocation to the eligible key senior management who are included as eligible employees are as follows:

Name of key senior		No. of IPO Shares
management	Designation	allocated
Jiu Chieh Yin	Chief Financial Officer	200,000
Khoo Khiow Jin	Sales and Marketing Manager	300,000
Tan Kim Peng	General Manager	200,000
Nurul Farhah Binti Abdullah	Senior Lead Chemist	200,000
		900,000

(3) The number of IPO Shares under the Pink Form Allocations to be allotted to those persons who have contributed to the success of our Group (as approved by our Board) are based on, amongst others, the nature and terms of their business relationship with us, the length of their business relationship with us and the level of contribution and support to the success of our Group. The persons who have contributed to the success of our Group includes our dealers, customers and suppliers.

As at the LPD, save as disclosed above, none of our substantial shareholders, Directors or key senior management have indicated to us on their intention to subscribe for our IPO Shares. Also, there is no other person who has indicated their intention to subscribe for more than 5.0% of our IPO Shares.

4. DETAILS OF OUR IPO (Cont'd)

(c) Private placement to selected Bumiputera investors approved by MITI and selected investors

62,907,400 IPO Shares, representing 17.01% of our enlarged issued Shares of 369,850,420, have been reserved for application by the way of private placement in the following manner:

- 46,231,400 IPO Shares, representing 12.50% of our enlarged issued Shares of 369,850,420, made available for selected Burniputera investors approved by MITI; and
- (ii) 16,676,000 IPO Shares, representing 4.51% of our enlarged issued Shares of 369,850,420, made available for selected investors.

In summary, subject to the clawback and reallocation provisions set out in Section 4.3.2 of this Prospectus, the IPO Shares will be allocated in the following manner:

	No. of IPO Shares	% ⁽¹⁾
Malaysian Public (via balloting)	18,492,600	5.00
Eligible Persons	12,100,000	3.27
Private placement to selected investors	16,676,000	4.51
Private placement to Bumiputera investors approved by MITI	46,231,400	12.50
	93,500,000	25.28

Note:

(1) Based on the enlarged issued Shares of 369,850,420 after our IPO.

4.3.2 Clawback and Re-allocation

The IPO shall be subject to the following clawback and reallocation provisions:

- (a) if our IPO Shares allocated to Bumiputera investors approved by the MITI ("MITI Tranche") are not fully taken up by such Bumiputera investors, and there is a corresponding over-subscription for IPO Shares by Bumiputera public investors via balloting, our IPO Shares will be clawed back from the remaining MITI Tranche and allocated to the Bumiputera public investors under the balloting.
 - If after the above reallocation, the MITI Tranche is still not fully taken up, the remaining MITI Tranche will be made available for application by the Malaysian Public (in the event of an oversubscription) or to selected investors via private placement;
- (b) subject to item (a) above, if there is an under-subscription in the private placement to selected investors and there is an over-subscription in the allocation to the Malaysian Public, our IPO Shares not taken up may be clawed back from the private placement to selected investors and reallocated to the Malaysian Public via balloting;
- (c) if there is an under-subscription in the allocation to Malaysian Public via balloting and there is an oversubscription in the private placement to selected investors, our IPO Shares not taken up may be clawed back from the allocation to Malaysian Public and reallocated to selected investors via private placement. However, if there is an undersubscription in the allocation to Malaysian Public via balloting but no over-subscription in the private placement to selected investors, such remaining IPO Shares will be underwritten by the Underwriter;

- (d) any IPO Share not taken up by the respective Eligible Persons based on their predetermined allocations shall be made available for application by the other Eligible Persons who have applied for excess IPO Shares in addition to their pre-determined allocation ("Excess IPO Shares"). Such Excess IPO Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:
 - firstly, allocation on a pro-rata basis to the Eligible Persons who have applied for the Excess IPO Shares based on the number of Excess IPO Shares applied for; and
 - (ii) secondly, to minimise odd lots.

Any further IPO Shares which are not subscribed for under the Pink Form Allocations will be made available for application by the Malaysian Public. Any of our IPO Shares under the Pink Form Allocations which are not subscribed for by the Malaysian Public will be made available to selected investors via private placement. Any further IPO Shares not applied for after being subject to the clawback and reallocation provisions above shall be underwritten by the Underwriter.

The clawback and reallocation provisions will not apply in the event that there is an oversubscription in all of the allocations of our IPO Shares at the closing date of our IPO.

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

There is no over-allotment or "greenshoe" option that will result in an increase in the number of our IPO Shares.

4.3.3 Minimum Subscription

There is no minimum level of subscription in terms of the proceeds to be raised by us for our IPO.

However, in order to comply with the public spread requirements of Bursa Securities, we are required to have at least 25.00% of our enlarged issued Shares to be held by a minimum of 200 public shareholders holding not less than 100 Shares each. This is the minimum subscription level in terms of the number of Shares.

We expect to meet the public shareholding requirement at the point of our Listing.

If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not refunded within 14 days after we become liable to do so, the provision of sub-Section 243(2) of the CMSA shall apply accordingly.

4.4 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and Mercury Securities, as our Principal Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

(a) the PE Multiple of approximately [•] times based on our EPS of 2.34 sen for the FYE 2022, calculated based on our PAT attributable to the owners of the Company for the FYE 2022 of approximately RM8.67 million after taking into account of our enlarged issued Shares of 369,850,420 upon Listing;

- (b) our pro forma combined NA per Share of RM[•], calculated based on our pro forma combined NA after our IPO and utilisation of IPO proceeds as at 31 December 2022 of approximately RM[•] million and our enlarged issued Shares of 369,850,420 upon Listing;
- (c) our Group's historical financial track record for the Financial Years Under Review summarised as follows:

	Audited				
	FYE 2020	FYE 2020 FYE 2021 FYE 2022			
	RM'000	RM'000	RM'000		
Revenue	71,599	79,766	79,218		
GP	22,787	26,718	23,535		
PAT	7,442	10,690	8,614		

- (d) our Group's competitive strengths as set out in Section 7.6 of this Prospectus; and
- (e) our Group's business strategies and future plans as set out in Section 7.22 of this Prospectus.

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

4.5 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

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

Details	No. of Shares	RM
Share capital		
As at the LPD	276,350,420	55,270,084
To be issued pursuant to our IPO	93,500,000	[•]
Enlarged share capital upon our Listing	369,850,420	[•]

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally amongst one another.

Our IPO Shares will, upon allotment and issue, rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our IPO Shares.

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

Each of our shareholders shall be entitled to vote at any of our general meeting in person, or by proxy or by attorney or by other duly authorised representative. Every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each Share held.

4.6 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- to provide an opportunity for the Malaysian Public, our eligible Directors and employees as well as persons who have contributed to the success of our Group to participate in our equity;
- (b) to enable our Group to raise funds for the purposes specified in Section 4.9 of this Prospectus;
- (c) to enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise; and
- (d) to gain recognition through our listing status which will enhance our Group's reputation in the marketing of our products and to retain and attract new, skilled employees in the industry.

4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged number of issued Shares of 369,850,420 upon Listing, our total market capitalisation is estimated to be RM[•].

4.8 DILUTION

Dilution is the amount by which our IPO Price exceeds our pro forma combined NA per Share immediately after our IPO.

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

	Details	RM
IPO Price	(A)	[•]
Pro forma combined NA per Share as at 31 December 2022 after Share Split and Acquisitions but before our IPO	(B)	[•]
Pro forma combined NA per Share as at 31 December 2022 after Share Split, Acquisitions, IPO and utilisation of proceeds	(C)	[•]
Increase in pro forma combined NA per Share to our existing shareholders	(C) – (B)	[•]
Dilution in the pro forma combined NA per Share to our new public investors	(A – C)	[•]
Dilution in the pro forma combined NA per Share to our new public investors as a percentage of our IPO Price	(A – C)/(A)	[•]%

Further details of our pro forma combined NA per Share as at 31 December 2022 is set out in Section 14 of this Prospectus.

Save as disclosed below and the Pink Form Allocations to our eligible Directors and key senior management, there has been no acquisition or subscription of any of our Shares by our Promoters, Directors, substantial shareholders, key senior management or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares in the past 3 years up to the date of this Prospectus:

	No. of Shares held after the Acquisitions and before IPO	Total consideration (RM)	Average effective cost per Share (RM)
Promoters, substantial shareholders and Directors		()	(*****)
Goh Chye Hin Kee Hui Lang	164,569,789 27,774,611	32,913,958 5,554,922	0.20 0.20
<u>Director</u> Lim Kok Beng	9,160,059	1,832,012	0.20
Key senior management Tan Kim Peng	1,000,000	200,000	0.20

4.9 UTILISATION OF PROCEEDS

4.9.1 IPO

The estimated gross proceeds arising from the IPO of approximately RM[•] million shall accrue entirely to us and will be utilised in the following manner:

Det	ails c	of use of proceeds	Estimated timeframe for utilisation from the date of Listing	RM'000	%
(a)	Esta	ablishment of Perak Plant:			
	(i)	Construction of Perak Plant	Within 12 months	[•]	[•]
	(ii)	Purchase and commissioning of automated paint production system	Within 12 months	[•]	[•]
(b)		chase of 250 sets of Smart Colour S Tinting Machine	Within 36 months	[•]	[•]
(c)	Wor	king capital	Within 12 months	[•]	[•]
(d)	Esti	mated listing expenses	Within 1 month	[•]	[•]
			Total	[•]	100.00

(a) Establishment of Perak Plant

(i) Construction of Perak Plant

Our Group intends to allocate RM[•] million, representing [•]% of the proceeds from our IPO to partly finance the construction of the Perak Plant.

The Perak Plant has a total built-up area of approximately 95,170 sq ft which consist of the following:

(aa) a double-storey factory with a built-up area of approximately 40,486 sq ft;

- (bb) a single storey warehouse with a built-up area of approximately 21,122 sq ft:
- (cc) a double-storey office building with a built-up area of approximately 24,062 sq ft which includes, amongst others, office, a laboratory and a showroom; and
- (dd) other utility facilities with a built-up area of approximately 9,500 sq ft which includes, amongst others, treatment plant, compressor room, switch gear and transformer room.

We have started the construction of our Perak Plant in July 2022 and is scheduled to be completed in the fourth quarter of 2023. Based on the work status report dated 19 September 2023, the progress of the construction works has achieved approximately 94.00%.

The purpose of the establishment of our Perak Plant is to streamline our manufacturing operations as well as to increase our existing 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. Our Perak Plant will be focusing on the manufacturing of water-based decorative paints and protective coatings. It will also allow us to expand and support our customer-base within the Central and Northern regions of Malaysia based on the location of our Perak Plant. Please refer to Sections 7.22.1 of this Prospectus 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.

The total estimated construction cost of our Perak Plant is approximately RM[•] million. On 19 September 2022, our Group was offered a banking facility of up to approximately RM[•] million, being [•]% of the total estimated construction cost, to part finance the construction of our Perak Plant. The remaining RM[•] million or [•]% will be funded via our Group's internally generated funds. The details of the banking facility as at the LPD are as set out below:

Financier/ Type of facility	Interest rate per annum	Maturity date	Amount drawdown as at the LPD RM'000	Facility amount to be repaid via proceeds from IPO (up to) RM'000	Estimated annual interest savings RM'000
CIMB Bank Berhad/	4.55%	240 months	[•]	[•]	[•]
Term Loan		commenci			
		ng from			
		the date			
		of full			
		disburse			
		ment			

As at the LPD, the progress billing for the construction work of our Perak Plant is approximately RM[•] million and our Group has paid a total of approximately RM[•] million via internally generated funds and bank borrowing as follows:

	Estimated Construction Cost		Progress Payment as at the LPD
	RM'000	%	RM'000
Bank borrowing	[•]	[•]	[•]
Internally generated funds	[•]	[•]	[•] ⁽¹⁾
Total	[•]	100.00	[•]

Note:

(1) Pending the reimbursement of RM[•] million from the bank as part of the bank borrowings obtained by our Group for the construction of Perak Plant.

As at 10 August 2023, the outstanding balance of the bank facility is approximately RM[•] million (including the interest accrued).

After the receipt of our IPO proceeds, our Group plans to utilise the sum of RM[•] million allocated for the construction of Perak Plant to repay our banking facility.

In the event the actual amount required for the construction of our Perak Plant is higher than the estimated RM[•] million, the deficit will be funded through our Group's internally generated funds.

(ii) Purchase and commissioning of automated paint production system

Our Group intends to allocate up to RM[•] million, representing [•]% of the proceeds from our IPO for the purchase and commissioning of automated paint production system in our Perak Plant. The breakdown of the estimated costs is set out in the table below:

Details	USD'000	RM'000 ⁽¹⁾
System, equipment and material cost ⁽²⁾	[•]	[•]
Design and technical services	[•]	[•]
Total	[•]	[•]

Notes:

- (1) Based on the assumed exchange rate as at the LPD of USD1.00:RM4.50.
- (2) System, equipment and material cost consists of, amongst others, powders handling system, wet component handling system, dispersing system, transmission system, electrical control panel and steel structure platform.

The automated paint production system comprises the set up and integration of multiple systems to form an automated production line and reduce our dependency on human labour.

We expect the installation and commissioning of the automated paint production system in our Perak Plant to be completed within 4 months from the completion of the construction of the Perak Plant. The construction of our Perak Plant is scheduled to be completed by fourth quarter of 2023, hence, the installation and commissioning of the automated paint production system is expected to be completed by first guarter of 2024.

On 19 September 2022, our Group was offered a banking facility of up to RM[•] million, being approximately [•]% of the total estimated cost, to part finance the purchase of new equipment for our Perak Plant. The remaining RM[•] million or [•]% will be funded via our Group's internally generated funds. The details of the banking facility as at the LPD are as set out below:

Financier/ Type of facility	Interest rate per annum	Maturity date	Balance as at the LPD RM'000	Facility amount to be repaid via proceeds from IPO (up to) RM'000	Estimated annual interest savings RM'000
CIMB Bank Berhad/ Trade line	6.25%	84 months commencing from the date of full	[•]	[•]	[•]
		disbursement			

As at the LPD, a total sum of USD[•] million, equivalent to approximately RM[•]* million has been paid upon the completion of first shipment of the equipment and materials which includes RM[•] million paid via our internally generated funds and RM[•] million paid via the draw down of the banking facility. The remaining sum of USD[•] million, equivalent to approximately RM[•]^ million will be paid via the draw down of the banking facility.

Notes:

- * Based on the prevailing exchange rate for the respective payment made as at the point of time.
- ^ Based on the exchange rate as at the LPD of USD1.00: RM4.50.

As at the LPD, the outstanding balance of the banking facility is approximately RM[•] million. After the receipt of our IPO proceeds, our Group plans to utilise the sum of up to RM[•] million allocated for the purchase and commissioning of the automated paint production system to fully repay the said banking facility mentioned above. In the event that the actual outstanding balance of the banking facility is lower than RM[•] million, the excess will be reallocated to working capital. In the event the actual amount required for the purchase and commissioning of the automated paint production system in Perak Plant is higher than the estimated RM[•] million, the shortfall will be funded through our Group's internally generated funds.

The IPO proceeds allocated for the construction of Perak Plant and the purchase and commissioning of the automated paint production system in Perak Plant will result in an estimated total annual interest savings of up to approximately RM[•] million as per the table in Sections 4.9.1(a)(i) and 4.9.1(a)(ii) above. However, our Group will incur an early repayment penalty of up to approximately RM[•] million based on the early repayment penalty of 1.00% for banking facility to part finance the purchase and commissioning of the automated paint production system for the Perak Plant, upon the full settlement of the said bank facility.

(b) Purchase of 250 sets of Smart Colour POS Tinting Machine

Our Group intends to allocate RM[•] million, representing [•]% of the proceeds raised from our IPO to purchase 250 sets of Smart Colour POS Tinting Machine over the next 3 years. The average estimated cost for the purchase of Smart Colour POS Tinting Machines is RM[•] million per set.

As at the LPD, we have set up our Smart Colour POS Tinting Machines in 363 retail hardware stores or retail paint shops throughout 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 to be distributed locally to our new and 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 purchase of the additional 250 sets of Smart Colour POS Tinting Machine is expected to be phased out according to the following timeline:

Year	2024	2025	2026
Sets of Smart Colour	80	80	90
POS Tinting Machine			

In the event that the actual cost is lower than the allocated amount, the excess will be reallocated to working capital. In the event of any shortfall, the deficit will be funded through our Group's internally generated funds and/or bank borrowings.

(c) Working capital

Our Group intends to allocate RM[•] million, representing [•]% of the proceeds raised from our IPO to supplement the working capital requirements of our Group. The proceeds shall be allocated in the following manner:

Description	RM'000
Purchase of raw materials such as binder, pigments, additive, solvent, extender and colour paste	[•]
Payment of our Group's staff related expenses and other statutory contributions and payments	[•]
Total	[•]

(d) Estimated listing expenses

Our Group intends to allocate RM[•] million, representing [•]% of the proceeds from our IPO to meet the estimated expenses for our Listing. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Description	RM'000
Professional fees ⁽¹⁾	[•]
Underwriting, placement, and brokerage fees	[•]
Printing and advertising fees	[•]
Miscellaneous expenses and contingencies ⁽²⁾	[•]
Fees payable to authorities	[•]
Total	[•]

Notes:

- (1) Includes professional and advisory fee for, amongst others, Principal Adviser, Due Diligence Solicitors, Auditors and Reporting Accountants, IMR, Internal Control Consultant, Share Registrar and Issuing House.
- (2) Other incidental or related expenses in connection with our IPO, which include translators, media related expenses and IPO event expenses.

If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital requirements.

While pending utilisation of the IPO proceeds raised, the funds will be placed in interest-bearing accounts with licensed financial institutions or short-term money market instruments.

4.10 UNDERWRITING, COMMISSION, PLACEMENT AND BROKERAGE FEE

4.10.1 Underwriting commission

Our Underwriter will underwrite 30,592,600 IPO Shares made available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter an underwriting commission of [•]% of the total value of the underwritten Shares at our IPO Price.

4.10.2 Placement fee

The balance of 62,907,400 IPO Shares from the IPO available for application by selected investors and selected Bumiputera investors approved by MITI will not be underwritten and shall be placed out by our Placement Agent.

We are obliged to pay our Placement Agent a placement fee of up to [●]% of the value of those IPO Shares to be placed out to selected investors and Bumiputera investors approved by MITI by our Placement Agent at our IPO Price.

4.10.3 Brokerage fee

Brokerage fee is payable in respect of the IPO Shares at the rate of [•]% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association in Malaysia or Issuing House.

Mercury Securities, being our Placement Agent is entitled to charge brokerage commission to successful applicants for the IPO Shares made available to selected investors and Bumiputera investors approved by MITI by way of private placement. For the avoidance of doubt, such brokerage commission under the abovementioned successful applications will not be payable by us.

4. DETAILS OF OUR IPO (Cont'd)

4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with Mercury Securities, to underwrite 30,592,600 IPO Shares.

Subject to clawback and re-allocation terms in Section 4.3.2 of this Prospectus, any remaining IPO Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

The following are the salient terms contained in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement:

[•]

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

			Before	e IPO			After	· IPO	
		Direct	t	Indirect		Direct		Indirect	
Name	Nationality	No. of Shares	% ⁽¹⁾	% ⁽¹⁾ No. of Shares % ⁽¹⁾		No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Goh Chye Hin	Malaysian	164,569,789	59.55	10,000,000(3)	3.62	164,569,789	44.50	10,000,000(3)	2.70
Kee Hui Lang	Malaysian	27,774,611	10.05	10,000,000(3)	3.62	27,774,611	7.51	10,000,000(3)	2.70

Notes:

- (1) Based on the total number of 276,350,420 Shares before our IPO.
- (2) Based on our enlarged total number of 369,850,420 Shares after our IPO.
- (3) Deemed interested by virtue of the direct shareholding of their children, Goh Sim Yee (5,000,000 Shares) and Goh Ji Syuan (5,000,000 Shares) pursuant to Section 59(11)(c) of the Act.

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

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5.1.2 Profiles of our Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are set out below:

(a) Goh Chye Hin

Promoter, substantial shareholder and Managing Director

Goh Chye Hin, a Malaysian, age 63, is our Promoter, substantial shareholder and Managing Director. He was appointed to our Board on 13 May 2019. He is responsible for spearheading and overseeing our Group's overall operations as well as formulating and implementing new business strategies.

He completed his secondary education in Sekolah Menengah Jenis Kebangsaan Chung Ling Pulau Pinang in 1978. From 1979 to 1980, he attended the Advanced Level preuniversity programme at Han Chiang High School. However, he opted not to continue pursuing the programme as he decided to set up Global Company, a business partnership involved in the trading of sundries with his partners in 1980.

In 1982, he joined Juan Kuang Electrical Works as a Sales Representative where he was responsible for promoting and selling electronic products. He later joined Seamaster Paint (Malaysia) Sdn Bhd in 1983 as their Sales Executive and was responsible for formulating marketing strategies and business development plans.

He left Seamaster Paint (Malaysia) Sdn Bhd in 1990 to embark on his entrepreneurial journey by co-founding United Trading, a business that is involved in the trading of paints and tools, in the same year. He later co-founded UT Holdings in 1992 with our Non-Independent Executive Director, Kee Hui Lang, a company which was previously involved in the sale and distribution of paints, coating materials and hardware. Pursuant to the incorporation of UT Holdings, United Trading was terminated in 1992. UT Holdings has ceased its sale and distribution operations in January 2023 and is only involved in property investment.

In 1999, he co-founded Colourland Paints Sdn Bhd, a paint manufacturing company, with Kee Hui Lang, Wong Chee Keen and Wong Chee Leong. In addition, in 2000, he also co-founded Colourland Paints (Marketing) Sdn Bhd (now known as Akzo Nobel Paints Marketing Sdn Bhd) ("Colourland Marketing") with Wong Chee Leong, Loh Boon Leong and Tan Chin Keong (collectively, Colourland Paints Sdn Bhd and Colourland Paints (Marketing) Sdn Bhd are hereinafter referred to as the "Colourland Companies"). Save for Kee Hui Lang, the other co-founders of the Colourland Companies are non-related parties of Goh Chye Hin. He took on the role as Managing Director of the Colourland Companies and played vital roles in overseeing their operations as well as the setting of business strategies.

In 2009, he took on the role as Managing Director of Colourland Paints Holdings Bhd. He later resigned as Managing Director of Colourland Paints Holdings Bhd and the Colourland Companies in 2012 due to the differences in views of the Colourland Companies' future direction with the other shareholders. He disposed of his entire shareholdings in the Colourland Companies (41.91% in both Colourland Companies) to his business partners in the same year, with no conditions attached such as non-competition clause or restriction to enter into similar business to the said disposal of interest in the Colourland Companies.

After leaving the Colourland Companies in 2012, in the same year, he co-founded Smart Paint (Selangor) with our Non-Independent Executive Director, Kee Hui Lang, and our other subsidiaries, Smart Paints (M) and Smart Paints (Sabah) in 2013. In 2013, he also co-founded Smart Paint Manufacturing with his cousin, Goh Bee Sim, and had assumed the position of Managing Director in these companies since. He has been instrumental in leading and growing the business of our Group.

Goh Chye Hin is the spouse of Kee Hui Lang, our Non-Independent Executive Director.

Further details of his directorships in other companies are as set out in Section 5.2.3 of this Prospectus.

(b) Kee Hui Lang

Promoter, substantial shareholder and Non-Independent Executive Director

Kee Hui Lang, a Malaysian, age 61, is our Promoter, substantial shareholder and Non-Independent Executive Director. She was appointed to our Board on 13 May 2019. She is mainly responsible for the management of the supply chain, warehouse, products' pricing and customer service.

She completed her secondary education in Sekolah Menengah Sultanah Engku Tun Aminah in 1980. Thereupon, she commenced her career as a General Clerk with Dragon & Phoenix Sdn Bhd, a company involved in the manufacturing and export of cloth, before leaving as their Supervisor in 1990. During her tenure there, she was responsible for overseeing a team involved in the measurement and trimming of cloth.

She subsequently joined United Trading in 1990 as an Executive before leaving in 1992 to co-found UT Holdings with Goh Chye Hin, a company previously involved in the sale and distribution of paints, coating material and hardware.

In 1999, she co-founded Colourland Paints Sdn Bhd with Goh Chye Hin and non-related parties, namely Wong Chee Keen and Wong Chee Leong and she was appointed as a director of the company. However, as she was not involved in the day-to-day operations of Colourland Paints Sdn Bhd and did not hold any executive roles, she later resigned as director of the company in the same year. In 2002, she disposed of her entire shareholdings in Colourland Paints Sdn Bhd to Goh Chye Hin.

In 2012, together with our Managing Director, Goh Chye Hin, she co-founded Smart Paint (Selangor) and our subsidiaries, Smart Paints (M) and Smart Paints (Sabah) in 2013. Since then, she assumed the role as our Non-Independent Executive Director.

She is the spouse of Goh Chye Hin, our Managing Director.

Further details of her directorships in other companies are as set out in Section 5.2.3 of this Prospectus.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.1.3 Changes in the Promoters' and substantial shareholders' shareholdings for the past 3 years

Save as disclosed below, there has been no change in our Promoters and substantial shareholders' respective shareholdings in our Company for the past 3 years prior to the LPD and after our IPO:

	As at 31 December 2020				As at 31 December 2021				As at 31 December 2022			
Promoters /	Direct	Direct Indirect			Direct Indirect		Direct		Indirect			
Substantial	No. of		No. of		No. of		No. of		No. of		No. of	
Shareholders	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾
Goh Chye Hin	29,749,871	58.45	2,000,000 ⁽⁵⁾	3.93	29,749,871	58.45	2,000,000(5)	3.93	30,499,887	59.93	2,000,000(5)	3.93
Kee Hui Lang	5,000,045	9.82	2,000,000(5)	3.93	5,000,045	9.82	2,000,000(5)	3.93	5,000,045	9.82	2,000,000(5)	3.93

	At	ter the S	Share Split		After the Acquisitions and as at the LPD				After our IPO			
Promoters /	Direct	Direct Indirect			Direct Indirect			Direct Indir		Indirect		
Substantial	No. of		No. of		No. of		No. of		No. of		No. of	
Shareholders	Shares	% ⁽²⁾	Shares	% ⁽²⁾	Shares	% ⁽³⁾	Shares	% ⁽³⁾	Shares	% ⁽⁴⁾	Shares	% ⁽⁴⁾
Goh Chye Hin	151,499,435	59.53	10,000,000(6)	3.93	164,569,789	59.55	10,000,000(6)	3.62	164,569,789	44.50	10,000,000(6)	2.70
Kee Hui Lang	25,000,225	9.82	10,000,000(6)	3.93	27,774,611	10.05	10,000,000 ⁽⁶⁾	3.62	27,774,611	7.51	10,000,000 ⁽⁶⁾	2.70

Notes:

- (1) Based on the total number of 50,900,002 Shares.
- (2) Based on the total number of 254,500,010 Shares pursuant to the Share Split which was completed on 12 May 2023.
- (3) Based on the total number of 276,350,420 Shares after the Acquisitions and as at the LPD.
- (4) Based on our enlarged total number of 369,850,420 Shares after our IPO.
- (5) Deemed interested by virtue of the direct shareholding of their children, Goh Sim Yee (1,000,000 Shares) and Goh Ji Syuan (1,000,000 Shares) pursuant to Section 59(11)(c) of the Act.
- (6) Deemed interested by virtue of the direct shareholding of their children, Goh Sim Yee (5,000,000 Shares) and Goh Ji Syuan (5,000,000 Shares) pursuant to Section 59(11)(c) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.1.4 Persons exercising control over the corporation

Save for our Promoters and substantial shareholders, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is also no arrangement between our Company and our shareholders with any third party, which may, at a subsequent date, result in a change in control of our Company.

5.1.5 Benefits paid or intended to be paid or given to our Promoters or substantial shareholders

Save for the following, there is no amount and benefit that has been or is intended to be paid or given to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus:

(a) dividends paid or to be paid to our Promoters and substantial shareholders as detailed below:

Promoters and substantial shareholders	Dividen	ds paid
	FYE 2021	FYE 2022
	RM'000	RM'000
Goh Chye Hin	389	210
Kee Hui Lang	75	41

- (b) issuance of our Shares as consideration pursuant to the Acquisitions as set out in Section 6.1.2 of this Prospectus; and
- (c) aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group in all capacities as set out in Section 5.2.4 of this Prospectus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations as set out in Section 4.3.1 of this Prospectus are set out below:

			Before	IPO			After	IPO	
		Dire	ect	Indirect		Direct		Indirect	
		No. of		No. of		No. of		No. of	
Name	Designation / Nationality	Shares	% ⁽¹⁾	Shares	% ⁽¹⁾	Shares	% ⁽²⁾	Shares	% ⁽²⁾
Yau Yin Wee	Independent Non-Executive Chairman / Malaysian	-	-	-	-	200,000	0.05	-	-
Goh Chye Hin	Managing Director / Malaysian	164,569,789	59.55	10,000,000(3)	3.62	164,569,789	44.50	10,000,000(3)	2.70
Kee Hui Lang	Non-Independent Executive Director / Malaysian	27,774,611	10.05	10,000,000(3)	3.62	27,774,611	7.51	10,000,000(3)	2.70
Lim Kok Beng	Non-Independent Executive Director , Chief Operating Officer / Malaysian	9,160,059	3.31	-	-	9,360,059	2.53	-	-
Yap Yung Chien	Independent Non-Executive Director / Malaysian	-	-	-	-	200,000	0.05	-	-
Ang Hock Seng	Independent Non-Executive Director / Malaysian	-	-	-	-	200,000	0.05	-	-
Tan Suat Hoon	Independent Non-Executive Director / Malaysian	-	-	-	-	200,000	0.05	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Notes:

- (1) Based on the total number of 276,350,420 Shares before our IPO.
- (2) Based on our enlarged total number of 369,850,420 Shares after our IPO.
- (3) Deemed interested by virtue of the direct shareholding of their children, Goh Sim Yee (5,000,000 Shares) and Goh Ji Syuan (5,000,000 Shares) pursuant to Section 59(11)(c) of the Act.

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5.2.2 Profiles of Directors

Save for the profile of Goh Chye Hin and Kee Hui Lang, which have been disclosed in Section 5.1.2 of this Prospectus, the profiles of our Directors are as follows:

(a) Yau Yin Wee

Independent Non-Executive Chairman

Yau Yin Wee, a Malaysian, age 66, is our Independent Non-Executive Chairman. He was appointed to our Board on 17 April 2023.

He obtained his Bachelor of Science in Business Administration majoring in Finance from the University of South Alabama, United States of America in 1983.

Upon returning to Malaysia, he joined Hong Leong Finance Berhad in 1983 as their Marketing and Credit Executive, where he was responsible for the marketing of business and retail loans. In 1987, he was promoted to the position of Branch Manager where his responsibilities expanded to overseeing the business operations of the branch.

He was re-designated to the position of Hire Purchase Centre Manager in 1991 to spearhead the bank's automobile business in Perak by initiating new business concepts, as well as setting up a dedicated team of Marketing and Credit Managers and Officers. In 1996, he was promoted to the position of Corporate and Commercial Manager (Senior Manager).

He left to join AmBank Group in 2005 as their Senior Manager and was subsequently redesignated to Associate Director of the Corporate and Institutional Banking in 2010 where he was involved in marketing and development for corporate advisory and business loans. During his tenure there, he also assisted various clients with their initial public offering processes on both Malaysia's and Singapore's stock exchanges before leaving in 2014.

In 2015, he joined Hong Leong Bank Berhad as the General Manager, Retail Community Business. He was later appointed as the Senior Regional Head (Southern Region) in 2015, a position he held until his retirement in 2021.

He served as a Committee Member of the Institute of Bankers Malaysia (now known as Asian Institute of Chartered Bankers) from 2001 to 2014 and Chairman of the Association of Finance Companies Malaysia (Johor Regional Committee) from 2000 to 2006.

He was appointed as the Independent Non-Executive Director of I REIT Managers Sdn Bhd, Cape EMS Berhad and Axteria Group Berhad on 1 April 2022, 5 May 2022 and 13 March 2023, respectively, roles which he continues to assume.

He has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

Further details of his directorships in other companies are as set out in Section 5.2.3 of this Prospectus.

(b) Lim Kok Beng

Non-Independent Executive Director / Chief Operating Officer.

Lim Kok Beng, a Malaysian, age 63, is our Non-Independent Executive Director and Chief Operating Officer. He was appointed to our Board on 23 February 2023. He is responsible for managing and enhancing the operational efficiencies of our Group.

He obtained his Certificate in Technology (Materials Engineering) from Kolej Tunku Abdul Rahman, Kuala Lumpur in 1982.

He commenced his career as Quality Control Supervisor with Motorola in 1982 and was responsible for product quality improvement. He later left to join Intel (Malaysia) Sdn Bhd in 1983 as Process Engineering Technical Specialist before leaving in 1990 as their Senior Technical Specialist. During his tenure here, he was involved in sustaining and improving the manufacturing processes in the company.

He subsequently joined Acer Technologies Sdn Bhd as a Process Technology Engineer in 1990 and was promoted to the position of Senior Product Mechanical Engineer in 1992. As the Senior Product Mechanical Engineer, he was involved in developing manufacturing technology for monitors.

During his employment with Acer Technologies Sdn Bhd, he also obtained his Diploma of Marketing from Marketing Confederation Australia Limited in 1992 and his Master of Business Administration from Herriot-Watt University in 1995. In 1994, he also became a member of the Chartered Institute of Marketing.

In 1995, he left Acer Technologies Sdn Bhd to join Eng Technology Sdn Bhd in the role of General Manager where he was responsible for overseeing the company's manufacturing processes. After leaving Eng Technology Sdn Bhd in 2001, he joined Mega Precision Engineering Sdn Bhd, a company involved in the production of machinery precision engineering parts as their Business Development Manager. In 2012, he left Mega Precision Engineering Sdn Bhd and joined Synergy Manufacturing Works Sdn Bhd as their Business Director and was responsible for business development as well as maintaining customer relationships.

In 2016, he left Synergy Manufacturing Works Sdn Bhd to join our Group as our Chief Operating Officer, a role he currently assumes.

He has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

Further details of his directorships in other companies are as set out in Section 5.2.3 of this Prospectus.

(c) Ang Hock Seng

Independent Non-Executive Director

Ang Hock Seng, a Malaysian, age 61, was appointed as our Independent Non-Executive Director on 8 June 2023. He is also the Chairman of our Remuneration Committee and a member of our Nomination Committee and Audit and Risk Management Committee.

He obtained his Bachelor of Science in Geology from the National University of Malaysia in 1986.

He commenced his career in 1986 as a Sales Representative of Kimia Tanah Air (Malaysia) Sdn Bhd, where he was responsible for securing sales of industrial cleaning chemicals from the government and academic institutions. In 1987, he joined International Paints (Malaysia) Sdn Bhd as their Technical Sales / Service Executive, where he provided technical advice in respect of protective and marine coatings for new construction projects as well as for the maintenance of existing projects.

He left in 1992 to join TNT Express Worldwide (Malaysia) Sdn Bhd as their Territory Manager where he was tasked with overseeing courier services for parcel and document deliveries to companies. He then joined Revertex (Malaysia) Sdn Bhd in 1994 as Sales Executive of the Polymer Division where he was responsible for sales of resins and binders to the coating industry. During his tenure at Revertex (Malaysia) Sdn Bhd, which spanned almost 28 years, he was promoted through the ranks of amongst others, Senior Manager, before retiring as the Head of Sales in charge of Malaysia, Singapore, New Zealand and Australia regions in 2022. Throughout his career at Revertex (Malaysia) Sdn Bhd, he was involved in managing clients across Asia Pacific, handling and managing numerous product segments as well as overseeing the sales teams.

He has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

As at the LPD, Ang Hock Seng does not hold any directorships in any other companies outside our Group.

(d) Tan Suat Hoon

Independent Non-Executive Director

Tan Suat Hoon, a Malaysian, age 54, is our Independent Non-Executive Director. She was appointed to our Board on 17 April 2023. She is also the Chairman of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee.

She obtained her Diploma in Commerce (Management Accounting) from Tunku Abdul Rahman College, Kuala Lumpur in 1992. She was admitted as an Associate of the Chartered Institute of Management Accountants, United Kingdom ("CIMA") and the Association of Chartered Certified Accountants, United Kingdom ("ACCA") in 1996 and as Fellow in 2001 for both CIMA and ACCA. She has also been a Chartered Accountant with Malaysian Institute of Accountants ("MIA") since 1996. She is presently a member of CIMA and MIA.

She began her career as an Audit Assistant with KPMG Peat Marwick (now known as KPMG) in 1992 and left as an Audit Senior in 1996 where she was involved in audit assignments of private and public listed companies in various industries.

She joined Malaysian International Merchant Bankers Berhad (which was taken over by Eon Bank Berhad and subsequently by Hong Leong Bank Berhad) in 1996 as an Executive in Corporate Finance and left in 2002 as a Manager. She then joined AmInvestment Bank Berhad as a Manager, Corporate Finance in 2002 and left in 2017 as Senior Vice President, Corporate Finance. In 2017, she joined Pen Petroleum Sdn Bhd which is involved in petroleum retailing as Group Senior Finance Manager and left in 2018. She was responsible for the supervision of the finance department in Pen Petroleum Sdn Bhd. She joined Kenanga Investment Bank Berhad as Senior Vice President, Corporate Finance in 2018 and left in 2021. She has accumulated more than 20 years of experience in corporate finance, advisory and debt capital market in the investment banking industry and was involved in initial public offerings, capital and fundraising exercises, corporate restructuring, mergers and acquisitions, privatisation and take-overs.

Subsequently, she joined Texchem Corporation Sdn Bhd, a subsidiary of Texchem Resources Bhd ("TRB"), in June 2021 as Group Chief Financial Officer and was responsible for finance and treasury matters for TRB's group of companies which are involved in the industrial, polymer engineering, food, and restaurant segments. She was transferred to TRB as the Special Officer-Regulatory, Presidential Office in July 2022 and left in September 2022. She was responsible for ensuring compliance of TRB with the

relevant regulatory requirements and to manage ad-hoc projects assigned by the Presidential Office.

Currently, she serves as the Chief Financial Officer of Northeast Precision Sdn Bhd, a company involved in the manufacturing of precision engineering components which she joined since September 2022 and is responsible for the financial and corporate matters.

She was appointed as the Independent Non-Executive Director of Central Global Berhad and PGF Capital Berhad since 3 January 2023 and 31 May 2023, respectively.

She has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

Further details of her directorships in other companies are as set out in Section 5.2.3 of this Prospectus.

(e) Yap Yung Chien

Independent Non-Executive Director

Yap Yung Chien, a Malaysian, age 33, was appointed as our Independent Non-Executive Director on 8 June 2023. She is also the Chairman of our Nomination Committee and a member of our Remuneration Committee and Audit and Risk Management Committee.

She commenced her career with Yusarn Audrey as Legal Secretary in 2011 while undertaking the part-time Diploma in Law, University of London (External) course with Advance Tertiary College Singapore which she successfully completed in 2013. She left Yusarn Audrey in 2014 to join Gallant Venture Ltd as their Legal Executive before leaving as their Assistant Manager, Legal in 2019. During her tenure in Yusarn Audrey and Gallant Venture Ltd, she was involved in preparing and negotiating contracts as well as providing legal advisory services.

Upon obtaining her Diploma in Law in 2013, she continued to further her studies on parttime basis and graduated with a Bachelor of Laws from University of London (External) in 2015 and the Certificate in Legal Practice in 2019.

In 2019, she joined Epson Singapore Pte Ltd briefly as their Regional Legal Counsel before deciding to return to Malaysia in the same year to assist in managing her family business, Sushi House Master Sdn Bhd as Chief Executive Officer until 2020.

She commenced her pupillage with Lee & Tengku Azrina in 2020 and was admitted as an Advocate and Solicitor of the High Court of Malaya in 2021. She was subsequently retained as a Legal Associate in the corporate and commercial department before leaving Lee & Tengku Azrina in 2022 to re-join her family business, Sushi House Master Sdn Bhd, as Chief Executive Officer.

In August 2022, she left her family business to set up her own legal firm Y.C. Yap & Co., specialising in corporate and commercial matters, wills, trusts and property.

She was appointed as the Independent Non-Executive Director of Axteria Group Berhad on 1 March 2023, a role which she continues to assume.

Further details of her directorships in other companies are as set out in Section 5.2.3 of this Prospectus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.2.3 Involvement of our Directors in other principal business activities outside our Group

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

(a) Yau Yin Wee

			Date of	Date of		reholding/ ding held
Company	Principal activities	Position held	appointment	resignation	Direct	Indirect
Present involvement						
Business Legion Sdn Bhd	Property investment holding	Director / Shareholder	8 July 2021	-	0.01	-
Axteria Group Berhad	Investment holding company with its subsidiaries principally involved in the development and management of real estate projects	Independent Non- Executive Director	13 March 2023	-	-	-
I REIT Managers Sdn Bhd	Management company of AME Real Estate Investment Trust	Independent Non- Executive Director ⁽¹⁾	1 April 2022	-	-	-
AME Real Estate Investment Trust	Real Estate Investment Trust	Unitholder ⁽¹⁾	-	-	0.05	-
Cape EMS Berhad	Investment holding company involved in electronics manufacturing services ("EMS") and with its subsidiaries involved in aluminium die casting, EMS and the supply of electronic products	Independent Non- Executive Director	5 May 2022	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

			Date of	Date of		reholding/ ling held
Company	Principal activities	Position held	appointment	resignation	Direct	Indirect
Past Involvement						
NOVA CJC Inno-tech Solutions Limited	 Provision of Information Technology ("IT") consultancy services Deregistered on 4 April 2019 	Director / Shareholder	25 October 2016	-	66.67	-
Cape Smart Solutions Pte Ltd	 Provision of IT consultancy services Struck off on 4 October 2021 	Director / Shareholder	3 January 2017	-	45.00	-
Cape EMS Berhad	 Investment holding company involved in EMS and with its subsidiaries involved in aluminium die casting, EMS and the supply of electronic products. 	Shareholder	-	-	0.04 ⁽²⁾	-

Notes:

- (1) As at the LPD, Yau Yin Wee holds 250,000 units (0.05%) in AME Real Estate Investment Trust while serving as the Independent Non-Executive Director of I REIT Managers Sdn Bhd, management company of AME Real Estate Investment Trust. Yau Yin Wee's obligations/ responsibilities as Independent Non-Executive Director of I REIT Managers Sdn Bhd is primarily in respect of AME Real Estate Investment Trust.
- (2) Yau Yin Wee held shares in Cape EMS Berhad while serving as the Independent Non-Executive Director of Cape EMS Berhad. He disposed of his entire shareholdings on 10 March 2023, 17 March 2023 and 19 April 2023 via open market transactions.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

(b) Goh Chye Hin

				Date of	Date of	% of share	holding held
Company		Principal activities	Position held	appointment	resignation	Direct	Indirect
Present involvement							
UT Holdings	•	Property investment holding	Director / Shareholder	31 October 1992	-	54.53	22.22(1)
Mr.Mark Tools (M) Sdn Bhd	•	Trading in industrial tools, equipment and hardware	Director / Shareholder	17 January 2005	-	50.75	-
Mr.Mark Machinery Sdn Bhd	•	Dormant with no intended activities. Previously involved in the trading of machinery.	Director / Shareholder	26 October 2010	-	70.00	-
KTC Hardware & Trading Sdn Bhd	•	Trading of hardware	Shareholder	-	-	46.20	-
Kulim Economy Centre Sdn Bhd	•	Trading of clothes. In the process of striking out	Director	19 October 1981	-	-	-
Reginehojiak Angel PLT	•	Food and beverage services	Partner	13 May 2022	-	N/A (Partnership)	N/A (Partnership)
Past Involvement							
MP World Hardware & Machinery Sdn Bhd	•	Trading of hardware	Director / Shareholder	15 October 2012	21 January 2021	50.00(2)	-
KTC Hardware & Trading Sdn Bhd	•	Trading of hardware	Director	3 October 2012	11 April 2023	-	-
Ztree Sdn Bhd	•	Trading of paints	Shareholder	-	-	50.00(3)	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

			Date of	Date of	% of sharel	nolding held
Company	Principal activities	Position held	appointment	resignation	Direct	Indirect
Smart Asia Chemical Berhad	 Dormant, intended as an investment holding company Struck off on 27 September 2019 	Director / Shareholder	18 January 2019	-	50.00	-
Smart Paints (Sarawak) Sdn Bhd	 Trading of paints and coating materials. Struck off on 16 January 2019 	Director / Shareholder ⁽⁴⁾	6 May 2013	-	80.00	-
PT Smart Paint Indonesia	Manufacturing of paints	Shareholder	-	-	50.00 ⁽⁵⁾	-

Notes:

- (1) Deemed interested by virtue of the direct shareholding of his children, Goh Sim Yee and Goh Ji Syuan pursuant to Section 59(11)(c) of the Act.
- (2) Goh Chye Hin disposed of his entire shareholdings in MP World Hardware & Machinery Sdn Bhd to a non-related party, Cho Chooi Mei (250,000 shares) on 4 February 2021.
- (3) Goh Chye Hin disposed of all his entire shareholdings in Ztree Sdn Bhd to non-related parties, Chang Peng Chye (74,999 shares) and Chang Peng Chye's trustee, Nurul Rashiqa Nafira Binti Imran (1 share) on 27 October 2022.
- (4) Prior to the company being struck off on 16 January 2019, Goh Chye Hin was involved in the day-to-day operations where he was responsible for overseeing and managing the company.
- (5) Goh Chye Hin disposed of his entire shareholdings in PT Smart Paint Indonesia to a non-related party, Santos Loy (122,500 shares), who is also a minority shareholder of our Company (holding 2,000,000 Shares or 0.54% after IPO), on 8 January 2022.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

(c) Kee Hui Lang

				Date of	Date of	% of shareh	nolding held
Company		Principal activities	Position held	appointment	resignation	Direct	Indirect
Present involvement							
UT Holdings Sdn Bhd (formerly known as UT Paints Sdn Bhd)	•	Property investment holding company	Director / Shareholder	31 October 1992	-	23.25	22.22(1)
BIY Home Store (Kota Tinggi) Sdn Bhd	•	Retail in hardware, tools, paints and household items	Shareholder	-	-	20.00	-
Past Involvement	ı					1	
BIY Home Store (Kota Tinggi) Sdn Bhd	•	Retail in hardware, tools, paints and household items	Director	29 November 2012	30 April 2023	-	-
QC Printing (J) Sdn Bhd	•	Operation of printing business	Director / Shareholder	20 June 2016	26 January 2022	3.84(2)	-
QC Printing Sdn Bhd	•	Design and printing of catalogues, brochures, leaflets and other related products	Director / Shareholder	1 August 2005	8 December 2021	23.00(3)	-
KTC Hardware & Trading Sdn Bhd	•	Operations of hardware stores	Director	3 October 2012	25 February 2021	-	-
Smart Asia Chemical Berhad	•	Dormant, intended as an investment holding company Struck off on 27 September 2019	Director / Shareholder	18 January 2019	-	50.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

			Date of	Date of	% of share	holding held
Company	Principal activities	Position held	appointment	resignation	Direct	Indirect
Smart Paints (Sarawak) Sdn Bhd	 Trading of paints and coating materials Struck off on 16 January 2019 	Shareholder ⁽⁴⁾	6 May 2013	-	20.00	-

Notes:

- (1) Deemed interested by virtue of the direct shareholding of her children, Goh Sim Yee and Goh Ji Syuan pursuant to Section 59(11)(c) of the Act.
- (2) Kee Hui Lang disposed of her entire shareholdings in QC Printing (J) Sdn Bhd to a non-related party, Ng Teck Yong (38,400 shares) on 21 February 2022.
- (3) Kee Hui Lang disposed of her entire shareholdings in QC Printing Sdn Bhd to non-related parties, Ng Euddy (130,000 shares) and Ng Teck Yong (100,000 shares) on 22 December 2021.
- (4) Prior to the company being struck off on 16 January 2019, Kee Hui Lang did not hold any executive roles and was not involved in the day-to-day operations of the company.

(d) Lim Kok Beng

			Date of	Date of	% of sharel	nolding held
Company	Principal activities	Position held	appointment	resignation	Direct	Indirect
Present involvement						
SSMW Sdn Bhd	Trading and installation of mechanical assemblies	Director / Shareholder	25 April 2007	-	26.67	-
Synergy Manufacturing Works Sdn Bhd	Investment holding company of a Chinese subsidiary involved in the manufacturing of precision mechanical components	Shareholder	-	-	13.33	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Past Involvement							
Mr.Mark Tools (M) Sdn Bhd	•	Trading in industrial tools, equipment and hardware	Director / Shareholder	29 June 2012	27 July 2020	9.42(1)	-
MP World Hardware & Machinery Sdn Bhd	•	Trading of hardware	Director / Shareholder	29 January 2013	21 January 2021	10.00(2)	-

Notes:

- (1) Lim Kok Beng disposed of his entire shareholdings in Mr.Mark Tools (M) Sdn Bhd to Goh Chye Hin's sister-in-law, Cho Chooi Peng (932,339 shares) on 30 November 2020.
- (2) Lim Kok Beng disposed of his entire shareholdings in MP World Hardware & Machinery Sdn Bhd to Goh Chye Hin's sister-in-law, Cho Chooi Peng (50,000 shares) on 4 February 2021.

(e) Tan Suat Hoon

				Date of	% of shareholding held	
Company	Principal activities	Position held	appointment	resignation	Direct	Indirect
Present involvement						
Central Global Berhad	Investment holding company with its subsidiaries principally involved in the manufacturing of crepe paper masking and construction	Independent Non- Executive Director	3 January 2023	-	-	-
PGF Capital Berhad	Investment holding company with subsidiaries principally involved in manufacturing, property and agriculture	Independent Non- Executive Director	31 May 2023	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Past Involvement	
Nil	

(f) Yap Yung Chien

				Date of	Date of	% of shareh	olding held
Company		Principal activities	Position held	appointment	resignation	Direct	Indirect
Present involvement							
Axteria Group Berhad	•	Investment holding company with its subsidiaries principally involved in the development and management of real estate projects	Independent Non- Executive Director	1 March 2023	-	-	-
Sushi House Master Sdn Bhd	•	Provision of food and beverage services	Director / Shareholder	1 January 2023	-	29.00	-
Y.C. Yap Contract Consultancy	•	Provision of contract consultancy and management services	Sole Proprietor	27 January 2019	-	N/A (Sole proprietorship)	N/A (Sole proprietorship)
Y.C. Yap & Co.	•	Legal firm	Sole Proprietor	1 September 2022	-	N/A (Sole proprietorship)	N/A (Sole proprietorship)
Sushi House Master	•	Provision of food and beverage services	Sole Proprietor	29 June 2022	-	N/A (Sole proprietorship)	N/A (Sole proprietorship)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Past Involvement	
Nil	

The involvement of our Executive Directors in those business activities does not require significant amount of time as they are not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors which they served on. Those businesses are managed by their respective managements and do not require our Executive Directors' involvement on a daily basis. Our Executive Directors are of the view that although they are involved in other business activities, it does not affect their ability to perform their executive roles and responsibilities to our Group.

The involvement of our Independent Non-Executive Directors in other businesses or corporations outside our Group will not affect their contribution to our Group as they are not involved in the day-to-day operations of our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.2.4 Directors' remuneration and benefits

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2022 and 2023 are as follows:

FYE 2022 (Actual)	Directors' fees RM'000	Salaries RM'000	Bonuses RM'000	Benefits-in-kind and allowance RM'000	Statutory contributions ⁽⁴⁾ RM'000	Total RM'000
Non-Independent Executive						
<u>Directors</u>						
Goh Chye Hin	_	97	12	_	14	123
Kee Hui Lang	-	61	8	-	9	78
Lim Kok Beng	-	115	14	-	12	141
Independent Non-Executive Directors						
Yau Yin Wee	-	-	-	_	_	-
Ang Hock Seng	-	-	-	-	-	-
Tan Suat Hoon	-	-	-	-	-	-
Yap Yung Chien	-	-	_	_	_	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

FYE 2023			_ (2)	Benefits-in-kind	Statutory	
(Proposed)	Directors' fees RM'000	Salaries RM'000	Bonuses ⁽²⁾ RM'000	and allowance RM'000	contributions ⁽⁴⁾ RM'000	Total RM'000
Non-Independent Executive Directors						
Goh Chye Hin Kee Hui Lang Lim Kok Beng	16 ⁽¹⁾ 16 ⁽¹⁾ 16 ⁽¹⁾	97 61 113	12 8 14	4 4 4	14 9 16	143 98 163
Independent Non-Executive Directors						
Yau Yin Wee	16 ⁽¹⁾	-	-	4	-	20
Ang Hock Seng	12 ⁽³⁾	-	-	3	-	15
Tan Suat Hoon	16 ⁽¹⁾	-	-	4	-	20
Yap Yung Chien	12 ⁽³⁾	-	-	4	-	16

Notes:

- (1) The Directors were appointed prior to the conversion of our Company to public limited company. Our Company started paying Directors' fees to its Directors in May 2023 upon its conversion to public limited company.
- (2) Bonuses for the FYE 2023 will only be determined later depending on the performance of our Group, subject to the recommendation by our Remuneration Committee and approval of our Board. The Executive Directors shall abstain from the deliberation and voting on the board resolution in relation to bonuses payable to them, if any.
- (3) The Directors were appointed after the conversion of our Company to public limited company. The Directors' fees are pro-rated based on their respective appointment dates.
- (4) Statutory contributions consist of Employees Provident Fund, Social Security Organisation and Employment Insurance System.

The remuneration which includes our Directors' salaries, bonus, fees and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any changes in Directors' fees as set out in our Constitution must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given. Please refer to Section 15.2 for further details.

5.3 BOARD PRACTICE

5.3.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

- (a) To promote good corporate governance culture within the Group which enforces ethical, prudent and professional behaviour;
- (b) To avoid conflicts of interest wherever possible. Where a conflict arises, they must adhere scrupulously to the procedures provided by the law, the Constitution and any policies or procedures approved by the Board for dealing with conflicts, whereby they must disclose their nature of interest during the board meeting and shall not participate in any discussion and shall abstain from the decision-making process;
- (c) To provide oversight of sustainability management of the Group;
- (d) To provide oversight of anti-bribery management of the Group;
- (e) To establish, review and integrate sustainability to the strategic direction and plans of the Group;
- (f) To monitor the implementation of strategic plans by management;
- (g) To review and approve all quarterly and annual financial statements for announcement to Bursa Securities and stakeholders. The Audit and Risk Management Committee reviews and recommends the financial statements prior to presentation to the Board;
- (h) To oversee and evaluate the conduct of the businesses of the Group;
- To evaluate performance of the management in accordance to the pre-determined set of performance measurement;
- (j) To identify and evaluate business risks and ensure implementation of a managed sound risk management framework;
- (k) To review the adequacy and integrity of the internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- To review and oversee that the appointment, resignation or termination of Directors, company secretaries, auditors and key senior management are properly carried out and documented;
- (m) To ensure establishment of succession plans for the Board members and key senior management;
- (n) To ensure the Board is supported by at least a suitably qualified and competent company secretary who shall advice on the compliance with applicable laws and any amendments to the laws and regulations related to the listing;
- (o) To formalise ethical standards of conduct through a Code of Conduct for Directors and management and ensure compliance;

- (p) To develop and implement an investors' relations programme, a shareholders or stakeholders communication policy; and
- (q) To review and address sustainability risks including environmental-related (i.e climate change), social-related and governance-related risks and opportunities in an integrated and strategic manner to support the Group's long-term strategy and success.

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

Name	Designation	Age	Date of appointment as Director	Date of expiration of the current term in office in AGM	Approximate no. of years in office as at the LPD
Yau Yin Wee	Independent Non-Executive Chairman	66	17 April 2023	Subject to retirement by rotation at the 2024 AGM of our Company	Less than 1 year
Goh Chye Hin	Managing Director	63	13 May 2019	Subject to retirement by rotation at the 2024 AGM of our Company	4 years and 2 months
Kee Hui Lang	Non-Independent Executive Director	61	13 May 2019	Subject to retirement by rotation at the 2024 AGM of our Company	4 years and 2 months
Lim Kok Beng	Non-Independent Executive Director/Chief Operating Officer	63	23 February 2023	Subject to retirement by rotation at the 2024 AGM of our Company	Less than 1 year
Ang Hock Seng	Independent Non-Executive Director	61	8 June 2023	Subject to retirement by rotation at the 2024 AGM of our Company	Less than 1 year
Tan Suat Hoon	Independent Non-Executive Director	54	17 April 2023	Subject to retirement by rotation at the 2024 AGM of our Company	Less than 1 year
Yap Yung Chien	Independent Non-Executive Director	33	8 June 2023	Subject to retirement by rotation at the 2024 AGM of our Company	Less than 1 year

According to our Constitution, an election of Directors shall take place each year at the annual general meeting of the Company where one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election PROVIDED ALWAYS that Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires. The members of our Board are set out in Sections 1 and 5.2 of this Prospectus.

Our Board acknowledges and is aware of the Malaysia Code on Corporate Governance ("MCCG") which contains best practices and guidance for listed companies to improve upon or to enhance their corporate governance as it forms an integral part of their business operations and culture. 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.

Our Board believes that our current Board composition provides an appropriate balance in terms of skills, knowledge and experience to promote the interest of all shareholders and to govern our Group effectively.

Our Company has adopted the recommendations under the MCCG to have a Board comprising 50% or more of Independent Non-Executive Directors, that our chairman of the Board should not be a member of our Audit and Risk Management Committee, Nomination Committee or Remuneration Committee, and to have at least 30% women directors on our Board.

5.3.2 Audit and Risk Management Committee

The members of our Audit and Risk Management Committee as at the LPD are as follows:

Name	Designation	Directorship
Tan Suat Hoon	Chairman	Independent Non-Executive Director
Ang Hock Seng	Member	Independent Non-Executive Director
Yap Yung Chien	Member	Independent Non-Executive Director

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its responsibility to oversee our Group's accounting and financial reporting matters as well as on matters relating to our Group's risk management. The Audit and Risk Management Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) Review our Group's quarterly results and year-end financial statements before submission to the Board, focusing particularly on:
 - (i) Changes in or implementation of major accounting policy changes;
 - (ii) Significant and unusual events or transactions, and how these matters are addressed;
 - (iii) Significant adjustments arising from the management;
 - (iv) Compliance with accounting standards and other legal requirements; and
 - (v) The going concern assumption.
- (b) To conduct the following in respect of external audit:

- (i) To consider the nomination and appointment of external auditors and to consider the adequacy of experience and resources of the external auditors and determine the audit fee:
- (ii) To review any letter of resignation from the external auditors and any questions of resignation or dismissal;
- (iii) To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- (iv) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by our Group's employees to the external auditors;
- To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- (vi) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment; and
- (vii) Discuss and review the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts that cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.
- (c) Review with the external auditors on the following and report the same to our Board:
 - (i) Audit plan;
 - (ii) Audit report;
 - (iii) Evaluations of the system of internal controls;
 - (iv) The assistance given by the employees to the external auditor;
 - (v) External auditors' management letter and management's response thereto; and
 - (vi) Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditor.
- (d) To review the following in respect of internal audit:
 - (i) Suitability of the candidate to be hired as in-house internal auditors, his/her jobs description and remuneration;
 - Adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
 - (iii) The internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and ensure that appropriate actions are taken on the recommendations of the internal audit function;

- (iv) The major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function; and
- (v) Review and approve any appointment, termination or resignation of the firm of internal auditors.
- (e) Review with the internal auditors on the following and report the same to our Board:
 - (i) The annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group and that it has the necessary authority to carry out its work;
 - (ii) Effectiveness of the internal audit processes as well as the adequacy of the resource requirements, competency and the budget of the internal audit function;
 - (iii) The internal audit report containing the internal audit findings, commentaries and recommendations and to follow-up on remedial actions;
 - (iv) Effectiveness of the internal control systems and risk management systems and have them considered if necessary; and
 - (v) Internal auditors' report of deficiencies in internal control and Management's response thereto.
- (f) To provide oversight of sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of our Group's businesses towards achievement of sustainability goals across our Group;
- (g) Review the following and report the same to our Board:
 - (i) The Annual Statement of Internal Control and sustainability reporting to be published in the Annual Report;
 - (ii) Any related party transactions and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises question of Management integrity;
 - (iii) Any letter of resignation from the external auditors or suggestions for their dismissal; and
 - (iv) Whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.
- (h) Assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- (i) To provide oversight of anti-bribery management of our Group;
- To appoint Compliance Officer or the Audit and Risk Management Committee's Chairman to serve as a reporting channel role for whistle-blower who concerned about speaking or by email of his/her concern;

- (k) Carry out any other function that may be mutually agreed upon by the Audit and Risk Management Committee and the Board;
- To conduct an annual assessment on the suitability, objectivity and independence of the external audit firm;
- (m) To do the following in respect of risk management:
 - To review the adequacy of Group's risk management framework and assess the resources and knowledge of the management and employee involved in the risk management process;
 - To review the effectiveness of internal control systems deployed by the Management to address those risks;
 - (iii) To review and recommend corrective measures undertaken to remedy failings and/or weaknesses;
 - To review and further monitor principal risks that may affect the Group directly or indirectly and if deemed necessary, recommend additional course of action to mitigate such risks;
 - (v) To communicate and monitor the risk assessment results to our Board; and
 - (vi) To highlight actual and potential impact of any failing or weakness, particularly those related to the financial performance or conditions affecting our Group.
- (n) To do the following in respect of our share issuance scheme:
 - (i) To disclose to employees the criteria for allocation of options pursuant to a share issuance scheme; and
 - (ii) To ensure that allocation of options pursuant to a scheme is verified by the Audit and Risk Management Committee, as being in compliance with the criteria referred to in n(i) above, at the end of each financial year.

The recommendations of our Audit and Risk Management Committee are subject to the approval of our Board.

Our Nomination Committee and Board will review the composition, performance and effectiveness of our Audit and Risk Management Committee annually.

5.3.3 Remuneration Committee

The members of our Remuneration Committee as at the LPD are as follows:

Name	Designation	Directorship
Ang Hock Seng	Chairman	Independent Non-Executive Director
Tan Suat Hoon	Member	Independent Non-Executive Director
Yap Yung Chien	Member	Independent Non-Executive Director

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives, and benefits. The Remuneration Committee's duties and responsibilities as stated in its terms of reference includes, amongst others, the following:

- (a) The Remuneration Committee shall consider the scope of service agreements and remuneration of executive directors of the Group and make such recommendations to the Board as the Remuneration Committee thinks fit:
- (b) The Remuneration Committee shall review and make recommendations to the Board on the remuneration policies and packages of executive directors, Managing Director and key senior management of the Group;
- (c) The Remuneration Committee shall, on an annual basis and after taking due consideration of the assessment of the Nomination Committee of the effectiveness and contribution of every Director, Managing Director and key senior management concerned, review the remuneration packages of the Directors, Managing Director and key senior management of the Group and recommend to the Board specific adjustments in remuneration packages, if any;
- (d) The Remuneration Committee shall review and make recommendations to the Board on Director's fees and other remuneration of non-executive directors and independent directors linking the level of remuneration to their level of responsibilities and contribution to the Board;
- (e) The Remuneration Committee shall oversee any major changes in employee remuneration and benefit structures throughout the Group;
- (f) The Remuneration Committee may review policy governing the remuneration of Directors as well as policies governing remuneration and promotion of key senior management of the Group annually;
- (g) The Remuneration Committee may recommend to the Board the appointment of the services of such advisers or consultants, as it deems necessary to fulfil the responsibilities;
- (h) To provide a report summarizing its activities for the year in compliance with the MCCG, Listing Requirements and any relevant regulations; and
- (i) Other functions include, amongst others, the following:
 - (i) The Remuneration Committee may obtain such information as it may require on the remuneration of any executive director, executive officer or employee of the Group;

- (ii) The Remuneration Committee shall be entitled to secure the attendance of any person with the relevant experience and expertise at the Remuneration Committee's meetings if the Remuneration Committee considers this appropriate;
- (iii) In considering its recommendations to the respective board of directors of the Group, the Remuneration Committee shall be entitled to ensure that performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive directors, Managing Director as well as key senior management of the Group should be designed to align their interests with those of shareholders and to give such executive directors, Managing Director and key senior management such incentives to perform at the highest levels;
- (iv) The Remuneration Committee may recommend to our Board, reasonable remuneration packages needed to attract, retain and motivate our Group's executive directors and key senior management of the quality required;
- (v) The Remuneration Committee may consider and recommend to our Board, the remuneration of the executive directors or executive officers relative to other companies and to be aware what comparable companies are paying, taking account of relative performance and using such comparisons with caution; and
- (vi) The Remuneration Committee shall consider other matters as referred to the Remuneration Committee by our Board or the board of directors of the respective subsidiaries.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

5.3.4 Nomination Committee

The members of our Nomination Committee as at the LPD are as follows:

Name	Designation	Directorship
Yap Yung Chien	Chairman	Independent Non-Executive Director
Tan Suat Hoon	Member	Independent Non-Executive Director
Ang Hock Seng	Member	Independent Non-Executive Director

The Nomination Committee's duties and responsibilities as stated in its terms of reference includes, amongst others, the following:

- (a) To develop, maintain and review the criteria to be used in the recruitment of Directors and senior management;
- (b) To formulate, maintain and review the re-appointment and re-election process of Directors having due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required;
- (c) To formulate the "Fit and Proper Policy" and to ensure that all Directors fulfil the fit and proper criteria and for conducting assessments of the fitness and properness of candidates to be appointed onto our Board, including Directors who are seeking for reelection;
- (d) To prepare and review the report of the Nomination Committee in accordance with Rule 15.01A of the Listing Requirements;
- (e) To assess and recommend to the Board, candidates for all directorships to be filled by the shareholders of the Company or the Board. In making the recommendations, the

Committee will also consider candidates proposed by the Managing Director, and within the bounds of practicability, by any other senior management, Director or shareholder of the Company;

- (f) In making its recommendations, the Nomination Committee should consider the following attributes of the candidates or factors:
 - (i) technical competency, skills, knowledge, expertise and experience;
 - (ii) strong sense of professionalism;
 - (iii) background, character, integrity and competence;
 - (iv) contribution and performance;
 - (v) other commitments and time available to contribute inputs to our Board;
 - (vi) in the case of candidates for the position of independent non-executive Directors, the Nomination Committee should evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive Directors; and
 - (vii) boardroom diversity including gender (best endeavours to remain at least 30% women directors), age and ethnicity diversity.

In identifying candidates for appointment of Directors, our Board will not solely rely on recommendations from existing Directors, senior management or major shareholders. The Board will utilise independent sources to identify suitable and qualified candidates. If the selection of candidates was solely based on recommendations made by existing Board members, senior management or major shareholders, the Nomination Committee should explain why other sources were not used;

- (g) To recommend to our Board the nominees to fill the seats on the committees of our Board;
- (h) To review Board and senior management succession plans and make recommendations to our Board on succession planning policy for management;
- To lead the succession planning and appointment of board members, including the future Chairman of the Board and Managing Director;
- (j) To review the training needs/programs for the Board and facilitate the Board induction and training programs;
- (k) To review annually, the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and members have carried out their duties in accordance with the terms of reference of the Audit and Risk Management Committee;
- (I) To implement annual assessment on the effectiveness and performance of the Board as a whole, the committees of the Board, as well as the contribution/performance, character, experience, integrity, competence and time to effectively discharge his/her role as a Director, including non-executive Directors and executive Directors. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented together with the criteria used for such assessment;
- (m) To examine the size of the Board with a view of determining the impact of the number upon its effectiveness;
- (n) To review the required mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board;

- (o) To develop the criteria to assess independence and to assess on an annual basis, the independence of the independent non-executive Directors and recommend the same to the Board;
- (p) To recommend the retention of its independent non-executive Directors whose terms have exceeded 9 years' tenure for continuance in the office;
- (q) To recommend the re-election of Directors who retired by rotation pursuant to the Company's Constitution;
- (r) To establish time commitment expectations/protocol for the members of our Board;
- (s) To review the attendance of the Directors at Board and/or Board committee(s) meetings;
- (t) To establish a policy formalising its approach to boardroom diversity;
- (u) To act in line with the directions of our Board;
- To review with the Managing Director and the executive directors, their goals and objectives and to assess their performance against these objectives as well as their contribution to the corporate strategy;
- (w) To ensure that the composition of our Board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the Board; and
- (x) To consider and examine such other matters as the Nomination Committee considers appropriate including the activities of the Nomination Committee in the discharge of its duties for the financial year.

The recommendations of our Nomination Committee are subject to the approval of our Board.

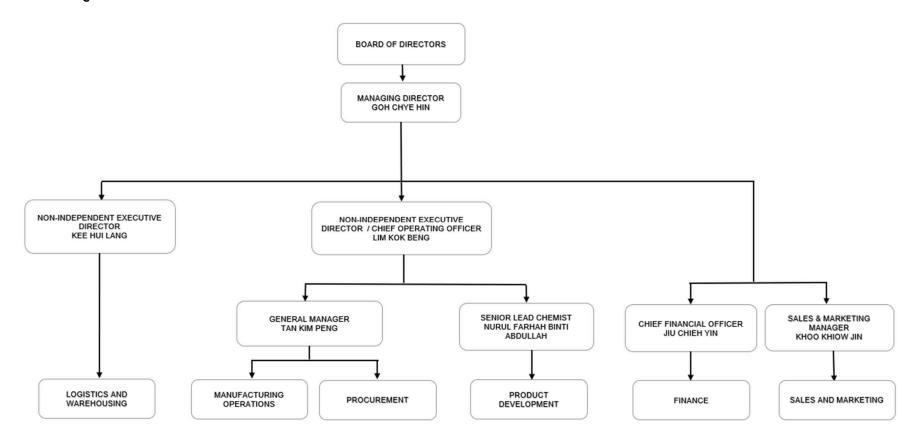
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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.4 KEY SENIOR MANAGEMENT

5.4.1 Management structure



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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.4.2 Key senior management's shareholdings

Save for the shareholdings of Goh Chye Hin, Kee Hui Lang and Lim Kok Beng (whom are also our key senior management) which are set out in Sections 5.2.1 and 5.2.2 of this Prospectus, the shareholdings of our key senior management in our Company before and after our IPO are as set out below:

			Before IPO				Afte	er IPO	
		Direc	et	Indirect		Direct		Indirect	
Name	Designation / Nationality	No. of Shares	% ⁽¹⁾	No. of Shares	%	No. of Shares	% ⁽²⁾	No. of Shares	%
Jiu Chieh Yin	Chief Financial Officer / Malaysian	-	-	-	-	200,000	0.05	-	-
Khoo Khiow Jin	Sales and Marketing Manager / Malaysian	-	-	-	-	300,000	0.08	-	-
Tan Kim Peng	General Manager / Malaysian	1,000,000	0.36	-	-	1,200,000	0.32	-	-
Nurul Farhah binti Abdullah	Senior Lead Chemist / Malaysian	-	-	-	-	200,000	0.05	-	-

Notes:

- (1) Based on the total number of 276,350,420 Shares before our IPO.
- (2) Based on our enlarged total number of 369,850,420 Shares after our IPO and assuming that our key senior management will fully subscribe for their respective entitlements under the Pink Form Allocations.

5.4.3 Profiles of key senior management

Save for the profiles of Goh Chye Hin, Kee Hui Lang and Lim Kok Beng (whom are also our key senior management) which are set out in Sections 5.1.2 and 5.2.2 of this Prospectus, the profiles of our key senior management are as follows:

(a) Jiu Chieh Yin

Chief Financial Officer

Jiu Chieh Yin, a Malaysian, age 36, is our Chief Financial Officer. She joined our Group in February 2022 and she is responsible for managing and overseeing our Group's accounting and finance function including financial, audit and tax.

She graduated with a Bachelor of Accountancy (First Class Honours) from Northern University of Malaysia in 2011 and became a Member and Fellow Member of the Association of Chartered Certified Accountants in 2015 and 2020 respectively. She was also admitted as a Chartered Accountant of the Malaysian Institute of Accountants in 2015.

She started her career as an Audit Assistant with Ernst & Young LLP in 2011 and progressed to the role of Audit Manager in 2016. In 2018, she left to join Grant Thornton Malaysia PLT as their Audit Senior Manager.

During her tenure in Ernst & Young LLP and Grant Thornton Malaysia PLT, she was involved in the statutory audit of both public listed and private companies in various industries, including manufacturing, trading, hospitality, automobile, plantation, property development, and construction. Further, she has also participated in audit works involving local companies with foreign subsidiaries as well as local subsidiaries owned by foreign companies. In addition, she was also responsible for providing in-house training and technical support to the auditors.

After leaving Grant Thornton Malaysia PLT in 2021, she took a brief career break before joining our Group in 2022 as our Chief Financial Officer.

She has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

As at the LPD, Jiu Chieh Yin does not hold any directorship in any other companies outside our Group.

(b) Khoo Khiow Jin

Sales and Marketing Manager

Khoo Khiow Jin, a Malaysian, age 46, is our Sales and Marketing Manager. He joined our Group in April 2013 and he is responsible for developing new sales pipelines through branding which includes managing marketing campaigns and the implementation of marketing plans and strategies.

He graduated with a Diploma in Interior Design from the Malaysia Institute of Art in 1999. Upon graduation, he commenced his career as a Product Designer with Formedge Sdn Bhd where he was involved in the product design of aluminium extrusion for POS display system products. He left in 2000 to take a brief career break and was involved in freelance design work during this time. In 2001, he joined Linocraf Printers Sdn Bhd as a Design Planner where he was involved in offset printing design for instruction manuals, packaging, point of purchase displays and catalogues.

He left Linocraft Printers Sdn Bhd In 2002 and joined Colourland Paints (Marketing) Sdn Bhd as their Advertising & Event Manager where he was responsible for the arranging events and advertising planning. In 2011, he was promoted to Marketing & Branding Manager where his responsibilities expanded to the strategizing of branding and marketing plans to increase the company's brand awareness.

In 2013, he left Colourland Paints (Marketing) Sdn Bhd and joined our Group in his current role as our Marketing Manager. He was redesignated as the Project Manager in 2018 and was responsible for our Group's project management. He subsequently resumed his role as our Sales and Marketing Manager in the same year.

He has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

As at the LPD, Khoo Khiow Jin does not hold any directorship in any other companies outside our Group.

(c) Tan Kim Peng General Manager

Tan Kim Peng, a Malaysian, age 57, is our General Manager. He joined our Group in June 2020 and he is responsible for the managing of our Group's operational matters.

He graduated with a Bachelor of Science (Hons) in Physics from the National University of Malaysia in 1990.

He commenced his career as a Sales Engineer with Kumpulan Abex Sdn Bhd in 1990 where he gained sales experience in promoting and demonstrating the company's products to the users. In the same year, he left Kumpulan Abex Sdn Bhd and joined Kodak (Malaysia) Sdn Bhd as their Sales Executive before being promoted to Senior Sales Executive in 1994. During this time, he was involved in overseeing the sales performance of the company's products. He was further promoted to Area Manager in 1999 and to Sales Manager in 2003 where his responsibilities expanded to include managing a team of sales executives.

In 2007, he joined ServTouch-WYWY (Malaysia) Sdn Bhd as their Sales Manager and was promoted to the position of Country Business Manager, Digital Film and Entertainment Imaging (Retail Systems Solutions and Digital Cameras) in 2011 and was responsible for amongst others, formulating marketing plans, managing inventory and negotiating with key stakeholders. He left in 2014 to join Goodyear Malaysia Berhad as their Regional Sales Manager (East Malaysia) where he was responsible for setting sales targets, pricing and development of marketing plans for the East Malaysia market.

He subsequently left Goodyear Malaysia Berhad in 2016 to help out with his family business before re-joining ServTouch-Wywy (Malaysia) Sdn Bhd as their Business Manager in the same year on a 3 years contract basis, where he was instrumental in the restructuring of the company's workforce.

After the completion of his contract with ServTouch-Wywy (Malaysia) Sdn Bhd in 2019, he took a brief career break before joining Adigiprint Sdn Bhd in 2019 as their Business Development Manager. During this time, he was responsible for the business development of the company including developing marketing plans and strategies as well as managing the sales team.

In 2020, he joined our Group as our Operation Manager where he was in charge of compliance matters of our Group and spearheaded the implementation of systems and SOPs in our Group. In 2021, he was promoted to his current designation of General Manager.

He has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

As at the LPD, Tan Kim Peng does not hold any directorship in any other companies outside our Group.

(d) Nurul Farhah binti Abdullah

Senior Lead Chemist

Nurul Farhah binti Abdullah, a Malaysian, age 34, is our Senior Lead Chemist. She joined our Group in 2013 and is responsible for leading and managing our Group's product development team, overseeing various R&D projects within our Group as well as developing new and improvised formulas for our products.

She graduated from University of Malaya with a Bachelor of Science (Hons) Applied Chemistry (Major) in 2012.

After taking a break, she commenced her career as a Chemist with our Group in 2013 where she primarily worked on the development of new paint products, modification of existing paint products, evaluation of raw materials for paint products, conducting benchmarking studies, sample preparation, colour matching and specification testing.

In 2019, she was promoted to Senior Chemist where her responsibilities expanded to include, amongst others, analysing competitors' products for future development and improvement purposes, analysing paint formulas for our Group's Smart Colour POS Tinting Machine, generating paint formulas according to the customers' needs and arranging market trials for new products. She was further promoted to her current position as the Senior Lead Chemist of our Group in 2022.

She has no familial relationships with the Promoters, substantial shareholders, Directors and key senior management of our Group.

As at the LPD, Nurul Farhah binti Abdullah does not hold any directorship in any other companies outside our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

5.4.4 Principal business performed outside our Group

Save for disclosed below and in Section 5.2.3 of this Prospectus (in respect of Goh Chye Hin, Kee Hui Lang and Lim Kok Beng), none of our key senior management have any other principal directorship and/or principal business activities performed outside our Group in the past 5 years up to the LPD.

(i) Nurul Farhah Binti Abdullah

			Date of	Date of	% of shareh	olding held
Company	Principal activities	Position held	appointment	resignation	Direct	Indirect
Present involvement						
Nil						
Do at large bases and						
Past Involvement						
Farhah Venture Empire	Home-based bakery	Sole Proprietor	5 March 2021	Business Expiry	N/A (Sole	N/A (Sole
Taman venture Empire	Tiome-based bakery	Oole i Topricioi	J March 2021	Date: 7 March	Proprietorship)	Proprietorship)
				2022	. reprietoromp)	op o. o

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5.4.5 Key senior management's remuneration and benefits

Save for the remuneration and benefits of Goh Chye Hin, Kee Hui Lang and Lim Kok Beng which are set out in Section 5.2.4 of this Prospectus, the aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our key senior management for services rendered in all capacities to our Group for FYE 2022 and 2023 are as follows:

	Remuneration band (RM) ⁽¹⁾				
	FYE 2022	FYE 2023 (Proposed)			
Name	RM'000	RM'000			
Jiu Chieh Yin	150-200	150-200			
Tan Kim Peng	50-100	50-100			
Khoo Khiow Jin	100-150	100-150			
Nurul Farhah binti Abdullah	50-100	50-100			

Note:

(1) Comprising salaries and allowances. The bonuses for FYE 2023 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

5.5 RELATIONSHIPS AND/OR ASSOCIATIONS

Save as disclosed below, there are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key senior management:

- (a) Goh Chye Hin, who is our Promoter, substantial shareholder and Managing Director is the spouse of Kee Hui Lang; and
- (b) Kee Hui Lang, who is our Promoter, substantial shareholder and Non-Independent Executive Director is the spouse of Goh Chye Hin.

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements (contracts for services) entered or to be entered into between the companies within our Group, with our Directors or key senior management personnel.

5.7 MANAGEMENT SUCCESSION PLAN

Our Group has put in place formalised succession planning policy and succession plan for key senior management positions. We have identified the successors to groom gradually to assume the responsibilities of these key senior management positions.

Besides identifying the critical duties to be discharged by the successors in the succession plan, the following skill requirements must also be developed by the successors, amongst others:

- (a) managing financial activities;
- (b) being able to make strategic decisions;
- (c) sales management;

- (d) knowledge of our Group's business and processes; and
- (e) purchasing and cost management.

The Nomination Committee will review and update the succession plan annually or more regularly as the Nomination Committee deem necessary to ensure our Group has reassessed the development progress of the identified successors and whether any recruitment is required.

5.8 DECLARATION FROM PROMOTERS. DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoters, Directors or key senior management is or has been involved in any of the following events (whether within or outside Malaysia):

- (a) in the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or a member of key senior management;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) in the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) in the last 10 years, any judgment that was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (e) in the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (f) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body, or government agency; or
- (h) has any unsatisfied judgment against such person.

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6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR COMPANY

6.1.1 History and Background

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.

Our Company is an investment holding company. Through our subsidiaries, we are 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.

6.1.2 Acquisitions

To facilitate our Listing, we undertook the following Acquisitions:

(a) Smart Paint (Selangor) Acquisition

On 19 June 2023, our Company entered into the Smart Paint (Selangor) SSA to acquire the entire equity interest in Smart Paint (Selangor) comprising 650,000 ordinary shares from the vendors for a total purchase consideration of RM3,771,645.00 which is to be fully satisfied by the issuance of 18,858,225 new Shares to the following vendors at an issue price of RM0.20 each:

	Shareholdings in Smart Paint (Selangor)		Purchase	
	No. of	% of share	consideration	No. of new
Vendors	shares	capital	(RM)	Shares
Goh Chye Hin	388,625	59.79	2,255,008.60	11,275,043
Kee Hui Lang	75,000	11.54	435,189.80	2,175,949
Chu Teck	112,500	17.31	652,784.60	3,263,923
Goh Chye Leng	59,745	9.19	346,672.20	1,733,361
Lim Kok Beng	14,130	2.17	81,989.80	409,949
Total	650,000	100.00	3,771,645.00	18,858,225

The purchase consideration for the Smart Paint (Selangor) Acquisition of RM3,771,645.00 was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets of Smart Paint (Selangor) as at 31 December 2022 of RM3,771,645.00.

The Smart Paint (Selangor) Acquisition was completed on [●]. Thereafter, Smart Paint (Selangor) became our wholly-owned subsidiary.

(b) Smart Paints (Sabah) Acquisition

On 19 June 2023, our Company entered into the Smart Paints (Sabah) SSA to acquire the entire equity interest in Smart Paints (Sabah) comprising 250,000 ordinary shares from the vendors for a total purchase consideration of RM598,437.00 which is to be fully satisfied by the issuance of 2,992,185 new Shares to the following vendors at an issue price of RM0.20 each:

	Shareholdings in Smart Paints (Sabah)		Purchase	
Vendors	No. of shares	% of share capital	consideration (RM)	No. of new Shares
Goh Chye Hin	150,000	60.00	359,062.20	1,795,311
Kee Hui Lang	50,000	20.00	119,687.40	598,437
Wong Kui Ming	50,000	20.00	119,687.40	598,437
Total	250,000	100.00	598,437.00	2,992,185

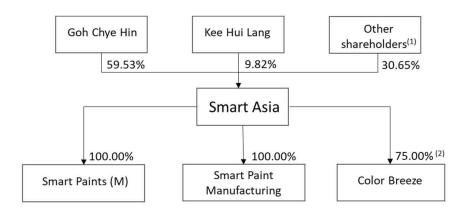
The purchase consideration for the Smart Paints (Sabah) Acquisition of RM598,437.00 was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets of Smart Paints (Sabah) as at 31 December 2022 of RM598,437.00.

The Smart Paints (Sabah) Acquisition was completed on [●]. Thereafter, Smart Paints (Sabah) became our wholly-owned subsidiary.

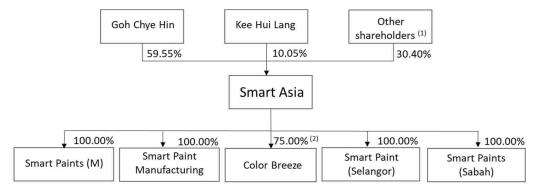
6.2 OUR SHAREHOLDERS AND GROUP STRUCTURE

Our shareholders and Group structure before the Acquisitions, after the Acquisitions and before the IPO and after the IPO are as follows:

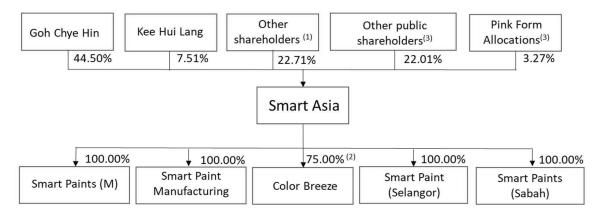
Before the Acquisitions



After Acquisitions and before our IPO



After our IPO



Notes:

(1) Other shareholders consist of:

			Shareholdings	
	Relationship with our	Before the Acquisitions	After Acquisitions and before our IPO	After our IPO
Name	Group/ Promoters	(%)	(%)	(%)
Teh Siew Chong	Director of Smart Paint Manufacturing	4.91	4.52	3.38
Lim Kok Beng	Non-Independent Executive Director of Smart Asia	3.44	3.31	2.48
Goh Bee Sim	 Director of Smart Paints (M) and Smart Paint Manufacturing Cousin of Goh Chye Hin 	2.45	2.26	1.69
Goh Sim Yee	 Employee of our Group Child of our Promoters	1.97	1.81	1.35
Goh Ji Syuan	 Employee of our Group Child of our Promoters	1.97	1.81	1.35
Zhang Yinchao	Shareholder of Color Breeze	1.97	1.81	1.35
Chai Jee Choon	Business associate of the Group	1.97	1.81	1.35
Tay Poh Siew	Wife of Teh Siew Chong, director of Smart Paint Manufacturing	1.57	1.45	1.08
Won Seow Hooi	Customer of our Group	1.57	1.45	1.08
Yennie	Customer of our Group	1.18	1.09	0.81
Tin Hock Chuan	Customer of our Group	0.98	0.91	0.68
Santos Loy	Customer of our Group	0.79	0.72	0.54
Lee Kim Soon	Customer of our Group	0.69	0.64	0.47
Mah Choon Phin	Customer of our Group	0.69	0.64	0.47
Hong Kian Meng	Customer of our Group	0.59	0.55	0.41
Chen Ka Moi	Customer of our Group	0.59	0.55	0.41
Koh Kooi Soon	Brother-in-law of Kee Hui Lang	0.49	0.45	0.34
Kee Hui Cheng	Sister of Kee Hui Lang and sister-in-law of Goh Chye Hin	0.49	0.45	0.34
Tan Say How	Employee of our Group	0.39	0.36	0.27

Goh Bee Guat	Customer of our Group via UA Paints & Hardware Sdn Bhd Sister of Goh Chye Hin and sister-in-law of Kee Hui Lang	0.39	0.36	0.27
Tan Kwang Bock	Customer of our Group	0.39	0.36	0.27
Khoo Jin Huang (Qiu JinHuang)	Customer of our Group	0.39	0.36	0.27
Kee Nam Li	Customer of our Group via BIY Home Store (Kota Tinggi) Sdn Bhd Nephew of Kee Hui Lang	0.39	0.36	0.27
Tan Kim Peng	Key senior management of our Group	0.39	0.36	0.27
Chu Teck	Director of Smart Paint (Selangor)	-	1.18	0.88
Wong Kui Ming	Director of Smart Paints (Sabah)	-	0.22	0.16
Goh Chye Leng	Customer and/ or supplier of our Group via Major Harvest Sdn Bhd, Mr. Mark Tools (M) Sdn Bhd and 1 Living Depot Sdn Bhd Brother of Goh Chye Hin and brother-in-law of Kee Hui Lang	-	0.63	0.47

(2) 25.00% equity interest in Color Breeze is held by Zhang Yinchao. His role as a shareholder of Color Breeze whereby our Group may also consult him for his experience in research and development of chemical materials and products when required.

Zhang Yinchao has over 22 years of experience in research and development of chemical materials and products including adhesive products, ink colourants as well as paints and coatings. He has a Bachelor in Chemistry from Sichuan University. Our Group believes that he will contribute positively to the success of Color Breeze with the technical knowledge and experience he possess. He also holds1.97%, 1.81% and 1.35% equity interest in our Company before the Acquisitions, after the Acquisitions and before our IPO, and after our IPO, respectively.

(3) Collectively, the public shareholding spread is 34.64% after the IPO which consists of other shareholders (9.74%), other public shareholders (22.01%) and Pink Form Allocations (2.89%) after excluding the Promoters and directors of our Group and persons connected to the Promoters and Directors and Pre-IPO Investor.

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6.3 SHARE CAPITAL

As at the LPD, our share capital is RM55,270,084.00 comprising 276,350,420 Shares. The movements in our share capital during the Financial Years Under Review and up to the LPD are set out below:

Date of allotment /	No. of Shares	Consideration/	Cumulative is capit	
subdivision	allotted	Nature of transaction	No. of Shares	RM
12 May 2023	N/A	N/A/	254,500,010	50,900,002
		Share split		
19 June 2023	21,850,410	Otherwise than cash/	276,350,420	55,270,084
		Allotment of Shares		
		pursuant to the		
		Acquisitions		

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

Upon completion of our IPO, our enlarged share capital will increase to RM[●] comprising 369,850,420 Shares.

6.4 INFORMATION ON OUR SUBSIDIARIES

As at the LPD, we have 5 subsidiaries, namely Smart Paint Manufacturing, Smart Paints (M), Smart Paint (Selangor), Smart Paints (Sabah) and Color Breeze.

As at the LPD, we do not have any associated companies.

Details of our subsidiaries are summarised below:

Company name	Principal activities	Date and place of incorporation	Principal place of business	Issued share capital (RM)	Effective equity interest
Smart Paint Manufacturing	Manufacturing of paints, varnishes and similar coatings ink and mastics	10 January 2013 Malaysia	Malaysia	20,000,000	100%
Smart Paints (M)	Trading of paints, coatings and varnishing materials	8 January 2013 Malaysia	Malaysia	1,000,000	100%
Smart Paint (Selangor)	Trading and distribution of paints, hardware and painting accessories	11 May 2012 Malaysia	Malaysia	650,000	100%
Smart Paints (Sabah)	Trading of paints, coatings and varnishing materials	8 May 2013 Malaysia	Malaysia	250,000	100%
Color Breeze	Trading of chemical colourants and pigments	22 June 2018 Malaysia	Malaysia	1,000,000	75%

6.4.1 Smart Paint Manufacturing

(a) Background, history and principal activities

Smart Paint Manufacturing was incorporated on 10 January 2013 in Malaysia under the Companies Act 1965 as a private limited company under its previous name, known as Bond Paints (M) Sdn Bhd, and is deemed incorporated under the Act. On 20 May 2015, the name of Bond Paints (M) Sdn Bhd was changed to Smart Paint Manufacturing.

Smart Paint Manufacturing is principally involved in the manufacturing of paints, varnishes and similar coatings ink and mastics.

(b) Share capital

As at the LPD, the issued share capital of Smart Paint Manufacturing is RM20,000,000.00 comprising 20,000,000 ordinary shares. There were no changes in the issued share capital of Smart Paint Manufacturing during the Financial Years Under Review and up to the LPD.

(c) Shareholders and directors

Smart Paint Manufacturing is our wholly-owned subsidiary.

As at the LPD, the directors of Smart Paint Manufacturing are Goh Bee Sim, Goh Chye Hin, Teh Siew Chong and Kee Hui Lang.

(d) Subsidiary, associate company and joint venture

Smart Paint Manufacturing does not have any subsidiary, associate company or joint venture.

6.4.2 Smart Paints (M)

(a) Background, history and principal activities

Smart Paints (M) was incorporated on 8 January 2013 in Malaysia under the Companies Act 1965 as a private limited company under its present name and is deemed incorporated under the Act.

Smart Paints (M) is principally involved in the trading of paints, coatings and varnishing materials.

(b) Share capital

As at the LPD, the issued share capital of Smart Paints (M) is RM1,000,000.00 comprising 1,000,000 ordinary shares. The changes in the issued share capital of Smart Paints (M) during the Financial Years Under Review up to the LPD are as follows:

			Cumulative issued share
Date of	No. of ordinary		capital
allotment	shares allotted	Consideration	(RM)
22 June 2020	799,998	Cash	1,000,000

(c) Shareholders and directors

Smart Paints (M) is our wholly-owned subsidiary.

As at the LPD, the directors of Smart Paints (M) are Goh Bee Sim, Goh Chye Hin and Kee Hui Lang.

(d) Subsidiary, associate company and joint venture

Smart Paints (M) does not have any subsidiary, associate company or joint venture.

6.4.3 Smart Paint (Selangor)

(a) Background, history and principal activities

Smart Paint (Selangor) was incorporated on 11 May 2012 in Malaysia under the Companies Act 1965 as a private limited company under its previous name, known as Ztree (M) Sdn Bhd, and is deemed incorporated under the Act. On 8 March 2016, the name of Ztree (M) Sdn Bhd was changed to Smart Paint (Selangor).

Smart Paint (Selangor) is principally involved in the trading and distribution of paints, hardware and painting accessories.

(b) Share capital

As at the LPD, the issued share capital of Smart Paint (Selangor) is RM650,000.00 comprising 650,000 ordinary shares. There were no changes in the issued share capital of Smart Paint (Selangor) during the Financial Years Under Review and up to the LPD.

(c) Shareholders and directors

Smart Paint (Selangor) is our wholly-owned subsidiary.

As at the LPD, the directors of Smart Paint (Selangor) are Chu Teck, Goh Chye Hin and Kee Hui Lang.

(d) Subsidiary, associate company and joint venture

Smart Paint (Selangor) does not have any subsidiary, associate company or joint venture.

6.4.4 Smart Paints (Sabah)

(a) Background, history and principal activities

Smart Paints (Sabah) was incorporated on 8 May 2013 in Malaysia under the Companies Act 1965 as a private limited company under its present name and is deemed incorporated under the Act.

Smart Paints (Sabah) is principally involved in the trading of paints, coatings and varnishing materials.

(b) Share capital

As at the LPD, the issued share capital of Smart Paints (Sabah) is RM250,000.00 comprising 250,000 ordinary shares. There were no changes in the issued share capital of Smart Paints (Sabah) during the Financial Years Under Review and up to the LPD.

(c) Shareholders and directors

Smart Paints (Sabah) is our wholly-owned subsidiary.

As at the LPD, the directors of Smart Paints (Sabah) are Goh Chye Hin, Wong Kui Ming and Kee Hui Lang.

(d) Subsidiary, associate company and joint venture

Smart Paints (Sabah) does not have any subsidiary, associate company or joint venture.

6.4.5 Color Breeze

(a) Background, history and principal activities

Color Breeze was incorporated on 22 June 2018 in Malaysia under the Act as a private limited company under its present name.

Color Breeze is principally involved in the trading of chemical colourants and pigments.

(b) Share capital

As at the LPD, the issued share capital of Color Breeze is RM1,000,000.00 comprising 1,000,000 ordinary shares. The changes in the issued share capital of Color Breeze during the Financial Years Under Review up to the LPD are as follows:

Date of	No. of ordinary		Cumulative issued share capital
allotment	shares allotted	Consideration	(RM)
3 August 2022	900,000	Cash	1,000,000

(c) Shareholders and directors

Our Company owns 75.00% equity interest in Color Breeze and the remaining 25.00% is owned by Zhang Yinchao.

As at the LPD, the sole director of Color Breeze is Goh Chye Hin.

(d) Subsidiary, associate company and joint venture

Color Breeze does not have any subsidiary, associate company or joint venture.

6.5 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there were no:

- (a) public take-over offers by third parties in respect of our Shares; and
- (b) public take-over offers by our Company in respect of other companies' shares.

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	Ztree (M) Sdn Bhd was incorporated on Managing Director, Goh Chye Hin, along win Director, Kee Hui Lang, to venture into the decorative paints, protective coatings accessories. Prior to setting up Ztree (Naccumulated approximately 30 years of exand protective coatings industry.	ith our Non-Independent Executive he trading of third party branded as well as painting tools and Λ) Sdn Bhd, Goh Chye Hin had
2013	We ventured into the decorative paints and business upon the incorporation of Bond underwent a name change to Smart Paint N (M) Sdn Bhd was incorporated by our four Chye Hin, along with his cousin, Goh Bee decorative paints and protective coatings upaints'.	Paints (M) Sdn Bhd, which later Manufacturing in 2015. Bond Paints nder and Managing Director, Gohe Sim. We manufactured and sold
	We rented and operated from Johor Factor	ry 1.
	Upon commencement of our business, ou coatings offering comprised standard, read decorative paints and protective coating properties such as easy-to-clean, UN environmental friendly with low odour and N	dy-mix and paint bases as well as ngs with enhanced mechanical V-protected, dirt resisting, and
	We were involved in product developmen formulation for our decorative paints and product development activities, we were also able plant colourants for use in our manufacture protective coatings. Please refer to Section details of our colourants.	otective coatings. With our product to formulate and manufacture in- cturing of decorative paints and
	We distributed our decorative paints an wholesalers and dealers (i.e. retail har throughout Malaysia. Further details on ouset out in Section 7.2.6 of this Prospectus.	rdware stores and paint shops)
	We recorded our first export sales when customer in Brunei. In the same year, we a to Singapore, which further expanded our of	also recorded our first export sales
	We launched our second house brand 'Top and protective coatings.	plus' to carry our decorative paints

Year	Key events and milestones
2013	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	We recorded our first export sales to Indonesia as our Group continued to expand our regional presence.
2015	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	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	We expanded our product offerings to include aerosol spray paints which is launched under our fifth house brand 'Bond7'.
2018	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.

Year	Key events and milestones
2019	We launched our sixth house brand 'Aquatint' to carry our POS universal colourants as well as in-plant colourants.
2020	• 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	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	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	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.

(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

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 inplant 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.

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.

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.

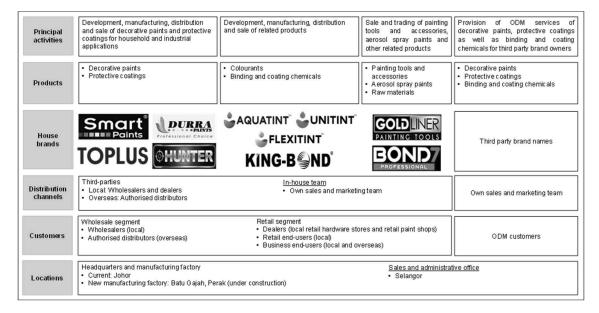
Breakdown of sales generated from our ODM customers are as follows:

	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.

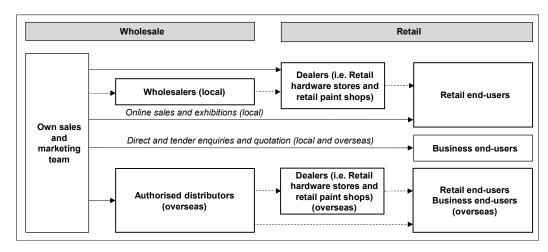
7.2.5 Business model

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



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.

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.

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:

	Distribution as at the LPD					
Geographical region	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.

(b) Authorised distributors (overseas)

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:

	Distribution as at the LPD				
Countries	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.

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	,
Johor Factory 2	No. 9, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor	9
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.

7.3 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



• Toplus



• Hunter



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

Decorative p	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-Labelling Scheme to use the MyHJAU Mark.
- (3) This product provides antiviral efficacy.
- (4) This product provides anti-bacterial efficacy.
- (5) This product contains Zero VOC.

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'.

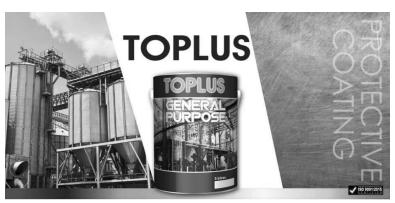
Smart Paints



Durra Paints



Toplus



Hunter



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

Protective coat	Protective coatings						
Categories	Smart Paints	Durra Paints	Toplus	Hunter			
Industrial coating	 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 	 Oxide primer Aluminium paint General Purpose White Undercoat Epoxy finish Roadline paint 	Oxide primer Aluminium paint General Purpose White Undercoat Epoxy finish Roadline paint	 Oxide primer Aluminium paint General Purpose White Undercoat Epoxy finish Roadline paint 			
Waterproofing sealer	- Elasto 200 - Elasto Hybrid	-	-	-			

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:



7.3.5 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.



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:

			Audit	ed		
Revenue	FYE 20	020	FYE 2021		FYE 20	022
	(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	5,942	8.30	4,959	6.22	802	1.01
products ⁽⁴⁾						
Smart Colour POS						
Tinting Machines						
- Maintenance	102	0.14	42	0.05	81	0.10
services						
- Sales of	178	0.25	51	0.06	189	0.24
machines						
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.

- (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	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	

7.5 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

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 endusers 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 endusers

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.

7.6.3 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.

7.6.4 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	Bardan dian	Years of relevant
Name	Designation	working experience
Kee Hui Lang	Non-Independent Executive Director	43
Lim Kok Beng	Chief Operating Officer / Non-	40
	Independent Executive Director	
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

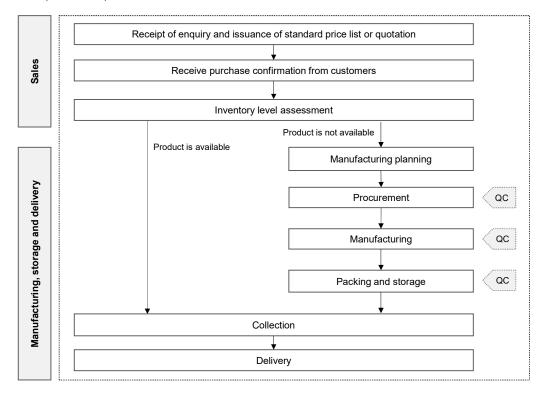
Our management team has strong industry and functional expertise as a result of years of experience in their respective fields. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates 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.

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.

(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 inplant 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 guarter 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.

(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).

7.9 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.

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	An integration of multiple machinery and equipment to form an
system	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	
raw materials and packing materials	Specification	To check the raw materials is within the specification approved for manufacturing.
	Packaging condition	To ensure that there are no damages on the packaging of the raw materials.
	Weight	To ensure that the weight of the raw materials is in accordance with the stated packaging.
	Packaging materials	
	Quantity	To ensure the quantity of the packaging materials is in accordance with the delivery order.
	Physical appearance	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.
	Packaging condition	To ensure that there are no damages and contamination of the packaging materials.
Quality control checks on	Dispersion	
manufacturing	Colour matching	To ensure that the desired colour has been manufactured.
	Viscosity	To ensure that the viscosity level is within specification.

Objective	Criteria	Description
	pH level	To ensure that the pH level of the product achieves the required product type's pH level.
	Specific gravity	To measure the weight reading of the product.
	Opacity	To measure the strength of coverage of the paint upon application.
	Gloss level	To measure the glossiness of the paint.
	Filling and printing	
	• Filling	 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.
	Printing	To ensure that the manufacturing batch number and product description is clearly printed and correctly positioned on the cans and cartons.
	Packaging	
	Packaging condition	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.

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:

	Certification	Country of certification	Date first	Current validity	Scope of
Green Label Certification (ISO 14024 Type I ECO- Labels)	Malaysian Green Technology and Climate Change Corporation	Malaysia	December 2019	December 2023	certification 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-Labelling 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

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.

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.

Testing	Country of testing	Date	
SGS (Malaysia) Sdn Bhd	Malaysia	September 2020	Description of testing 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.

7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

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

	FYE 2	2020	20 FYE 2021		FYE 2022	
Supplies	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	FYE 2	020	FYE 2	021	FYE 2	2022
suppliers	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.

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

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.

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:

	FYE 2020		FYE 2021		FYE 2022	
Categories	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	1	-	-	-	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

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

	FYE 2020		FYE 2	021	FYE 2022	
Categories	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.

7.15 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.

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. /	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
2013011726 / 2	Intellectual Property Corporation of Malaysia ("MyIPO")	Smart Paints	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 Paints	Smart Paint Manufacturing	Paints included in class 2.	Registered ⁽¹⁾ / 8 March 2016 - 10 September 2025
47037 / 2	Brunei Intellectual Property Office ("BrulPO")	Smart Paints	Smart Paint Manufacturing	Paints.	Registered ⁽¹⁾ / 18 January 2017 – 28 September 2025
504536 / 2	Intellectual Property Office of the Philippines ("IPOPHL")	Smart Paints	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

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 Paints	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 Paints	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 Paints	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	HUNTER	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	KING-B\(\\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \	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

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
2015067574 / 2	MyIPO	KING-B\(\\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \	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	KING-B\(\\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \	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	DURRA	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	DURRA	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")	DURRA	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	BrulPO	DURRA	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

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
02008546 / 8	MyIPO	GOLDLINER	Smart Paint Manufacturing	Hand tools and implements (hand- operated); hand operated painters tools; scrapers, palette knives, spanners, wrenches, hammers, pliers, screwdrivers, files, riverters, 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	GOLDLINER	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	COLÔR BREEZE	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	COLÔR BREEZE	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

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
4-2019-15766 / 2	IPOPHL	COLÓR BREEZE	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	COLÓR BREEZE	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")	COLÓR BREEZE	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

Registration No. /	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
4-0408244-000 / 2	IP Viet Nam	COLÔR BREEZE	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; anticorrosion 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")	COLÔR BREEZE	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	& AQUATINT	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	& AQUATINT	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

Registration No. /	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
KH/2021/82625 / 2	Cambodia DIPR	& AQUATINT	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	& AQUATINT	Color Breeze	Anti-rust oil; base coatings, pigment (dying agent); epoxy coating for concrete floors, turpentine (paint thinners); paint; varnish; paint coating (decorative)I dye; coating (paint); waterproofing preparations (paint); vehicle paint; anti-rust oil.	2021 – 5 September
4-0420588-000 / 2	IP Viet Nam	& AQUATINT	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	2022 – 4 September
40838340 / 2	China IP	& AQUATINT	Color Breeze	Pigments; anti-corrosion agents; anti- rust oil	Registered / 21 June 2020 – 20 June 2030

Registration No. / Class	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
43938165 / 2	China IP	AQUATINT	Color Breeze	Colorants; pigments; paints, paint thinners; paints (paints); primers; varnishes; turpentine (paint thinners); water-repellent powders (paints); anticorrosion agents; anti-rust oil	September 2020 -
TM2019027483 / 2	MyIPO	TOPLUS	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	BOND7 PROFESSIONAL	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	BOND7 PROFESSIONAL	Smart Paint Manufacturing	Paints; coatings for roofing felt (paints); coatings (paints); wood coatings (paints); pigments; color pigments; Pigments for paints.	, 0
2014070001 / 2	MyIPO	SMART ® FLOW TECHNOLOGY	Smart Paint Manufacturing	Coatings (paints); paints, varnishes, lacquers; all included in class 2.	Registered / 31 December 2014 – 31 December 2024

7. BUSINESS OVERVIEW (Cont'd)

Registration No. /	Issuing Authority	Trademark	Registered Owner	Description / Product name	Status / Registration validity
2017073585 / 2	MyIPO	ZERO VOC Smart® Healthy Paints	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

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.

Our Group currently still supplies our 'Smart Paints' branded products in Cambodia to Toplus Paint and Toplus Paint is the sole distributer 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. /	Issuing Authority	Trademark	Applicant	Description / Product name	Status / Application Date
052565 / 2	BrulPO	BOND7 PROFESSIONAL	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	& UNITINT	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

7. BUSINESS OVERVIEW (Cont'd)

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

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

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.	Licencee / Issuing authority / Licence Registration or Reference no.	Date of issue /	Nature of approval or licences		erial 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. Company must train Malaysians to promote the transfer of technology and expertise at all levels of positions.	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	.,	If there is a sale of Company shares, the Company shall inform MITI and MIDA regarding the sale of shares.	Complied
				(ii)	Company must train Malaysians to promote the transfer of technology and expertise at all levels of positions.	Complied
				(iii)	Company must have capital investment per employee (CIPE) ratio of at least RM140,000.00	Complied
				(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

No.	Licencee / Issuing authority / Licence Registration or Reference no.	Date of issue /	Nature of approval or licences	Mate	erial 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'		Company shall ensure that the field registered in the certificate do not overlap with the field that has received approval by any companies that: (a) comprise the same owner or board of directors, management and employees; or (b) operates in the same premises.	Noted
				(ii)	Company must submit the application for renewal within 3 months prior to the expiry date of the certificate.	Noted
				(iii)	Company must ensure that the registration with the MOF remains active throughout the enforcement period of the contract.	Noted
4.	Smart Paints (M) / Johor Bahru City Council / L2022457868	8 December 2022 / 31 December 2023	Business License of Smart Paints (M) in respect of the following:	(i)	Polystyrene is prohibited from being used from 1 January 2018 onwards.	Complied
	L2022437000	2023	(i) Sale of paints;	(ii)	The license is to be renewed 1 month prior to its expiry.	Noted
			(ii) Management office;			
			(iii) Sale of metal goods; and			
			(iv) Advertisement board,			
			at Johor Factory 2.			

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	from 1 January 2018 onwards.	Complied Noted
			(ii) Advertisement board, at Johor Factory 2.		
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,	 (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
			at Johor Factory 2.		

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
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

No.	Licencee / Issuing authority / Licence Registration or Reference no.	Date of issue /	Nature of approval or licences		Compliance status
10.	Color Breeze/ Johor Bahru City Council / L2022457867	8 December 2022 / 31 December 2023	Business License of Color Breeze in respect of the following: (i) Sale of paints; (ii) Management office; (iii) Sale of metal goods; and (iv) Advertisement board. at Johor Factory 2.	from 1 January 2018 onwards.	Complied
11.	Smart Paint (Selangor) / Shah Alam City Council ("MBSA") / MBSA/LSP/LS/600- 3/1/0283-23	22 August 2023 / 14 August 2024	Business License of Smart Paint (Selangor) in respect of the following: (i) Management office; (ii) Paint supplier services; and (iii) Advertisement board, at Lot 2-43 & 2-45, Jalan SU 8 (Lion Industrial Park), Persiaran Tengku Ampuan, Taman Perindustrian Subang, Seksyen 26, 40400 Shah Alam, Selangor	 (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 	Noted Complied Noted Complied

7. BUSINESS OVERVIEW (Cont'd)

No.	Licencee / authority / Registration Reference no.	Issuing Licence or	Date of issue / Date of expiry	Nature licences	of	approval	or	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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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:

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

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

No.	Property	Registered owner / Title details / Postal address Postal Address N/A	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 Encumbrances Nil	NBV as at the 31 December 2022 (RM)
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

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)
							complied with. Restrictions in Interest Nil 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.	
6.	Johor Factory 2	Registered owner Smart Paint Manufacturing Title Details HSD 506798, PTD 212909, Mukim Plentong, Daerah Johor Bahru, Negeri Johor Postal Address No. 9, Jalan Indah Gemilang 5, Taman	Category of Land Use Commercial or Industrial Tenure of Property Freehold	Description Single storey detached factory with three storey office building Existing Use Factory	23 April 2015 / 5 October 2012	31,658.00 / 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.	6,212,217.95

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if	Description and existing use	Date of purchase / Date of issuance of CF / CCC	Total built- up area / Land area based on	Express Conditions / Restrictions in Interest / Encumbrances	NBV as at the 31 December 2022 (RM)
NO.	Property	Perindustrian Gemilang, 81800 Ulu Tiram, Johor	any)	use	CF / CCC	title (sq ft)	(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. Restrictions in Interest Nil Encumbrances Land charged in favour of CIMB Bank Berhad on 8 September 2015.	(KIWI)
7.	Johor Factory 3	Registered owner Smart Paint Manufacturing Title Details HSD 506796, PTD 212907, Mukim of Plentong, Daerah Johor Bahru, Negeri 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 March 2022 / 5 October 2012	28,532.00 / 43,475.43	(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

No.	Property	Registered owner / Title details / Postal address	Category of land use / Tenure / Expiry of lease (if any)	Description and existing use	purchase	of / of of	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)
No.	Property	Address Postal Address No. 15, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor	any)	use	CF/CCC		title (sq ft)	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 complied with. Restrictions in Interest The land when transferred to a Bumiputera / Bumiputera company shall not be subsequently sold,	(RM)
								leased or transferred in any way to non-Bumiputera / non-Bumiputera companies without the consent of the state authority.	

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:

				Date of		
No.	Description	Owner / Tenant	Existing Use	issuance of CF	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.	3rd 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

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	Period of tenancy 1 Sep 2022 to 30 August 2024 (2 years) Rental per month 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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7.20 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:

- 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.

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.

"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

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.

(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.

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.

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

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.

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	Utilisation rate	Revenue
	(litres)	(%)	(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	g segment:		70,086

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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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.

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.

(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.

7.22.3 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 endusers. 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.

(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.

7.23 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/ Business	Permanent	temployee	Contractua	l employee	
function	Local	Foreign	Local	Foreign	Total
Directors	3	-	-	-	3
Admin and Human Resources	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	1	-	-	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/ Business	Permanen	t employee	Contractua	l employee	
function	Local	Foreign	Local	Foreign	Total
Directors	3	-	-	-	3
Admin and Human	4	-	-	-	4
Resources					
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

			Length of relationship as at	Sales	% of our Group's revenue
Customer name	Customer type	Products or services sold	the LPD (Years)	(RM '000)	(%)
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 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.

8. INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia T:+603 2732 7537 W: www.smith-zander.com

SMITH ZANDER

Date: 30 August 2023

The Board of Directors

Smart Asia Chemical Bhd

No.11, Jalan Indah Gemilang 5 Taman Perindustrian Gemilang 81800 Ulu Tiram, Johor Malaysia

Dear Sirs / Madams,

Independent Market Research Report on the Paints and Coatings Industry in Malaysia ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("**SMITH ZANDER**") for inclusion in the draft Prospectus in conjunction with the proposed listing of Smart Asia Chemical Bhd on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which Smart Asia Chemical Bhd and its subsidiaries ("Smart Asia Group") operate and to offer a clear understanding of the industry dynamics. Smart Asia Group is principally involved in the development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications; 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 its decorative paints and protective coatings offerings; and the provision of original design manufacturer ("ODM") services of decorative paints, protective coatings as well as binding and coating chemicals for third party brand owners. Hence, the scope of work for this IMR Report will address the following areas:

- (i) The paints and coatings industry in Malaysia;
- (ii) Key industry drivers, risks and challenges of the paints and coatings industry in Malaysia;
- (iii) Competitive landscape of the paints and coatings industry in Malaysia; and
- (iv) Prospects and outlook of the paints and coatings industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:

DENNIS TAN

MANAGING PARTNER

SMITH ZANDER

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Any part of this IMR Report used in third party publications, where the publication is based on the content, in whole or in part, of this IMR Report, or where the content of this IMR Report is combined with any other material, must be cited and sourced to SMITH ZANDER.

The research for this IMR Report was completed on 18 August 2023.

For further information, please contact:

SMITH ZANDER INTERNATIONAL SDN BHD

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

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1 THE PAINTS AND COATINGS INDUSTRY IN MALAYSIA

Overview

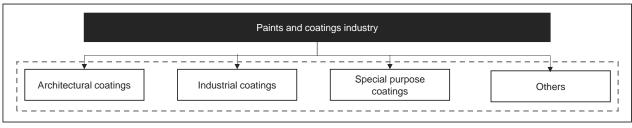
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Paints and coatings are liquid, liquefiable or solid mastic compositions, that change into a solid film after being thinly spread on a surface or substrate. They are widely applied on amongst others, buildings, infrastructure, structures, furniture, vehicles, machinery and equipment for aesthetics and protective purposes.

The paints and coatings industry can be broadly segmented into the following categories:

- (i) Architectural coatings are applied on the exterior and interior of residential, commercial and industrial buildings as well as structures to preserve, protect and adorn the surfaces of buildings and structures. Architectural coatings include decorative paint and coating products such as exterior wall paints, interior wall paints and wall sealers that can be applied onto the surfaces of exterior and interior walls and ceilings.
- (ii) Industrial coatings are commonly used for various applications including concretes, flooring and various manufactured products such as machinery and equipment, furniture, and metal products, to protect against corrosion, decay, wear and tear as well as to maintain the appearance, functionality, and longevity of a structure or a product. Industrial coatings include protective coating products such as zinc chromate primer (i.e. generally used on iron and steel surfaces to prevent corrosion), red oxide primer (i.e. generally used on ferrous metal surfaces to prevent rust formation), epoxy coating (i.e. generally used on concrete and metal structures and surfaces and is highly resistant to abrasion and harsh chemicals) and micaceous iron oxide (i.e. generally used on steel structures to protect against corrosion).
- (iii) **Special purpose coatings** are coatings used to serve specific purposes such as marine coatings (i.e. used in the marine environment to protect water vessels from freshwater or saline water), automotive paints and traffic markings (e.g. paint on roads, airports and parking lots).
- (iv) **Others** refer to miscellaneous items including painting tools and accessories such as brushes, rollers, spray guns, paint trays and aerosol paint sprays that are used to support the application of paints and coatings.

Segmentation of the paints and coatings industry



Note:

• I = - I denotes the segment in which Smart Asia Group's products are categorised under.

Source: SMITH ZANDER

There are a diverse range of paints and coatings in the market which vary in terms of colour, composition, function, property and quality based on their formulations. The formulation of paints and coatings is developed and modified through the process of combining various components in varying proportions to create a specific desired paint or coating. Each component used in the formulation of paints and coatings provides a specific property or function to the paint or coating. Some of the basic components that can be found in paints and coatings include binders, solvents, pigments and additives. Details for each of the basic components are as follows:

(i) **Binder** – is a film-forming substance used to hold the pigment of paint or coating to an applied surface and to bind all components of a paint or coating together. Examples of binder include alkyd resin, acrylic resin and epoxy resin.

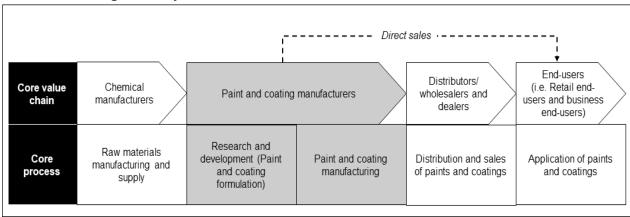
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- (ii) Solvent also known as a thinner, is used to adjust the viscosity of paint or coating so that the paint or coating can be spread on a surface uniformly and smoothly. Examples of solvent include toluene, turpentine and xylene.
- (iii) **Pigment** is used to impart colour and opacity when added to a paint or coating formulation. Examples of pigment include titanium dioxide, iron oxide and zinc oxide.
- (iv) Additive is used to manipulate or enhance certain properties of a paint or coating. For instance, thickeners and modifiers are used as additives to achieve the desired ease of application of a paint or coating. Further, additives such as defoamers are used to reduce or eliminate the formation of foam in a paint or coating.

The types and proportion of components used in the formulation of a paint or coating are based on its property and function requirements. Such property requirements include amongst others, solvency (e.g. water-based or oil-based), finish and sheen (e.g. flat-matte, semi-gloss and high gloss) and application (e.g. exterior, interior, metal surface or wood surface) whereas function requirement may include aesthetic purposes, protection against corrosion, ultra-violet rays, fire, sunlight, water, fungal growth and/or bacteria growth, and/or specific purposes such as reflecting light for traffic markings to enhance road visibility especially during low-light or dark conditions. A good quality paint or coating is typically determined based on several attributes such as ease of application, durability, resistance against chemical and environmental effects as well as opacity.

In recent years, there has been increasing concern for environmental sustainability. Hence, many consumers are starting to lean towards green products and maintenance measures, like opting for eco-friendly paints and coatings instead of conventional ones. Some components in conventional paints and coatings may contain high Volatile Organic Compounds ("VOC") that release environmentally harmful chemicals into the atmosphere, contributing to poor air quality and negative environment impact, while eco-friendly paints and coatings are formulated to have zero or low VOC which are more efficient, greener and safer for the environment and health. With ever-increasing environmental awareness, paint and coating manufacturers have become more innovative in the formulation and production of eco-friendly paints and coatings.

Paints and coatings industry value chain



Note:

Implementation denotes the role of Smart Asia Group in the value chain of the paints and coatings industry.

Source: SMITH ZANDER

In Malaysia, the paints and coatings industry value chain involves multiple core processes, namely raw materials manufacturing and supply, research and development ("**R&D**") (paint and coating formulation), paint and coating manufacturing, and distribution and sales of paints and coatings for end-users' application. The raw materials manufacturing and supply process is carried out by chemical manufacturers to produce the necessary components of paints and coatings such as binders, solvents, pigments and additives for the manufacturing of paints and coatings. Further, the R&D (paint and coating formulation) process which is performed by the paint and coating manufacturers, is one of the key processes which keeps paint and coating manufacturers competitive in the industry whereby the paint and coating manufacturers continuously develop

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INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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products with new and/or enhanced formulations in terms of new colours and functions, as well as enhanced properties to cater to changing market trends and customer requirements.

Paints and coatings are usually off-the-shelf products but can also be custom-produced for end-users. Off-the-shelf products are sold to business end-users and retail end-users (i.e. end-users who purchase paints and coatings from retail hardware stores or retail paint stores, or purchase online via e-commerce platforms) whereby the formulation of paints and coatings are determined by the paint and coating manufacturers. Despite the formulation of paints and coatings being generally fixed in terms of their properties and functions, the colour of the paint and coating can be customised by adding and mixing colourants (i.e. concentrated dispersion of pigments) into a base paint or coating to match end-users' desired shades. Retail end-users may request to customise the colour of their paints and coatings instantly at the time of purchase in certain retail hardware stores or retail paint stores that offer paint-tinting services and are equipped with automated paint tinting machines in-store.

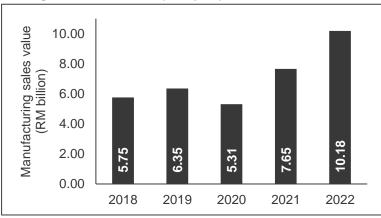
On the other hand, paints and coatings sold to business end-users (e.g. manufacturers (i.e. for manufactured products like machinery and equipment, vehicles and furniture), property developers, construction companies and painting contractors (e.g. for renovation, construction and/or infrastructure development projects)) can be customised based on its specified criteria in terms of amongst others, properties, functions, colour and performance of the paint and/or coating. Paints and coatings are sold by paint and coating manufacturers directly to retail end-users and business end-users, as well as indirectly through their distribution channels comprising, amongst others, distributors/wholesalers (i.e. who purchase paints and coatings from paint and coating manufacturers to be subsequently sold to business end-users and/or distributed to dealers for onward sale to retail end-users), and dealers which are retailers such as retail hardware stores, retail paint stores and online paint retailers.

Industry Performance, Size and Growth

The size of the paints and coatings industry in Malaysia is represented by the manufacturing sales value of paints, varnishes and similar coatings ink and mastics.

In 2019, the manufacturing sales value of paints, varnishes and similar coatings ink and mastics in Malaysia increased by 10.43% from RM5.75 billion in 2018 to RM6.35 billion in 2019. Subsequently, in view of the outbreak of the novel coronavirus disease 2019 ("COVID-19") pandemic in early 2020, the manufacturing sales value of paints, varnishes and similar coatings ink and mastics declined by 16.38% to RM5.31 billion in 2020.

Manufacturing sales value of paints, varnishes and similar coatings ink and mastics (Malaysia), 2018 – 2022



Sources: Department of Statistics Malaysia ("DOSM"), SMITH ZANDER

This was due to the impact of the COVID-19 pandemic whereby the imposition of nationwide movement restrictions by the Government of Malaysia ("Government") to curb the spread of COVID-19 had led to temporary halts in business operations in various industries that use paints and coatings for their operations such as the construction and manufacturing sectors, which subsequently dampened the demand for paints and coatings. Nonetheless, the manufacturing sales value of paints, varnishes and similar coatings ink and mastics in Malaysia recovered in 2021 and 2022, recording a compound annual growth rate ("CAGR") of 38.46% from RM5.31 billion in 2020 to RM10.18 billion in 2022, as economic activities in Malaysia resumed upon the lifting of the nationwide movement restrictions imposed by the Government. Further, SMITH ZANDER forecasts the manufacturing sales value of paints, varnishes and similar coatings ink and mastics in Malaysia to increase from RM10.18 billion in 2022 to RM11.93 billion in 2023, RM14.04 billion in 2024 and RM16.52 billion in 2025, recording a CAGR of 17.51% from year 2022 to 2025.

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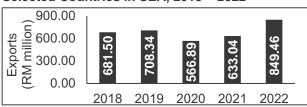
INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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As Smart Asia Group has exported its decorative paints and protective coatings to Brunei, Cambodia, Indonesia, Singapore and Vietnam (collectively known as "Selected Countries in Southeast Asia ("SEA")"), the exports of paints and varnishes from Malaysia to the Selected Countries in SEA is shown below.

In 2019, the exports of paints and varnishes from Malaysia to the Selected Countries in SEA grew by 3.94% from RM681.50 million in 2018 to RM708.34 million in 2019. However, in 2020, the exports of paints and varnishes from Malaysia to the Selected Countries in SEA declined by 19.97% to RM566.89 million in 2020 due to a slowdown in the global economy and major supply chain disruptions caused by the COVID-19 pandemic thus resulting in a lower demand for paints and varnishes.

Exports of paints and varnishes from Malaysia to Selected Countries in SEA, 2018 – 2022



Sources: DOSM, SMITH ZANDER

Nevertheless, the exports of paints and varnishes from Malaysia to Selected Countries in SEA recovered in 2021 and 2022, recording a CAGR of 22.41% from RM566.89 million in 2020 to RM849.46 million in 2022. Further, SMITH ZANDER forecasts the exports of paints and varnishes from Malaysia to the Selected Countries in SEA to increase from RM849.46 million in 2022 to RM946.25 million in 2023, RM1,054.06 million in 2024 and RM1,174.15 million in 2025, recording a CAGR of 11.39% from year 2022 to 2025.

2 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES OF THE PAINTS AND COATINGS INDUSTRY IN MALAYSIA

Key Industry Drivers

► Growth recovery in the construction industry in Malaysia drives the demand for paints and coatings

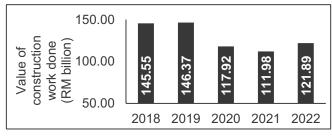
The demand for paints and coatings in Malaysia is driven by construction activities undertaken to construct residential, commercial and industrial properties as well as infrastructure such as roads, bridges and highways.

Construction activities are largely economic-driven, whereby economic growth contributes to increased disposable income among the population arising from higher employment, and increased earnings for businesses and companies due to greater operating scale and wider market reach. Consequently, this leads to increased demand for residential, commercial and industrial properties as well as supporting infrastructure, which in turn leads to higher demand for paints and coatings.

In 2019, the performance of the construction industry in Malaysia, as measured by the value of construction work done, increased by 0.56% from RM145.55 billion in 2018 to RM146.37 billion in 2019.

However, in view of the COVID-19 pandemic since early 2020, Malaysia's value of construction work done declined from RM146.37 billion in 2019 to RM111.98 billion in 2021 at a negative CAGR of 12.53%. This was due to the temporary halt of construction

Value of construction work done (Malaysia), 2018 – 2022



Source: DOSM

activities except those listed under critical services (maintenance and repair works) as a result of the imposition of various degrees of movement restrictions as well as several outbreaks of COVID-19 cases at construction sites throughout the country in 2020 and 2021.

Nevertheless, the construction industry in Malaysia recovered in 2022 whereby the value of construction work done increased by 8.85% from RM111.98 billion in 2021 to RM121.89 billion in 2022 due to economic recovery upon the easing of movement restrictions as well as transitioning from COVID-19 pandemic

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phase to endemic phase. Moving forward, the recovery of the construction industry in Malaysia is expected to further expand driven by the Government's continuous efforts in promoting infrastructure development in the country (e.g. facilitate the progress of ongoing infrastructure projects which include Johor Bahru – Singapore Rapid Transit System (RTS) Link and East Coast Rail Link (ECRL)) which will subsequently spur the growth of the paints and coatings industry.

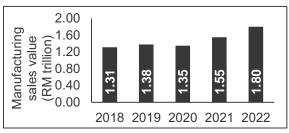
▶ Growth in the manufacturing sector in Malaysia drives the demand for paints and coatings

Industrial coatings are widely used and applied in the manufacturing sector on various manufactured products such as machinery and equipment, as well as furniture, which helps to provide the manufactured product an aesthetic look, as well as protect and strengthen the product's durability and resistance against chemical and environmental effects to extend the product's overall lifetime. Therefore, an increase in demand for manufactured products will drive the growth of the overall manufacturing sector which will in turn spur the growth of the paints and coatings industry.

In Malaysia, the manufacturing sector remained the second largest contributor to the national economy, contributing 24.10% of the national gross domestic product ("GDP") in 2022, second to the services sector which contributed 58.33% of the national GDP in the same year¹. With the manufacturing sector being one of the top contributors of the Malaysian economy, the paints and coatings industry is set to benefit from the manufacturing sector, with customers from various manufacturing segments.

In 2019, the performance of the manufacturing sector in Malaysia, as measured by manufacturing sales value, grew by 5.34% from RM1.31 trillion in 2018 to RM1.38 trillion in 2019. However, in view of the COVID-19 pandemic, Malaysia's manufacturing sector declined by 2.17% to RM1.35 trillion in 2020. This was due to the temporary suspension in manufacturing activities as a result of the imposition of various degrees of movement restrictions by the Government to curb the spread of the COVID-19 pandemic in 2020.

Manufacturing sales value (Malaysia), 2018 – 2022



Sources: DOSM, SMITH ZANDER

Nevertheless, Malaysia's manufacturing sector recovered in 2021 and 2022, recording a CAGR of 15.47% from RM1.35 trillion in 2020 to RM1.80 trillion in 2022.

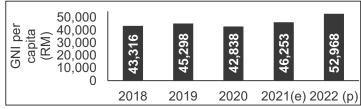
Any growth in the manufacturing sector is expected to lead to an increase in demand for manufactured products. As the demand for manufactured goods increases, the demand for paints and coatings is expected to increase and thereby benefitting players in the paints and coatings industry.

Increasing disposable income and affluence lead to investments in property

Malaysia is an upper-middle income developing country with a growing economy and increasing wealth. The gross national income ("GNI") per capita in Malaysia increased by 4.58% from RM43,316.00 in 2018 to RM45,298.00 in 2019.

However, in 2020, Malaysia experienced an economic contraction due to the impact of the COVID-19 pandemic which had negatively affected the disposable income of consumers who had experienced pay cuts or loss of employment.





Notes:

- (e) Estimate.
- (p) Preliminary.
- Latest available information as at the date of research completion.
 Source: DOSM

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¹ Sources: DOSM, SMITH ZANDER

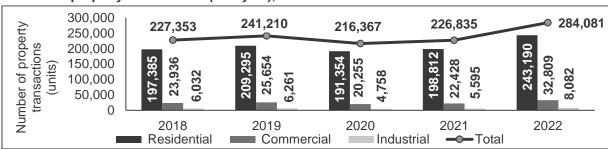
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In 2020, GNI per capita declined year-on-year by 5.43% to RM42,838.00. Nevertheless, in 2021 and 2022, the economic conditions of Malaysia gradually recovered, and GNI per capita grew from RM42,838.00 in 2020 to RM52,968.00 in 2022 at a CAGR of 11.20% as the impact of the COVID-19 pandemic began to subside.

The increasing GNI per capita indicates a more affluent population with improved standards of living and greater propensity to spend. Further, there has been a growing interest of consumers in carrying out do-it-yourself (DIY) home or building improvement and maintenance projects to improve the aesthetic appeal as well as maintain the condition of their homes and buildings.

Additionally, increasing GNI per capita may also lead to increased investments in residential, commercial and industrial properties. In 2019, the number of property transactions (i.e. comprising residential, commercial and industrial properties) in Malaysia increased by 6.09% from 227,353 units in 2018 to 241,210 units in 2019. However, in 2020, the number of property transactions declined by 10.30% to 216,367 units in 2020 due to the impact of COVID-19. Nevertheless, with the economic recovery in Malaysia, the number of property transactions recovered in 2021 and 2022, from 216,367 units in 2020 to 284,081 units in 2022 at a CAGR of 14.58%. As such, the growth in the number of property transactions is in tandem with the growth in GNI per capita.

Number of property transactions (Malaysia), 2018 - 2022

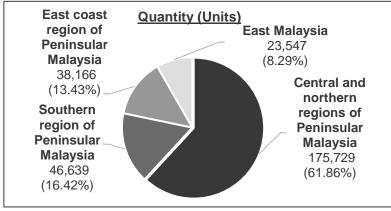


Sources: National Property Information Centre ("NAPIC"), SMITH ZANDER

In 2022, the central and northern regions of Peninsular Malaysia 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 and demand for paints and coatings in these regions.

As consumers' disposable income increases, this will encourage more consumer spending and thus increase the demand for property investment in residential. commercial and industrial properties. As newly purchased residential, commercial and industrial properties generally renovation require and refurbishment works including painting works, this will in turn boost the demand for paints and coatings and therefore drive the paints and coatings industry in Malaysia.

Number of property transactions by regions (Malaysia), 2022



Notes:

- Central and northern regions of Peninsular Malaysia comprise Kedah, Kuala, Lumpur, Negeri Sembilan, Perak, Perlis, Pulau Pinang, Selangor and Wilayah Persekutuan Putrajaya.
- Southern region of Peninsular Malaysia comprises Johor and Melaka.
- East coast region of Peninsular Malaysia comprises Kelantan, Pahang and Terengganu.
- East Malaysia comprises Sabah, Sarawak and Wilayah Persekutuan Labuan.

Sources: NAPIC, SMITH ZANDER

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Key Industry Risks and Challenges

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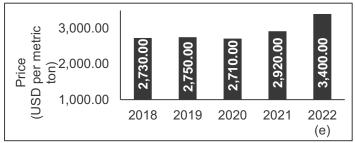
Exposure to price fluctuation of raw materials for paints and coatings

The key raw materials that are used in paints and coatings manufacturing include binders, solvents, pigments and additives. Raw materials constitute a large part of the operating costs for paints and coatings manufacturing and are susceptible to price fluctuations as a result of demand and supply conditions.

For example, titanium dioxide, a type of pigment, is one of the commonly used raw materials in the production of paints and coatings and is subject to price fluctuations.

Between 2018 and 2020, the titanium dioxide prices remained fairly stable. Subsequently, the price of titanium dioxide increased significantly year-on-year by 7.75% in 2021 and 16.44% in 2022 which may be due to the aftermath of the COVID-19 pandemic which led to a global supply chain disruption, as well as rising demand for titanium dioxide in view of the gradual recovery of the global economy from the COVID-19 pandemic.

Titanium dioxide prices, 2018 – 2022(e)



Notes:

- (e) Estimate.
- Latest available information based on United States of America's import prices as at the date of research completion.

Source: United States Geological Survey

Therefore, any unfavourable changes in the demand and supply conditions of raw materials for paints and coatings may cause the price of raw materials for paints and coatings to increase materially, which may lead to a rise in cost of production for paint and coating manufacturers. If the paint and coating manufacturers are unable to pass on the raw material cost to their customers, they may have to bear the increasing costs, which could materially impact their financial performance and profitability.

Dependency on manual labour for the manufacturing of paints and coatings

The manufacturing processes for paints and coatings may either be semi-automated or fully automated. While most manufacturing processes for paint and coating production can be automated using machines such as high-speed dispersion mixers and paint shakers, manual labour may be required in certain processes such as transferring intermediary products from one machine to be loaded into another machine during various stages of the manufacturing process. Further, workers may also be required to carry out in-process inspection and/or post-manufacturing inspection on the paints and coatings for quality control.

The issue of labour shortages is common in the manufacturing industry (including the paints and coatings industry) in Malaysia where Malaysia is dependent on foreign workers as a result of limited supply of local workers for manufacturing-related operations. Any quota restrictions or suspensions in the hiring of foreign workers may cause difficulties in employing sufficient labour. Further, any increase in the levy rate for foreign workers or minimum wages for employees will increase the cost of labour which may adversely impact the paint and coating manufacturers' profitability. Further, paint and coating manufacturers may also face challenges arising from the time required to register foreign workers, which may disrupt their operations due to insufficient workers.

If a suspension or similar policy issues were to cause a suspension or cessation of future intake of foreign workers, the paint and coating manufacturers may be forced to source for local workers which may come at higher cost. Paint and coating manufacturers who are unable to pass on the increase in labour costs to their customers may experience material impact on the profitability of their businesses. Further, any delay in hiring sufficient number of local workers may result in operational disruptions which would subsequently affect production schedules and cause delays in production and delivery schedules as well as potential order cancellation from customers. Consequently, this may affect the paint and coating manufacturers' business and financial performance.

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Exposure to competition

The paints and coatings industry in Malaysia is fragmented and competitive due to the large number of industry players comprising local and foreign industry players. Industry players generally compete in terms of branding, pricing, range of products and quality of products.

In order to remain competitive, industry players shall implement measures and strategies such as providing quality products at competitive prices, employing effective branding and marketing strategies as well as continuously innovating and developing paint and coating products with new and/or enhanced formulations and functions to cater to the everchanging market trends and customer needs. Any failure on the industry players' part to remain competitive could lead to reduced sales volume and impact their profitability.

Moreover, industry players shall also upkeep their manufacturing technologies and capabilities to increase productivity and remain competitive, including the adoption of automation which is in-line with the Government's initiative towards Industry 4.0 which encourages the adoption of automation in manufacturing processes. In the event if the industry players do not upkeep their manufacturing technologies and capabilities, these players will be exposed to the risk of decreased efficiencies in their manufacturing process. Further, paints and coatings manufactured using outdated manufacturing technologies may not meet modern quality standards and customer expectations, which may result in customer dissatisfaction and loss of customers.

3 COMPETITIVE LANDSCAPE OF THE PAINTS AND COATINGS INDUSTRY IN MALAYSIA

Overview

The paints and coatings industry in Malaysia is competitive due to the fragmented nature of industry players comprising local and foreign companies. Local industry players are home-grown companies that have their own manufacturing facilities in Malaysia, and their products are primarily distributed and marketed in Malaysia. Some of the local industry players may also market and distribute their products in other regional countries. Foreign industry players consist of multinational companies who have manufacturing facilities in Malaysia to manufacture and sell their products locally and/or regionally.

Paints and coatings industry players generally compete in terms of amongst others, branding, range of products, pricing, quality of products, delivery timing and manufacturing capacities. For industry players such as Smart Asia Group that primarily distributes decorative paints and protective coatings via intermediaries such as distributors/wholesalers and dealers, it is essential to build strong brand presence and maintain good business relationships with these intermediaries. Additionally, such industry players shall also continuously expand their distribution network to broaden and/or strengthen their market presence.

The paints and coatings industry in Malaysia has various barriers to entry in terms of branding, distribution network and technical expertise. Having a strong branding is imperative as paints and coatings are sold based on brand as customers typically associate brands with the quality of the paint or coating. Therefore, new entrants are required to invest in marketing to create strong brand presence to gain traction and compete with existing industry players. Additionally, in order to remain competitive, industry players require a wide distribution network that can reach urban, suburban and rural customers. As existing industry players already have wide distribution networks with significant influence amongst industry stakeholders such as distributors and dealers, this will make it more difficult for new entrants to expand their distribution network. Moreover, technical expertise is imperative for starting up a paint and coating business as well as to remain sustainable in the long run. Technical expertise especially in the formulation of paints and coatings is important to continuously develop paints and coatings with new colours and functions, as well as enhanced properties to pursue product differentiation and remain competitive.

Key Industry Players

As Smart Asia Group is principally involved in the development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications, the basis for selection of

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the key industry players in the paints and coatings industry in Malaysia is as follows:

- companies principally involved in the manufacturing and sale of decorative paints and protective coatings;
- companies with manufacturing facilities in Malaysia; and
- companies which recorded more than RM30.00 million revenue based on their respective latest available financial years (or combined revenue of more than RM30.00 million for group of companies).

The list of key industry players in the paints and coatings industry in Malaysia is as follows:

Company name	Examples of decorative paints and protective coatings brands in Malaysia	available financial year	Group/ company revenue (RM million)	Segmental revenue from sale of similar products and/or services as Smart Asia Group ⁽¹⁾ (RM million)	Gross profit/ (loss) (RM million)	Gross profit/ (loss) margin (%)	Profit/ (loss) after tax (RM million)	Profit/ (loss) after tax margin (%)
Nippon Paint group of companies ⁽²⁾		31 December 2022	2,396.08	2,359.94	593.51	24.77	156.84	6.55
Jotun Paints (Malaysia) Sdn. Bhd. (a subsidiary of Jotun A/S)	JOTUN	31 December 2022	962.06	962.06	231.55	24.07	55.19	5.74
Kansai Paint group of companies ⁽²⁾	KANSAI PAINT, mr.Paint Man, SANCora, CROWN, GOODY and I-Signature PAINTS	31 December 2022	431.55	430.66	101.78	23.58	2.33	0.54
of companies ⁽²⁾	Dulux, Dulux Professional, Colourland paints, Hammerite, MAXILITE PLUS and MESA PAINT	31 December 2022	320.14	301.01	8.88	2.77	(14.75)	(4.61)
	KOSSAN and KOSSAN PAINT	31 December 2022	138.79	138.79	N/A ⁽³⁾	N/A ⁽³⁾	7.82	5.63
SKK group of companies ⁽²⁾	SKK	31 December 2022	116.83	96.38	20.98	17.96	4.84	4.14
Seamaster Paint group of companies ⁽²⁾	seamaster paint	31 December 2022	84.27	84.27	19.08	22.64	0.09	0.11

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Company name	Examples of decorative paints and protective coatings brands in Malaysia	Latest available financial year	Group/ company revenue (RM million)	Segmental revenue from sale of similar products and/or services as Smart Asia Group ⁽¹⁾ (RM million)	Gross profit/ (loss) (RM million)	Gross profit/ (loss) margin (%)	Profit/ (loss) after tax (RM million)	Profit/ (loss) after tax margin (%)
Group	Smart Paints, Durra Paints, Toplus and Hunter	31 December 2022	79.22	_(4)	23.54	29.71	8.61	10.87
TOA group of companies ⁽²⁾	TOA, Captain and SUPERTECH	31 December 2022	58.90	58.90	16.26	27.61	(1.62)	(2.75)
KCC group of companies ⁽²⁾	KCC and KCC paint	31 December 2022	62.91	62.91	14.60	23.21	0.70	1.11
MCI Paint group of companies ⁽²⁾	BAOMA, BLUE-i, BRUSH & ROLLER and BENZi	30 June 2022	31.73	31.73	8.14	25.65	(0.26)	(0.82)
Federal Paints Manufacturing (M) Sdn. Bhd.	Federal Paint	31 March 2023	30.15	30.15	N/A ⁽³⁾	N/A ⁽³⁾	0.61	2.02

Notes:

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- The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.
- (1) Due to differing segmental revenue definitions of industry players, this may include some revenue derived from sale of products (e.g. adhesive and sealant) other than the sale of similar products and/or services as Smart Asia Group, and/or revenue derived from countries outside Malaysia.
- (2) Group of companies are Malaysian entities that are involved in the paints and coatings business. Financial information is the combined figures of the group of companies.
- (3) N/A not available, as gross profit is not reported in the annual reports of the group of companies.
- (4) Not applicable. Segmental revenue is disclosed for all key industry players, save for Smart Asia Group.

 Sources: Smart Asia Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

Industry/Market Share

In 2022, the paints and coatings industry in Malaysia was recorded at RM10.18 billion, based on the manufacturing sales value of paints, varnishes and similar coatings ink and mastics in Malaysia. For the financial year end 31 December 2022, Smart Asia Group's revenue derived from its manufacturing segment was recorded at RM70.09 million, and thereby Smart Asia Group captured a market share of 0.69% in the paints and coatings industry in Malaysia.

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4 PROSPECTS AND OUTLOOK OF THE PAINTS AND COATINGS INDUSTRY IN MALAYSIA

The growth of the paints and coatings industry in Malaysia is driven by the growth recovery in the construction industry in Malaysia. Construction activities are largely economic-driven, whereby economic growth contributes to increased disposable income among the population arising from higher employment, and increased earnings for businesses and companies due to greater operating scale and wider market reach. Consequently, this leads to increased demand for residential, commercial and industrial properties as well as supporting infrastructure, which in turn leads to higher demand for paints and coatings.

Further, industrial coatings are widely used and applied in the manufacturing sector on various manufactured products such as machinery and equipment, as well as furniture, which helps to provide the manufactured product an aesthetic look, as well as protect and strengthen the product's durability and resistance against chemical and environmental effects to extend the product's overall lifetime. Therefore, an increase in demand for manufactured products will drive the growth of the overall manufacturing sector which will in turn spur the growth of the paints and coatings industry.

Additionally, increasing GNI per capita may lead to increased investments in residential, commercial and industrial properties. As consumers' disposable income increases, this will encourage more consumer spending and thus increase the demand for property investment in residential, commercial and industrial properties. As newly purchased residential, commercial and industrial properties generally require renovation and refurbishment works including painting works, this will in turn boost the demand for paints and coatings and therefore drive the paints and coatings industry in Malaysia.

In view of the abovementioned factors which drive the growth of the paints and coatings industry in Malaysia, SMITH ZANDER forecasts the manufacturing sales value of paints, varnishes and similar coatings ink and mastics in Malaysia to increase from RM10.18 billion in 2022 to RM11.93 billion in 2023, RM14.04 billion in 2024 and RM16.52 billion in 2025, recording a CAGR of 17.51% from year 2022 to 2025. Further, SMITH ZANDER forecasts the exports of paints and varnishes from Malaysia to the Selected Countries in SEA to increase from RM849.46 million in 2022 to RM946.25 million in 2023, RM1,054.06 million in 2024 and RM1,174.15 million in 2025, recording a CAGR of 11.39% from year 2022 to 2025.

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9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We rely on our reputation, brands and product quality for the continued success and growth of our business

The brand recognition and product quality of our house brands 'Smart Paints', 'Durra Paints', 'Toplus', 'Hunter', 'Aquatint' 'Flexitint', 'Unitint', 'King-Bond', 'Goldliner' and 'Bond7', which we have built up over the past 10 years, have contributed to the growth and success of our business. For the Financial Years Under Review, our 'Smart Paints' brand was the largest contributor to our Group's revenue. We believe that our reputation and the quality of our products is critical to our continued ability to secure new wholesalers, dealers and authorised distributors as well as to retain existing wholesalers, dealers and authorised distributors to distribute our products to retail end-users.

Any complaints by our wholesalers, dealers and authorised distributors in relation to amongst others, our failure to meet their expectations with respect to our products and services, delivery schedule, customer support or other matters could negatively affect our relationships with them. This may, in turn, affect our reputation in the market if we are unable to sufficiently address the complaints brought against us by our wholesalers, dealers and authorised distributors. For FYE 2021 and FYE 2022, we received complaints from our wholesalers, dealers and authorised distributors which resulted in product replacements and product returns amounting to approximately RM0.18 million and RM0.19 million, or approximately 0.23% and 0.24% of our Group's total revenue, respectively. There is no record for the value of product replacements and product returns available for FYE 2020, as our internal recording system for customer complaints was implemented in FYE 2021.

Further, any actual or perceived position represented by our Group on social, environmental, or other sensitive issues, and any perceived lack of transparency about those matters, could harm our reputation with our customers. There is no assurance that any negative publicity will not have an adverse impact on our Group's financial performance.

Any such occurrence of events which negatively impact our reputation, brands and/or product quality may deter retail end-users and business end-users from purchasing our products as well as discourage our wholesalers, dealers and authorised distributors from conducting business with us. Further, there can be no assurance that any negative perception or publicity on our reputation, brands and product quality would not have a material adverse impact on our business and financial performance.

9.1.2 We are dependent on our wholesalers, dealers and authorised distributors to distribute and sell our products to retail end-users

Our products are primarily distributed to our network of wholesalers, dealers and authorised distributors for onward sale to retail end-users. This is evidenced by the revenue contribution from our wholesalers, dealers and authorised distributors which accounted for 95.06%, 96.84% and 98.53% of our total revenue for the Financial Years Under Review, respectively. As at the LPD, our Group has a total of 8 wholesalers and 747 dealers across Malaysia, and 12 authorised distributors overseas.

Hence, our Group is dependent on our wholesalers, dealers and authorised distributors to represent us at the point of sales with retail end-users. Our wholesalers. dealers and authorised distributors provide services such as attending to enquiries relating to our products as well as providing recommendations and advices based on their knowledge of our products. Our wholesalers, dealers and authorised distributors are not liable for any refunds, compensations or damages claimed by the retail endusers of our Group's products. In the event our wholesalers, dealers and authorised distributors receive complaints from the retail end-users of our Group's products, they will forward the complaints to our Group for our investigation to determine the required action to resolve or address the complaints. The quality of services rendered by them is important to ensure adequate product information is provided to the retail endusers. Nevertheless, there can be no assurance that all of them will be able to continuously provide quality services to retail end-users as their actions within the course of their business operations are typically not within the control of our Group. Should they fail to uphold their quality of services, it may reflect in negative perception towards our brand, thus resulting negatively on the demand for our products which may adversely affect our Group's financial performance as well as our future growth.

In addition, there is no assurance that our existing wholesalers, dealers and authorised distributors will continue to purchase our products in the future or that the demand from them will continue to increase or be sustained at current levels in the future. Any loss of these parties and our inability to replace them with new wholesalers, dealers and authorised distributors or with additional orders from existing wholesalers, dealers and authorised distributors in a timely manner, as well as continued decline in orders from existing wholesalers, dealers and authorised distributors, could result in a loss of revenue and will have an adverse impact on our Group's financial performance.

Further, as our direct access to retail end-users is minimal (i.e. through our corporate website, digital and media advertising), we rely on them for feedback on latest market developments, shifting consumption patterns and customer preferences. Hence, the feedback we receive are essential to us for our future growth and success, and if we do not receive timely and/or accurate customer feedback them and are unable to respond to this feedback in a timely manner, we may lose our competitiveness and market share within the industry.

9.1.3 We are dependent on our management team

The success of our Group is attributed to the experience, industry knowledge and network, and skills of our Managing Director, Goh Chye Hin, who has 40 years of experience in the paints and coatings industry. Over the years, he has played a pivotal role in our daily business operations as well as formulating and implementing strategies to drive the growth and expansion of our Group.

Further, our continuous success is also dependent on the abilities, skills, experience and efforts of our Non-Independent Executive Director and key senior management namely, Kee Hui Lang (our Non-Independent Executive Director), Lim Kok Beng (our Non-Independent Executive Director/ Chief Operating Officer), Jiu Chieh Yin (our Chief Financial Officer), Tan Kim Peng (our General Manager), Khoo Khiow Jin (our Sales and Marketing Manager), and Nurul Farhah binti Abdullah (our Senior Lead Chemist), who have respectively accumulated years of experience within their field of expertise. The profiles of our Managing Director, Non-independent Executive Directors and key senior management are as set out in Sections 5.1.2, 5.2.2 and 5.4.3 of this Prospectus.

As such, the loss of any of our management team simultaneously or within a short time, without suitable and timely replacement, may adversely affect the execution and implementation of our business strategies, results of operations as well as the future growth of our business.

9.1.4 Our business activities are exposed to risks relating to workplace health and safety hazards as well as environmental safety breach that may subject our Group to penalties

(a) Workplace health and safety hazards

Our business operation is bound by laws and regulations relating to workplace health and safety measurements enacted or issued by government bodies.

As our Group uses chemicals (e.g. binder, pigment, additives, solvent, extender and colour paste) in our manufacturing activities, mishandling of chemicals or improper safety practices may be hazardous or detrimental to our worker's health. For example, chemicals that are flammable and toxic require more attention when handling which include ensuring that the chemicals are kept away from heat as well as wearing masks and gloves to avoid direct contact with skin and inhalation which may give rise to allergic reactions or breathing difficulties. Improper handling of such chemicals may result in accidents, which may in turn be detrimental to our employees' health. Further, we are also obliged to ensure that our workplace health and safety measurements within our manufacturing facilities are in compliance with the Occupational Safety and Health Act 1994. In the Financial Years Under Review and up to the LPD, there have not been any material accidents at our Group's premises and save for the notices issued by DOSH as disclosed in Section 7.21 of this Prospectus, our Group has not been issued any notices, penalties, or compounds by DOSH in relation to any breaches of workplace health and safety laws and regulations.

(b) Environmental safety breaches

Our business involves the handling, manufacturing and use of chemicals that may be harmful to the environment. As such, we are subject to stringent environmental laws such as the EQA and its subsidiary legislations including the EQSWR and EQIER. Pursuant to the EQA, no person shall, save for at prescribed premises, place, deposit or dispose of any scheduled wastes on land or into Malaysian waters nor transit any scheduled wastes without prior written approval of the DG Environment. Any person who contravenes the same shall be guilty of an offence and shall on conviction be punished with imprisonment for a term not exceeding 5 years and shall also be liable to a fine not exceeding RM500.000.00. In addition, we are required to record, store, label, treat and dispose scheduled waste generated from our manufacturing activities in accordance with the EQSWR. Any omission or neglect to comply with, or any act done or attempted to be done contrary to the EQSWR may be compounded with a sum of money not exceeding RM2,000.00. As such, we have engaged scheduled waste collectors licensed by the DG Environment to collect and treat the production waste generated from our business activities in accordance with the EQA and EQSWR. In the event the engaged licensed scheduled waste collectors fail to maintain their license, we will be required to engage new licensed scheduled waste collectors, and there is no assurance that we will be able to engage new service providers in a timely manner or at a fee that is commercially favourable to our Group.

Further, as our manufacturing activities produce industrial and mixed effluents, we are also required under the EQIER to conduct investigation, clean up and monitor the environmental contamination in the event of spillage, accidental

discharge or leakage of industrial effluent or mixed effluent from our manufacturing activities. Failure in complying with the conditions of the abovementioned regulations may result in fines and/or imprisonment. This will negatively affect our business operations and financial performance.

On 29 March 2022, we received 5 compounds issued by the DOE for contravening the regulations under the EQIER and EQSWR. Please refer to Section 7.21 of this Prospectus for further details on the compounds issued by DOE. The breaches of the regulations have since been rectified, and there is no material impact to our business operations and financial performance. However, in the event of any contamination, accident or non-compliance with environmental laws, which may be beyond our control, we may be subject to penalties and incur significant costs to rectify the damages caused.

In accordance with the EQA, our Group is required to have at least 1 competent person certified by the DG Environment in our factory to ensure compliance in relation to the waste management for scheduled waste. Currently, our Group has 2 competent persons certified by the DG Environment, to ensure compliance in relation to the waste management for scheduled waste. The simultaneous loss of these qualified competent persons simultaneously and failure to replace them in a timely manner to meet the minimum requirement of having at least 1 competent person in our factory may subject our Group to fines and/or imprisonment which could negatively affect our business operations and financial performance. As such, in case of resignation and to mitigate the risk of not having a competent person at any one point of time, our Group currently has 2 employees certified as scheduled waste management competent persons.

Although our Group has put in place standard operating procedures and preventive action plans to ensure our workplace and environmental health and safety measurements are in compliance with the relevant workplace and environmental health and safety laws and regulations, there can be no assurance that any unanticipated accidents or non-compliance will not occur in the future, and such incidences may lead to negative publicity and/or liabilities and legal proceedings filed against our Group which will have an adverse impact on our reputation and financial performance.

Additionally, our operations may also be affected if there are changes in the workplace and environmental health and safety laws, regulations and industry code of practice, and the compliance with new laws, regulations and code of practice may impose a significant cost to our Group. Any failure to comply with the relevant laws and regulations may result in penalties and closure of our factories to remedy our operational procedures. This may, in turn, disrupt our business operations and affect our ability to meet the agreed upon delivery schedule to our wholesalers, dealers and authorised distributors. Should this occur, it may materially and adversely affect our Group's business operations and financial performance.

9.1.5 Our investments in product development may not yield returns and may not positively contribute to our business operations and financial performance

As the demand for decorative paints and protective coatings changes over time according to market trends, we are exposed to challenges in maintaining and growing our market share within the industry. Market trends are largely dictated by customer preferences and advancement in decorative paints and protective coatings formulations. Our continued success will depend partly on our ability to anticipate and develop decorative paints and protective coatings that meets consumers' demand and to market our products accordingly to our targeted consumer group.

Hence, our Group recognises the importance of continuously enhancing our decorative paints and protective coatings formulation with ongoing product development activities. Further details on our product development activities are as set out in Section 7.15 of this Prospectus. As such, we actively engage with our wholesalers, dealers and authorised distributors as well as our raw materials suppliers to keep abreast on industry updates and to gain feedback in order to help us in adapting and improving our expertise and capabilities to meet current market demands in a timely manner. In the event that we are unable to expand and/or enhance our range of product offerings to meet retail end-users' requirements and changing market demand in a timely manner, or at all, we may be unable to continue growing our revenue, and/or to retain our wholesalers, dealers and authorised distributors or attract new wholesalers, dealers and authorised distributors to market our products, as our products may be deemed unattractive.

Despite the commitments and efforts placed in product development, there is no assurance that our product development activities will yield favourable results and lead to the development of decorative paints and protective coatings which suit the requirements and demand of retail end-users and business end-users. In such circumstances, expenses incurred for our product development activities may not be recouped and may lead to an adverse effect on our earnings and financial performance.

9.1.6 We may not be able to successfully implement our business strategies and future plans

We plan to grow our Group's business by expanding our business operations and manufacturing capacity, through our business strategies and future plans as follows:

- (i) construction of Perak Plant;
- (ii) purchase and commissioning of an industrial tinting system and automated paint production system in our Perak Plant; and
- (iii) purchase of 250 sets of Smart Colour POS Tinting Machine to be distributed to our wholesalers and dealers to continue driving our sales.

Please refer to Section 7.22 of this Prospectus for further details of our business strategies and future plans.

The execution of our business strategies is subject to additional expenditures including operational expenditures, capital expenditures and other working capital requirements. Such additional expenditures will increase our Group's operating cost including overhead costs, which may adversely affect our profitability if we are unable to gain sufficient revenue by securing more sales following the implementation of our business strategies.

In addition, should we fail to generate adequate revenue to sustain the operations of our Johor Factory 1 and the new Perak Plant upon completion of the Perak Plant, our gross profit as well as net profit may decrease, hence adversely affecting our financial performance.

Our Group's current and projected annual expected operational cost are as follows:

	Annual current RM'000	Annual projected ⁽¹⁾ RM'000
Total operational cost	22,455	29,456

Note:

(1) The total annual projected operational cost includes the projected operational cost for the full 12 months of operations of our Perak Plant.

Furthermore, the implementation of our business strategies may be influenced by factors beyond our control, such as changes in general market conditions, economic conditions as well as political environment in Malaysia and other countries in which we export our products to, which may affect the commercial viability of our business strategies. The implementation of our business strategies could also be adversely affected by a variety of other factors such as more efficient manufacturing processes adopted by our competitors or attractive pricing offered by our competitors, which may affect the attractiveness of our offerings.

Hence, there can be no assurance that the effort and expenditures spent on the implementation of our business strategies will yield expected results in growing our business in terms of financial performance and market presence. We are also not able to guarantee that we will be successful in executing our business strategies, nor can we assure that we will be able to anticipate all the business, operational and industry risks arising from our business strategies. Such failure may lead to adverse effect on our business operations and financial performance.

9.1.7 Our business is exposed to unexpected interruptions or delays caused by equipment failures, power outages, water supply disruptions, natural disasters, force majeure events and outbreak of infectious diseases, which may be beyond our control and may lead to interruptions to our operations

Our business relies on a diverse range of machinery and equipment to carry out the manufacturing of decorative paints, protective coatings, colourants as well as binding and coating chemicals. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. In addition, as our manufacturing activities are dependent on continuous supply of electricity and water, any major disruptions to the supply of electricity and water may result in interruptions in our operations.

Our business operations may also be affected by the occurrence of natural disasters (e.g. floods or storms), as well as catastrophic damages (e.g. fires), which may lead to interruptions to the operations at our factories and/or damages to all or part of our machinery and equipment. In addition, any occurrence of force majeure events such as floods, storms, wars, strikes and riots may prohibit us from performing our operations. The occurrence of these unexpected events may affect our ability to meet the agreed upon delivery schedule to our wholesalers, dealers and authorised distributors. This could adversely affect our relationships with the wholesalers, dealers and authorised distributors and our reputation in the market as well as our financial performance.

In the Financial Years Under Review, we have not experienced any incident of unanticipated machinery and equipment failures, natural disasters, catastrophic damages and force majeure as well as material disruptions to the supply of electricity and water, which had led to major interruptions in our operations. However, there can be no assurance that such incidences will not happen in the future. In the event that these incidences occur, it may result in interruptions to our operations and thus adversely affect our business operations and financial performance.

Further, the outbreak of pandemics of infectious diseases or other health epidemics (e.g. COVID-19) may also create economic uncertainties globally, which may adversely affect business activities. The outbreak of pandemics may also result in the imposition of various lockdown measures to curb the spread of the virus, leading to disruptions and/or temporary suspension of business activities. While our financial

performance was not adversely affected, our operations were temporarily disrupted during the COVID-19 pandemic in which further details are as set out in Section 7.5 of this Prospectus. Should there be a future outbreak of infectious disease similar to the COVID-19 pandemic, there is no assurance that our business operations and financial performance will not be adversely and materially affected.

In the event that we have to halt our operations due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's financial performance may be adversely affected should the interruptions occur for a prolonged period of time.

9.1.8 We are exposed to the risk of fluctuations in foreign exchange rate

We are exposed to foreign exchange transaction risk which arises from our revenue and purchases exposure to USD and SGD. The revenue generated from our export sales are denominated in USD and SGD, and it collectively contributed 7.97%, 5.38% and 6.13% to our Group's total revenue for the Financial Years Under Review, respectively, while the remaining 92.03%, 94.62% and 93.87% are contributed from local sales. Our supplies which are sourced from overseas are denominated in USD and SGD, and it collectively contributed 24.51%, 20.92% and 27.76% to our Group's total purchases for the Financial Years Under Review, respectively, while the remaining 75.49%, 79.08% and 72.24% are contributed from local purchases.

Our sales and purchases in the respective currencies for the Financial Years Under Reviews are as follows:

	FYE 2	2020	FYE 2	021	FYE 2	022
	RM'000	%	RM'000	%	RM'000	%
Sales						
denominated in:						
RM	65,891	92.03	75,474	94.62	74,359	93.87
USD	4,279	5.97	2,574	3.23	2,584	3.26
SGD	1,429	2.00	1,718	2.15	2,275	2.87
Total	71,599	100.00	79,766	100.00	79,218	100.00
Purchases						
denominated in:						
RM	34,615	75.49	37,081	79.08	32,610	72.24
USD	10,922	23.82	9,618	20.51	12,172	26.97
SGD	314	0.69	193	0.41	358	0.79
Total	45,851	100.00	46,892	100.00	45,140	100.00

We currently do not have a formal policy with respect to our foreign exchange transactions and have not undertaken any hedging activities as the majority of our revenue and expenses are transacted in RM. Although the majority of our revenue and purchases are denominated in RM, we may still be exposed to foreign currency fluctuations as a portion of our revenue and purchases are denominated in foreign currencies. Given that our purchases in foreign currencies contributed 24.51%, 20.92% and 27.76%, respectively to our Group's total purchases in the Financial Years Under Review, a depreciation of the RM against foreign currencies will lead to higher costs of purchases for our Group. Should we fail to pass on the increase in costs to our customers in a timely manner, or at all, our financial performance may be adversely affected.

For illustrative purposes, if the exchange rate between RM against the USD and SGD increased or decreased by 15.00%, this would result in our Group's revenue in the FYE 2022 to decrease or increase by approximately RM0.08 million. For the Financial Years Under Review, our gains and losses from foreign exchange fluctuations are as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Net realised foreign exchange gain Net unrealised foreign exchange gain Net realised foreign exchange loss Net unrealised foreign exchange loss	(40) (22)	128 23 - -	- 83 (118) -
Net gain/ (loss)	(62)	151	(35)

9.1.9 We are exposed to credit risks and default payment by customers

We generally grant our customers, who are mainly wholesalers, dealers and authorised distributors, a credit period between 30 to 150 days. However, there is no assurance that we may not experience delays in the collection of payments from our wholesalers, dealers and authorised distributors, or in the worst case scenario not being able to collect payments from them. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on trade receivables or writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

Our bad debts written off for the Financial Years Under Review were as follows:

		Audited					
	FYE 2020 FYE 2021 FYE 2022						
	RM'000	RM'000	RM'000				
Bad debts written off	24	27	259				

The higher bad debts written off in FYE 2022 is mainly in respect of a customer who has shut down its business operations, and thus the amount was not collectable.

9.1.10 We may not be able to secure funding, especially on terms favourable to us, to meet our capital requirement

Our ability to obtain external financing are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the performance of the Malaysian economy and the markets for our products, the cost of financing and the condition of financial markets, and the continuing willingness of banks to provide new loans. There is no assurance that any required financing, either on a short-term or long-term basis, will be made available to us on terms favourable to us or at all.

The following table sets out the maturity profile of our borrowings:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Bank borrowings Within the next 12 months After the next 12 months	10,269	694	3,613
	6,944	6,451	11,923

If adequate funding is not available when needed, or is available only on unfavourable terms, meeting our capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on our business, financial condition and results of operations.

9.1.11 Our financial performance may be affected by adverse changes in interest rates

Our outstanding borrowings as at 31 December 2022 amounted to approximately RM15.75 million, comprising mainly trade facilities such as bankers' acceptance, bank overdrafts, hire purchase financing and term loans. This translates to a gearing level of approximately 0.26 times.

In view that the interests charged on our bank borrowings are dependent on prevailing interest rates, any significant increase in interest rates will significantly increase our interest expenses and hence, will have an adverse impact on our financial performance. In addition, the agreements for credit facilities contain covenants which may limit our future operating and financing flexibility such as restrictions in future borrowings, creation of new securities and disposal of its capital assets. A breach of such covenants may result in the termination and/or enforcement of securities granted for the relevant credit facility.

There can be no assurance that our financial performance would remain favourable in the event of any adverse change in interest rates.

9.1.12 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at the LPD, the insurance policies maintained by our Group include fire insurance, burglary insurance, public liability insurance as well as group personal accident and hospitalisation.

However, we are unable to guarantee that the insurance coverage will be adequate in all circumstances to cover the losses, damages or liabilities which we may incur, in the event that any of the abovementioned incidences take place or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is not sufficient to cover such risks, we would have to bear such losses and consequently our business and financial performance may be adversely affected. For the Financial Years Under Review, our Group did not encounter any events that resulted in any insurance claims.

9.2 RISKS AFFECTING THE INDUSTRY IN WHICH WE OPERATE

9.2.1 We are dependent on the construction and manufacturing industries in Malaysia for our continued success and growth

The performance of our business is dependent on the construction (i.e. new building and infrastructure construction, as well as renovation of existing buildings and infrastructure) and manufacturing industries as we primarily provide decorative paints and protective coatings for household and industrial applications. Thus, our growth is likely to move in tandem with the performance of the construction and manufacturing industries.

As such, a decline in the construction and manufacturing industries may lead to a slowdown in the demand for our decorative paints and protective coatings. Further, as the construction and manufacturing industries generally move in tandem with economic conditions, a growing economy will give rise to property and infrastructure development, and demand for manufactured goods and thereafter create spill-over effects to the construction and manufacturing industries. Hence, a decline in the economic condition may lead to a decline in the construction and manufacturing industries, which will in turn adversely affect the demand for our decorative paints and protective coatings.

In the Financial Years Under Review, our Group did not experience any decline in our revenue arising from the decline in the construction and manufacturing industries or economic condition. However, in the event of decline in the construction and manufacturing industries or the economy in Malaysia as well as the countries in which we exported our products in the future, there is no assurance our financial performance will not be adversely and materially impacted.

9.2.2 We may be exposed to fluctuations in raw materials prices and shortages of raw materials

Our Group's purchases primarily comprise raw materials and packing materials. The raw materials used in our manufacturing activities comprise binders, pigment, additives, solvent, extender and colour paste, which collectively contributed 63.17%, 66.77% and 73.05% of our Group's purchases in the Financial Years Under Review, respectively. Further details on our Group's purchases are as set out in Section 7.11 of this Prospectus.

The prices of certain raw materials such as binder, pigment, solvent and additives are subject to price fluctuations as a result of, amongst others, fluctuations in energy costs, global demand and supply conditions, as well as global and regional economic conditions (e.g. uncertainties arising from the United States-China trade war or sanctions on Russia). As such, any material increase in the prices of the abovementioned raw materials may result in substantial increase in our cost of sales, thus affecting our financial performance should we fail to pass the increase in cost to our customers.

While we encountered increase in raw materials prices in the FYE 2022, we were able to pass on the increase in cost by increasing the prices of our products. Nevertheless, there is no assurance that we will be able to pass on the increase in cost to our customers in a timely manner, or at all, if such incidences occur in the future in which it may have a material adverse effect on our future financial performance.

In addition, the nature of our operations requires us to obtain sufficient quantities of raw materials in a timely manner and at acceptable prices in order to continue our operations and meet the demands of our customers. Save for the global supply chain disruption during the COVID-19 pandemic, we have not encountered any shortages of raw materials in the Financial Years Under Review and there is no assurance that such incidences will not occur in the future. Any sudden shortages of raw materials may affect our business operations and that there is no assurance that we will be able to obtain raw materials from new suppliers in a timely manner or at reasonably acceptable prices. In the event that we are required to pay higher prices to new suppliers for these raw materials and that we are unable to pass on the increase in cost to our customers in a timely manner, it may adversely affect our financial condition and results of operations.

9.2.3 We are exposed to the risk of competition from local and foreign industry players

According to the IMR Report, the paints and coatings industry in Malaysia is competitive due to the fragmented nature of industry players comprising local and foreign companies. Local industry players are home-grown companies that have their own manufacturing facilities in Malaysia, and their products are primarily distributed and marketed in Malaysia. Some of the local industry players may also market and distribute their products in other regional countries. Foreign industry players consist of multinational companies who have manufacturing facilities in Malaysia to manufacture and sell their products locally and/or regionally. Paints and coatings industry players generally compete in terms of amongst others, branding, range of products, pricing, quality of products, delivery timing and manufacturing capacities.

Failure to remain competitive may adversely impact our Group's ability to sustain the sales volume to existing wholesalers, dealers and authorised distributors at current or increased levels in the future as well as to attract new wholesalers, dealers and authorised distributors to market our products. As such, this may adversely affect our Group's financial performance.

9.2.4 We face risks arising from political, economic, social and/or legal environment in the market in which we serve

Our Group operates in Malaysia. Notwithstanding that, we derive 19.03%, 17.37% and 18.53% of our total revenue in the Financial Years Under Review, respectively, from export sales. Hence, our business, prospects, financial condition and results of operations may be affected by any adverse development or uncertainties in the political, social and/or legal conditions in Malaysia as well as the countries where our products are exported.

Any adverse development in the political, economic, social and legal environment in Malaysia as well as in countries where our products are exported could materially or adversely affect our operations and financial performance. Such developments include, but not limited to, changes in political leadership, terrorism, riots, expropriation, nationalisation, fiscal and monetary policies of the Government such as inflation, deflation, methods of taxation, tax policies (including sales and services tax, excise, duties and tariffs) and currency exchange controls, unemployment trends, deterioration of international bilateral relationships and other matters that influence consumer confidence and spending. Our Group could also be affected by new laws, regulations and guidelines that are introduced to govern manufacturing activities whether in general or specific to the decorative paints and protective coatings industry.

Further, increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia as well as in the country where our products are exported could materially and adversely affect our business, financial performance, financial conditions and prospects.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 The offering of our Shares may not result in an active liquid market for our Shares

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

The IPO Price has been determined after taking into consideration a number of factors, including but not limited to, our Group's financial performance, operating history and condition, the prospects of our Group and the industry in which our Group operates, and the prevailing market conditions.

Further, as we are seeking listing on the ACE Market, investment in our Shares may be of higher investment risk as compared to companies listed on the Main Market of Bursa Securities and there is no assurance that there will be a liquid market for our Shares traded on the ACE Market. Please refer to the cautionary statement disclosed on the cover page of this Prospectus.

As such, the price at which our Shares will trade on the ACE Market is dependent on market forces beyond our control.

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

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

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

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

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

Our Group's ability to pay dividends to our shareholders is dependent on, amongst others, our future financial performance, cash flow positions, capital requirements as well as the implementation of our business plans. Our ability to pay dividends to our shareholders may be affected should these factors deteriorate and as such, there can be no assurance that we will be able to pay dividends to our shareholders. In addition, dividends are not guaranteed and our Board, at its discretion, may decide not to pay dividends at any time and for any reasons. If we do not pay our shareholders dividends, or if the dividends paid are lower compared to levels anticipated by our investors, the market price of our Shares may be negatively affected, reducing the value of any investment in our Shares.

9.3.4 Our Listing may be delayed or aborted

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

- (i) we are unable to meet the public shareholding spread requirements under the Listing Requirements, where at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders, with each holding not less than 100 Shares at the point of our Listing;
- (ii) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligation therein; and
- (iii) revocation of approvals from relevant authorities for our Listing.

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

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

9.4 OTHER RISK

9.4.1 Significant influence by our Promoters

Upon Listing, our Promoters will collectively hold an aggregate 192,344,400 Shares, representing 52.01% of our enlarged issued Shares of 369,850,420 after our IPO. As a result, our Promoters will likely influence the outcome of certain matters which require the vote of our shareholders, unless they and persons connected with them are abstained from voting, either by law, relevant guidelines or regulations. As such, there exists a risk of non-alignment of interests by our Promoters with those of our other shareholders.

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10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

(a) Material related party transactions entered into by our Group

Save for the Acquisitions as set out in Section 6.1.2 of this Prospectus and as disclosed below, there are no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during the Financial Years Under Review and up to the LPD:

				Transactions Value							
	Transacting	Nature of	Nature of	FYE 20	20	FYE 20	21	FYE 20)22	1 January 2 to the L	
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Smart Paint Manufacturing and UT Holdings	Goh Chye Hin and Kee Hui Lang are our Group's promoters, directors and substantial shareholders.	Purchase of trading products by Smart Paint Manufacturing from UT Holdings ⁽⁸⁾	2,195	4.50(1)	1,391	2.62 ⁽¹⁾	53	0.10 ⁽¹⁾	-	-
		Goh Chye Hin and Kee Hui Lang are also the directors and shareholders of UT Holdings.	UT Holdings to Smart	36	7.00 ⁽²⁾	12	2.68 ⁽²⁾	1	0.13 ⁽²⁾	-	-
		Goh Ji Syuan are the	Purchase of trademark by Smart Paint Manufacturing from UT Holdings ⁽¹⁰⁾	-	-	-	-	200	0.33 ⁽³⁾	-	-

				Transactions Value							
										1 January 2023 up	
	Transacting	Nature of	Nature of	FYE 2020 FYE 2021		FYE 2022		to the LPD			
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
2.	Smart Paint (Selangor) and UT Holdings	Goh Chye Hin and Kee Hui Lang are our Group's promoters, directors and substantial shareholders. Goh Chye Hin and Kee Hui Lang are also the directors and shareholders of UT Holdings. Goh Sim Yee and Goh Ji Syuan are the children of Goh Chye Hin and Kee Hui Lang. They are also shareholders of UT Holdings.	Purchase of trading products by Smart Paint (Selangor) from UT Holdings ⁽³⁰⁾	865	1.77 ⁽¹⁾	623	1.17(1)	475	0.85(1)	-	
3.	Smart Paint Manufacturing and UA Paints & Hardware Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder.	Sales of manufacturing and trading products by Smart Paint Manufacturing to UA Paints & Hardware Sdn Bhd ⁽³¹⁾	261	0.36 ⁽⁴⁾	-	-	-	-	-	-

				Transactions Value								
				E\/E 0.0		E\/E 60	0.4	EVE 0000		1 January 2		
No.	Transacting Parties	Nature of Relationship	Nature of Transaction	FYE 20 RM'000	%	FYE 202 RM'000	21 %	FYE 20 RM'000	% %	to the L RM'000	.PD %	
140.	Tarties	Goh Bee Guat and Ho Chye Thuan are Goh Chye Hin's sister and brother-in-law. They are also shareholders and directors of UA Paints	Purchase of paints by Smart Paint Manufacturing from UA Paints & Hardware Sdn Bhd ⁽¹¹⁾	1	#(1)	17	0.03 ⁽¹⁾	4	0.01 ⁽¹⁾	-	-	
	& Hardware Sdn Bh	& Hardware Sdn Bhd.	Transportation costs charged to Smart Paint Manufacturing by UA Paints & Hardware Sdn Bhd ⁽¹²⁾	8	0.08(5)	-	-	-	-	-	-	
4.	Smart Paints (M) and UA Paints & Hardware Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Bee Guat and Ho Chye Thuan are Goh Chye Hin's sister and brother-in-law. They are also shareholders and directors of UA Paints & Hardware Sdn Bhd.	Sales of manufacturing and trading products by Smart Paints (M) to UA Paints & Hardware Sdn Bhd ⁽³¹⁾	2,776	3.88(4)	3,597	4.51(4)	2,848	3.60(4)	1,494	N/A ⁽²⁹⁾	

				Transactions Value							
					F 2020 FVF 2024 FV				1 January 2		
No	Transacting	Nature of	Nature of	FYE 20		FYE 20		FYE 20		to the L	
No. 5.	Parties Smart Paint Manufacturing and Major Harvest Sdn Bhd	Relationship Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-inlaw. They are also the directors and shareholders of Major Harvest Sdn Bhd.	Sales of manufacturing and trading products by Smart Paint Manufacturing to Major Harvest Sdn Bhd ⁽³¹⁾ Purchase of trading products and maintenance parts by Smart Paint Manufacturing from Major Harvest Sdn	1,510	3.09 ⁽¹⁾	RM'000 - 212	0.40 ⁽¹⁾	25 25	0.03 ⁽⁴⁾	RM'000 80	- N/A ⁽²⁹⁾
6.	Smart Paints (M) and Major Harvest Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder.	Bhd ⁽³¹⁾ Disposal of second-hand lorry by Smart Paint Manufacturing to Major Harvest Sdn Bhd ⁽¹³⁾ (30) Sales of manufacturing and trading products by Smart Paints (M) to Major Harvest Sdn Bhd ⁽³¹⁾	1,901	2.66(4)	2,082	2.61(4)	30 2,165	0.05 ⁽³⁾ 2.73 ⁽⁴⁾	936	- N/A ⁽²⁹⁾

				Transactions Value								
				EVE 2024				1 January 2				
N	Transacting	Nature of Relationship	Nature of	FYE 20		FYE 20		FYE 20		to the L		
No.	Parties	Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-inlaw. They are also the directors and	Purchase of maintenance parts by Smart Paints (M) from Major Harvest Sdn Bhd ⁽³¹⁾	RM'000 5	0.01 (1)	RM'000 1	% # ⁽¹⁾	RM'000 12	0.02 ⁽¹⁾	RM'000 8	% N/A ⁽²⁹⁾	
	shareholders of Major Harvest Sdn Bhd.	Transportation costs charged to Smart Paints (M) by Major Harvest Sdn Bhd ⁽¹⁴⁾	-	-	-	-	12	0.15 ⁽⁵⁾	2	N/A ⁽²⁹⁾		
7.	(Selangor) and Major Harvest Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Leng and	Sales of manufacturing and trading products by Smart Paint (Selangor) to Major Harvest Sdn Bhd ⁽³¹⁾	28	0.04 ⁽⁴⁾	#	#(4)	-	-	-	-	
		Cho Chooi Peng are Goh Chye Hin's brother and sister-in- law. They are also the directors and shareholders of Major Harvest Sdn Bhd.	Purchase of trading products by Smart Paint (Selangor) from Major Harvest Sdn Bhd ⁽³¹⁾	66	0.14(1)	20	0.04(1)	17	0.03(1)	189	N/A ⁽²⁹⁾	
8.	Smart Paint Manufacturing and QC Printing Sdn Bhd	Kee Hui Lang is our Group's promoter, director and substantial shareholder.	Sales of depositing colourant by Smart Paint Manufacturing to QC Printing Sdn Bhd ⁽¹⁵⁾ (30)	-	-	36	0.05(4)	-	-	-	-	

				Transactions Value								
							EVE 2000		1 January 2023 u			
	Transacting	Nature of	Nature of	FYE 2020 RM'000 %		FYE 2021		FYE 2022		to the LPD		
No.	Parties	Relationship	Transaction			RM'000	% 2.27(F)	RM'000	%	RM'000	%	
		Kee Hui Lang was the director and shareholder of QC Printing Sdn Bhd. ⁽¹⁷⁾	Purchase of colour card by Smart Paint Manufacturing from QC Printing Sdn Bhd ⁽¹⁶⁾ (30)	473	4.71 ⁽⁵⁾	6	0.07 ⁽⁵⁾	-	-	-	-	
			Purchase of packing materials by Smart Paint Manufacturing from QC Printing Sdn Bhd ⁽³¹⁾	146	0.30(1)	114	0.21(1)	-	-	-	-	
			Purchase of printed marketing materials by Smart Paint Manufacturing from QC Printing Sdn Bhd ⁽³¹⁾	9	0.09 ⁽⁵⁾	-	-	-	-	-	-	
9.	Smart Paints (M) and QC Printing Sdn Bhd	Kee Hui Lang is our Group's promoter, director and substantial shareholder.	Sales of manufacturing products by Smart Paints (M) to QC Printing Sdn Bhd ⁽³¹⁾	16	0.02 ⁽⁴⁾	2	#(4)	-	-	-	-	
		Kee Hui Lang was the director and shareholder of QC Printing Sdn Bhd.(17)	Purchase of colour card by Smart Paints (M) from QC Printing Sdn Bhd (16) (31)	-	-	361	4.35 ⁽⁵⁾	-	-	-	-	

						Tr	ansaction	s Value			
	T	Nature of	Nature of	EVE 00	200	EVE 00	04	EVE 0	000	1 January 2	
No.	Transacting Parties	Nature of Relationship	Nature of Transaction	FYE 20 RM'000	%	FYE 20 RM'000	<u>21</u> %	FYE 20 RM'000	W %	to the L RM'000	.PD %
NO.	railles	Relationship	Purchase of packing materials by Smart Paints (M) from QC Printing Sdn Bhd ⁽³¹⁾	- -	-	2	#(1)	-	-	- -	-
			Purchase of printed marketing materials by Smart Paints (M) from QC Printing Sdn Bhd ⁽³¹⁾	4	0.04 ⁽⁵⁾	1	0.01 ⁽⁵⁾	-	-	-	-
10.	Smart Paint Manufacturing and KTC Hardware & Trading Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Hin is a shareholder of KTC Hardware & Trading Sdn Bhd. He was also a director of KTC Hardware & Trading Sdn Bhd.(18)	Sales of manufacturing and trading products by Smart Paint Manufacturing to KTC Hardware & Trading Sdn Bhd(30)	35	0.05(4)	-	-	-	-	-	-
11.	Smart Paints (M) and KTC Hardware & Trading Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder.	Sales of manufacturing and trading products by Smart Paints (M) to KTC Hardware & Trading Sdn Bhd ⁽³¹⁾	176	0.25 ⁽⁴⁾	183	0.23 ⁽⁴⁾	189	0.24(4)	119	N/A ⁽²⁹⁾

				Transactions Value 1 January 2023 up							
	Transacting	Nature of	Nature of	FYE 20)20	FYE 202	21	FYE 20)22	1 January 2 to the L	
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Goh Chye Hin is a shareholder of KTC Hardware & Trading Sdn Bhd. He was also a director of KTC Hardware & Trading Sdn Bhd. ⁽¹⁸⁾									
12.	Smart Paint Manufacturing and BIY Home Store (Kota Tinggi) Sdn Bhd	Kee Hui Lang is our Group's promoter, director and substantial shareholder. Kee Hui Lang is a shareholder of BIY	Sale of manufacturing and trading products by Smart Paint Manufacturing to BIY Home Store (Kota Tinggi) Sdn Bhd ⁽³⁰⁾	22	0.03(4)	-	-	-	-	-	-
		Home Store (Kota Tinggi) Sdn Bhd. She was also a director of BIY Home Store (Kota Tinggi) Sdn Bhd. ⁽¹⁹⁾	disinfectant spray guns by Smart Paint Manufacturing from	1	#(1)	-	-	-	-	-	-
13.	Smart Paints (M) and BIY Home Store (Kota Tinggi) Sdn Bhd	Kee Hui Lang is our Group's promoter, director and substantial shareholder.	Sales of manufacturing and trading products by Smart Paints (M) to BIY Home Store (Kota Tinggi) Sdn Bhd ⁽³¹⁾	303	0.42 ⁽⁴⁾	353	0.44(4)	514	0.65 ⁽⁴⁾	414	N/A ⁽²⁹⁾

						Tra	nsaction	s Value			
	Transacting	Nature of	Nature of	FYE 20)20	FYE 202	21	FYE 20	22	1 January 2 to the L	
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Kee Hui Lang is a shareholder of BIY Home Store (Kota Tinggi) Sdn Bhd. She was also a director of BIY Home Store (Kota Tinggi) Sdn Bhd. ⁽¹⁹⁾	Purchase of disinfectant spray guns by Smart Paints (M) from BIY Home Store (Kota Tinggi) Sdn Bhd ⁽³⁰⁾	#	#(1)	-	-	-	-	-	-
14.	Smart Paint (Selangor) and BIY Home Store (Kota Tinggi) Sdn Bhd	Kee Hui Lang is our Group's promoter, director and substantial shareholder. Kee Hui Lang is a	Sales of trading products by Smart Paint (Selangor) to BIY Home Store (Kota Tinggi) Sdn Bhd ⁽³¹⁾	12	0.02 ⁽⁴⁾	2	#(4)	-	-	-	-
		shareholder of BIY Home Store (Kota Tinggi) Sdn Bhd. She was also a director of BIY Home Store (Kota Tinggi) Sdn Bhd. ⁽¹⁹⁾		3	0.01 ⁽¹⁾	-	-	-	-	-	-
15.	Smart Paint Manufacturing and Jing Thye Trading	Goh Chye Hin is our Group's promoter, director and substantial shareholder.	Sales of manufacturing and trading products by Smart Paint Manufacturing to Jing Thye Trading ⁽³⁰⁾	16	0.02 ⁽⁴⁾	-	-	-	-	-	-

				Transactions Value							
	Transacting	Nature of	Nature of	FYE 20		FYE 20		FYE 20	022	1 January 2 to the L	.PD
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Goh Chye Wah is the brother of Goh Chye Hin and also the sole proprietor of Jing Thye Trading.									
16.	Smart Paints (M) and Jing Thye Trading	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Wah is the brother of Goh Chye Hin and also the sole proprietor of Jing Thye Trading.	Sales of manufacturing and trading products by Smart Paints (M) to Jing Thye Trading ⁽³¹⁾	134	0.19 ⁽⁴⁾	125	0.16 ⁽⁴⁾	172	0.22(4)	187	N/A ⁽²⁹⁾
17.	Smart Paint Manufacturing and PT Farmitec Indo Pratama (formerly known as PT Smart Paint Indonesia) ("Smart Paint Indonesia")	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Hin was a shareholder of Smart Paint Indonesia. (20)	Purchase of production machineries by Smart Paint Manufacturing from Smart Paint Indonesia ⁽²¹⁾ (30)	230	0.55(3)	-	-	-	-	-	-

					110	ansaction	5 value			
									1 January 2	
Transacting	Nature of	Nature of	FYE 20		FYE 202		FYE 20		to the L	
										% N/(A/29)
(Selangor) and Mr.Mark Tools (M) Sdn Bhd	Group's promoter, director and substantial shareholder. Goh Chye Leng and	charges charged from Smart Paint (Selangor) to Mr.Mark Tools (M) Sdn Bhd ⁽²²⁾ (30)	3	0.58(4)	4	0.89(2)	4	0.53(2)	2	N/A ⁽²⁹⁾
	brother and sister-in- law. Goh Chye Hin and Goh Chye Leng are the directors and	Purchase of trading products by Smart Paint (Selangor) from Mr.Mark Tools (M) Sdn Bhd ⁽³⁰⁾	2	# ⁽¹⁾	-	-	-	-	-	-
	Mr.Mark Tools (M) Sdn Bhd. Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major	Interest charged on the advances from Mr.Mark Tools (M) Sdn Bhd to Smart Paint (Selangor) ⁽²³⁾	1	0.17 ⁽⁷⁾	-	•	-	-	-	-
	Mr.Mark Tools	Smart Paint (Selangor) and Mr.Mark Tools (M) Sdn Bhd Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-inlaw. Goh Chye Leng are the directors and shareholders of Mr.Mark Tools (M) Sdn Bhd. Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and Sdn Bhd.	Smart Paint (Selangor) and Mr.Mark Tools (M) Sdn Bhd Goh Chye Leng and Cho Chooi Peng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd Shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd Shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd Shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd Shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major	Smart Paint (Selangor) and Mr.Mark Tools (M) Sdn Bhd Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-in-law. Goh Chye Leng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major	Smart Paint (Selangor) and Mr.Mark Tools (M) Sdn Bhd Goh Chye Leng and Cho Chooi Peng are Goh Chye Leng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd. Goh Chye Leng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd. Goh Chye Leng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major	Smart Paint (Selangor) and Group's promoter, director substantial shareholder. Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-inlaw. Goh Chye Leng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major	Smart Paint (Selangor) and Group's promoter, director and substantial shareholder. Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-in-law. Goh Chye Leng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Soh Chye Leng and Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Soh Chye Leng and Cho Chooi Peng is also a shareholder of Mr.Mark Tools (M) Sdn Bhd. Soh Chye Leng and Cho Chooi Peng are the directors and shareholder of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Mr.Mark Tools (M) Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major	Smart Paint (Selangor) and Mr.Mark Tools (M) Sdn Bhd Sdn	Smart Paint (Selangor) and Mirector and substantial shareholder. Printer leasing charges charged (M) Sdn Bhd S	Smart Paint Goh Chye Hin is our Group's promoter, director Group's promoter, director Shareholder.

				Transactions Value 1 January 2023 up							
	Transacting	Nature of	Nature of	FYE 20	20	FYE 20	21	FYE 20)22	1 January 2 to the L	
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Lim Kok Beng is our Group's director and our Company's minority shareholder. He was also a director and shareholder of Mr.Mark Tools (M) Sdn Bhd.(24)									
19.	Smart Paint Manufacturing and Ztree Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Hin was the shareholder of Ztree Sdn Bhd. ⁽²⁵⁾	Sales of manufacturing and trading products by Smart Paint Manufacturing to Ztree Sdn Bhd ⁽³¹⁾	985	1.38 ⁽⁴⁾	1,212	1.52 ⁽⁴⁾	1,222	1.54 ⁽⁴⁾	-	-
20.	Smart Paint Manufacturing and Goh Chye Hin	Goh Chye Hin is our Group's promoter, director and substantial shareholder.	Payment of sinking funds and maintenance fees by Smart Paint Manufacturing for the upkeep of the units owned by Goh Chye Hin ⁽²⁶⁾ (30)	10	0.31 ⁽⁶⁾	6	0.16 ⁽⁶⁾	6	0.14 ⁽⁶⁾	3	N/A ⁽²⁹⁾

				Transactions Value							
				E\/E 0.0		E\/E 00/		E\/E 00		1 January 2	
Nia	Transacting	Nature of	Nature of	FYE 20		FYE 202		FYE 20		to the L	
No. 21.	Parties Paint	Relationship	Transaction	RM'000 42	% 1.31 ⁽⁶⁾	RM'000 42	% 1.15 ⁽⁶⁾	RM'000 21	% 0.49 ⁽⁶⁾	RM'000	%
21.	Smart Paint Manufacturing and Kee Hui Lang	Kee Hui Lang is our Group's promoter, director and substantial shareholder.	Rental of premise by Kee Hui Lang to Smart Paint Manufacturing ^{(27) (30)}	42		42	1.15(4)	21	0.49(*)	-	-
22.	Smart Paints (M) and 1 Living Depot Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-in-law. Cho Chooi Peng and Goh Chye Leng and Goh Chye Leng are the directors and shareholders of 1 Living Depot Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of 1 Living Depot Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major Harvest Sdn Bhd.		1	#(1)	-	-	-	-	-	-

						Tra	ansaction	s Value			
	Transacting	Nature of	Nature of	FYE 20	20	FYE 202		FYE 20)22	1 January 2 to the L	PD
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
23.	Smart Paint Manufacturing and 1 Living Depot Sdn Bhd	Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Leng and Cho Chooi Peng are Goh Chye Hin's brother and sister-inlaw. Cho Chooi Peng and Goh Chye Leng and Goh Chye Leng are the directors and shareholders of 1 Living Depot Sdn Bhd. Major Harvest Sdn Bhd is also the shareholder of 1 Living Depot Sdn Bhd. Goh Chye Leng and Cho Chooi Peng are the directors and shareholders of Major Harvest Sdn Bhd.	Purchase of maintenance parts by Smart Paint Manufacturing from 1 Living Depot Sdn Bhd ⁽³¹⁾	13	0.03 ⁽¹⁾	4	0.01(1)	11	0.02(1)	8	N/A ⁽²⁹⁾

10. RELATED PARTY TRANSACTIONS (cont'd)

						Tra	ansaction	s Value			
	Transacting	Nature of	Nature of	FYE 20	20	FYE 202	21	FYE 2022		1 January 2023 up to the LPD	
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
24.	Smart Paint Manufacturing and PT Smartindo Global Asia	Smart Asia was a shareholder of PT Smartindo Global Asia. (28) Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Hin was also the indirect shareholder of PT Smartindo Global Asia through Smart Asia.	Sales of manufacturing and trading products by Smart Paint Manufacturing to PT Smartindo Global Asia ⁽³⁰⁾	116	0.16(4)	-	-	-	-	-	-

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10. RELATED PARTY TRANSACTIONS (cont'd)

Notes:

- # The amount is negligible.
- (1) Calculated based on our Group's total cost of sales for each of the respective financial years/ period.
- (2) Calculated based on our Group's total other income for each of the respective financial years/period.
- (3) Calculated based on our Group's total net assets for each of the respective financial years/period.
- (4) Calculated based on our Group's total revenue for each of the respective financial years/period.
- (5) Calculated based on our Group's total selling and distribution expenses for each of the respective financial years/period.
- (6) Calculated based on our Group's total administrative expenses for each of the respective financial years/period.
- (7) Calculated based on our Group's total finance costs for each of the respective financial years/period.
- (8) The transactions between Smart Paint Manufacturing and UT Holdings were not conducted at an arms' length basis as the products were purchased at a price lower than those purchased by other customers of UT Holdings. Smart Paint Manufacturing has ceased all purchase transactions with UT Holdings since 30 December 2022.
- (9) Smart Paint Manufacturing entered into an agreement with UT Holdings on 30 July 2018 to provide UT Holdings with financial management and warehouse and logistic services for a monthly management fee during the following period:
 - (a) from January 2018 to January 2019, a monthly fee based on 2% of UT Holdings' monthly total sales value:
 - (b) from February 2019 to December 2019, a monthly fee of RM6.000.00:
 - (c) from January 2020 to December 2020, a monthly fee of RM3,000.00;
 - (d) from January 2021 to December 2021, a monthly fee of RM1,000.00; and
 - (e) from January 2022 onwards, a monthly fee of RM100.00.

Smart Paint Manufacturing does not provide these services to any other third parties and the management fees charged was not conducted at an arms' length basis as the fees charged were on an agreed pricing that is below the market value for services of similar nature. Smart Paint Manufacturing has ceased to provide these services to UT Holdings since 1 January 2023. Moving forward, Smart Paint Manufacturing will not be providing any such services to UT Holdings.

(10) Smart Paint Manufacturing entered into a Deed of Assignment of Trademark on 22 February 2022 with UT Holdings to acquire the trademark "Goldliner" and the goodwill of the business of UT Holdings associated with "Goldliner" for a consideration of RM200,000.00. The transfer of ownership of the trademark(s) were completed on 12 April 2022. The transaction was not conducted at an arms' length basis as it was an agreed pricing based on approximately 10% of the revenue of UT Holdings in respect of the sale of Goldliner products in FYE 2020.

- (11) Due to the shortage of products and in order to fulfil Smart Paint Manufacturing's other customer's urgent requests in Penang, Smart Paint Manufacturing procured its own products from UA Paints & Hardware Sdn Bhd as UA Paints & Hardware Sdn Bhd has a store in Penang. As at the LPD, the Group has ceased this arrangement.
- (12) UA Paints & Hardware Sdn Bhd provided product transportation services to Smart Paint Manufacturing for the transport of products from Penang to Langkawi, Kedah. Smart Paint Manufacturing has ceased procuring transportation services from UA Paints & Hardware Sdn Bhd since FYE 2020.
- (13) Smart Paint Manufacturing has disposed a second-hand lorry to Major Harvest Sdn Bhd in November 2022 with a cash consideration of RM30,000.00. This was a one-off transaction.
- (14) Major Harvest Sdn Bhd procures third party shipping services for both itself and Smart Paints (M) in order to meet the minimum volume requirements set by the third party shipping service provider. The expenses associated with the transport of Smart Paints (M) products are subsequently reimbursed to Major Harvest Sdn Bhd by Smart Paints (M). As at the LPD, Smart Paints (M) has ceased the aforementioned arrangement.
- (15) Smart Paint Manufacturing sold depositing colourant (colourant used for colour cards) to QC Printing Sdn Bhd. This was a one-off transaction and our Group had only sold the aforementioned colourants to QC Printing Sdn Bhd.
- (16) Smart Paint Manufacturing and Smart Paints (M) only purchases colour cards from QC Printing Sdn Bhd. The transactions were not conducted at an arms' length basis as our Group is unable to procure comparative information to ascertain whether the aforementioned transactions were carried out based on normal commercial terms and at market rate.
- (17) Kee Hui Lang has resigned as director of QC Printing Sdn Bhd on 8 December 2021 and disposed of her entire shareholdings in QC Printing Sdn Bhd to non-related parties, Ng Euddy (130,000 shares) and Ng Teck Yong (100,000 shares), on 22 December 2021. Thereafter, QC Printing Sdn Bhd has ceased to be our related party.
- (18) Goh Chye Hin has resigned as a director of KTC Hardware & Trading Sdn Bhd on 11 April 2023. Goh Chye Hin currently holds 46.20% shares in KTC Hardware & Trading Sdn Bhd.
- (19) Kee Hui Lang has resigned as a director of BIY Home Store (Kota Tinggi) Sdn Bhd on 30 April 2023. Kee Hui Lang currently holds 20.00% shares in BIY Home Store (Kota Tinggi) Sdn Bhd.
- (20) Goh Chye Hin disposed of his entire shareholdings in Smart Paint Indonesia to a non-related party, Santos Loy (122,500 shares), who is also a minority shareholder of our Company (holding 2,000,000 Shares or 0.54% after IPO), on 8 January 2022. Thereafter, Smart Paint Indonesia ceased to be our related party.
- (21) Smart Paint Manufacturing had purchased second-hand machineries from Smart Paint Indonesia in March 2020. This was a one-off transaction and was not conducted at an arms' length basis as it was purchased at an agreed pricing of RM230,497.40.

- (22) Smart Paint (Selangor) entered into a Multifunction Equipment Rental Agreement with Toshiba Tec Malaysia Sdn Bhd on 15 August 2018 for the rental of 3 printers for a monthly fee of RM675.00. One of the printers is utilised solely by Mr.Mark Tools (M) Sdn Bhd and hence, the cost incurred for such printer is billed by Smart Paint (Selangor) to Mr.Mark Tools (M) Sdn Bhd. Smart Paint (Selangor) will be excluding Mr.Mark Tools (M) Sdn Bhd from this printer leasing arrangement upon the expiry of the agreement (i.e. 15 August 2023). Smart Paint (Selangor) had written to Toshiba Tec Malaysia Sdn Bhd for the termination of the Multifunction Equipment Rental Agreement on 22 May 2023, effective upon expiry of the agreement.
- (23) Smart Paint (Selangor) (as the borrower) entered into loan agreement with Mr.Mark Tools (M) Sdn Bhd (as the lender) on 3 November 2015 for a loan amount of RM700,000.00 with an interest of 3% per annum. The loan was fully settled on 26 November 2020. This transaction was not conducted at an arms' length basis as the interest rate charged was lower than the lending rate offered by the banks at that point in time. Moving forward, our Group will not be procuring loans from our related parties.
- (24) Lim Kok Beng resigned as director of Mr.Mark Tools (M) Sdn Bhd on 27 July 2020 and disposed of his entire shareholdings in Mr.Mark Tools (M) Sdn Bhd to Goh Chye Hin's sister-in-law, Cho Chooi Peng (932,339 shares) on 30 November 2020.
- (25) Goh Chye Hin disposed of his entire shareholdings in Ztree Sdn Bhd to non-related party, Chang Peng Chye (74,999 shares) and Chang's Peng Chye's trustee, Nurul Rashiga Nafira Binti Imran (1 share) on 27 October 2022. Thereafter, Ztree Sdn Bhd ceased to be our related party.
- (26) Goh Chye Hin provided short-term accommodations to the management team of our Group for their stays in Ipoh, as and when required, on a rent-free basis and Smart Paint Manufacturing only pays for the sinking funds and maintenance fees incurred for the upkeep of the units. The accommodation provided consist of 2 units at the Casa Kayangan @ Meru apartment with the postal address of B-21-7 and B-21-8, Blok B, Pusat Perniagaan Meru Impian, Persiaran Meru Raya 2, Bandar Meru Raya, 30020 Ipoh, Perak. This transaction was not conducted at an arms' length basis as the accommodation was provided rent-free. As at the LPD, our Group has ceased this arrangement.
- (27) Smart Paint Manufacturing entered into a lease agreement with Kee Hui Lang for the rental of the premise bearing the postal address No. 7, Jalan Ponderosa 1/10, Taman Ponderosa, 81100 Johor Bahru, Johor as its workers' accommodation for the period commencing 1 August 2019 to 30 July 2024. The lease agreement was terminated on 30 June 2022.
- (28) Smart Asia disposed of its entire shareholdings in PT Smartindo Global Asia to non-related parties, Santos Loy (1,225 shares) who is also a minority shareholder of our Company (holding 2,000,000 Shares or 0.54% after IPO) and Bryan Loy (25 shares) on 8 January 2022. Thereafter, PT Smartindo Global Asia ceased to be our related party.
- (29) Not applicable as we did not prepare any financial statements from 1 January 2023 up to the LPD.
- (30) The transaction has ceased as at the LPD or will cease after our Listing.
- (31) The transaction is on-going as at the LPD and may continue after our Listing. Our Group will ensure that the transaction will be carried out at arms' length basis and not detrimental to our minority shareholders.

10. RELATED PARTY TRANSACTIONS (cont'd)

Save for the transactions in Notes 8, 9, 10, 16, 21, 23 and 26, our Board is of the view that all other related party transactions were conducted on an arm's length basis and competitive commercial terms not more favourable to the related parties and were not detriment to our minority shareholders and our Group. This was determined based on the following:

- (a) sales of our Group's products are at similar rates or prices charged to third parties;
- (b) the purchase of trading products from UT Holdings by Smart Paint (Selangor) was based on comparable purchase costs from external suppliers;
- (c) the re-purchase of paints by Smart Paint Manufacturing from UA Paints & Hardware Sdn Bhd are at similar rates or prices offered to third parties by UA Paints & Hardware Sdn Bhd;
- (d) the procurement of transportation services from UA Paints & Hardware Sdn Bhd by Smart Paint Manufacturing was based on comparable service costs from external providers;
- (e) the purchase of trading products and maintenance parts from Major Harvest Sdn Bhd by Smart Paint Manufacturing, Smart Paints (M) and Smart Paint (Selangor) was based on comparable purchase costs from external suppliers;
- (f) the disposal of lorry to Major Harvest Sdn Bhd was based on the value of the lorry on the second-hand market;
- (g) the transportation costs reimbursed to Major Harvest Sdn Bhd was proportionate to the expenses associated with the transport of Smart Paints (M) products;
- (h) the purchase of disinfectant spray guns by Smart Paint Manufacturing and Smart Paints (M) from BIY Home Store (Kota Tinggi) Sdn Bhd was based on comparable purchase costs from external suppliers;
- (i) the purchase of face mask by Smart Paint (Selangor) from BIY Home Store (Kota Tinggi) Sdn Bhd was based on comparable purchase costs from external suppliers;
- (j) the purchase of trading products by Smart Paint (Selangor) from Mr.Mark Tools (M) Sdn Bhd was based on comparable purchase costs from external suppliers;
- (k) the amount billed back to Mr.Mark Tools (M) Sdn Bhd by Smart Paint (Selangor) for the printing charges is proportionate to the fee for rental of 1 printer from Toshiba Tec Malaysia Sdn Bhd;
- (I) rental expenses paid to Kee Hui Lang was based on the prevailing market rental rates;
- (m) the purchase of packing materials and printed marketing materials by Smart Paint Manufacturing and Smart Paints (M) from QC Printing Sdn Bhd were based on comparable purchase costs from external suppliers;
- (n) the purchase of trading products by Smart Paint Manufacturing and Smart Paints (M) from 1 Living Depot Sdn Bhd was based on comparable purchase costs from external suppliers;

10. RELATED PARTY TRANSACTIONS (cont'd)

(o) the markup in price for the sale of depositing colourant (colourants for colour cards) to QC Printing Sdn Bhd is at a similar rate imposed on the colourant products (for paints) sold to third parties; and

Following our Listing, the Audit and Risk Management Committee of our Group will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not detrimental to our minority shareholders.

In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

In the event that there is any proposed related party transaction that requires the prior approval of our Company's shareholders, the Directors, substantial shareholders and / or persons connected with them, which have any interest, direct or indirect, in the transaction, will abstain from voting in respect of his direct and / or indirect shareholdings. Such interested Directors and / or substantial shareholders will also undertake to ensure that the person connected with them will abstain from voting on the resolution approving the proposed related party transaction at a general meeting.

If the related party transactions are deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate. Related party transactions can be deemed as recurrent, if they are entered into at least once every three years, in the ordinary course of business and are of a revenue or trading nature necessary for the day-to-day operations of our Group.

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10. RELATED PARTY TRANSACTIONS (cont'd)

(b) Summary of material related party transactions entered into by our Group

Below is a summary of the material related party transactions listed in Section 10.1 (a) of this Prospectus aggregated on the basis that such transactions have been entered into by our Group with the same related party:

					7	Fransaction	ns Value			
	Transacting		FYE 20		FYE 2	2021	FYE 2	022	1 January 2 to the I	_PD
No.	Parties	Nature of Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	UT Holdings	Purchase of trading products	3,060	6.27(1)	2,014	3.79(1)	528	0.95(1)	-	-
		Receipt of management fees	36	7.00(2)	12	2.68 ⁽²⁾	1	0.13(2)	-	-
		Purchase of trademark	-	-	-	-	200	0.33(3)	-	-
2.	UA Paints & Hardware Sdn	Sales of manufacturing and trading products	3,037	4.24(4)	3,597	4.51 ⁽⁴⁾	2,848	3.60(4)	1,494	N/A ⁽⁸⁾
	Bhd	Purchase of paints	1	#(1)	17	0.03 ⁽¹⁾	4	0.01 ⁽¹⁾	-	-
		Transportation costs	8	0.08 (5)	1	-	-	-	-	-
3.	Major Harvest Sdn Bhd	Sales of manufacturing and trading products	2,101	2.94(4)	2,082	2.61(4)	2,190	2.76(4)	936	N/A ⁽⁸⁾
		Purchase of trading products and maintenance parts	1,581	3.24 ⁽¹⁾	233	0.44 ⁽¹⁾	159	0.28(1)	277	N/A ⁽⁸⁾
		Disposal of second-hand lorry	-	-	-	-	30	0.05(3)	-	-
		Transportation costs	-	-	-	-	12	0.15 ⁽⁵⁾	2	N/A ⁽⁸⁾
4.	QC Printing Sdn Bhd	Sales of depositing colourant	-	-	36	0.05 ⁽⁴⁾	-	-	-	-
		Sales of manufacturing products	16	0.02(4)	2	#(4)	-	-	-	-

						Fransaction	ns Value			
	Transacting		FYE 2	020	FYE 2		FYE 2	022	1 January to the I	
No.	Parties	Nature of Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Purchase of colour card	473	4.71(5)	367	4.42(5)	-	-	-	-
		Purchase of packing materials	146	0.30(1)	116	0.21(1)				
		Purchase of printed marketing materials	13	0.13(5)	1	0.01 ⁽⁵⁾	-	-	-	-
5.	KTC Hardware & Trading Sdn Bhd	Sales of manufacturing and trading products	211	0.30 ⁽⁴⁾	183	0.23(4)	189	0.24(4)	119	N/A ⁽⁸⁾
6.	BIY Home Store (Kota Tinggi)	Sale of manufacturing and trading products	337	0.47(4)	355	0.44(4)	514	0.65(4)	414	N/A ⁽⁸⁾
	Sdn Bhd	Purchase of disinfectant spray guns and face masks	4	0.01(1)	-	-	-	-	-	-
7.	Jing Thye Trading	Sales of manufacturing and trading products	150	0.21(4)	125	0.16(4)	172	0.22(4)	187	N/A ⁽⁸⁾
8.	Smart Paint Indonesia	Purchase of production machineries	230	0.55(3)	-	-	-	-	-	-
9.	Mr.Mark Tools (M) Sdn Bhd	Printer leasing charges charged	3	0.58(2)	4	0.89(2)	4	0.53(2)	2	N/A ⁽⁸⁾
	()	Purchase of trading products	2	#(1)	-	-	-	-	-	-
		Interest charged on advances	1	0.17 ⁽⁷⁾	-	-	-	-	-	-
10.	Ztree Sdn Bhd	Sales of manufacturing and trading products	985	1.38(4)	1,212	1.52(4)	1,222	1.54(4)	-	-

10. RELATED PARTY TRANSACTIONS (cont'd)

					-	Transaction	ns Value			
	Transacting		FYE 2020 FYE 2021			FYE 20	022	1 January 2023 up to the LPD		
No.	Parties	Nature of Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
11.	Goh Chye Hin	Payment of sinking funds and maintenance fees for the upkeep of the units owned by Goh Chye Hin	10	0.31 ⁽⁶⁾	6	0.16 ⁽⁶⁾	6	0.14 ⁽⁶⁾	3	N/A ⁽⁸⁾
12.	Kee Hui Lang	Rental of premise from Kee Hui Lang	42	1.31 ⁽⁶⁾	42	1.15 ⁽⁶⁾	21	0.49(6)	-	-
13.	1 Living Depot Sdn Bhd	Purchase of maintenance parts	14	0.03(1)	4	0.01 ⁽¹⁾	11	0.02(1)	8	N/A ⁽⁸⁾
14.	PT Smartindo Global Asia	Sales of manufacturing and trading products	116	0.16 ⁽⁴⁾	-	-	1	-	-	-

Notes:

- # The amount is negligible.
- (1) Calculated based on our Group's total cost of sales for each of the respective financial years/ period.
- (2) Calculated based on our Group's total other income for each of the respective financial years/period.
- (3) Calculated based on our Group's total net assets for each of the respective financial years/period.
- (4) Calculated based on our Group's total revenue for each of the respective financial years/period.
- (5) Calculated based on our Group's total selling and distribution expenses for each of the respective financial years/period.
- (6) Calculated based on our Group's total administrative expenses for each of the respective financial years/period.
- (7) Calculated based on our Group's total finance costs for each of the respective financial years/period.
- (8) Not applicable as we did not prepare any financial statements from 1 January 2023 up to the LPD.

10. RELATED PARTY TRANSACTIONS (cont'd)

(c) Transactions which are unusual in their nature or conditions

Save for as disclosed above in note (10) of Section 10.1(a) of this Prospectus, there were no transactions that were unusual in their nature or conditions, involving goods, services, tangible, or intangible assets, to which our Group was a party for the Financial Years Under Review and up to the LPD.

(d) Outstanding loans and/or financial assistance made to or for the benefit of the related parties

The following table sets out the loans (including guarantees of any kind) and/or financial assistance made by us to or for the benefit of related parties for the FYE Under Review and up to the LPD:

				Transactions Value							
	Transacting	Nature of	Nature of	FYE 20	20	FYE 202	21	FYE 20	22	1 January 2 the LP	
No.	Parties	Relationship	Transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Smart Asia and PT Smartindo Global Asia	Smart Asia was a shareholder of PT Smartindo Global Asia. (1) Goh Chye Hin is our Group's promoter, director and substantial shareholder. Goh Chye Hin was also the indirect shareholder of PT Smartindo Global Asia through Smart Asia.	Advances from Smart Asia to PT Smartindo Global Asia (2)	126	0.30 ⁽³⁾	-	-	-	-	-	

10. RELATED PARTY TRANSACTIONS (cont'd)

Notes:

- (1) Smart Asia disposed of its entire shareholdings in PT Smartindo Global Asia to his business partner (non-related parties), Santos Loy (1,225 shares) who is also a minority shareholder of our Company (holding 2,000,000 Shares or 0.54% after IPO) and Bryan Loy (25 shares) on 8 January 2022. Thereafter, PT Smartindo Global Asia ceased to be our related party.
- (2) The advances provided to PT Smartindo Global Asia was not conducted at an arms' length basis as the advances were provided interest-fee. As at the LPD, the aforementioned advances have been fully settled. Moving forward, our Group will no longer provide any advances to our related parties.
- (3) Calculated based on our Group's total net assets for each of the respective financial years/period.

Moving forward, we have put in place internal controls and compliance procedures in relation to advances, loans or financial assistance to be provided to related parties. As such, no further advances, loans or financial assistance will be provided to related parties by our Group unless such advances, loans or financial assistance are permitted under applicable laws, rules and regulations (including the Listing Requirements) and brought to our Audit and Risk Management Committee and our Board for deliberation and approval.

(e) Guarantees

(i) Personal Guarantees

As at the LPD, (aa) the Promoters, namely Goh Chye Hin and Kee Hui Lang, (bb) the director of Smart Paint (Selangor), Chu Teck and (cc) the director of Smart Paint Manufacturing and Smart Paints (M), Goh Bee Sim, have jointly and severally provided personal guarantees (as the case may be) in favour of 4 financial institutions, namely Public Bank Berhad ("PBB"), CIMB Bank Berhad and OCBC Al-Amin Bank Berhad and BMW Credit (Malaysia) Sdn Bhd for the benefit of our Group ("Personal Guarantees").

(ii) Other Guarantees / Securities

As at the LPD, the Promoters and their related company, UT Holdings have provided the following guarantees and securities in favour of the respective financial institutions for the benefit of our Group ("Other Guarantees / Securities"):

- (aa) The Promoters, namely Goh Chye Hin and Kee Hui Lang, have pledged their personal property under the postal address, No.4, Jalan Anggerik Mokara 31/48, Kota Kemuning Industrial Park, Seksyen 13, 40460 Shah Alam, Selangor ("**Promoters' Property**") as security in favour of PBB for the banking facilities taken up by Smart Paint Manufacturing.
- (bb) Kee Hui Lang has executed a memorandum of charge over fixed deposit in favour of CIMB Bank Berhad as security for the banking facilities undertaken by Smart Paint Manufacturing.

10. RELATED PARTY TRANSACTIONS (cont'd)

- (cc) UT Holdings, a related party, has provided a corporate guarantee for the banking facilities taken up by Smart Paint Manufacturing to PBB.
- (dd) UT Holdings have also pledged 3 of its properties ("**UT's Properties**") as securities for the banking facilities taken up by Smart Paint Manufacturing to CIMB Bank Berhad.

(All institutions above are collectively referred to as the "Financiers").

The details of the facilities as at the LPD is set out below:

Financiers	Type of facilities	Purpose	Outstanding balance as at the LPD (RM'000)	Facility limit and amount guaranteed (RM'000)	Personal Guarantees and Other Guarantees / Securities
CIMB Bank Berhad	Term Loan 1	To part finance purchase of Johor Factory 2	2,805	3,109	 Joint and several guarantee by Goh Chye Hin and Goh Bee Sim. Charge on UT's Properties. Memorandum of charge over Kee Hui Lang's fixed deposit.
	Term Loan 2	For working capital requirements	576	770	Joint and several guarantee by Goh Chye Hin and Kee Hui Lang
	Term Loan 3	To part finance the construction cost of the Perak Plant	7,696	22,560	Joint and several guarantee by Goh Chye Hin and Kee Hui Lang
	Overdraft 1	To part finance purchase of Johor Factory 2	673	1,200	 Joint and several guarantee by Goh Chye Hin and Goh Bee Sim. Charge on UT's Properties.

Financiers	Type of facilities	Purpose	Outstanding balance as at the LPD (RM'000)	Facility limit and amount guaranteed (RM³000)	Personal Guarantees and Other Guarantees / Securities
					 Memorandum of Charge over Kee Hui Lang's fixed deposit.
	Overdraft 2	For working capital requirements	NIL	800	 Joint and several guarantee by Goh Chye Hin and Kee Hui Lang. Charge on UT's Properties. Memorandum of Charge over Kee Hui Lang's fixed deposit.
	Trade Line 1	To facilitate trade transactions	2,605	8,000	 Joint and several guarantee by Goh Chye Hin, Kee Hui Lang and Goh Bee Sim. Charge on UT's Properties. Memorandum of charge over Kee Hui Lang's fixed deposit.
	Trade Line 2	To part finance the purchase and importation of machinery/ equipment	2,849	11,000	Joint and several guarantee by Goh Chye Hin and Kee Hui Lang
PBB	Term Loan	To part finance the purchase of Johor Factory 3	6,345	6,480	Joint and several guarantee by Goh Chye Hin and Kee Hui Lang

Financiers	Type of facilities	Purpose	Outstanding balance as at the LPD (RM'000)	Facility limit and amount guaranteed (RM'000)	Personal Guarantees and Other Guarantees / Securities
	Overdraft 1	For working capital requirements	3,500	3,500	 Joint and several guarantee by Goh Chye Hin and Kee Hui Lang Charge on Promoters' Property
	Trade Line 1	To facilitate the purchases of raw materials for business use	Nil	3,000	 Joint and several guarantee by Goh Chye Hin and Kee Hui Lang Charge on Promoters' Property
	Overdraft 2	For working capital requirements	951	1,000	 Personal guarantee by Goh Chye Hin. Corporate guarantee by UT Holdings Charge on Promoters' Property
	Trade Line 2	To facilitate trade transactions	Nil	1,000	 Personal Guarantee by Goh Chye Hin. Corporate guarantee by UT Holdings Charge on Promoters' Property
	1 Hire purchase facility	Motor Vehicle	77	200	Personal guarantee by Chu Teck

10. RELATED PARTY TRANSACTIONS (cont'd)

Financiers	Type of facilities	Purpose	Outstanding balance as at the LPD (RM'000)	Facility limit and amount guaranteed (RM'000)	Personal Guarantees and Other Guarantees / Securities
OCBC Al-Amin Bank Berhad	Term Loan	To part finance the purchase of Johor Factory 1	2,521	2,859	Joint and several guarantee by Goh Chye Hin and Kee Hui Lang
	Overdraft	Working Capital	1,714	5,000	Joint and several guarantee by Goh Chye Hin and Kee Hui Lang
BMW Credit (Malaysia) Sdn Bhd	Hire Purchase facility	Motor Vehicle	300	300	Personal guarantee by Kee Hui Lang

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

As at the LPD, save for the personal guarantee provided by Kee Hui Lang to BMW Credit (Malaysia) Sdn Bhd ("BMW Guarantee") for the new hire purchase taken up by Smart Paint Manufacturing on 12 July 2023, conditional consent for the discharge of all the Personal Guarantees have been obtained from the Financiers. Our Group has written to BMW Credit (Malaysia) Sdn Bhd to request for consent for the conditional discharge of the BMW Guarantee to be replaced by the corporate guarantee from Smart Asia upon successful listing on the ACE Market of Bursa Securities and subsequent to the LPD, our Group has on 13 September 2023 obtained the aforementioned requested conditional consent from BMW Credit (Malaysia) Sdn Bhd.

Further, as at the LPD, the conditional consent for the discharge of the following Other Guarantees / Securities have also been obtained from the Financiers:

- (i) the memorandum of charge executed by Kee Hui Lang over a fixed deposit in favour of CIMB Bank Berhad as security for the banking facilities undertaken by Smart Paint Manufacturing; and
- (ii) the corporate guarantee provided by UT Holdings to PBB as security for the banking facilities taken up by Smart Paint Manufacturing.

10. RELATED PARTY TRANSACTIONS (cont'd)

The above-mentioned consents are subject to, amongst others, the following conditions:

- (i) the success of our Listing;
- (ii) the family of Goh Chye Hin shall remain as the key management and controlling shareholders in Smart Asia with direct / indirect shareholding of more than 50.00% throughout the financing tenure; and
- (iii) replacement of the personal guarantees with corporate guarantees from Smart Asia.

In addition, unconditional consent has also been obtained from CIMB Bank Berhad for the discharge of the securities (i.e., the pledged UT's Properties) provided by UT Holdings.

In respect of the facilities taken up with PBB by Smart Paint Manufacturing which are secured by the Promoters' Property ("PBB Property-Secured Facilities"), our Group have written to PBB to notify PBB of our Group's intention to terminate and settle the aforementioned facilities conditional upon the successful listing of Smart Asia on the ACE Market of Bursa Securities. Subsequent to the LPD, PBB has on 3 November 2023 confirmed that the final settlement amount has been received for the PBB Property-Secured Facilities. The Group is in the midst of preparing the discharge documents in respect of the charge on the Promoters' Property. Moving forward, our Group will not pledge any properties not belonging to our Group as securities for banking facilities taken up by our Group.

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10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

Our Audit and Risk Management Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit and Risk Management Committee shall deliberate and determine if the related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings.

10. RELATED PARTY TRANSACTIONS (cont'd)

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

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11. CONFLICT OF INTERESTS

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

As at the LPD, save for as disclosed below, none of our Directors and substantial shareholders have any interest, direct or indirect, in any entities which are carrying on a similar or related trade as that of our Group or which are the customers and/or suppliers of our Group:

	Businesses /		
No.	Corporations	Principal activity	Nature of interest
1.	KTC Hardware & Trading Sdn Bhd	Trading of hardware	Goh Chye Hin is our Group's promoter, Managing Director and substantial shareholder.
			Goh Chye Hin is the shareholder of 46.20% equity interest in KTC Hardware & Trading Sdn Bhd. He resigned as a director of KTC Hardware & Trading Sdn Bhd on 11 April 2023.
			KTC Hardware & Trading Sdn Bhd is a customer of our Group.
2.	BIY Home Store (Kota Tinggi) Sdn Bhd	Retail in hardware, tools, paints and household items.	Kee Hui Lang is our Group's promoter, Non-Independent Executive Director and substantial shareholder.
			Kee Hui Lang is the shareholder of 20.00% equity interest in BIY Home Store (Kota Tinggi) Sdn Bhd. She resigned as a director of BIY Home Store (Kota Tinggi) Sdn Bhd on 30 April 2023.
			BIY Home Store (Kota Tinggi) Sdn Bhd is a customer of our Group and a past supplier of our Group.

Our Board is of the view that any potential conflict of interests situation which may arise through the direct or indirect interests of our Directors and / or substantial shareholders is mitigated due to the following:

(a) KTC Hardware & Trading Sdn Bhd

- (i) Goh Chye Hin does not hold any executive roles in KTC Hardware & Trading Sdn Bhd and is not involved in the day-to-day operations of KTC Hardware & Trading Sdn Bhd. KTC Hardware & Trading Sdn Bhd has their own independent and standalone management team to undertake their day-to-day management and operations;
- (ii) KTC Hardware & Trading Sdn Bhd operates hardware stores whereby they sell different types of hardware (including paints and paint accessories of different brands, including from our Group). On the other hand, our Group does not operate any hardware stores nor any retail shops selling paints and/or its accessories to end-customers;
- (iii) The sale of manufacturing and trading products to KTC Hardware & Trading Sdn Bhd only contributed to 0.30%, 0.23% and 0.24% of the revenue of our Group for the Financial Years Under Review, respectively; and

11. CONFLICT OF INTERESTS (Cont'd)

(iv) The transactions between our Group and KTC Hardware & Trading Sdn Bhd were carried out on an arms' length basis and on normal commercial terms which were not more favourable to KTC Hardware & Trading Sdn Bhd than those generally available to third parties.

(b) BIY Home Store (Kota Tinggi) Sdn Bhd

- (i) Kee Hui Lang does not hold any executive roles in BIY Home Store (Kota Tinggi) Sdn Bhd and is not involved in the day-to-day operations of BIY Home Store (Kota Tinggi) Sdn Bhd. BIY Home Store (Kota Tinggi) Sdn Bhd has their own independent and standalone management team to undertake their day-to-day management and operations;
- (ii) BIY Home Store (Kota Tinggi) Sdn Bhd operates hardware stores whereby they sell different types of hardware (including paints and paint accessories of different brands, including from our Group). On the other hand, our Group does not operate any hardware stores nor any retail shops selling paints and/or its accessories to end-customers;
- (iii) The sale of manufacturing and trading products to BIY Home Store (Kota Tinggi) Sdn Bhd only contributed to 0.47%, 0.44% and 0.65% of the revenue of our Group for the Financial Years Under Review, respectively;
- (iv) The purchase of disinfectant spray guns and face masks from BIY Home Store (Kota Tinggi) Sdn Bhd only represented 0.01% of the cost of sales of our Group for the FYE 2020. Following FYE 2020, our Group has ceased to obtain such products from BIY Home Store (Kota Tinggi) Sdn Bhd; and
- (v) The transactions between our Group and BIY Home Store (Kota Tinggi) Sdn Bhd were carried out on an arms' length basis and on normal commercial terms which were not more favourable to BIY Home Store (Kota Tinggi) Sdn Bhd than those generally available to third parties.

During the Financial Years Under Review, save for as disclosed below, none of our Directors and substantial shareholders have any past interest, direct or indirect, in any entities which are the customers and/or suppliers of our Group:

Customers of our Group:

(a) Ztree Sdn Bhd

- (i) Goh Chye Hin was the shareholder of 50.00% equity interest in Ztree Sdn Bhd and our Group sold manufacturing and trading products to Ztree Sdn Bhd with sales amounting to 1.38%, 1.52% and 1.54% of the revenue of our Group for the Financial Years Under Review, respectively. The sales transactions between our Group and Ztree Sdn Bhd were carried out on an arms' length basis and on normal commercial terms which were not more favourable to Ztree Sdn Bhd than those generally available to third parties; and
- (ii) Goh Chye Hin disposed of all his shares in Ztree Sdn Bhd to non-related parties, Chang Peng Chye (74,999 shares) and Chang's Peng Chye's trustee, Nurul Rashiqa Nafira Binti Imran (1 share) on 27 October 2022. As at the LPD, Goh Chye Hin has no interest in Ztree Sdn Bhd.

11. CONFLICT OF INTERESTS (Cont'd)

(b) PT Smartindo Global Asia

- (i) Goh Chye Hin was the indirect shareholder of PT Smartindo Global Asia through Smart Asia and our Group sold manufacturing and trading products to PT Smartindo Global Asia with sales amounting to 0.16% of the revenue of our Group for the FYE 2020. The sales transactions between our Group and PT Smartindo Global Asia were carried out on an arms' length basis and on normal commercial terms which were not more favourable to PT Smartindo Global Asia than those generally available to third parties; and
- (ii) Smart Asia disposed of its entire shareholdings in PT Smartindo Global Asia to non-related parties, Santos Loy (1,225 shares) who is also a minority shareholder of our Company (holding 2,000,000 Shares or 0.54% after our IPO) and Bryan Loy (25 shares) on 8 January 2022. As at the LPD, Smart Asia and Goh Chye Hin ceased to have any interest in PT Smartindo Global Asia.

Suppliers of our Group

(a) UT Holdings

- (i) Goh Chye Hin and Kee Hui Lang are the directors and shareholders of 54.53% and 23.25% direct equity interest in UT Holdings, respectively. Goh Chye Hin and Kee Hui Lang also holds 22.22% indirect equity interest (through their children Goh Ji Syuan and Goh Sim Yee) in UT Holdings. UT Holdings was previously involved in the sale and distribution of paints, coating material and hardware but has since ceased such activities in January 2023. UT Holdings is now principally a property investment company; and
- (iii) UT Holdings supplied trading products to our Group amounting to 6.27%, 3.79% and 0.95% of the total cost of sales of our Group for the Financial Years Under Review, respectively. Our Group has ceased all transactions with UT Holdings since FYE 2022.

(b) Mr.Mark Tools (M) Sdn Bhd

- (i) Goh Chye Hin is a director and shareholder of 50.75% equity interest in Mr.Mark Tools (M) Sdn Bhd. Lim Kok Beng was a past director and shareholder of 9.42% equity interest in Mr.Mark Tools (M) Sdn Bhd. Lim Kok Beng has since resigned as director of Mr.Mark Tools (M) Sdn Bhd on 27 July 2020 and disposed on his entire shareholdings in Mr.Mark Tools (M) Sdn Bhd on 30 November 2020; and
- (ii) Mr.Mark Tools (M) Sdn Bhd supplied trading products to our Group amounting to less than 0.01% of the total cost of sales of our Group for the FYE 2020. The transactions between our Group and Mr.Mark Tools (M) Sdn Bhd were carried out on an arms' length basis and on normal commercial terms which were not more favourable to Mr.Mark Tools (M) Sdn Bhd than those generally available to third parties. Our Group has ceased all purchase transactions with Mr.Mark Tools (M) Sdn Bhd since FYE 2020.

11. CONFLICT OF INTERESTS (Cont'd)

11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTERESTS

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interests situation in the future, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interests situation with our Group's business. If our Directors are involved in similar business as our Group or business of our customers and our suppliers, our Nomination Committee shall inform our Audit and Risk Management Committee of such involvement. When a determination has been made that there is a conflict of interests of a Director, our Nomination Committee will:

- (a) Immediately inform our Board of the conflict of interests situation after deliberating with the Audit and Risk Management Committee;
- (b) Make recommendations to our Board to direct the conflicted Director to:
 - (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interests (in the case where the conflicted Director is an Executive Director); and
 - (ii) Abstain from all Board deliberation and voting in the matter that has given rise to conflict of interests.

In relation to (b) above, the conflicted Director shall abstain from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

11.3 DECLARATIONS OF CONFLICT OF INTERESTS BY OUR ADVISERS

(a) Declaration by Mercury Securities

Mercury Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

(b) Declaration by Rosli Dahlan Saravana Partnership

Rosli Dahlan Saravana Partnership has given their written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the Solicitors for our Listing.

(c) Declaration by Baker Tilly Monteiro Heng PLT

Baker Tilly Monteiro Heng PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the External Auditors and Reporting Accountants for our Listing.

(d) Declaration by SMITH ZANDER

SMITH ZANDER has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interests in its capacity as the IMR for our Listing.

12. FINANCIAL INFORMATION

12.1 HISTORICAL COMBINED FINANCIAL INFORMATION

We were incorporated in Malaysia on 13 May 2019 under the Act and Smart Paint Manufacturing, Smart Paints (M), Smart Paints (Sabah), Smart Paint (Selangor) and Color Breeze are our subsidiaries. As such, the combined financial statements of our Group comprise:

- (a) the combined statements of financial position for the Financial Years Under Review;
- (b) the combined statements of comprehensive income for the Financial Years Under Review;
- (c) the combined statements of changes in equity for the Financial Years Under Review; and
- (d) the combined statements of cash flows for the Financial Years Under Review.

The following historical combined financial information for the Financial Years Under Review have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus. Our historical combined financial statements have been prepared in accordance with MFRS and IFRS. All intra-group balances, transactions, income and expenses have been eliminated in full upon combination.

You should read the historical combined financial information of our Group presented in this Section in conjunction with:

- (a) the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 12.3 of this Prospectus; and
- (b) our Group's audited combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

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12. FINANCIAL INFORMATION (Cont'd)

12.1.1 Historical audited combined statements of comprehensive income

The following table sets out a summary of the audited combined statements of comprehensive income of our Group:

		Audited	
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Revenue	71,599	79,766	79,218
Cost of sales	(48,812)	(53,048)	(55,683)
GP	22,787	26,718	23,535
Other income	514	448	749
Selling and distribution expenses	(10,045)	(8,300)	(8,032)
Administrative expenses	(3,196)	(3,658)	(4,243)
Other operating expenses	(85)	(752)	(285)
Operating profit	9,975	14,456	11,724
Finance income	*	*	-
Finance costs	(574)	(525)	(520)
PBT	9,401	13,931	11,204
Income tax expense	(1,959)	(3,241)	(2,590)
PAT/ Total comprehensive income for the financial year	7,442	10,690	8,614
Profit/(loss) attributable to:			
Owners of our Group	7,489	10,680	8,665
Non-controlling interest	(47)	10	(51)
	7,442	10,690	8,614
T-4-1			
Total comprehensive income/(loss) attributable to:			
Owners of our Group	7,489	10,680	8,665
Non-controlling interest	(47)	10	(51)
	7,442	10,690	8,614

		Audited	
	FYE 2020	FYE 2021	FYE 2022
Other selected financial data:			
EBITDA (RM'000) (1)	12,141	16,952	14,216
GP margin (%) ⁽²⁾	31.83	33.50	29.71
PBT margin (%)(3)	13.13	17.46	14.14
PAT margin (%) ⁽⁴⁾	10.39	13.40	10.87
Basic/Diluted EPS (sen)(5)			
- After the Share Split, Acquisitions	2.71	3.86	3.14
but before IPO ⁽⁶⁾			
- After IPO ⁽⁷⁾	2.02	2.89	2.34

Notes:

* Negligible

12. FINANCIAL INFORMATION (Cont'd)

(1) Computed as follows:

		Audited		
	FYE 2020	FYE 2021	FYE 2022	
	RM'000	RM'000	RM'000	
PBT	9,401	13,931	11,204	
Add:				
Finance costs	574	525	520	
Depreciation	2,166	2,496	2,482	
Amortisation	-	-	10	
Less:				
Finance income	(*)	(*)	-	
EBITDA	12,141	16,952	14,216	

- (2) GP margin is computed based on the GP over revenue of our Group.
- (3) PBT margin is computed based on the PBT over revenue of our Group.
- (4) PAT margin is computed based on the PAT over revenue of our Group.
- (5) Our Company does not have any outstanding convertible securities at the end of the respective financial years.
- (6) Calculated based on PAT attributable to the owners of our Group divided by our enlarged 276,350,420 Shares in issuance after Share Split, Acquisitions but before our IPO.
- (7) Calculated based on PAT attributable to the owners of our Group divided by our enlarged 369,850,420 Shares in issuance after our IPO.

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12. FINANCIAL INFORMATION (Cont'd)

12.1.2 Historical combined statements of financial position

The table below sets out the summary of the audited combined statements of financial position of our Group as at the end of the respective Financial Years Under Review:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	
	RM'000	RM'000	RM'000	
ASSETS				
Non-current assets				
Property, plant and equipment	28,994	27,954	43,549	
Intangible asset	-	-	190	
Other investment	385	-	-	
Deferred tax assets	95	219	136	
Total non-current assets	29,474	28,173	43,875	
Current assets				
Inventories	20,978	25,239	23,744	
Current tax assets	142	604	699	
Trade and other receivables	24,727	19,136	26,264	
Contract assets	292	48	20,204	
Cash and bank balances	5,185	4,217	5,056	
Total current assets	51,324	49,244	55,790	
	, ,	-,	, , , , , , , , , , , , , , , , , , , ,	
TOTAL ASSETS	80,798	77,417	99,665	
EQUITY AND LIABILITIES				
Equity attributable to owners of the				
Group				
Invested equity	51,875	51,875	51,800	
Reorganisation reserve	(25,783)	(25,783)	(25,783)	
Retained earnings	15,484	25,514	33,828	
_	41,576	51,606	59,845	
Non-controlling interest	(63)	(53)	121	
TOTAL EQUITY	41,513	51,553	59,966	
Non-current liabilities				
Loans and borrowings	7,444	6,610	12,013	
Deferred income	,,,,,	0,010	143	
Deferred tax liabilities	285	330	410	
Total non-current liabilities	7,729	6,940	12,566	
	,	,	•	
Current liabilities				
Loans and borrowings	10,759	1,035	3,736	
Current tax liabilities	308	598	317	
Trade and other payables	16,390	14,997	21,365	
Contract liabilities	4,099	2,294	1,715	
Total current liabilities	31,556	18,924	27,133	
TOTAL LIABILITIES	39,285	25,864	39,699	
		, i		
TOTAL EQUITY AND LIABILITIES	80,798	77,417	99,665	

12. FINANCIAL INFORMATION (Cont'd)

12.1.3 Historical combined statements of cash flows

The table below sets out the summary of the audited combined statements of cash flows of our Group as at the end of the respective Financial Years Under Review:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Cash flows from operating activities			
Profit before tax	9,401	13,931	11,204
Adjustments for:	0, . 0 .	. 0,00.	,
Depreciation of property, plant and equipment	2,166	2,496	2,482
Property, plant and equipment written off	3	178	
Gain on disposal of property, plant and	(57)	(40)	(55)
equipment	(37)	(40)	(55)
Gain on lease modification	(2)	_	(6)
Amortisation of intangible asset	(2)	_	10
Loss on disposal of other investment	_	355	10
Inventories written down	_	253	125
Reversal of inventories written down	_	200	(83)
Reversal of impairment loss on trade	-	(34)	(334)
receivables	-	(34)	(334)
Impairment loss on trade receivables	48	175	14
•	24	27	259
Bad debts written off Finance costs	574	525	520
			520
Finance income	(*)	(*)	(02)
Net unrealised foreign exchange	22	(23)	(83)
loss/(gain)	40.450	4= 0.40	44050
Operating profit before changes in working capital	12,179	17,843	14,053
Changes in working capital:			
Inventories	(6,118)	(4,514)	1,453
Trade and other receivables	(1,462)	5,493	(7,466)
Contract assets	(244)	244	21
Trade and other payables	3,397	(1,241)	206
Contract liabilities	(1,678)	(1,805)	(579)
Net cash generated from operations	6,074	16,020	7,688
Income tax paid	(1,801)	(3,491)	(2,803)
Income tax refund	13	-	-
Interest received	*	*	_
Interest paid	(256)	(211)	(59)
Net cash from operating activities	4,030	12,318	4,826
	•	•	,
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,316)	(1,634)	(5,419)
Proceeds from disposal of property, plant	57	40	173
and equipment	•		
Purchase of intangible asset	_	_	(200)
Proceeds from disposal of other	_	30	(200)
investment		30	
Proceeds from government grants related	_	_	143
to assets	_	_	1-10
Acquisition of combining entity, net of	(200)		(75)
cash acquired	(200)	-	(13)
	/E AEO\	/4 EGA\	/E 270\
Net cash used in investing activities	(5,459)	(1,564)	(5,378)

12. FINANCIAL INFORMATION (Cont'd)

		Audited	
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Cash flows from financing activities			
Proceeds from issuance of combining entity's shares	-	-	225
Drawdown of term loans	1,000	-	-
Repayment of term loans	(103)	(570)	(668)
Payment of lease liabilities	(214)	(490)	(364)
Repayment of hire purchase	(173)	(219)	(123)
Proceeds from bankers' acceptance	2,607	463	4,858
Repayment of bankers' acceptance	(2,825)	(463)	(2,156)
Net changes in amount owing by a related party	(276)	-	431
Dividends paid	-	(650)	(351)
Interest paid	(318)	(314)	(461)
Net cash (used in)/from financing activities	(302)	(2,243)	1,391
Net (decrease)/increase in cash and cash equivalents	(1,731)	8,511	839
Cash and cash equivalents at the beginning of the financial year	(2,563)	(4,294)	4,217
Cash and cash equivalents at the end of the financial year	(4,294)	4,217	5,056

Cash and cash equivalents comprise of the following:

		Audited		
	FYE 2020	FYE 2021	FYE 2022	
	RM'000	RM'000	RM'000	
Cash and bank balances	5,185	4,217	5,056	
Bank overdrafts	(9,479)	-	- 1	
	(4,294)	4,217	5,056	

Note:

* Negligible

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12. FINANCIAL INFORMATION (Cont'd)

12.2 CAPITALISATION AND INDEBTEDNESS

The table below summarises our Group's capitalisation and indebtedness:

- (a) Based on the latest unaudited combined financial information as at 31 July 2023; and
- (b) After adjusting for the effects of Acquisitions, IPO and utilisation of proceeds.

The pro forma combined financial information below does not represent our actual capitalisation and indebtedness as at 31 July 2023 and is provided for illustrative purposely only.

	Unaudited	I	II	III
				After II and
	A4	A ftou the	Afterland	after
	As at 31 July 2023	After the Acquisitions	After I and after IPO	utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Indebtedness				
Current				
Secured and guaranteed:	054	054	054	054
Term loans	851	851	851	851
Hire purchase payables Bankers' acceptance	171 2,605	171 2,605	171 2,605	171 2,605
Bank overdrafts	6,838	6,838	6,838	2,805 6,838
Dank overdrans	10,465	10,465	10,465	10,465
	10,400	10,400	10,400	10,400
Unsecured and				
unguaranteed:				
Lease liabilities	95	95	95	95
	95	95	95	95
Non-current				
Secured and guaranteed:	04.044	04.044	04.044	F.1
Term loans Hire purchase payables	21,941 206	21,941 206	21,941 206	[•] 206
nire purchase payables	22,147	22,147	22,147	[•]
	22,141	22,141	22,147	[-]
Unsecured and				
unguaranteed:				
Lease liabilities	22	22	22	22
	22	22	22	22
Total indebtedness	32,729	32,729	32,729	[•]
Capitalisation				
Invested equity/Share	E4 000	<i>EE</i> 270	r.1	r ₋ 1
capital Total capitalisation	51,800 51,800	55,270 55,270	[•] [•]	[•] [•]
Total Capitalisation	51,000	55,270	[۲]	[*]
Total capitalisation and				
indebtedness	84,529	87,999	[•]	[•]
	,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		1.1
Gearing ratio (times) ⁽¹⁾	0.63	0.59	[•]	[•]

Note:

(1) Computed based on total indebtedness over total capitalisation.

12. FINANCIAL INFORMATION (Cont'd)

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

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

The discussion and analysis contain data derived from our historical combined financial statements as well as forward-looking statements reflecting our current views with respect to future events and our financial performance. Our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors, including but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.3.1 Overview of our operations

(a) Principal activities

We are an investment holding company. Through our subsidiaries, we are principally involved in the following business segments:

	Manufacturing Segment	Sale and Trading Segment
(i)	development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications;	
(ii)	development, manufacturing, distribution and sale of related products which includes colourant and binding and coating chemicals; and	
(iii)	provision of ODM services of decorative paints, protective coatings as well as binding and coating chemicals for third party brand owners.	

Please refer to Section 7.2 of this Prospectus for further information on our business activities.

(b) Revenue

Our Group recognises revenue based on the following:

(i) Sales and trading of goods

Our Group is mainly involved in the manufacturing segment, and the sale and trading segment. Revenue from the sale of goods is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

12. FINANCIAL INFORMATION (Cont'd)

Our receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Our revenue is recognised based on the price specified in the contract.

(ii) Rendering of services

Our Group is providing maintenance services for the Smart Colour POS Tinting Machine as well as painting services for construction and renovation projects. Revenue from the services provided is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously.

Our Group recognises a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables when an invoice is issued or when billing is due based on the passage of time. If the milestone billing exceeds the revenue recognised to date and any deposits or advances received from customers, then our Group recognises a contract liability for the difference.

(c) Cost of sales

The main components of the cost of sales incurred by our Group are as follows:

(i) Direct material

Our direct material comprises mainly cost of purchase of raw materials such as binder, pigment, additives, solvent, extender and colour paste, and packaging materials mainly for manufacturing products.

(ii) Cost of inventories

Our cost of inventories comprises mainly finished goods manufactured by our Group which consist mainly manufacturing products, and trading products purchased from third parties which consist of mainly aerosol spray paints and painting tools and accessories.

(iii) Direct labour

Our direct labour comprises mainly staff salaries, allowances, overtime costs, bonuses, statutory contributions and other staff related expenses for our production team which includes staffs from manufacturing operations, procurement, logistics and warehouse, sales and marketing*, and product development as disclosed in Section 7.23 of this Prospectus.

Note:

* 4 out of 40 staffs from the sales and marketing department are included in the direct labour for FYE 2022 (FYE 2021 and FYE 2020: 4).

(iv) Production overheads

Our production overheads comprise mainly depreciation of property, plant and equipment, carriage inwards, rental of factory, factory utilities, and upkeep of machineries and equipment.

12. FINANCIAL INFORMATION (Cont'd)

(d) Other income

Other income mainly includes government subsidy, reversal of impairment loss on trade receivables, gain on disposal of property, plant and equipment, net realised and/or unrealised foreign exchange gain, management fee and rental income.

(e) Selling and distribution expenses

Selling and distribution expenses comprise mainly sale and marketing staff cost, transportation and logistics expenses, and marketing expenses.

(f) Administrative expenses

Administrative expenses comprise mainly staff costs, directors' remuneration, depreciation of property, plant and equipment, general expenses, professional fee, upkeep and maintenance, and insurance.

(g) Other operating expenses

Other operating expenses comprise mainly bad debts written off, impairment loss on trade receivables, and property, plant and equipment written off.

(h) Finance costs

Finance costs comprise interest expense on term loans, lease liabilities, hire purchases, bankers' acceptance and bank overdrafts.

(i) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Financial Years Under Review. In addition, our audited combined financial statements for the Financial Years Under Review were not subject to any audit qualifications.

12.3.2 Significant changes on the financial position

There were no significant changes that have occurred, which may have a material effect on the financial position and result of our Group subsequent to FYE 2022 and up to the LPD.

12. FINANCIAL INFORMATION (Cont'd)

12.3.3 Review of results of operations

(a) Revenue

Our revenue is mainly contributed from the sale of our products and services from our manufacturing segment which comprises decorative paints, protective coating, colourant, ODM services as well as binding and coating chemicals which is approximately 77.91%, 84.01% and 88.48% of our Group's revenue for the Financial Years Under Review.

(i) Revenue by business segments and product category

The table below sets out our revenue by business segments and product category for the Financial Years Under Review:

	Audited							
	FYE	2020	FYE	2021	FYE	2022		
Revenue	RM'000	%	RM'000	%	RM'000	%		
Manufacturing Segment ⁽¹⁾⁽²⁾ :								
Decorative paints	45,791	63.95	53,583	67.18	54,041	68.22		
Protective coating	3,218	4.49	3,941	4.94	5,963	7.53		
Colourant	4,307	6.02	5,561	6.97	5,430	6.85		
ODM services ⁽³⁾	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		
	55,783	77.91	67,007	84.01	70,086	88.48		
Sale and Trading Segment:								
OEM ⁽⁴⁾	4,226	5.90	4,428	5.55	4,899	6.18		
Non-OEM ⁽⁵⁾	4,537	6.34	3,263	4.09	3,082	3.89		
	8,763	12.24	7,691	9.64	7,981	10.07		
Others: Disinfecting products ⁽⁶⁾	5,942	8.30	4,959	6.22	802	1.01		
Smart Colour POS Tinting Machines - Maintenance	102	0.14	42	0.05	81	0.10		
services								
- Sales of machines	178	0.25	51	0.06	189	0.24		
Painting services ⁽⁷⁾	831	1.16	16	0.02	79	0.10		
	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) The breakdown in term of quantity sold is as follows:

	FYE 2020	FYE 2021	FYE 2022
	Litres '000	Litres '000	Litres '000
Manufacturing Segment:			
Decorative paints	7,481	7,616	6,580
Protective coating	302	332	399
Colourant	102	127	127
ODM services	86	114	116
Binding and coating chemicals	128	114	108
Total	8,099	8,303	7,330

12. FINANCIAL INFORMATION (Cont'd)

(2) The breakdown in term of average selling price per litre is as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM per Litre	RM per Litre	RM per Litre
Manufacturing Segment:			
Decorative paints	6.12	7.04	8.21
Protective coating	10.66	11.87	14.94
Colourant	42.23	43.79	42.76
ODM services	19.80	27.36	30.50
Binding and coating chemicals	5.97	7.04	10.31
Total	6.89	8.07	9.56

- (3) We are engaged by our ODM customers to manufacture decorative paints, protective coatings as well as binding and coating chemicals under their brand names.
- (4) 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.

- (5) Non-OEM comprises of revenue generated from trading products which we purchase from our suppliers. This includes mainly raw materials (such as binder, pigment and additives), third party branded aerosol spray paints under the brand of 'Anchor', third party branded painting tools and accessories under the brand of 'Golben', and face masks. We have ceased the sale of face masks in June 2022.
- (6) 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.
- (7) 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.

12. FINANCIAL INFORMATION (Cont'd)

(ii) Revenue by geographical locations

The table below sets out our revenue by geographical locations of our customers for the Financial Years Under Review:

		Audited						
		FYE	2020	FYE	2021	FYE 2022		
Revenue		RM'000	%	RM'000	%	RM'000	%	
Malaysia		57,976	80.97	65,907	82.63	64,539	81.47	
Singapore		4,901	6.84	6,911	8.66	7,845	9.90	
Brunei		3,577	5.00	3,121	3.91	2,753	3.48	
Cambodia		3,743	5.23	1,819	2.28	2,178	2.75	
Others ⁽¹⁾		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	

Note:

(1) Others comprise of Indonesia, PRC and Vietnam.

(iii) Commentaries on revenue

Comparison between FYE 2021 and FYE 2020

Our total revenue increased by approximately RM8.17 million or 11.41% to RM79.77 million in FYE 2021 (FYE 2020: RM71.60 million), mainly contributed by the increase in sales of our manufacturing segment by RM11.23 million due to the increase in average selling price per litre for all products in our manufacturing segment by approximately 17.13% to RM8.07 per litre (FYE 2020: RM6.89 per litre) to offset the increase in raw materials cost caused by the global supply chain disruption.

In terms of quantity, total litres sold by our manufacturing segment increased by 0.20 million litres or 2.47% to 8.30 million litres in FYE 2021 (FYE 2020: 8.10 million litres), mainly contributed by the increase in additional litres sold for decorative paints of approximately 0.14 million litres or 1.87% to 7.62 million litres in FYE 2021 (FYE 2020: 7.48 million litres).

The increase was partially offset by the following:

- (aa) decrease in the sales of non-OEM products of RM1.28 million mainly due to the decrease in selling price and volume of face masks sold as a result of higher supply of face masks in the market. In addition, there was a decrease in sales of third party brand aerosol spray paints namely Anchor as we focus more on selling our OEM aerosol spray paints (i.e. Bond7) due to the decline in GP margin for Anchor brand aerosol spray paints as a result of increase in purchase price from our supplier; and
- (bb) decrease in sales of disinfecting products of RM0.98 million mainly due to the lower demand as a result of higher supply of disinfecting products in the market.

For FYE 2021, the Malaysia market was the primary contributor to our revenue, which accounted for approximately RM65.91 million (FYE 2020: RM57.98 million) or 82.63% of our revenue (FYE 2020: 80.97%).

12. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2022 and FYE 2021

Our total revenue decreased by approximately RM0.55 million or 0.69% to RM79.22 million in FYE 2022 (FYE 2021: RM79.77 million), mainly contributed by the decrease in sales of disinfecting products of RM4.16 million as we have decided to cease the production of disinfecting products in April 2022 following a slowdown in demand for disinfecting products in the market. The decrease was offset by the increase in sales of our manufacturing segment by RM3.08 million mainly attributed to the increase in average selling price per litre for all products in our manufacturing segment by approximately 18.46% to RM9.56 per litre (FYE 2021: RM8.07 per litre) to offset the increase in raw materials cost caused by the global supply chain disruption.

In terms of quantity, total litres sold by our manufacturing segment decreased by 0.97 million litres or 11.69% to 7.33 million litres in FYE 2022 (FYE 2021: 8.30 million litres), mainly contributed by the slowdown in demand from our customers for our decorative paints which resulted in the decrease in quantity sold of approximately 1.04 million litres or 13.65% to 6.58 million litres in FYE 2022 (FYE 2021: 7.62 million litres). The slowdown in demand is mainly due to construction and renovation activities being disrupted by the SOPs that were implemented during the COVID-19 pandemic. Notwithstanding the drop in total litres sold, our total revenue for manufacturing segment increased by RM3.08 million as a result of the increase in average selling price for all products in our manufacturing segment.

For FYE 2022, the Malaysia market continued to be the primary contributor to our revenue, which accounted for approximately RM64.54 million (FYE 2021: RM65.91 million) or 81.47% of our revenue (FYE 2021: 82.63%).

(b) Cost of sales, GP and GP margin

(i) Cost of sales by cost components

The table below sets out our cost of sales by cost components for the Financial Years Under Review:

		Audited							
	FYE	2020	FYE	2021	FYE 2022				
Cost of sales	RM'000	%	RM'000	%	RM'000	%			
Direct material	33,974	69.60	36,642	69.07	39,593	71.10			
Cost of inventories	6,406	13.12	6,942	13.09	7,565	13.59			
Direct labour	4,797	9.83	5,101	9.62	4,630	8.31			
Production overhead	3,635	7.45	4,363	8.22	3,895	7.00			
Total	48,812	100.00	53,048	100.00	55,683	100.00			

12. FINANCIAL INFORMATION (Cont'd)

(ii) Cost of sales by business segments and product category

The table below sets out our cost of sales by business segments and product category for the Financial Years Under Review:

	Audited							
	FYE	2020	FYE 2021		FYE	2022		
Cost of sales	RM'000	%	RM'000	%	RM'000	%		
Manufacturing								
Segment:								
Decorative paints	32,552	66.69	36,485	68.78	39,400	70.76		
Protective coating	2,377	4.87	2,814	5.30	4,550	8.17		
Colourant	2,179	4.46	3,048	5.75	2,833	5.09		
ODM services	1,008	2.06	1,755	3.31	1,905	3.42		
Binding and coating chemicals	473	0.97	590	1.11	710	1.27		
CHEITICAIS	38,589	79.05	44.692	84.25	49,398	88.71		
Sale and Trading Segment:	00,000	70.00	11,002	01.20	10,000	00.71		
OFM	2.982	6.11	2.847	5.37	2,730	4.90		
Non-OEM	3,431	7.03	3,052	5.75	2,755	4.95		
	6,413	13.14	5,899	11.12	5,485	9.85		
Others:	,		,		,			
Disinfecting products Smart Colour POS	2,744	5.62	2,239	4.22	426	0.77		
Tinting Machines - Maintenance	114	0.24	167	0.31	168	0.30		
services	''-	0.24	107	0.01	100	0.00		
- Sales of machines	133	0.27	35	0.07	127	0.23		
Painting services	819	1.68	16	0.03	79	0.14		
	3,810	7.81	2,457	4.63	800	1.44		
Total	48,812	100.00	53,048	100.00	55,683	100.00		

12. FINANCIAL INFORMATION (Cont'd)

(iii) GP and GP margin by business segments and product category

The table below sets out our GP and GP margin by business segments and product category for the Financial Years Under Review:

<u>GP</u>

		Audited						
	FYE	2020	FYE	2021	FYE	2022		
	RM'000	%	RM'000	%	RM'000	%		
Manufacturing								
Segment:								
Decorative paints	13,239	58.10	17,098	63.99	14,641	62.21		
Protective coating	841	3.69	1,127	4.22	1,413	6.00		
Colourant	2,128	9.34	2,513	9.40	2,597	11.03		
ODM services	695	3.05	1,364	5.11	1,633	6.94		
Binding and coating	291	1.28	213	0.80	404	1.72		
chemicals								
	17,194	75.46	22,315	83.52	20,688	87.90		
Sale and Trading								
Segment:								
OEM	1,244	5.46	1,581	5.92	2,169	9.22		
Non-OEM	1,106	4.85	211	0.79	327	1.39		
	2,350	10.31	1,792	6.71	2,496	10.61		
Others:								
Disinfecting products	3,198	14.03	2,720	10.18	376	1.60		
Smart Colour POS								
Tinting Machines								
- Maintenance	(12)	(0.0E)	(125)	(0.47)	(97)	(0.27)		
services	(12)	(0.05)	(125)	(0.47)	(87)	(0.37)		
- Sales of machines	45	0.20	16	0.06	62	0.26		
Painting services	12	0.05	_	-	-	-		
	3,243	14.23	2,611	9.77	351	1.49		
Total	22,787	100.00	26,718	100.00	23,535	100.00		

12. FINANCIAL INFORMATION (Cont'd)

GP margin

		Audited	_
	FYE 2020	FYE 2021	FYE 2022
	%	%	%
Manufacturing			
Segment:			
Decorative paints	28.91	31.91	27.09
Protective coating	26.13	28.60	23.70
Colourant	49.41	45.19	47.83
ODM services	40.81	43.73	46.16
Binding and coating chemicals	38.09	26.53	36.27
	30.82	33.30	29.52
Sale and Trading Segment:			
OEM	29.44	35.70	44.27
Non-OEM	24.38	6.47	10.61
	26.82	23.30	31.27
Others: Disinfecting products	53.82	54.85	46.88
Smart Colour POS Tinting Machines - Maintenance			
services ⁽¹⁾	(11.76)	(297.62)	(107.41)
- Sales of machines	25.28	31.37	32.80
Painting services ⁽²⁾	1.44	-	-
	45.98	51.52	30.50
Overall	31.83	33.50	29.71

Notes:

- (1) The GP margin for the maintenance service charges for Smart Colour POS Tinting Machines is negative due to waiver of annual maintenance fee for the service provided by our Group to upkeep the Smart Colour POS Tinting Machines. The waiver is given to our wholesalers and dealers who are able to achieve their annual sales target set by our Group.
- (2) We outsource the painting services to painting sub-contractors. However, for FYE 2021 and FYE 2022, the GP margin is nil because we provide the painting services at cost as part of our value-added services to our customers.

(iv) Commentaries on cost of sales, GP and GP margin

The main components of the costs of sales incurred by our Group in the Financial Years Under Review are as follows:

Comparison between FYE 2021 and FYE 2020

Our cost of sales increased by RM4.24 million or 8.69% to RM53.05 million in FYE 2021 (FYE 2020: RM48.81 million), which was in tandem with the increase in revenue growth of 11.41%.

12. FINANCIAL INFORMATION (Cont'd)

In terms of our cost of sales by cost components, all of our cost components have increased in FYE 2021 compared to FYE 2020 as follows:

- (aa) Direct material cost increased by approximately RM2.67 million or 7.86% to RM36.64 million for FYE 2021 (FYE 2020: RM33.97 million), mainly due to the increase in raw materials cost, namely binder, pigment and additive caused by the global supply chain disruption;
- (bb) Cost of inventories increased by approximately RM0.53 million or 8.27% to RM6.94 million for FYE 2021 (FYE 2020: RM6.41 million), which was in tandem with the increase in our revenue for our manufacturing segment;
- (cc) Direct labour increased by approximately RM0.30 million or 6.25% to RM5.10 million for FYE 2021 (FYE 2020: RM4.80 million), mainly due to the expansion of our production team by increasing headcount by 13 workers to 124 workers as at FYE 2021 (FYE 2020: 111 workers); and
- (dd) Production overhead increased by approximately RM0.72 million or 19.78% to RM4.36 million for FYE 2021 (FYE 2020: RM3.64 million), mainly due to the increase in rental of Johor Factory 3, rental of sales office in Penang and waste disposal charges.

Our GP increased by approximately RM3.93 million or 17.24% to RM26.72 million for FYE 2021 (FYE 2020: RM22.79 million), which was in tandem with our revenue growth of 11.41%. Decorative paints and disinfecting products, collectively contributed to 72.13% and 74.17% of our GP for FYE 2020 and FYE 2021, respectively.

We recorded an increase in GP margin of 1.67% to 33.50% for FYE 2021 (FYE 2020: 31.83%) mainly attributable to the increase in GP margin for decorative paints to 31.91% for FYE 2021 (FYE 2020: 28.91%) due to the increase in average selling price for all products in the manufacturing segment. The increase was partially offset by the decrease in GP margin for non-OEM to 6.47% for FYE 2021 (FYE 2020: 24.38%) due to increase in our purchase price of third party brand aerosol spray paints namely Anchor and decrease in selling price of face masks as a result of higher supply of face masks in the market.

Comparison between FYE 2022 and FYE 2021

Our cost of sales increased by RM2.63 million or 4.96% to RM55.68 million in FYE 2022 (FYE 2021: RM53.05 million).

In terms of our cost of sales by cost components, the following cost components have increased in FYE 2022 compared to FYE 2021:

- (aa) Direct material cost increased by approximately RM2.95 million or 8.05% to RM39.59 million for FYE 2022 (FYE 2021: RM36.64 million), mainly due to the increase in raw materials cost, namely binder, pigment and additive caused by the global supply chain disruption; and
- (bb) Cost of inventories increased by approximately RM0.63 million or 9.08% to RM7.57 million for FYE 2022 (FYE 2021: RM6.94 million), which was in tandem with the increase in our revenue for manufacturing segment.

12. FINANCIAL INFORMATION (Cont'd)

The abovementioned were being offset by the following:

- (aa) Direct labour decreased by approximately RM0.47 million or 9.22% to RM4.63 million for FYE 2022 (FYE 2021: RM5.10 million) as a result of a reduction in headcount of workers by 18 workers to 106 workers in FYE 2022 (FYE 2021: 124 workers) due to resignation and end of contract of workers. We did not hire any replacement as the number of workers then was sufficient to meet the production output; and
- (bb) Production overhead decreased by approximately RM0.46 million or 10.55% to RM3.90 million for FYE 2022 (FYE 2021: RM4.36 million), mainly due to the following:
 - decrease in rental paid for Johor Factory 3 as a result of acquisition of Johor Factory 3 by our Group which was completed in July 2022;
 - decrease in rental of sales office in Penang as the tenancy agreement ended in September 2022, hence the payment of the rental was only for the 9 months period as compared to the full year impact of rental expenses in FYE 2021. The closure of sales office in Penang was mainly due to the disruptions caused by COVID-19 pandemic, which affected our sales in Penang. In view of the rental and staff costs to be incurred monthly, our Group has decided to close the sales office in Penang in September 2022; and
 - decrease in upkeep of factory, machineries and equipment mainly due to the decrease in production output in FYE 2022 for decorative paints and protective coatings.

Our GP decreased by approximately RM3.18 million or 11.90% to RM23.54 million for FYE 2022 (FYE 2021: RM26.72 million), which was in tandem with the increase in cost of sales in FYE 2022.

We recorded a decrease in GP margin of 3.79% to 29.71% for FYE 2022 (FYE 2021: 33.50%) mainly attributable to the decrease in GP margin for decorative paints and protective coatings to 27.09% (FYE 2021: 31.91%) and 23.70% (FYE 2021: 28.60%), respectively, mainly due to the increase in raw materials cost namely binder, pigment and addictive caused by the global supply chain disruption.

The abovementioned was partially offset by the increase in GP margin for sale and trading of OEM to 44.27% for FYE 2022 (FYE 2021: 35.70%) mainly due to decrease in purchase cost of painting tools and accessories as we acquired the trademark for 'Goldliner' from UT Holdings in FYE 2022.

12. FINANCIAL INFORMATION (Cont'd)

(c) Other income

The table below sets out our other income for the Financial Years Under Review:

		Audited							
	FYE	2020	FYE	2021	FYE 2022				
	RM'000	%	RM'000	%	RM'000	%			
Gain on disposal of	57	11.09	40	8.93	55	7.34			
property, plant and equipment									
Management fee ⁽¹⁾	36	7.01	12	2.68	1	0.14			
Net realised foreign exchange gain	-	-	128	28.57	-	-			
Net unrealised foreign exchange gain	-	-	23	5.13	83	11.08			
Reversal of impairment loss on trade receivables	-	-	34	7.59	334	44.59			
Gain on lease modification	2	0.39	-	-	6	0.80			
Rental income	3	0.58	3	0.67	4	0.53			
Government subsidy(2)	389	75.68	206	45.98	230	30.71			
Miscellaneous	27	5.25	2	0.45	36	4.81			
Total	514	100.00	448	100.00	749	100.00			
			·		·				

Notes:

- (1) Management fee is in relation to amount charged to UT Holdings mainly for the financial management, warehouse and logistic services provided to them. However, we have discontinued such services for FYE 2023.
- (2) The government subsidy from the Malaysian Government is mainly pertaining to the wage subsidy which is in relation to the Wage Subsidy Programme introduced in FYE 2020 as part of the Malaysian Government's COVID-19 economic stimulus package. We have stopped claiming the wage subsidy in September 2021. The wage subsidy in FYE 2022 was in relation to part of the claims made in FYE 2021 which was subsequently received in FYE 2022.

(i) Commentaries on other income

Comparison between FYE 2021 and FYE 2020

Our other income decreased by approximately RM0.06 million or 11.76% to RM0.45 million in FYE 2021 (FYE 2020: RM0.51 million). The decrease was mainly due to the decrease in government subsidy from the Malaysian Government of RM0.18 million as a result of lower grants and subsidies received from the Wage Subsidy Programme. The decrease was offset by the increase in net realised foreign exchange gain by RM0.13 million in FYE 2021 mainly due to the strengthening of USD against RM in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our other income increased by approximately RM0.30 million or 66.67% to RM0.75 million in FYE 2022 (FYE 2021: RM0.45 million). The increase was mainly due to the increase in reversal of impairment loss on trade receivables of RM0.30 million as a result of the decrease in provision on impairment loss provided for long outstanding debtors.

12. FINANCIAL INFORMATION (Cont'd)

(d) Selling and distribution expenses

The table below sets out a breakdown of our selling and distribution expenses for the Financial Years Under Review:

	Audited							
	FYE	2020	FYE	2021	FYE 2022			
	RM'000	%	RM'000	%	RM'000	%		
Sales and marketing staff cost ⁽¹⁾	3,288	32.73	3,300	39.76	3,449	42.94		
Transportation and logistics expenses	3,812	37.95	3,236	38.99	3,327	41.42		
Marketing expenses ⁽²⁾	2,464	24.53	1,379	16.61	705	8.78		
Travelling and entertainment expenses	329	3.28	206	2.48	380	4.73		
Upkeep of motor vehicles	152	1.51	179	2.16	171	2.13		
Total	10,045	100.00	8,300	100.00	8,032	100.00		

Notes:

- (1) Sales and marketing staff cost mainly consist of salary, bonus, allowances, sales commission and annual incentive paid to our sale and marketing staffs.
- (2) Marketing expenses mainly consist of Smart Rewards Programme and printing of colour cards, posters and sales kits.

(i) Commentaries on selling and distribution expenses

Comparison between FYE 2021 and FYE 2020

Our selling and distribution expenses decreased by approximately RM1.75 million or 17.41% to RM8.30 million in FYE 2021 (FYE 2020: RM10.05 million). The decrease was mainly attributable to the decrease in marketing expenses of RM1.08 million mainly due the decrease in printing of colour cards which was substituted with e-catalogue and reduction in promotional campaign for Smart Rewards Programme during the outbreak of COVID-19 pandemic.

Comparison between FYE 2022 and FYE 2021

Our selling and distribution expenses decreased by approximately RM0.27 million or 3.25% to RM8.03 million in FYE 2022 (FYE 2021: RM8.30 million). The decrease was mainly attributable to the further decrease in marketing expenses of RM0.67 million mainly due the reduction in promotional campaign for Smart Rewards Programme during the outbreak of COVID-19 pandemic and decrease in printing of colour cards which was substituted with e-catalogue.

12. FINANCIAL INFORMATION (Cont'd)

(e) Administrative expenses

The table below sets out a breakdown of our administrative expenses for the Financial Years Under Review:

	Audited						
	FYE	2020	FYE 2021		FYE 2022		
	RM'000	%	RM'000	%	RM'000	%	
Staff costs	975	30.51	1,050	28.71	1,416	33.37	
Directors' remuneration	710	22.21	709	19.38	722	17.02	
Depreciation of	433	13.55	517	14.13	553	13.03	
property, plant and							
equipment							
General expenses ⁽¹⁾	395	12.36	578	15.80	517	12.19	
Professional fee ⁽²⁾	172	5.38	284	7.77	336	7.92	
Upkeep and	129	4.04	139	3.80	219	5.16	
maintenance							
Insurance ⁽³⁾	163	5.10	149	4.07	180	4.24	
Net realised foreign	40	1.25	-	-	118	2.78	
exchange loss							
Net unrealised foreign	22	0.69	-	-	-	-	
exchange loss							
Rental expense	100	3.13	149	4.07	115	2.71	
Bank charges	41	1.28	64	1.75	63	1.49	
Travelling expenses	16	0.50	19	0.52	4	0.09	
Total	3,196	100.00	3,658	100.00	4,243	100.00	

Notes:

- General expenses mainly consist of printing and stationery, meal refreshment (for FYE 2020 and FYE 2021) and quit rent and assessment.
- (2) Professional fee mainly consists of auditor remuneration, legal fee, secretary fee and consultant fee.
- (3) Insurance mainly consists of fire and burglary insurances on our buildings and inventories.

(i) Commentaries on administrative expenses

Comparison between FYE 2021 and FYE 2020

Our administrative expenses increased by approximately RM0.46 million or 14.38% to RM3.66 million in FYE 2021 (FYE 2020: RM3.20 million). The increase was mainly due to the following:

- increase in general expenses by RM0.18 million mainly due to the increase in meal refreshment as our Group provided lunch to all the staffs during the COVID-19 pandemic; and
- (bb) increase in professional fee by RM0.11 million mainly due to fees paid in relation to internal control assessment, risk management and corporate governance advisory services.

12. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2022 and FYE 2021

Our administrative expenses increased by approximately RM0.58 million or 15.85% to RM4.24 million in FYE 2022 (FYE 2021: RM3.66 million). The increase was mainly due to the following:

- increase in staff costs by RM0.37 million mainly due to the increase in senior management staffs; and
- (bb) increase in net realised foreign exchange loss by RM0.12 million mainly due to the weakening of USD against RM in FYE 2022.

(f) Other operating expenses

The table below sets out a breakdown of our other operating expenses for the Financial Years Under Review:

	Audited					
	FYE	2020	FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Bad debts written off	24	28.24	27	3.59	259	90.88
Impairment loss on trade receivables	48	56.47	175	23.27	14	4.91
Loss on disposal of other investment	-	-	355	47.21	-	-
Property, plant and equipment written off	3	3.53	178	23.67	-	-
Penalties and fines	10	11.76	17	2.26	12	4.21
Total	85	100.00	752	100.00	285	100.00

(i) Commentaries on other operating expenses

Comparison between FYE 2021 and FYE 2020

Our other operating expenses increased by approximately RM0.66 million or 733.33% to RM0.75 million in FYE 2021 (FYE 2020: RM0.09 million). The increase was mainly due to the following:

- (aa) loss on disposal of investment of RM0.36 million following the disposal by our Group of its 50% equity interest in PT Smartindo Global Asia comprising 1,225 ordinary shares and 25 ordinary shares to Santos Loy, who was then the other shareholder of PT Smartindo Global Asia and the existing shareholder our Group (holding 0.54% equity interest after our IPO) and Bryan Loy (son of Santos Loy), respectively for a total cash consideration of RM0.03 million, on 23 December 2021; and
- (bb) increase in property, plant and equipment written off by RM0.18 million mainly pertaining to the Smart Colour POS Tinting Machine.

12. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2022 and FYE 2021

Our other operating expenses decreased by approximately RM0.46 million or 61.33% to RM0.29 million in FYE 2022 (FYE 2021: RM0.75 million). The decrease was mainly due to the following:

- (aa) absence of property, plant and equipment written off in FYE 2022 as compared to RM0.18 million in FYE 2021; and
- (bb) absence of the one-off loss on disposal of investment in PT Smartindo Global Asia of RM0.36 million in FYE 2021.

The abovementioned were partially offset by the increase in bad debts written off by RM 0.23 million mainly in respect of a customer who has shut down its business operations, and thus the amount was not collectable.

(g) Finance costs

The table below sets out our finance costs for the Financial Years Under Review:

	Audited					
	FYE	2020	FYE 2021		FYE 2022	
	RM'000 % RM'000 %		%	RM'000	%	
Interest expense on:						
- Term loans	229	39.90	258	49.14	355	68.27
- Lease liabilities	17	2.96	27	5.14	12	2.31
- Hire purchases	13	2.26	19	3.62	12	2.31
- Bankers' acceptance	58	10.11	10	1.91	82	15.77
- Bank overdrafts	256	44.60	211	40.19	59	11.34
- Advances from a	1	0.17	-	-	-	_
related party						
Total	574	100.00	525	100.00	520	100.00

(i) Commentaries on finance costs

Comparison between FYE 2021 and FYE 2020

Our finance costs decreased by approximately RM0.04 million or 7.02% to RM0.53 million in FYE 2021 (FYE 2020: RM0.57 million). The decrease was mainly due to the following:

- (aa) decrease in bankers' acceptance interest of approximately RM0.05 million due to lower in utilisation of bankers' acceptance facilities; and
- (bb) decrease in bank overdrafts interest of approximately RM0.05 million as a result of lower utilisation of bank overdrafts facilities due to increase in internally generated funds from our business operation during FYE 2021.

Comparison between FYE 2022 and FYE 2021

Our finance costs decreased by approximately RM0.01 million or 1.89% to RM0.52 million in FYE 2022 (FYE 2021: RM0.53 million). The decrease was mainly due to decrease in bank overdrafts' interest of approximately RM0.15 million as a result of lower utilisation of bank overdraft facilities due to further increase in internally generated funds from our business operation during the FYE 2022. In addition, we had also increased our utilisation of bankers' acceptance during FYE 2022 in view of the lower interest charges.

12. FINANCIAL INFORMATION (Cont'd)

The decrease in finance costs was partially offset with the increase in term loan interest of approximately RM0.10 million. The increase was mainly attributable to drawdown of new term loan to finance the acquisition of Johor Factory 3.

(h) PBT, PBT margin, PAT and PAT margin

Our PBT, PBT margin, PAT and PAT margin for the Financial Years Under Review are set out below:

	Audited				
	FYE 2020	FYE 2021	FYE 2022		
PBT (RM'000)	9,401	13,931	11,204		
PBT margin (%)	13.13	17.46	14.14		
PAT (RM'000)	7,442	10,690	8,614		
PAT margin (%)	10.39	13.40	10.87		

(i) Commentaries on PBT, PBT margin, PAT and PAT margin

Comparison between FYE 2021 and FYE 2020

We recorded an increase of PBT by approximately RM4.53 million or 48.19% to RM13.93 million in FYE 2021 (FYE 2020: RM9.40 million), mainly contributed by our revenue and GP growth as explained in Section 12.3.3(a)(iii) and Section 12.3.3(b)(iv) of this Prospectus, respectively. Thus, our PBT margin improved to 17.46% for FYE 2021 (FYE 2020: 13.13%), which resulted from the improved GP margin.

Correspondingly, our PAT increased by approximately RM3.25 million or 43.68% to RM10.69 million in FYE 2021 (FYE 2020: RM7.44 million), and our PAT margin improved to 13.40% for FYE 2021 (FYE 2020: 10.39%), which the increase was in line with the higher GP and PBT in FYE 2021.

Comparison between FYE 2022 and FYE 2021

We recorded a decrease of PBT by approximately RM2.73 million or 19.60% to RM11.20 million in FYE 2022 (FYE 2021: RM13.93 million), and our PBT margin decreased to 14.14% for FYE 2022 (FYE 2021: 17.46%). This was in tandem with the decrease in revenue and higher cost of sales in FYE 2022.

As a result, our PAT decreased by approximately RM2.08 million or 19.46% to RM8.61 million in FYE 2022 (FYE 2021: RM10.69 million) and our PAT margin also decreased to 10.87% for FYE 2022 (FYE 2021: 13.40%).

12. FINANCIAL INFORMATION (Cont'd)

(i) Taxation

Our taxation and effective tax rate for the Financial Years Under Review are set out below:

	Audited				
	FYE 2020	FYE 2021	FYE 2022		
	RM'000	RM'000	RM'000		
Current income tax:					
Current income tax charge	1,980	3,320	2,427		
Adjustment in respect of prior year	(26)	*	-		
	1,954	3,320	2,427		
Deferred tax:					
Origination/(Reversal) of	39	(147)	168		
temporary differences					
Adjustment in respect of prior year	(34)	68	(5)		
	5	(79)	163		
Income tax expense (RM'000)	1,959	3,241	2,590		
Effective tax rate (%)	20.84	23.26	23.12		
Statutory tax rate (%)	24.00	24.00	24.00		
, ,					

Note:

(i) Commentaries on taxation and effective tax rate

Comparison between FYE 2021 and FYE 2020

Our income tax expense increased by RM1.28 million or 65.31% to RM3.24 million in FYE 2021 (FYE 2020: RM1.96 million) due to higher PBT recorded for FYE 2021.

Our effective tax rate of 20.84% for FYE 2020 was lower than the statutory tax rate, mainly due to the following:

- (aa) income not subject to tax of approximately RM0.28 million mainly due to government subsidy from the Malaysian Government is not subject to tax;
- (bb) utilisation of reinvestment allowance of RM0.11 million to offset against the chargeable income; and
- (cc) over provision of deferred tax expense of approximately RM0.03 million in respect of prior years during FYE 2020.

Our effective tax rate of 23.26% for FYE 2021 was lower than the statutory tax rate, mainly due to the following:

- (aa) double deduction on cost incurred for advertising goods with Malaysian brand name of approximately RM0.13 million; and
- (bb) utilisation of reinvestment allowance of RM0.13 million to offset against the chargeable income.

^{*} Negligible

12. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2022 and FYE 2021

Our income tax expenses decreased by RM0.65 million or 20.06% to RM2.59 million in FYE 2022 (FYE 2021: RM3.24 million), mainly due to the lower taxable income for FYE 2022.

Our effective tax rate of 23.12% for FYE 2022 was lower than the statutory tax rate, mainly due to the following:

- (aa) double deduction on cost incurred for advertising goods with Malaysian brand name of approximately RM0.19 million;
- (bb) utilisation of reinvestment allowance of RM0.11 million to offset against the chargeable income; and
- (cc) over provision of deferred tax expense of approximately RM0.01 million in respect of prior financial years during FYE 2022.

(j) Review of financial position

(i) Assets

		Audited	
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	28,994	27,954	43,549
Intangible asset	-	-	190
Other investment	385	-	-
Deferred tax assets	95	219	136
Total non-current assets	29,474	28,173	43,875
Current assets			
Inventories	20,978	25,239	23,744
Current tax assets	142	604	699
Trade and other receivables	24,727	19,136	26,264
Contract assets	292	48	27
Cash and bank balances	5,185	4,217	5,056
Total current assets	51,324	49,244	55,790
TOTAL ASSETS	80,798	77,417	99,665
	33,133	,	33,000

Comparison between FYE 2021 and FYE 2020

Total assets decreased by RM3.38 million or 4.18% to RM77.42 million in FYE 2021 (FYE 2020: RM80.80 million) mainly due to the decrease in total non-current assets and total current assets by RM1.30 million and RM2.08 million, respectively.

12. FINANCIAL INFORMATION (Cont'd)

The decrease in total non-current assets was mainly attributable by the following:

- (aa) decrease in property, plant and equipment by RM1.04 million or 3.59% to RM27.95 million in FYE 2021 (FYE 2020: RM28.99 million) mainly due to the following:
 - depreciation charges amounting to RM2.50 million in FYE 2021; and
 - increase in property, plant and equipment written off by RM0.18 million mainly pertaining to the Smart Colour POS Tinting Machines.

The abovementioned were being offset by the additions of property, plant and equipment amounting to RM1.63 million in FYE 2021 which mainly due to the purchase of Smart Colour POS Tinting Machines of RM0.16 million, mixing machineries of RM0.71 million and lorries of RM0.27 million.

(bb) decrease in other investment by RM0.39 million or 100% to nil in FYE 2021 (FYE 2020: RM0.39 million) due to the disposal of investment in PT Smartindo Global Asia.

The decrease in total current assets was mainly attributable by the decrease in trade and other receivables by RM5.59 million or 22.60% to RM19.14 million in FYE 2021 (FYE 2020: RM24.73 million) due to higher collections from customers resulting in the lower trade receivable turnover days of 95 days recorded in FYE 2021 (FYE 2020: 115 days).

The above decrease in current assets was partially offset by the increase in inventories by RM4.26 million or 20.31% to RM25.24 million in FYE 2021 (FYE 2020: RM20.98 million) as a result of higher increase in annual production output for decorative paints and protective coatings as compared to the increase in total litres sold for decorative paints and protective coatings. In addition, the increase in inventories is also contributed by the increase in price of raw materials in view of the global supply chain disruption during the COVID-19 pandemic.

Comparison between FYE 2022 and FYE 2021

Total assets increased by RM22.25 million or 28.74% to RM99.67 million in FYE 2022 (FYE 2021: RM77.42 million) mainly due to the increase in total non-current assets and total current assets by RM15.70 million and RM6.55 million, respectively.

The increase in total non-current assets was mainly attributable by the increase in property, plant and equipment by RM15.60 million or 55.81% to RM43.55 million in FYE 2022 (FYE 2021: RM27.95 million) mainly due the additions of property, plant and equipment amounting to RM18.37 million in FYE 2022 mainly for the purchase of Johor Factory 3 and other costs related to the purchase of Johor Factory 3 of RM7.56 million, collectively and capital work-in-progress of RM8.74 million in relation to the Perak Plant.

The increase in total current assets was mainly attributable by the increase in trade and other receivables by RM7.12 million or 37.20% to RM26.26 million in FYE 2022 (FYE 2021: RM19.14 million) due to increase in billings to our customers in the last quarter of FYE 2022.

12. FINANCIAL INFORMATION (Cont'd)

The above increase in current assets was partially offset by the decrease in inventories by RM1.50 million or 5.94% to RM23.74 million in FYE 2022 (FYE 2021: RM25.24 million) mainly due to the decrease in the inventories held for our OEM aerosol spray paints (i.e. Bond7) and decorative paints of approximately RM0.80 million and RM0.49 million, respectively, as we anticipated the stock level is sufficient to meet the demand at that point in time.

(ii) Liabilities

		Audited	
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
LIABILITIES			
Non-current liabilities			
Loans and borrowings	7,444	6,610	12,013
Deferred income	-	-	143
Deferred tax liabilities	285	330	410
Total non-current liabilities	7,729	6,940	12,566
Current liabilities			
Loans and borrowings	10,759	1,035	3,736
Current tax liabilities	308	598	317
Trade and other payables	16,390	14,997	21,365
Contract liabilities	4,099	2,294	1,715
Total current liabilities	31,556	18,924	27,133
TOTAL LIABILITIES	39,285	25,864	39,699

Comparison between FYE 2021 and FYE 2020

Total liabilities decreased by RM13.43 million or 34.18% to RM25.86 million in FYE 2021 (FYE 2020: RM39.29 million) mainly due to the decrease in total non-current liabilities and total current liabilities by RM0.79 million and RM12.64 million, respectively.

The decrease in total non-current liabilities was mainly attributable by the decrease in loans and borrowings by RM0.83 million mainly due to the repayment of term loans in FYE 2021.

The decrease in total current liabilities was mainly attributable by the decrease in loans and borrowings by RM9.72 million mainly due to the absence of bank overdrafts in FYE 2021 as compared to RM9.48 million in FYE 2020.

Comparison between FYE 2022 and FYE 2021

Total liabilities increased by RM13.84 million or 53.52% to RM39.70 million in FYE 2022 (FYE 2021: RM25.86 million) mainly due to the increase in total non-current liabilities and total current liabilities by RM5.63 million and RM8.21 million, respectively.

The increase in total non-current liabilities was mainly attributable by the increase in loans and borrowings by RM5.40 million mainly due to the drawdown of new term loan to finance the acquisition of Johor Factory 3 in FYE 2022.

12. FINANCIAL INFORMATION (Cont'd)

The increase in total current liabilities was mainly attributable by the increase in trade and other payables by RM6.37 million mainly due to the progress billing in relation to the construction of Perak Plant in FYE 2022.

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

Our business has been financed by a combination of internal and external sources of funds. Internal sources of funds comprise shareholders' equity and cash generated from our business operations, while our external sources of funds mainly consist of bank borrowings and credit facilities from licensed financial institutions and credit terms provided by our contractors and suppliers. These funds have mainly been used to finance our business operations and growth.

Based on our audited statement of financial position as at FYE 31 December 2022, our Group has cash and cash equivalents of RM5.06 million and total borrowings of RM15.75 million. As at 31 December 2022, our Group's gearing ratio was 0.26 times and current ratio was 2.06 times.

As at the LPD, our Group has banking facilities available amounting to RM70.78 million, of which approximately RM32.61 million has been utilised/ drawn down for our working capital, purchase of Johor Factory 3 and construction.

Our Directors are of the opinion that after taking into consideration our cash and cash equivalents, the expected profits to be generated from our operations, the amount that is available under our existing banking facilities, our expected future cash flows from operations as well as proceeds expected to be raised from the IPO, we will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus.

12.4.2 Cash flow summary

The summary of our Group's cash flow based on our Group's historical combined statements of cash flows for the Financial Years Under Review is as follows.

	Audited				
	FYE 2020	FYE 2021	FYE 2022		
	RM'000	RM'000	RM'000		
Net cash from operating activities	4,030	12,318	4,826		
Net cash used in investing activities	(5,459)	(1,564)	(5,378)		
Net cash (used in)/ from financing activities	(302)	(2,243)	1,391		
Net (decrease)/increase in cash and cash equivalents	(1,731)	8,511	839		
Cash and cash equivalents at the beginning of the financial year	(2,563)	(4,294)	4,217		
Cash and cash equivalents at the end of the financial year	(4,294)	4,217	5,056		

12. FINANCIAL INFORMATION (Cont'd)

Details of the cash and cash equivalents are as follows:

	Audited				
	FYE 2020	FYE 2021	FYE 2022		
	RM'000	RM'000	RM'000		
Cash and bank balances	5,185	4,217	5,056		
Less: Bank overdrafts	(9,479)	-	-		
Cash and cash equivalents at end of financial year	(4,294)	4,217	5,056		

(a) <u>FYE 2020</u>

Net cash from operating activities

In FYE 2020, our Group recorded net cash from operating activities of RM4.03 million. We have collected approximately RM66.97 million mainly from the following:

- (i) Collections of approximately RM66.57 million from customers;
- (ii) Government subsidy of RM0.39 million from the Malaysian Government; and
- (iii) Tax refund of RM0.01 million from IRB.

The above collections were offset by cash payments of approximately RM62.94 million mainly due to the following:

- (i) Payments to our suppliers of approximately RM40.54 million;
- (ii) Payment of staff costs and other operating expenses of approximately RM20.34 million;
- (iii) Interest paid for bank overdrafts of RM0.26 million; and
- (iv) Tax payments to IRB of RM1.80 million.

Net cash used in investing activities

In FYE 2020, our Group's net cash used in investing activities was RM5.46 million which is mainly attributable to the following:

- (i) purchase of property, plant and equipment of approximately RM5.32 million which comprise mainly the following:
 - (aa) plant and machinery of RM1.29 million for the purchase of Smart Colour POS Tinting Machines and production machinery (such as milling machine, and filling and capping machine);
 - (bb) capital work-in-progress of RM1.43 million mainly in relation to the downpayment for automated paint production system for Perak Plant; and
 - (cc) purchase of Perak Land 2, 3 and 4 of RM1.96 million.
- (ii) Acquisition of Smart Paints (M) of RM0.20 million.

12. FINANCIAL INFORMATION (Cont'd)

Net cash used in financing activities

In FYE 2020, our Group's net cash used in financing activities was RM0.30 million, mainly due to the following cash outflows:

- (i) Repayments of bankers' acceptance of RM2.83 million;
- (ii) Interest paid for term loans and bankers' acceptance of RM0.23 million and RM0.06 million, respectively; and
- (iii) Payment of term loans, lease liabilities and hire purchases of RM0.10 million, RM0.21 million and RM0.17 million, respectively.

The cash outflows above were partially offset by the following cash inflows:

- (i) Drawdown of term loans of RM1.00 million for working capital purposes; and
- (ii) Proceeds from bankers' acceptance of RM2.61 million.

(b) <u>FYE 2021</u>

Net cash from operating activities

In FYE 2021, our Group recorded net cash from operating activities of RM12.32 million. We have collected approximately RM83.15 million mainly from the following:

- (i) Collections of approximately RM82.94 million from customers; and
- (ii) Government subsidy of RM0.21 million from the Malaysian Government.

The above collections were offset by cash payments of approximately RM70.83 million mainly due to the following:

- (i) Payments to our suppliers of approximately RM42.71 million;
- (ii) Payment of staff costs and other operating expenses of approximately RM24.42 million;
- (iii) Interest paid for bank overdrafts of RM0.21 million; and
- (iv) Tax payments to IRB of RM3.49 million.

Net cash used in investing activities

In FYE 2021, our Group's net cash used in investing activities was RM1.56 million which is mainly attributable to the purchase of property, plant and equipment of approximately RM1.63 million which comprise mainly the following:

- (i) plant and machinery of RM1.04 million mainly for the purchase of machineries required to set up the testing module for the automated paint production system in Johor Factory 1 and Smart Colour POS Tinting Machines; and
- (ii) motor vehicles of RM0.27 million mainly for the purchase of lorries used for the delivery of goods to our customers.

12. FINANCIAL INFORMATION (Cont'd)

Net cash used in financing activities

In FYE 2021, our Group's net cash used in financing activities was RM2.24 million mainly due to the following cash outflows:

- (i) Dividends paid to shareholders of RM0.65 million;
- (ii) Interest paid for term loans of RM0.26 million; and
- (iii) Payment of term loans and lease liabilities of RM0.57 million and RM0.49 million, respectively.

The cash outflows above were partially offset by the proceeds from bankers' acceptance of RM0.46 million.

(c) FYE 2022

Net cash from operating activities

In FYE 2022, our Group recorded net cash from operating activities of RM4.83 million. We have collected approximately RM71.93 million mainly from the following:

- (i) Collections of approximately RM71.70 million from customers; and
- (ii) Government subsidy of RM0.23 million from the Malaysian Government.

The above collections were offset by cash payments of approximately RM67.10 million mainly from the following:

- (i) Payments to our suppliers of approximately RM40.17 million;
- (ii) Payment of staff costs and other operating expenses of approximately RM24.07 million;
- (iii) Interest paid for bank overdrafts of RM0.06 million; and
- (iv) Tax payments to IRB of RM2.80 million.

Net cash used in investing activities

In FYE 2022, our Group's net cash used in investing activities was RM5.38 million which is mainly attributable to the purchase of property, plant and equipment of approximately RM5.42 million which comprise mainly the following:

- capital work-in-progress of RM2.53 million in relation to the construction of our Perak Plant;
- (ii) freehold land and buildings of RM1.08 million in relation to Johor Factory 3; and
- (iii) plant and machinery of RM1.29 million mainly for the purchase of Smart Colour POS Tinting Machines and production machinery (such as filling and capping machine).

The cash outflows above were partially offset by the cash inflows from the proceeds received from government grants of RM0.14 million for the implementation of the Industry 4.0 System which includes the implementation of software, maintenance services and the training of the key users and department heads for our Group.

12. FINANCIAL INFORMATION (Cont'd)

Net cash from financing activities

In FYE 2022, our Group's net cash from financing activities was RM1.39 million mainly due to the proceeds from bankers' acceptance of RM4.86 million.

The cash inflows above were partially offset by the following main cash outflows:

- (i) Repayments of bankers' acceptance of RM2.16 million;
- (ii) Dividends paid to shareholders of RM0.35 million;
- (iii) Interest paid for term loans and bankers' acceptance of RM0.36 million and RM0.08 million, respectively; and
- (iv) Payment of term loans, lease liabilities and hire purchases of RM0.67 million, RM0.36 million and RM0.12 million, respectively.

12. FINANCIAL INFORMATION (Cont'd)

12.4.3 Loans and borrowings

The table below sets out the details of our Group's bank borrowings and hire purchase payables as at 31 December 2022.

						udited FYE 2	022
		Tenure	Interest rate per	Facility	Payable within 12	Payable after 12	Total amount
		of the	annum	limit	months	months	outstanding
	Purpose	facility	%	RM'000	RM'000	RM'000	RM'000
Term loans	To part finance the purchase of Johor Factory 2	15 years	Base Lending Rate – 2.10%	3,109	306	2,675	2,981
	To part finance the purchase of Johor Factory 1	20 years	Base Financing Rate – 2.40%	2,859	123	2,470	2,593
	To part finance the purchase of Johor Factory 3	20 years	Base Lending Rate – 2.40%	6,480	224	6,232	6,456
	Working capital	5 years	3.50%	770	197	493	690
		-			850	11,870	12,720
Hire purchase payables	To part finance the purchase of motor vehicles	4 years	4.10%	200	51	53	104
		9 years	4.55%	100	10	-	10
Bankers' acceptance	Working capital	Up to 120 days	Cost Of Funds + 1.00% to	12,000	2,702	-	2,702
			1.50%		2,702	_	2,702
Total				}	3,613	11,923	15,536
Gearing ratio (times) ⁽¹⁾							0.26

Note:

(1) Calculated based on total borrowings (excluding lease liabilities) divided by total equity.

All our borrowings are interest bearing and denominated in RM.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the borrowings for the Financial Years Under Review and up to the LPD.

12. FINANCIAL INFORMATION (Cont'd)

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

For the Financial Years Under Review, we have not experienced any clawback or reduction in the facilities limit granted to us by our lenders.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

The financial instruments of our Group which are used in the ordinary course of business of our Group, from an accounting perspective, may include financial assets such as, amongst others, fixed deposits with licenced banks, cash and bank balances, trade and other receivables excluding prepayment and other investments as well as financial liabilities such as, amongst others, trade payables, other payables, lease liabilities and bank borrowings.

Our treasury objective is to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from business operation and financial liabilities, if any, by maintaining adequate liquidity and credit facilities. We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles.

We have historically relied on cash generated from our operating activities, credit extended by our vendors, credit lines such as invoice financing, lease payables and term loans. Our funding objective is to obtain the most suitable types of financing and favourable cost of funding as and when our financing needs arise. Bank borrowings are negotiated with a view to secure the best possible terms and rates of interest.

As at the LPD, save for the bank borrowings and hire purchase payables as disclosed in Section 12.4.3 of this Prospectus, our Group does not use any other financial instruments.

12.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITIES

12.6.1 Material capital commitments

Save as disclosed below, and as at the LPD, our Group does not have any material capital commitment:

	RM'000
Authorised and contracted for:	
(a) Construction of Perak Plant	8,332(1)
(b) Painting Works on Perak Plant	1,079(2)
(c) Purchase and commissioning of automated paint production system in Perak Plant	6,975 ⁽³⁾
(d) Purchase and commissioning of equipment in Perak Plant	551 ⁽⁴⁾
(e) Implementation of Industry 4.0 System	231(5)
Total material capital commitments	17,168

12. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) The total estimated construction cost of our Perak Plant is approximately RM28.20 million As at the LPD, the progress billing amounting to approximately RM19.87 million (excluding variation order) has been billed.
- (2) The total estimated cost for Painting Works on our Perak Plant is approximately RM1.51 million. As at the LPD, the progress billing amounting to approximately RM0.43 million has been billed.
- (3) The total estimated cost for the purchase and commissioning of automated paint production system in our Perak Plant is USD3.10 million. As at the LPD, a total sum of USD1.55 million has been paid using internally generated funds and bank borrowings. The remaining sum of USD1.55 million, equivalent to approximately RM6.98 million (based on BNM exchange rate as at LPD) will be paid via the draw down of the banking facility.
- (4) Mainly for the purchase of air compressor comprising 1 unit of air receiver tank and 1 unit of air dryer, and installation of industrial waste water treatment system in our Perak Plant.
- (5) The total estimated cost for the implementation of Industry 4.0 System is approximately RM0.45 million. As at the LPD, a total sum of RM0.22 million has been billed.

12.6.2 Material litigation

As at the date of this Prospectus, our Group is not engaged in any governmental proceedings and/or any material litigation, claim and/or arbitration, whether as plaintiff or defendant, which might materially and adversely affect our financial position or the profitability of our Group. Our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact to give rise to any legal proceeding which may materially and adversely affect our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

12.6.3 Contingent liabilities

As at the LPD, our Directors confirm that there are no material contingent liabilities incurred by our Group, which upon becoming enforceable, may have a material effect on our Group's business, financial results or position.

12.7 KEY FINANCIAL RATIOS

The following table sets out certain key financial ratios of our Group based on the combined financial statements of our Group for the Financial Years Under Review:

		Audited	
	FYE 2020	FYE 2021	FYE 2022
Average trade receivables turnover period (days) ⁽¹⁾	115	95	99
Average trade payables turnover period (days)(2)	62	63	72
Average inventory turnover period (days)(3)	134	159	161
Current ratio (times) ⁽⁴⁾	1.63	2.60	2.06
Gearing ratio (times) ⁽⁵⁾	0.41	0.14	0.26
, ,			

Notes:

- (1) Based on the average trade receivables of the respective financial years over total revenue of the respective financial years, and multiplied by 365 days.
- (2) Based on the average trade payables of the respective financial years over total purchases of the respective financial years, and multiplied by 365 days.
- (3) Based on the average inventory of the respective financial years over total cost of sales of the respective financial years, and multiplied by 365 days.

12. FINANCIAL INFORMATION (Cont'd)

- (4) Based on current assets over current liabilities.
- (5) Based on total borrowings (excluding lease liabilities) divided by total equity.

12.7.1 Trade receivables turnover period

Our average trade receivables turnover period for the Financial Years Under Review is as follows:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Opening trade receivables	21,690	23,611	17,741
Closing trade receivables	23,611	17,741	25,247
Average trade receivables	22,651	20,676	21,494
Revenue	71,599	79,766	79,218
Average trade receivables turnover period (days)	115	95	99

Generally, our normal trade terms granted to customers ranges from 30 to 150 days. The credit term for each customer may vary depending on various factors including the length of business relationship, their payment track record, creditworthiness and credit limit.

Our average trade receivables turnover period as at 31 December 2020, 31 December 2021 and 31 December 2022 were recorded at 115 days, 95 days and 99 days, respectively, which are all within the normal credit period granted to our customers.

Our average trade receivables turnover period decreased to 95 days in FYE 2021 (FYE 2020: 115 days) due to higher collections from customers recorded in FYE 2021.

Our average trade receivables turnover period increased to 99 days in FYE 2022 (FYE 2021: 95 days) mainly due to increase in trade receivables as a result of increase in sales during the last quarter of FYE 2022 where most of our trade receivables are not past due.

The aging analysis of our trade receivables as at 31 December 2022 is as follows:

	Within	Exceeding credit period				
	normal			121-		
	credit	1-60	61-120	150	> 150	
	period	days	days	days	days	Total
Trade receivables (RM'000)	19,794	1,628	1,357	469	1,999	25,247
Percentage of total trade receivables (%)	78.40	6.45	5.37	1.86	7.92	100.00
Subsequent collections up to the LPD (RM'000)	18,925	1,582	595	95	1,097	22,294
Trade receivables net of subsequent collections (RM'000)	869	46	762	374	902	2,953
Percentage of total trade receivables (net of subsequent collections) (%)	29.43	1.56	25.82	12.66	30.55	100.00

As at 31 December 2022, our total trade receivables stood at approximately RM25.25 million, with approximately RM5.45 million or 21.60% of our trade receivables exceeding the normal credit period.

12. FINANCIAL INFORMATION (Cont'd)

As at the LPD, the net trade receivables were mainly due to an amount owing that is past due for more than 150 days totalling to RM1.08 million by one of our customers, Paints Depot. Our subsidiary, Smart Paint Manufacturing has entered into a settlement agreement with Paints Depot on 28 December 2022 in respect of the set off of debt owed by Paints Depot to Smart Paint Manufacturing. The debt owed will be set off by the provision of Painting Works done by Paints Depot on our Perak Plant. As at the LPD, the Painting Works is pending completion and is estimated to be completed by November 2023.

As at the LPD, a total of RM22.29 million was collected which represent 88.30% of the amount outstanding as at 31 December 2022. The remaining balance of RM2.95 million or 11.70% of our trade receivables have yet to be collected as at LPD. Our Group has not encountered any major disputes with our trade receivables and majority of the trade receivables as at 31 December 2022 were within the normal credit period. Hence, our Board is of the opinion that the remaining outstanding trade receivables are recoverable and will monitor closely the recoverability of the said receivables on a regular basis, and when required, provide for impairment of these receivables.

12.7.2 Trade payables turnover period

Our average trade payables turnover period for the Financial Years Under Review is as follows:

	Audited			
	FYE 2020 FYE 2021 FYE 2			
	RM'000	RM'000	RM'000	
Opening trade payables	7,656	8,046	8,110	
Closing trade payables	8,046	8,110	9,784	
Average trade payables	7,851	8,078	8,947	
Purchases	45,851	46,892	45,140	
Average trade payables turnover period (days)	62	63	72	

Generally, the normal trade payables turnover period granted by our suppliers ranges from 30 and 90 days, depending on the suppliers used for the financial year.

Our Group's average trade payables turnover period as at 31 December 2020, 31 December 2021 and 31 December 2022 were recorded at 62 days, 63 days and 72 days, respectively. All our average trade payables turnover periods are within the normal credit period granted by our suppliers.

Our average trade payables turnover period remained relatively unchanged from 62 days in FYE 2020 to 63 days in FYE 2021.

Our average trade payables turnover period increased to 72 days in FYE 2022 (FYE 2021: 63 days) mainly due to increase in purchase of raw material and trading goods in December 2022 where most of our trade payables are not past due.

12. FINANCIAL INFORMATION (Cont'd)

The aging analysis of our trade payables as at 31 December 2022 is as follows:

	Within Exceeding credit period					
	normal			121-		
	credit	1-60	61-120	150	> 150	
	period	days	days	days	days	Total
Trade payables (RM'000)	8,092	1,692	-	-	-	9,784
Percentage of total trade payables (%)	82.71	17.29	-	-	-	100.00
Subsequent payments up to the LPD (RM'000)	8,092	1,692	-	-	-	9,784
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-	-
Percentage of total trade payables (net of subsequent payments) (%)	-	-	-	-	-	-

As at 31 December 2022, our total trade payables stood at RM9.78 million, with nil trade payables exceeding the normal credit period.

As at the LPD, a total of RM9.78 million has been paid by our Group, which represent 100.00% from the amount outstanding as at 31 December 2022.

As at the LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

12.7.3 Inventory turnover period

Our inventories comprise raw materials, work-in-progress and finished goods. Our average inventory turnover period for the Financial Years Under Review is as follows:

	Audited			
	FYE 2020	FYE 2022		
	RM'000	RM'000	RM'000	
Opening inventories	14,860	20,978	25,239	
Closing inventories	20,978	25,239	23,744	
Average inventories	17,919	23,109	24,492	
Cost of sales	48,812	53,048	55,683	
Average inventory turnover period (days)	134	159	161	

Our inventories mainly comprise the following:

- (a) raw materials such as binder, pigment, additive, solvent, extender and colour paste;
- (b) packaging materials;
- (c) finished goods; and
- (d) trading products.

Our average inventory turnover period as at 31 December 2020, 31 December 2021 and 31 December 2022 were recorded at 134 days, 159 days and 161 days, respectively.

12. FINANCIAL INFORMATION (Cont'd)

There was an increase in the average inventory turnover period to 159 days for the FYE 2021 (FYE 2020: 134 days) as a result of higher increase in annual production output for decorative paints and protective coatings as compared to the increase in total litres sold for decorative paints and protective coatings.

The average inventory turnover period as at 31 December 2022 remained relatively unchanged at 161 days as compared to 159 days as at 31 December 2021.

12.7.4 Current ratio

Our current ratio for the Financial Years Under Review is as follows:

	Audited			
	FYE 2020 FYE 2021 FYE 2			
	RM'000	RM'000	RM'000	
Current assets	51,324	49,244	55,790	
Current liabilities	31,556	18,924	27,133	
Current ratio (times)	1.63	2.60	2.06	

Our Group's current ratio ranges from 1.63 times to 2.60 times for the Financial Years Under Review. This indicates that our Group is able to meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our cash and bank balances is sufficient to meet our immediate current liabilities.

Our Group's current ratio improved from 1.63 times for the FYE 2020 to 2.60 times for the FYE 2021. This was mainly due to the following:

- (a) increase in inventories by RM4.26 million to RM25.24 million (as at 31 December 2020: RM20.98 million) as a result of higher increase in annual production output for decorative paints and protective coatings as compared to the increase in total litres sold for decorative paints and protective coatings. In addition, the increase in inventories is also contributed by the increase in price of raw materials in view of the global supply chain disruption during the COVID-19 pandemic; and
- (b) nil bank overdrafts balance as at 31 December 2021 (as at 31 December 2020: RM9.48 million) mainly due to the increase in internally generated funds from our business operation.

The abovementioned were partially offset by the decrease in trade receivables of approximately RM5.87 million mainly due to higher collection from customers of our company.

Our Group's current ratio deteriorated from 2.60 times for the FYE 2021 to 2.06 times for the FYE 2022. This was mainly due the following:

- (a) decrease in inventories of approximately RM1.50 million to RM23.74 million (as at 31 December 2021: RM25.24 million) mainly due to decrease in inventories held for our OEM aerosol spray paints (i.e. Bond7) and decorative paints of approximately RM0.80 million and RM0.49 million, respectively, as we anticipated the stock level is sufficient to meet the demand at that point in time;
- (b) increase in bankers' acceptance balance by RM2.70 million as at 31 December 2022 (as at 31 December 2021: nil) to finance the purchase of raw materials;
- (c) increase in trade payables of approximately RM1.67 million mainly due to increase in purchase of raw material and trading goods in December 2022; and

12. FINANCIAL INFORMATION (Cont'd)

(d) increase in other payables of approximately RM4.69 million mainly due to the progress billing in relation to the construction of Perak Plant in FYE 2022.

The abovementioned were partially offset by the increase in trade receivables of approximately RM7.51 million mainly due to increase in sales during the last quarter of FYE 2022.

12.7.5 Gearing ratio

Our gearing ratio for the Financial Years Under Review is as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	
	RM'000	RM'000	RM'000	
Short term				
Term loans	613	574	850	
Hire purchase payables	177	120	61	
Bankers' acceptance	-	-	2,702	
Bank overdrafts	9,479	-	ı	
Total short-term bank borrowings	10,269	694	3,613	
Long term				
Term loans	6,865	6,334	11,870	
Hire purchase payables	79	117	53	
Total long-term bank borrowings	6,944	6,451	11,923	
Total bank borrowings	17,213	7,145	15,536	
Shareholders' funds/net assets				
Invested equity	51,875	51,875	51,800	
Reorganisation reserve	(25,783)	(25,783)	(25,783)	
Retained earnings	15,484	25,514	33,828	
Non-controlling interest	(63)	(53)	121	
Total shareholders' funds/net assets	41,513	51,553	59,966	
Gearing ratio (times)	0.41	0.14	0.26	

Our gearing ratio ranges from 0.14 times to 0.41 times from FYE 2020 to FYE 2022.

Our gearing ratio has decreased from 0.41 times as at 31 December 2020 to 0.14 times as at 31 December 2021 mainly due to the reduction in bank overdrafts as mentioned in Section 12.7.4 of this Prospectus and the increase in our Group's retained earnings arising from the net profits recorded during FYE 2021.

Our gearing ratio has increased from 0.14 times as at 31 December 2021 to 0.26 times as at 31 December 2022 as a result of the increase in our bank borrowings of approximately RM8.39 million. The increase in bank borrowings is mainly due to drawdown of new term loan to finance the acquisition of Johor Factory 3 and increase in bankers' acceptance of RM2.70 million to finance the purchase of raw materials.

12. FINANCIAL INFORMATION (Cont'd)

12.8 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Section 9 details a number of risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact to our Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

12.8.1 We are dependent on our wholesalers, dealers and authorised distributors to distribute and sell our products to retail end-users

Our products are primarily distributed to our network of wholesalers, dealers and authorised distributors for onward sale to retail end-users. This is evidenced by the revenue contribution from our wholesalers, dealers and authorised distributors which accounted for 95.06%, 96.84% and 98.53% of our total revenue for the Financial Years Under Review, respectively. As at the LPD, our Group has a total of 8 wholesalers and 747 dealers across Malaysia, and 12 authorised distributors overseas.

There is no assurance that our existing wholesalers, dealers and authorised distributors will continue to purchase our products in the future or that the demand from them will continue to increase or be sustained at current levels in the future. Any loss of parties and our inability to replace them with new wholesalers, dealers and authorised distributors or with additional orders from existing wholesalers, dealers and authorised distributors in a timely manner, as well as continued decline in orders from existing wholesalers, dealers and authorised distributors, could result in a loss of revenue and will have an adverse impact on our Group's financial performance.

12.8.2 We are dependent on the construction and manufacturing industries in Malaysia for our continued success and growth

The performance of our business is dependent on the construction (i.e. new building and infrastructure construction, as well as renovation of existing buildings and infrastructure) and manufacturing industries as we primarily provide decorative paints and protective coatings for household and industrial applications. Thus, our growth is likely to move in tandem with the performance of the construction and manufacturing industries.

As such, a decline in the construction and manufacturing industries may lead to a slowdown in the demand for our decorative paints and protective coatings which could result in a loss of revenue and will have an adverse impact on our Group's financial performance.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance from FYE 2020 to FYE 2022 except for the MCO imposed as detailed in Section 7.5 of this Prospectus.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risk relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

12.10 IMPACT OF INFLATION

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation during the Financial Years Under Review. However, any significant increase in future inflation may adversely affect our Group's operation and financial performance if we are unable to pass on the increase in costs to our customers by increasing our selling prices.

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

12.11.1 Impact of foreign exchange rate

We are exposed to foreign exchange transaction risk which arises from our revenue and purchases exposure to USD and SGD. The revenue generated from our export sales are denominated in USD and SGD, and it collectively contributed 7.97%, 5.38% and 6.13% to our Group's total revenue for the Financial Years Under Review, respectively. Our supplies which are sourced from overseas are denominated in USD and SGD, and it collectively contributed 24.51%, 20.92% and 27.76% to our Group's total purchases for the Financial Years Under Review, respectively.

As a result of the above, our Group is subject to the risk arising from the fluctuation in exchange rate for the revenue generated from our export sales as well as foreign currency exchange gains or losses arising from the timing of billing/invoices and actual payment received from our customers. As at the LPD, our Group does not have any foreign exchange contracts.

Any significant change in foreign exchange rates may affect our Group's financial results.

Notwithstanding the above, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

Our sales and purchases in the respective currencies for the Financial Years Under Reviews are as follows:

	FYE 2	020	FYE 20)21	FYE 2022		
	RM'000	%	RM'000	%	RM'000	%	
Sales denominated							
in:							
RM	65,891	92.03	75,474	94.62	74,359	93.87	
USD	4,279	5.97	2,574	3.23	2,584	3.26	
SGD	1,429	2.00	1,718	2.15	2,275	2.87	
Total	71,599	100.00	79,766	100.00	79,218	100.00	
Purchases							
denominated in:							
RM	34,615	75.49	37,081	79.08	32,610	72.24	
USD	10,922	23.82	9,618	20.51	12,172	26.97	
SGD	314	0.69	193	0.41	358	0.79	
Total	45,851	100.00	46,892	100.00	45,140	100.00	
	-		·		•		

Details of the risks of the impact of foreign exchange rate to our business and operations is set out in Section 9.1.8 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

12.11.2 Impact of interest rate

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratios for the Financial Years Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
EBIT (RM'000)	9,975	14,456	11,724
Finance costs (RM'000)	574	525	520
Interest coverage ratio (times)(1)	17.38	27.54	22.55

Note:

(1) Computed based on EBIT over finance costs for the Financial Years Under Review.

Our interest coverage ratio of between 17.38 times and 27.54 times for the Financial Years Under Review indicates that our Group has been able to generate sufficient EBIT to meet our interest serving obligations.

Our Group's financial results for the Financial Years Under Review were not materially affected by fluctuations in interest rates. However, in view that the interests charged on our bank borrowings are dependent on prevailing interest rates, any significant increase in interest rates will significantly increase our interest expenses and hence, will have an adverse impact on our financial performance.

Details of the risks of the impact of interest rate to our business and operations is set out in Section 9.1.11 of this Prospectus.

12.11.3 Impact of commodity prices

The raw materials used in our manufacturing activities comprise binders, pigment, additives, solvent, extender and colour paste, which collectively contributed 63.17%, 66.77% and 73.05% of our Group's purchases in Financial Years Under Review, respectively.

The prices of certain raw materials such as binder, pigment, solvent and additives are subject to price fluctuations as a result of, amongst others, fluctuations in energy costs, global demand and supply conditions, as well as global and regional economic conditions (e.g. uncertainties arising from the United States-China trade war or sanctions on Russia). As such, any material increase in the prices of the abovementioned raw materials may result in substantial increase in our cost of sales, thus affecting our financial performance should we fail to pass the increase in cost to our customers.

In addition, any sudden shortages of raw materials may affect our business operations and that there is no assurance that we will be able to obtain raw materials from new suppliers in a timely manner or at reasonably acceptable prices. In the event that we are required to pay higher prices to new suppliers for these raw materials and that we are unable to pass on the increase in cost to our customers in a timely manner, it may adversely affect our financial condition and results of operations.

Details of the risks of the impact of commodity prices to our business and operations is set out in Section 9.2.2 of this Prospectus.

12.12 ORDER BOOK

We do not maintain an order book due to the nature of our business. We generate our revenue as and when we deliver our products based on purchase orders received.

12. FINANCIAL INFORMATION (Cont'd)

12.13 TREND INFORMATION

As at the LPD, our Board confirms that our operation has not been and are not expected to be affected by any of the following:

- (a) known trends, demands, commitments, events, or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in Sections 7, 8, 9 and 12.3 of this Prospectus;
- (b) material commitment for capital expenditure, save as set out in Section 12.6.1 of this Prospectus;
- (c) unusual, infrequent events, or transactions or any significant economic changes that have materially affected the financial performance, position, and operations on our Group save as discussed in Sections 9 and 12.3 of this Prospectus;
- (d) known trends, demands, commitments, events, or uncertainties that had resulted in a material impact on our Group revenue and/or profits, save as disclosed in Sections 7, 8 and 12.3 of this Prospectus;
- (e) known trends, demands, commitments, events, or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in Sections 9 and 12 of this Prospectus; and
- (f) known trends, demands, commitments, events, or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, save as disclosed in Sections 7, 9 and 12 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the paints and coatings industry in Malaysia as set out in Section 8 of this Prospectus, our competitive strengths as set out in Section 7.6 of this Prospectus and our business strategies and future plans as set out in Section 7.22 of this Prospectus.

12.14 DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy. As we are holding company, our ability to declare and pay dividends or make other distributions to our shareholders are depended upon the dividends we receive from our subsidiaries, present and future. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, amongst others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

- (a) The availability of adequate reserves and cash flows;
- (b) Our operating cash flow requirements and financial commitments;
- (c) Our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (d) Any material impact of tax laws and other regulatory requirements;
- (e) The prior consent from our banking institutions, if any; and

12. FINANCIAL INFORMATION (Cont'd)

(f) Compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies.

The dividends paid by our Group during the Financial Years Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
PAT attributable to owners of our	7,489	10,680	8,665
Group Dividends paid	_	650 ⁽²⁾	351 ⁽²⁾
Dividend payout ratio (%) ⁽¹⁾	-	6.09	4.05

Notes:

- (1) Computed based on dividends paid over PAT attributable to owners of our Group for each financial year.
- (2) The dividends paid in FYE 2021 and FYE 2022 were funded via internally generated funds.

Subsequent to the FYE 2022 and up to the LPD, there are no dividend declared, made or paid by our Group to our shareholders. Our Group has no intention to declare any dividends prior to our Listing.

The level of dividends should also not be treated as an indication of our Group's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

12.15 CAPITAL INVESTMENTS AND DIVESTITURES

(a) Capital investments

Our capital investments for the Financial Years Under Review up to the LPD are set out below:

				1 January 2023 up to the
	FYE 2020	FYE 2021	FYE 2022	LPD
Description	RM'000	RM'000	RM'000	RM'000
Freehold lands	-	-	4,536	18
Buildings	-	-	3,023	-
Computers and software	199	147	86	38
Furniture and fittings	38	28	102	43
Office equipment	24	25	11	15
Plant and machinery	1,290	1,042	1,289	53
Motor vehicles	341	274	-	371
Renovation	239	49	330	61
Capital work-in-progress	1,425	69	8,735	13,621
Total	3,556	1,634	18,112	14,220

12. FINANCIAL INFORMATION (Cont'd)

Our capital investments were primarily funded via a combination of bank borrowings and internally generated funds.

- (i) For FYE 2020, our capital investments of RM3.56 million mainly comprise of the following:
 - (aa) purchase of 67 units of Smart Colour POS Tinting Machines;
 - (bb) purchase of 1 unit of milling machine; and
 - (cc) downpayment for the purchase and commissioning of automated paint production system in Perak Plant.
- (ii) For FYE 2021, our capital investments of RM1.63 million mainly comprise of the following:
 - (aa) purchase of machineries required to set up the testing module for the automated paint production system; and
 - (bb) purchase of 21 units of Smart Colour POS Tinting Machine.
- (iii) For FYE 2022, our capital investments of RM18.11 million mainly comprise of the following:
 - (aa) purchase of 87 units of Smart Colour POS Tinting Machine;
 - (bb) purchase of freehold land and buildings in relation to Johor Factory 3; and
 - (cc) cost incurred for the construction of Perak Plant.
- (iv) As at the LPD, our capital investments of RM14.22 million mainly comprise cost incurred for the construction of Perak Plant.

(b) Capital divestitures

Our capital divestitures for the Financial Years Under Review up to the LPD are set out below:

	FYE 2020	FYE 2021	FYE 2022	1 January 2023 up to the LPD
Description	RM'000	RM'000	RM'000	RM'000
Computers and software	-	-	26	-
Plant and machinery	-	-	114	-
Motor vehicles	57	40	33	-
Total	57	40	173	-

The above capital divestitures was carried out in the ordinary course of business.

- (i) For FYE 2020, our capital divestitures of RM0.06 million was mainly from the disposal of 2 units of motor vehicle.
- (ii) For FYE 2021, our capital divestitures of RM0.04 million was mainly from the disposal of 2 units of motor vehicle.

12. FINANCIAL INFORMATION (Cont'd)

(iii) For FYE 2022, our capital divestitures of RM0.17 million was mainly from the disposal of 17 units of our Smart Colour POS Tinting Machine mainly to our authorised distributor in Cambodia, namely Kung Huy Construction Material Supply Co. Ltd. The disposal to our authorised distributor is due to them being located overseas and we do not collect maintenance fee from them.

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13. ACCOUNTANTS' REPORT



Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) Chartered Accountants (AF 0117) Baker Tilly Tower Level 10, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur, Malaysia

T:+603 2297 1000 F:+603 2282 9980

info@bakertilly.my www.bakertilly.my

24 August 2023

The Board of Directors

Smart Asia Chemical Bhd

No. 11, Jalan Indah Gemilang 5

Taman Perindustrian Gemilang
81800 Ulu Tiram, Johor, Malaysia

Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Smart Asia Chemical Bhd ("Smart Asia" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Company and its combining entities as defined in Note 2 to the combined financial statements (collectively known as the "Group"), which comprise of the combined statements of financial position as at 31 December 2020, 31 December 2021 and 31 December 2022 of the Group, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 7 to 97.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 and of its financial performance and its cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.



SMART ASIA CHEMICAL BHD

(Incorporated in Malaysia)

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws* (on *Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.



SMART ASIA CHEMICAL BHD

(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements
 of the Group, including the disclosures, and whether the combined financial statements of
 the Group represent the underlying transactions and events in a manner that achieves fair
 presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities
 or business activities within the Group to express an opinion on the combined financial
 statements of the Group. We are responsible for the direction, supervision and performance
 of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



SMART ASIA CHEMICAL BHD

(Incorporated in Malaysia)

Other Matter

This report is made solely to the board of directors of the Company and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the proposed listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other persons for the content of this report.

BAHIMM

Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) & AF 0117 Chartered Accountants

Paul Tan Hong No. 03459/11/2023 J Chartered Accountant

Kuala Lumpur

Date: 24 August 2023

SMART ASIA CHEMICAL BHD

Accountants' Report

STATEMENT BY DIRECTORS

We, **GOH CHYE HIN** and **KEE HUI LANG**, being two of the directors of SMART ASIA CHEMICAL BHD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Prospectus Guidelines so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 and of its financial performance and its cash flows for the financial years then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

GOH CHYE HIM

Director

KEE HUI LANG

Director

Kuala Lumpur

Date: 2 4 AUG 2023

SMART ASIA CHEMICAL BHD

Accountants' Report

STATUTORY DECLARATION

I, JIU CHIEH YIN, being the officer primarily responsible for the financial management of SMART ASIA CHEMICAL BHD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying combined financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SNU

JIU CHIEH YIN

(MIA Membership No: 39380)

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on

2 4 AUG 2023

Before me,

W 761
HADINUR MOHD SYARIF
16.01.2022 - 31.12.2024

Commissioner for Oather

CHAMBERS TWENTY - FIVE

NO 25, JALAN TUNKU, BUKIT TUNKU

50480 KUALA LUMPUR

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

		← As at 31 December —			
	Note	2020 R M '000	2021 RM'000	2022 RM'000	
ASSETS					
Non-current assets					
Property, plant and equipment	5	28,994	27,954	43,549	
Intangible asset	6	-	-	190	
Other investment Deferred tax assets	7 8	385 95	-	- 126	
	• -		219	136	
Total non-current assets	_	29,474	28,173	43,875	
Current assets					
Inventories	9	20,978	25,239	23,744	
Current tax assets	4.0	142	604	699	
Trade and other receivables Contract assets	10	24,727	19,136	26,264	
Cash and bank balances	11 12	292 5,185	48 4,217	27 5,056	
	-		4,217		
Total current assets	_	51,324	49,244	55,790	
TOTAL ASSETS	_	80,798	77,417	99,665	
EQUITY AND LIABILITIES					
Equity attributable to					
owners of the Group Invested equity	13	E1 07E	E4 07E	E4 000	
Reorganisation reserve	13	51,875 (25,783)	51,875 (25,783)	51,800 (25,783)	
Retained earnings	17	15,484	25,763 <i>)</i> 25,514	33,828	
	-				
Nico controlle e Setonost		41,576	51,606	59,845	
Non-controlling interest	_	(63)	(53)	121	
TOTAL EQUITY	_	41,513	51,553	59,966	

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	← As at 31 December —					
	Note	2020 RM'000	2021 RM'000	2022 RM'000		
Non-current liabilities						
Loans and borrowings	15	7,444	6,610	12,013		
Deferred income	16	-	-	143		
Deferred tax liabilities	8	285	330	410		
Total non-current liabilities	-	7,729	6,940	12,566		
Current liabilities						
Loans and borrowings	15	10,759	1,035	3,736		
Current tax liabilities		308	598	317		
Trade and other payables	17	16,390	14,997	21,365		
Contract liabilities	11	4,099	2,294	1,715		
Total current liabilities		31,556	18,924	27,133		
TOTAL LIABILITIES	_	39,285	25,864	39,699		
TOTAL EQUITY AND LIABILITIES		80,798	77,417	99,665		

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	← 2020 RM'000	E 31 December 2021 RM'000	2022 RM'000
Revenue Cost of sales	18	71,599 (48,812)	79,766 (53,048)	79,218 (55,683)
Gross profit Other income Selling and distribution expenses Administrative expenses Other operating expenses	19	22,787 514 (10,045) (3,196) (85)	26,718 448 (8,300) (3,658) (752)	23,535 749 (8,032) (4,243) (285)
Operating profit Finance income Finance costs	20 21	9,975 * (574)	14,456 * (525)	11,724 - (520)
Profit before tax Income tax expense	22 24	9,401 (1,959)	13,931 (3,241)	11,204 (2,590)
Profit for the financial year, representing total comprehensive income for the financial year	-	7,442	10,690	8,614
Profit/(loss) attributable to: Owners of the Group Non-controlling interest	-	7,489 (47) 7,442	10,680 10 10,690	8,665 (51) 8,614
Total comprehensive income/(loss) attributable to: Owners of the Group Non-controlling interest	-	7,489 (47)	10,680 10	8,665 (51)
Earning per share (RM)	-	7,442	10,690	8,614
- Basic and diluted	25	0.14	0.21	0.17

^{*} Less than 1,000

13. ACCOUNTANTS' REPORT (Cont'd)

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attr	ibutable to owners	of			
	Note	Invested equity RM*000	the Group — Reorganisation reserve RM*000	Retained earnings	Sub-total RM 000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2020 Total comprehensive income/(loss) for the financial year		52,075	(25,783)	7,995	34,287	(16)	34,271
Profit for the financial year, representing total comprehensive income/(loss) for the financial year		-	-	7,489	7,489	(47)	7,442
Transaction with owners Adjustment pursuant to merger accounting	1(a)	(200)	-	-	(200)	-	(200)
At 31 December 2020	_	51,875	(25,783)	15,484	41,576	(63)	41,513

13. ACCOUNTANTS' REPORT (Cont'd)

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		•	the Group —				
	Note	Invested equity RM'000	Reorganisation reserve RM7000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interest RM7000	Total equity RM'000
At 1 January 2021		51,875	(25,783)	15,484	41,576	(63)	41,513
Total comprehensive income for the financial year							
Profit for the financial year, representing total comprehensive income for the financial year		-	-	10,680	10,680	10	10,690
Transactions with owners Dividend paid on shares	26		-	(650)	(650)	-	(650)
At 31 December 2021	_	51,875	(25,783)	25,514	51,606	(53)	51,553

13. ACCOUNTANTS' REPORT (Cont'd)

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attr	ibutable to owners	of			
	Note	Invested equity	the Group — Reorganisation reserve RM'000	Retained earnings	Sub-total RM'000	Non-controlling interest RM*000	Total equity RM'000
At 1 January 2022		51,875	(25,783)	25,514	51,606	(53)	51,553
Total comprehensive income/(loss) for the financial year							
Profit for the financial year, representing total comprehensive income/(loss) for the financial year		-	-	8,665	8,665	(51)	8,614
Transactions with owners Adjustment pursuant to	Г					·	
merger accounting Combining entity issue of	1(a)	(75)	-	-	(75)	-	(75)
ordinary shares		-	_	-	-	225	225
Dividend paid on shares	26		-	(351)	(351)	<u>.</u>	(351)
Total transactions with owners	_	(75)		(351)	(426)	225	(201)
At 31 December 2022	_	51,800	(25,783)	33,828	59,845	121	59,966

The accompanying notes form an integral part of these combined financial statements.

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Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

			E 31 December	
	Note	2020 RM*000	2021 RM'000	2022 RM'000
Cash flows from operating activities				
Profit before tax		9,401	13,931	11,204
Adjustments for:				
Depreciation of property, plant				
and equipment		2,166	2,496	2,482
Property, plant and equipment written off		3	178	-
Gain on disposal of property,		4		4
plant and equipment		(57)	(40)	(55)
Gain on lease modification		(2)	-	(6)
Amortisation of intangible asset		-	-	10
Loss on disposal of other investment		-	355	-
Inventories written down			253	125
Reversal of inventories written down		-		(83)
Reversal of impairment loss on		-	(34)	(334)
trade receivables				
Impairment loss on trade receivables		48	175	14
Bad debts written off		24	27	259
Finance costs		574	525	520
Finance income		(*)	(*)	-
Net unrealised foreign exchange		-00	(00)	(00)
loss/(gain)		22	(23)	(83)
Operating profit before				
changes in working capital		12,179	17,843	14,053
Changes in working capital:				
Inventories		(6,118)	(4,514)	1,453
Trade and other receivables		(1,462)	5,493	(7,466)
Contract assets		(244)	244	21
Trade and other payables Contract liabilities		3,397	(1,241)	206
Contract liabilities		(1,678)	(1,805)	(579)
Net cash generated from operations		6,074	16,020	7,688
Income tax paid		(1,801)	(3,491)	(2,803)
Income tax refund		13	-	-
Interest received		*	*	-
Interest paid		(256)	(211)	(59)
Net cash from operating activities		4,030	12,318	4,826

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

		← FYI	∃ 31 December	
	Note	2020 RM'000	2021 RM'000	2022 RM'000
	Note	1411 000	INIVI OOO	IXIVI OGO
Cash flows from investing activities				
Purchase of property, plant				
and equipment	(a)	(5,316)	(1,634)	(5,419)
Proceeds from disposal of				
property, plant and equipment		57	40	173
Purchase of intangible asset Proceeds from disposal of other investment		-	- 30	(200)
Proceeds from government grants		-	30	-
related to assets		_	_	143
Acquisition of combining entity, net of				110
cash acquired		(200)	-	(75)
Net cash used in investing activities		(5,459)	(1,564)	(5,378)
Cash flows from financing activities	(b)			
Proceeds from issuance of				
combining entity's shares		-	-	225
Drawdown of term loans		1,000	-	-
Repayment of term loans		(103)	(570)	(668)
Payment of lease liabilities		(214)	(490)	(364)
Repayment of hire purchase		(173)	(219)	(123)
Proceeds from bankers' acceptance		2,607	463	4,858
Repayment of bankers' acceptance Net changes in amount owing by a		(2,825)	(463)	(2,156)
related party		(276)	-	431
Dividends paid		(2/0)	(650)	(351)
Interest paid		(318)	(314)	(461)
Net cash (used in)/from financing activitie	s ·	(302)	(2,243)	1,391
	,			
Net (decrease)/increase in cash and				
cash equivalents		(1,731)	8,511	839
Cash and cash equivalents at the				
beginning of the financial year		(2,563)	(4,294)	4,217
Cash and cash equivalents at the				
end of the financial year	12	(4,294)	4,217	5,056

^{*} Less than 1,000

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Purchase of property, plant and equipment:

	← FYE 31 December — →			
	Note	2020 RM'000	2021 R M '000	2022 RM'000
Purchase of property, plant and equipment Financed by term loan arrangements Financed by way of lease arrangements Financed by way of other payable	5	6,663 - (1,147) (200)	1,634 - - -	18,364 (6,480) (252) (6,213)
Cash payments on purchase of property, plant and equipment	•	5,316	1,634	5,419

(b) Reconciliation of changes in liabilities arising from financing activities are as follows:

	1.1.2020 RM'000	Cash flows RM'000	Non-cash RM'000	31.12.2020 RM'000
Term loans	6,581	897	- -	7,478
Lease liabilities	104	(214)	1,100	990
Hire purchase payables	429	(173)	-	256
Bankers' acceptance	218	(218)	-	-
Amount owing by a related party	(155)	(276)		(431)
	7,177	16	1,100	8,293
	1.1.2021 RM'000	Cash flows RM'000	Non-cash RM'000	31.12.2021 RM'000
Term loans	7,478	(570)	_	6,908
Lease liabilities	990	(490)	-	500
Hire purchase payables	256	(219)	200	237
Bankers' acceptance	-	-	-	-
Amount owing by a related party	(431)	-	-	(431)
	8,293	(1,279)	200	7,214

SMART ASIA CHEMICAL BHD

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of changes in liabilities arising from financing activities are as follows: (continued)

	1.1.2022 RM'000	Cash flows RM'000	Non-cash RMT000	31.12.2022 RM'000
Term loans	6,908	(668)	6,480	12,720
Lease liabilities	500	(364)	77	213
Hire purchase payables	237	(123)	-	114
Bankers' acceptance	-	2,702	-	2,702
Amount owing by a related party	(431)	431	-	
	7,214	1,978	6,557	15,749

(c) Total cash outflows for leases

During the financial year, the Group had total cash outflow for leases of RM523,157 (2021: RM704,280 and 2020: RM408,335).

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Smart Asia Chemical Bhd ("Smart Asia" or the "Company") was incorporated on 13 May 2019 as a private limited company and is domiciled in Malaysia. The Company was converted to a public limited company and assumed its present name on 30 May 2023. The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at No. 11, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tilam, Johor, Malaysia.

The principal activity of the Company is investment holding. The details of the combining entities are as follows:

Combining entity	Principal place of business/ country of incorporation	Principal activities
Smart Paints (M) Sdn. Bhd. ("Smart Paints (M)")	Malaysia	Trading of paints, coatings and varnishing materials
Smart Paint Manufacturing Sdn. Bhd. ("Smart Paint Manufacturing")	Malaysia	Manufacturing of paints, varnishes and similar coatings ink and mastics
Smart Paint (Selangor) Sdn. Bhd. ("Smart Paint (Selangor)")	Malaysia	Trading and distribution of paints, hardwares and painting accessories
Smart Paints (Sabah) Sdn. Bhd. ("Smart Paints (Sabah)")	Malaysia	Trading of paints, coatings and varnishing materials
Color Breeze Sdn. Bhd. ("Color Breeze")	Malaysia	Trading of chemical colorants and pigments

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

There have been no significant changes in the nature of these activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 August 2023.

(a) Increase in equity interests by Smart Asia

(i) Acquisition of Smart Paints (M)

FYE 31 December 2020

On 10 March 2020, the Company acquired the entire equity interest, representing 200,002 ordinary shares in Smart Paints (M) for a total purchase consideration of RM200,002.

On 22 June 2020, the Company subscribed to an additional 799,998 ordinary shares in Smart Paints (M) for a total purchase consideration of RM799,998. The Company's effective ownership in Smart Paints (M) is maintained at 100% as a result of the additional shares subscribed.

(ii) Acquisition of Color Breeze

FYE 31 December 2022

On 2 August 2022, the Company acquired 75% of equity interest, representing 75,000 ordinary shares in Color Breeze for a total purchase consideration of RM75,000. It did not change the effective ownership interest of the Group in Color Breeze.

Color Breeze had on 3 August 2022 issued 900,000 new ordinary shares to the Company and non-controlling interest who are also the director of Color Breeze as at the date of allotment. It did not change the effective ownership of the Group in Color Breeze.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(b) Non-controlling interest in combining entity

The financial information of the Group's combining entity that have material non-controlling interest are as follows:

Equity interest held by non-controlling interest:

	← Ov	◆ Ownership interest → →			
	2020	2021	2022		
Name of company	(%)	(%)	(%)		
Color Breeze	25	25	25		

Carrying amount of material non-controlling interest:

	← As a	← As at 31 December — — —		
	2020	2021	2022	
Name of company	RM'000	RM'000	RM'000	
Color Breeze	(63)	(53)	121	

Profit or loss allocated to material non-controlling interest:

	◆ FYE 31 December		
	2020	2021	2022
Name of company	RM'000	RM'000	RM'000
Color Breeze	(47)	10	(51)

(c) Summarised financial information of material non-controlling interest

The non-controlling interest of the Group's combining entity is not material individually or in aggregate to the financial position, financial performance and cash flows of the Group. Therefore, the summarised financial information of the Group's combining entity that have non-controlling interest is not presented.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION

The combined financial statements of Smart Asia consist of the financial statements of the following entities for each of the financial year:

···	FYE 31 December		
Combining entity	2020	2021	2022
Smart Asia	√,^	√,^	√,@
Smart Paints (M)	√,^	√,^	√,@
Smart Paint Manufacturing	√,^	V,^	√,@
Smart Paint (Selangor)	√,^	√,^	V,@
Smart Paints (Sabah)	√,^	√,^	√,@
Color Breeze	√,^	√,^	√,@

- The combined financial statements of the Group include the financial statements of these combining entities prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs") for the respective financial years.
- ^ The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.
- The combined financial statements of the Group for the respective financial year have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.

The audited financial statements of all the combining entity within the Group for the relevant years reported above were not subject to any modifications.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with MFRSs and the IFRSs.

2.2 Changes in accounting policies

The Group has adopted Amendment to MFRS 16 *Leases* which is effective for annual periods beginning on or after 5 June 2020 or/and 6 April 2021.

Amendments to MFRS 16 Leases

The Group has adopted the amendments to MFRS 16 that exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus Disease 2019 ("COVID-19") pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and did not result in significant changes to the Group's existing accounting policies.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

- 2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective
- (a) The Group has not adopted the following new MFRS and amendments/ improvements to MFRSs that have been issued, but yet to be effective:

		financial periods beginning on or after
New MFRS		or artor
MFRS 17	Insurance Contracts	1 January 2023
Amendments	s/Improvements to MFRSs	
MFRS 1	First-time Adoption of MFRSs	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and	
	Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#/
		1 January 2024
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/
		1 January 2023#/
		1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023#/
		1 January 2024
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/
		1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent	r daridary 2020
	Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023*
1411 110 140	investment roperty	1 January 2025"

^{*} Consequential amendments as a result of MFRS 17 Insurance Contracts

Effective for

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below:

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

- 2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)
- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

Amendments to MFRS 101 Presentation of Financial Statements (continued)

In other amendments, an entity is required to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations — transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group are summarised below: (continued)

Amendments to MFRS 112 Income Taxes (continued)

In another amendments, it gives entities temporary relief from recognising and disclosing accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform; and introduces targeted disclosure requirements to help investors better understand an entity's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Applying the temporary relief, entities neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The relief will help to ensure consistency in the financial statements while easing into the implementation of the rules by allowing time for entities to assess how they are affected.

Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 107 and MFRS 7 respond to investors' concerns that some supplier finance arrangements – also referred to as supply chain finance, trade payables finance or reverse factoring arrangements – used by entities are not sufficiently visible, hindering investors' analysis.

The disclosure requirements require entities to disclose information that would enable users of financial statements to assess how supplier finance arrangements affect an entity's operations; including the effects supplier finance arrangements have on an entity's liability, cash flows and exposures to liquidity risk. The new disclosure requirements would also inform users of financial statements on how an entity might be affected if the arrangements were no longer available to it.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(c) The initial application of the above applicable new MFRS and amendments/ improvements to MFRSs are not expected to have any material impact on the prior and current periods of the combined financial statements.

2.3 Functional and presentation currency

The combined financial statements of the Group are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been round to the nearest thousand, unless otherwise stated.

2.4 Basis of measurement

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the combined financial statements of the Group.

3.1 Basis of combination

The combined financial statements comprise the financial statements of the Company and its combining entities. The financial statements of the combining entities used in the preparation of the combined financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the combined financial statements from the date the Group obtains control of the acquirees until the date the Group losses control of the acquirees.

The Group applies the merger method of accounting.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(a) Subsidiaries and business combination (continued)

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken reorganisation reserve or merger deficit.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(a) Subsidiaries and business combination (continued)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in combining entities not attributable, directly or indirectly, to owners of the Company and are presented separately in the combined statements of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(c) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

3.2 Foreign currency transactions

Translation of foreign currency transactions

Foreign currency transactions are translated to the functional currency of the Group using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.3 Financial instruments

Financial instruments are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contract provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 Revenue from Contracts with Customers.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- · Financial assets at FVPL

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial instruments* are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 *Financial Instruments* and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire: or
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset; or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(d) Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Oseiui iives
(years)
50
2.5
5
5
5
5
5

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases

(a) Definition of lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset:
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets that do not meet the definition of investment property in Note 5 and lease liabilities in Note 15.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the combined statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(c) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group is intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.5(b), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Intangible assets

(a) Patents

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(b) Amortisation

Intangible assets with indefinite useful life are not amortised but are tested for impairment annually and wherenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
 These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3.9 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash in hand and bank balances. Cash and cash equivalents are presented net of bank overdrafts.

3.10 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group applies the simplified approach permitted by MFRS 9 *Financial Instruments* to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than the credit term.

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than the credit term unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one lor more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the combined statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amount of non-financial assets (except for inventories, contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the assets' recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Invested equity

Ordinary shares

An equity instrument is a contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund, the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income

The Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group reasonably expects that the effects on the combined financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Group measures revenue from sale of good or services at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the adjusted market assessment approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income (continued)

(a) Sale of goods

The Group is involved in manufacturing and trading of paints, coatings, varnishing materials and hardware and painting accessories. Revenue from the sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract.

(b) Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously.

The Group recognises a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables when an invoice is issued or when billing is due based on the passage of time. If the milestone billing exceeds the revenue recognised to date and any deposits or advances received from customers, then the Group recognises a contract liability for the difference.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the combined statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statements of financial position.

3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the combined statements of financial position.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's combined financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's combined financial statements within the next financial year are disclosed as follows:

(a) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4, the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

(b) Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history and existing market conditions at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit losses for trade receivable and contract assets. The provision rate depends on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Impairment of financial assets and contract assets (continued)

The assessment of the correlation between historical observed default rates and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and forecast of economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of the economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Group's financial assets and contract assets are disclosed in Note 27(b).

(c) Measurement of income taxes

Significant judgement is required in determining the Group's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group are disclosed in Note 24.

(d) Write-down of obsolete or slow-moving inventories

The Group writes down its obsolete or slow-moving inventories based on the assessment of its estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow-moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's inventories are disclosed in Note 9.

(e) Impairment of non-financial assets

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group.

The carrying amounts of the non-financial assets are disclosed in Notes 5 and 6.

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13. ACCOUNTANTS' REPORT (Cont'd)

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

Note	Freehold lands RM'000	Buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Renovation RM'000	Capital work-in- progress RM'000	Right-of-use assets RM'000	Total RM'000
	7,291	6,564	386	765	232	12,157	2,486	697	2,957	2,943	36,478
	-	-	199	38	24	1,290	341	239	1,425	3,107	6,663
	-	-	-	-	-	-	(221)	-	-	-	(221)
	-	-	(11)	-	-	-	-	-	-	-	(11)
_	-			-		-		-	-	(97)	(97)
	7,291	6,564	574	803	256	13,447	2,606	936	4,382	5,953	42,812
	-	415	318	552	148	8,250	1,599	624	-	27	11,933
22	-	131	84	66	26	1,318	292	28	-	221	2,166
	-	-	-	-	-	-	(221)	-	-	-	(221)
	-	-	(8)	-	-	-	-	-	-	-	(8)
	-	-	-	-	-		-		-	(52)	(52)
_	-	546	394	618	174	9,568	1,670	652	-	196	13,818
	7,291	6,149	68	213	84	3,907	887	73	2,957	2,916	24,545
_	7,291	6,018	180	185	82	3,879	936	284	4,382	5,757	28,994
	-	7,291 7,291	Iands Buildings RM'000 RM'000	lands Note Buildings RM'000 and software RM'000 7,291 6,564 386 - - 199 - - (11) - - (11) - - 574 22 - 131 84 - - (8) - - 546 394 7,291 6,149 68	Note RM'000 RM'	Note RM'000 RM'	Note Note lands RM'000 Buildings RM'000 and software RM'000 and fittings RM'000 equipment RM'000 machinery RM'000 7,291 6,564 386 765 232 12,157 - - 199 38 24 1,290 - - - - - - - - (11) - - - - - - - - - 7,291 6,564 574 803 256 13,447 - 415 318 552 148 8,250 22 - 131 84 66 26 1,318 - - - - - - - - - (8) - - - - 546 394 618 174 9,568 7,291 6,149 68 213 84 3,907	Note RM'000 RM'	Note RM'000 RM'	Freehold Iands Buildings RM'000 RM'000	Freehold Buildings RM'000 RM'

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold lands RM'000	Buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Renovation RM'000	Capital work-in- progress RM'000	Right-of-use assets RM'000	Total RM'000
Cost												
At 1 January 2021		7,291	6,564	574	803	256	13,447	2,606	936	4,382	5,953	42,812
Additions		-	-	147	28	25	1,042	274	49	69	-	1,634
Disposals		-	-	.	•	-	-	(74)	-	-	-	(74)
Written off	_	-		(204)	(21)	(25)	(691)	(15)	(58)	-	<u> </u>	(1,014)
At 31 December 2021		7,291	6,564	517	810	256	13,798	2,791	927	4,451	5,953	43,358
Accumulated depreciation At 1 January 2021		-	546	394	618	174	9,568	1,670	652	-	196	13,818
Depreciation charge for the financial year	22	-	131	127	60	28	1,259	329	66		496	2,496
Disposals		-	-	-	-	-	-	(74)	-	-	-	(74)
Written off		-	-	(187)	(21)	(25)	(530)	(15)	(58)	-	-	(836)
At 31 December 2021		-	677	334	657	177	10,297	1,910	660	-	692	15,404
Carrying amount												
At 1 January 2021		7,291	6,018	180	185	82	3,879	936	284	4,382	5,757	28,994
At 31 December 2021	•	7,291	5,887	183	153	79	3,501	881	267	4,451	5,261	27,954
	•									•		

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold lands RM'000	Buildings RM'000	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Plant and machinery RM*000	Motor vehicles RM'000	Renovation RM'000	Capital work-in- progress RM'000	Right-of-use assets RM'000	Total RM7000
Cost												
At 1 January 2022		7,291	6,564	517	810	256	13,798	2,791	927	4,451	5,953	43,358
Additions		4,536	3,023	86	102	11	1,289	-	330	8,735	252	18,364
Disposals		-	-	(26)	-	-	(103)	(99)	-	-	-	(228)
Derecognition	_	-	-	-		-		<u>-</u>		-	(1,147)	(1,147)
At 31 December 2022	_	11,827	9,587	577	912	267	14,984	2,692	1,257	13,186	5,058	60,347
Accumulated depreciation At 1 January 2022 Depreciation charge for		-	677	334	657	177	10,297	1,910	660	-	692	15,404
the financial year	22	-	161	135	67	31	1,298	316	113	-	361	2,482
Disposals		-	-	(22)	-	-	(19)	(69)	-	-	-	(110)
Derecognition	_	-	-	-	<u>-</u>	-	-	-	<u> </u>	_	(978)	(978)
At 31 December 2022	_		838	447	724	208	11,576	2,157	773	_	75	16,798
Carrying amount												
At 1 January 2022	_	7,291	5,887	183	153	79	3,501	881	267	4,451	5,261	27,954
At 31 December 2022	-	11,827	8,749	130	188	59	3,408	535	484	13,186	4,983	43,549
	-											

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets pledged as security

Freehold lands and buildings with a carrying amount of RM20,575,754 (2021: RM13,177,751 and 2020: RM13,309,026) has been pledged as security to secure loans and borrowings of the Group as disclosed in Note 15(a).

Motor vehicles with carrying amount of RM167,352 (2021: RM446,631 and 2020: RM439,020) have been pledged as security for hire purchase arrangement as disclosed in Note 15(c).

(b) Right-of-use assets

The Group leases several assets including leasehold land, buildings and plant and machinery.

Information about leases for which the Group is lessee is presented below:

	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Total RM'000
Carrying amount				
At 1 January 2020	2,813	77	26	2,916
Additions	1,960	1,147	-	3,107
Depreciation charge				
for the financial year	-	(214)	(7)	(221)
Derecognition*		(45)		(45)
At 31 December 2020 Depreciation charge	4,773	965	19	5,757
for the financial year		(489)	(7)	(496)
At 31 December 2021	4,773	476	12	5,261
Additions	· -	252	-	252
Depreciation charge				
for the financial year	_	(354)	(7)	(361)
Derecognition*		(169)		(169)
At 31 December 2022	4,773	205	5	4,983

^{*} Derecognition of the right-of-use assets during the financial year was a result of termination of certain leases.

The Group leases land and buildings for its office space, operation site and staff accommodation. The leases for the leasehold land and buildings generally have lease term of 2 to 99 years.

The Group also leases plant and machinery for its operation. The leases for plant and machinery generally have lease term of 3 years.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INTANGIBLE ASSET

	Note	Patent RM'000
Cost At 1 January 2020 Additions		-
At 31 December 2020 Additions	_	-
At 31 December 2021 Additions	_	- 200
At 31 December 2022	_	200
Accumulated amortisation At 1 January 2020 Amortisation charge for the financial year	22	- -
At 31 December 2020 Amortisation charge for the financial year	22	-
At 31 December 2021 Amortisation charge for the financial year	22	- 10
At 31 December 2022	_	10
Carrying amount		
At 31 December 2020	_	-
At 31 December 2021	_	-
At 31 December 2022	-	190

Amortisation

The amortisation of patent of the Group amounting to RM10,000 (2021 and 2020: RMNil) is included in cost of sales.

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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER INVESTMENT

	← As at 31 December — →					
	2020	2021	2022			
	RM'000	RM'000	RM'000			
At cost:						
Unquoted shares	385	-	-			

Other investment in unquoted ordinary shares for financial year ended 31 December 2020 represents investment in an associate at cost.

The financial position, financial performance and cash flows of the below company had been carved out from the combined financial statements as the management disposed the company for the purposes of the listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Details of the associate is as follows:

	Principal place of business/	Owne	rship in	terest	
Name of company	country of incorporation	2020 %	2021 %	2022 %	Principal activities
PT Smartindo Global Asia ("PT Smartindo")	Indonesia	50	-	-	Manufacturing of paints and coating materials

Disposal of PT Smartindo

On 23 December 2021, the Company disposed its entire equity interest in PT Smartindo, representing 1,250 ordinary shares in PT Smartindo for a total consideration of RM30,000. PT Smartindo ceased to be an associate of the Company.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 January 2020 RM'000	Recognised in profit or loss (Note 24) RM'000	As at 31 December 2020 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(267)	(18)	(285)
Deferred tax assets:			
Impairment loss on trade receivables	82	12	94
Lease liabilities		1	1
	82	13	95
	(185)	(5)	(190)
	As at 1 January 2021 RM'000	Recognised in profit or loss (Note 24) RM'000	As at 31 December 2021 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(285)	(45)	(330)
Deferred tax assets:		_	
Property, plant and equipment	- 04	5	5
Impairment loss on trade receivables Impairment loss on inventories	94	57 61	151
Lease liabilities	- 1	1	61 2
	95	124	219
	(190)	79	(111)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax relates to the following: (continued)

	As at 1 January 2022 RM'000	Recognised in profit or loss (Note 24) RM'000	As at 31 December 2022 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(330)	(80)	(410)
Deferred tax assets:			
Property, plant and equipment	5	(3)	2
Impairment loss on trade receivables	151	(76)	75
Impairment loss on inventories	61	(2)	59
Lease liabilities	2	(2)	*
	219	(83)	136
	(111)	(163)	(274)

Less than 1,000

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	← As 2020 RM'000	at 31 December 2021 RM 000	2022 RM'000
Property, plant and equipment	31	1	-
Impairment loss on trade receivables	95		-
Unused tax losses	313	150	342
Unabsorbed capital allowance	2		1
	441	151	343
Potential deferred tax benefit at 24%	106	36	82

The availability of unused tax losses for offsetting against future taxable profits in Malaysia are subject to requirements under the Income Tax, 1967 and guidelines issued by the tax authority.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The unused tax losses are available for offset against future taxable profits of the Group up to the following years:

	← As 2020 RM'000	at 31 December 2021 RM*000	2022 RM'000
2028	95	-	-
2029	43	-	-
2030	175	150	150
2032	-	-	192
	313	150	342

9. INVENTORIES

	← As 2020 RM'000	at 31 Decembe 2021 RM'000	2022 RM'000	
At lower of cost and net realisable value:				
Raw materials	9,429	10,957	10,503	
Work-in-progress	63	439	572	
Finished goods	11,486	13,843	12,669	
	20,978	25,239	23,744	

- (a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM37,558,811 (2021: RM36,129,064 and 2020: RM34,889,089).
- (b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value was RM125,432 (2021: RM252,753 and 2020: RMNil).
- (c) During the financial year, the Group reversed the previous inventories written down value of RM82,510 (2021 and 2020: RMNil). The amount of reversal was included in cost of sales.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER RECEIVABLES

		← As at 31 December ← →			
	S 1. 4	2020	2021	2022	
Trada	Note	RM'000	RM'000	RM'000	
Trade Trade receivables	(a)				
- Third parties	(ω)	22,070	17,140	24,021	
- Related parties		2,025	1,226	1,531	
	_	24,095	18,366	25,552	
Less: Impairment losses for trade receivables		(484)	(625)	(305)	
	_	23,611	17,741	25,247	
Non-trade					
Other receivables		466	571	11	
Deposits		132	299	236	
Prepayments		87	94	770	
Amount owing by a related party	(b) _	431	431	<u> </u>	
	_	1,116	1,395	1,017	
Total trade and other receivables		24,727	19,136	26,264	

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit term offered by the Group ranges from 30 to 150 days (2021 and 2020: 30 to 150 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of the movement in the impairment of trade receivables are as follow:

	Note	2020 RM'000	2021 RM'000	2022 RM'000
At 1 January Charge for the financial year		436	484	625
- Individually assessed	22	36	112	-
- Collectively assessed	22	12	63	14
Reversal of impairment losses	19	-	(34)	(334)
At 31 December	_	484	625	305

(b) Amount owing by a related party

Amount owing by a related party is unsecured, non-trade in nature, non-interest bearing, repayable on demand and is expected to be settled in cash.

The information about the credit exposures is disclosed in Note 27(b)(i).

11. CONTRACT ASSETS/(LIABILITIES)

	← As at 31 December — →			
	2020 R M '000	2021 RM'000	2022 RM'000	
Contract assets relating to rendering of services	292	48	27	
Contract liabilties relating to sales of goods	4,099	2,294	1,715	

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13. ACCOUNTANTS' REPORT (Cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Significant changes in contract balances

	FYE 31 December 2020		FYE 31 December 2021		FYE 31 December 2022	
	Contract assets Increase/ (decrease) RM'000	Contract liabilities Decrease/ (increase) RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities Decrease/ (increase) RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities Decrease/ (increase) RM'000
Revenue recognised that was included in contract liability at the beginning of the financial year	_	3,171	-	2,455		1,500
Increase due to invoice billed in advance to customer, but revenue not recognised	-	(1,493)	-	(650)	-	(921)
Increase as a result of changes in the measure of progress	244	-	-	-	27	-
Transfers from contract assets recognised at the beginning of the financial year to receivables	-		(244)	-	(48)	<u>.</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(b) Revenue recognised in relation to contract balances

	← FYE 31 December — →			
	2020 RM'000	2021 RM'000	2022 RM'000	
Revenue recognised that was included in contract liability at the beginning of				
the financial year	3,171	2,455	1,500	

Revenue recognised that was included in the contract liability balance at the beginning of the financial year represented primarily revenue from the sales of goods and rendering of services.

12. CASH AND BANK BALANCES

	◆ As at 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	
Cash and bank balances	5,185	4,217	5,056	

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

	← As at 31 December → ►			
	2020 RM'000	2021 RM'000	2022 RM'000	
Cash and bank balances Bank overdrafts	5,185 (9,479)	4,217	5,056 -	
	(4,294)	4,217	5,056	

13. INVESTED EQUITY

	Numbe	r of ordinary s	hares		– Amounts <i>—</i>	
	2020 Unit'000	2021 Unit'000	2022 Unit'000	2020 RM*000	2021 R M 000	2022 R M *000
Issued and fully paid-up (no par value):			•			
At 1 January	52,075	51,875	51,875	52,075	51,875	51,875
Adjustment pursuant to merger accounting	(200)	· -	(75)	(200)	-	(75)
At 31 December	51,875	51,875	51,800	51,875	51,875	51,800

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. INVESTED EQUITY (CONTINUED)

For the purpose of this report, the invested equity as at 31 December 2020 and 31 December 2021 represent the aggregate number of issued share capital of all combining entities within the Group eliminated against the investment in subsidiaries, the share capital of Smart Paint Manufacturing and Smart Paints (M) had been eliminated against the investment in subsidiaries of Smart Asia. As at 31 December 2022, the invested equity represent the aggregate number of issued share capital of all combining entities within the Group eliminated against the investment in subsidiaries, the share capital of Smart Paint Manufacturing, Smart Paints (M) and Color Breeze had been eliminated against the investment in subsidiaries of Smart Asia.

14. REORGANISATION RESERVE

The reorganisation reserve arose from the differences between the carrying amount of the investment and the nominal value of the share of the subsidiaries upon consolidation using the merger accounting principles.

15. LOANS AND BORROWINGS

		← As at 31 December ← → ►			
		2020	2021	2022	
	Note	RM'000	RM'000	RM'000	
Non-current:					
Term loans	(a)	6,865	6,334	11,870	
Lease liabilities	(b)	500	159	90	
Hire purchase payables	(c) _	79	117	53	
	_	7,444	6,610	12,013	
Current:					
Term loans	(a)	613	574	850	
Lease liabilities	(b)	490	341	123	
Hire purchase payables	(c)	1 7 7	120	61	
Bankers' acceptance	(d)	-	-	2,702	
Bank overdrafts	(e) _	9,479		<u>.</u>	
	_	10,759	1,035	3,736	
Total loans and borrowings					
Term loans	(a)	7,478	6,908	12,720	
Lease liabilities	(b)	990	500	213	
Hire purchase payables	(c)	256	237	114	
Bankers' acceptance	(d)	-	-	2,702	
Bank overdrafts	(e) _	9,479			
	_	18,203	7,645	15,749	

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans

Term loan 1 of the Group of RM2,981,220 (2021: RM3,295,553 and 2020: RM3,618,004) bears interest at Base Lending Rate ("BLR") minus 2.10% per annum and is repayable by monthly instalments of RM36,169 over 180 months commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over freehold land and building of the Group as disclosed in Note 5; and
- (ii) Joint and several guarantee by certain directors of the Group.

Term loan 2 of the Group of RM2,592,904 (2021: RM2,732,018, 2020: RM2,859,437) bears interest at Base Financing Rate ("BFR") minus 2.40% per annum and is repayable by monthly instalments of RM19,159 over 240 months commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over freehold lands and buildings of the Group as disclosed in Note 5; and
- (ii) Joint and several guarantee by certain directors of the Group.

Term loan 3 of the Group of RM689,881 (2021: RM880,412 and 2020: RM1,000,000) bears interest at Base Negara Malaysia Funding Rate under special relief facility of 3.50% per annum and is repayable by monthly instalments of RM18,192 over 60 months commencing from the day of first drawdown and is secured and supported as follows:

- (i) Joint and several guarantee by certain directors of the Group; and
- (ii) Corporate guarantee by a third party under the special relief facility scheme for 80% of the principal and interest outstanding.

Term loan 4 of the Group of RM6,455,734 (2021 and 2020: RMNil) bears interest at BLR minus 2.40% per annum and is repayable by monthly instalments of RM36,170 over 240 months commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over freehold lands and buildings of the Group as disclosed in Note5; and
- (ii) Joint and several guarantee by certain directors of the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(b) Lease liabilities

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	← As at 31 December →		
	2020 RM'000	2021 RM'000	2022 RM'000
Minimum lease payments:			
- Not later than one year	518	351	131
- Later than one year and not			
later than five years	514	163	92
	1,032	514	223
Less: Future finance charges	(42)	(14)	(10)
Present value of		-	
minimum lease payments	990	500	213
Present value of minimum lease payments:	t		
Not later than one yearLater than one year and not	490	341	123
later than five years	500	159	90
	990	500	213
Less: Amount due			
within twelve months	(490)	(341)	(123)
Amount due after twelve months	500	159	90

(c) Hire purchase payables

Hire purchase payables of the Group of RM113,943 (2021: RM236,764 and 2020: RM256,512) bear interest ranging from 4.10% to 6.64% (2021 and 2020: 3.60% to 6.64%) per annum and are secured by the Group's motor vehicles under hire purchase arrangements as disclosed in Note 5(a).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(d) Bankers' acceptance

Bankers' acceptance bears effective interests at rates ranging from 4.22% to 5.19% (31.12.2021 and 31.12.2020: Nil%) per annum and is secured and supported as follows:

- (i) Legal charge over freehold lands and buildings of the Group as disclosed in Note 5; and
- (ii) Joint and several guarantee by certain directors of the Group.

(e) Bank overdrafts

Bank overdraft 1 of the Group of RMNil (2021: RMNil and 2020: RM1,918,256) bears interest at BLR minus 1.00% per annum and is secured and supported as follows:

- Legal charge over freehold lands and buildings of the Group as disclosed in Note
 and
- (ii) Joint and several guarantee by certain directors of the Group.

Bank overdraft 2 of the Group of RMNil (2021: RMNil and 2020: RM2,703,537) bears interest at BLR add 0.50% per annum and is secured and supported as follows:

- (i) Legal charge over certain directors' properties; and
- (ii) Joint and several guarantee by certain directors of the Group.

Bank overdraft 3 of the Group of RMNil (2021: RMNil and 2020: RM4,856,637) bears interest at BFR add 0.30% per annum and is secured and supported as follows:

- (i) Legal charge over freehold lands and buildings of the Group as disclosed in Note 5; and
- (ii) Joint and several guarantee by certain directors of the Group.

16. DEFERRED INCOME

	Note	2020 RM'000	2021 RM'000	2022 RM'000
Non-current Governtment grants				
At 1 January Received during the financial year	(a)	-	-	- 143
At 31 December	•		_	143

(a) Government grants relates to assets

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. TRADE AND OTHER PAYABLES

		← As at 31 December — —		
		2020	2021	2022
	Note	RM'000	RM'000	RM'000
Trade				
Trade payables	(a)			
- Third parties		7,380	7,468	9,624
- Related parties		224	557	97
Accruals	_	442	85	63
•	_	8,046	8,110	9,784
Non-trade				
Other payables		3,813	2,408	8,283
Accruals		4,373	4,275	3,172
Deposits	_	158	204	126
	_	8,344	6,887	11,581
Total trade and other payables	_	16,390	14,997	21,365

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 90 days (2021 and 2020: 30 to 90 days).

For explanations on the Group's liquidity risk management processes, refer to Note 27(b)(ii).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

18. REVENUE

	← FY 2020 RM'000	Æ 31 Decembe 2021 RM'000	r > 2022 RM'000
Revenue from contract with customers: Over time			
Rendering of services	933	58	160
At a point in time Sale of goods	70,666	79,708	79,058
	71,599	79,766	79,218

19. OTHER INCOME

	FYE 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
Gain on disposal of property,			
plant and equipment	57	40	55
Management fee	36	12	1
Net realised foreign exchange gain	-	128	-
Net unrealised foreign exchange gain	-	23	83
Reversal of impairment loss			
on trade receivables	-	34	334
Gain on lease modification	2	-	6
Rental income	3	3	4
Government subsidy	389	206	230
Miscellaneous	27	2	36
	514	448	749

20. FINANCE INCOME

	FYE 31 December ──►		
	2020 RM'000	2021 RM'000	2022 RM'000
Interest income	*	*	-

^{*} Less than 1,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. FINANCE COSTS

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	
Interest expense on:				
- Term loans	229	258	355	
- Lease liabilities	17	27	12	
- Hire purchase	13	19	12	
- Bankers' acceptance	58	10	82	
- Bank overdrafts	256	211	59	
- Advances from a related party	1			
	574	525	520	

22. PROFIT BEFORE TAX

Other than disclosed elsewhere in the combined financial statements, the following items have been (credited)/charged in arriving at profit before tax:

		← FY	·	
		2020	2021	2022
	Note	RM'000	RM'000	RM'000
Auditors' remuneration:				
- current year		70	79	105
- prior year		(*)	-	(4)
Depreciation of property,				
plant and equipment	5	2,166	2,496	2,482
Property, plant and equipment				
written off		3	178	-
Amortisation of intangible asset	6	_	-	10
Inventories written down		-	253	125
Reversal of inventories written down		-	-	(83)
Impairment loss on trade receivables	10	48	175	14
Bad debts written off		24	27	259
Rental expense on:				
- premises		80	81	37
- office equipment		96	106	110
Loss on disposal of				
other investment	7	-	355	-
Net realised foreign exchange loss		40	-	118
Net unrealised foreign exchange loss		22	-	-
Employee benefits expense	23	8,857	10,000	9,978

^{*} Less than 1,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. EMPLOYEE BENEFITS EXPENSE

	← FYE 31 December — →				
	2020	2021	2022		
	RM'000	RMT000	RM'000		
Salaries, wages, allowances and bonuses	7,351	8,359	8,393		
Defined contribution plans	813	901	915		
Other staff related benefits	693	740	670		
	8,857	10,000	9,978		
Included in employee benefits expense are:					
- Directors' remuneration	629	628	643		
- Directors' defined contribution plans	77	77	75		
- Directors' other emoluments	4	4	4		
	710	709	722		

24. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

	FYE 31 December				
	2020 RM'000	2021 RM'000	2022 RM'000		
Combined statement of comprehensive income					
Current income tax:					
- Current income tax charge	1,980	3,320	2,427		
- Adjustment in respect of prior year	(26)	*			
	1,954	3,320	2,427		
Deferred tax (Note 8):					
- Origination/(Reversal) of temporary differences	39	(147)	168		
- Adjustment in respect of prior year	(34)	68	(5)		
	5	(79)	163		
Income tax expense					
recognised in profit or loss	1,959	3,241	2,590		

^{*} Less than 1,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. INCOME TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial years.

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below and annual sales less than RM50,000,000 (2021 and 2020: RM50,000,000) is subject to the statutory income tax rate of 17% (2021 and 2020: 17%) on chargeable income up to RM600,000 (2021 and 2020: RM600,000). For chargeable income excess of RM600,000 (2021 and 2020: RM600,000), statutory income tax rate of 24% (2021 and 2020: 24%) is still applicable.

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	
Profit before tax	9,401	13,931	11,204	
Tax at Malaysian statutory income tax rate of 24% SME tax savings	2,256 (84)	3,343 (61)	2,689 (68)	
Adjustments: - Income not subject to tax - Reinvestment allowance - Non-deductible expenses	(275) (112) 216	(125) (128) 214	(93) (114)	
Deferred tax not recognised on tax losses and temporary differences Adjustment in respect of current	42	-	135 46	
income tax of prior year - Utilisation of previously unrecognised tax losses	(26)	*	-	
and capital allowances - Adjustment in respect of deferred tax of prior year	(24) (34)	(70) 68	- (5)	
Income tax expense	1,959	3,241	2,590	

^{*} Less than 1,000

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share

Basic earnings per ordinary share are based on the profit for the financial years attributable to owner of the Group and the weighted average number of ordinary shares outstanding during the financial years.

Diluted earnings per ordinary share are based on the profit for the financial years attributable to owner of the Group and the weighted average number of ordinary shares outstanding during the financial years plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

	← FYE 31 December — →				
	2020 RM'000	2021 RM'000	2022 RM'000		
Profit attributable to owners of the Group	7,489	10,680	8,665		
Weighted average number of ordinary shares for basic and diluted earnings per share^	51,875	51,875	51,800		
Basic and diluted earnings per share (RM)	0.14	0.21	0.17		

[^] For the purpose of this report, the weighted average number of ordinary shares is the invested equity of the Group.

26. DIVIDENDS

FYE 31 December——				
2020	2021	2022		
RM'000	RM'000	RM'000		
_	_	351		
		551		
-	650	-		
-	650	351		
		2020 2021 RM'000 RM'000		

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned:

	Carrying amount RM'000	Amortised cost RM'000
At 31 December 2020 Financial assets		
Other investment	385	385
Trade and other receivables, less prepayments	24,640	24,640
Cash and bank balances	5,185	5,185
	30,210	30,210
Financial liabilities		
Loans and borrowings	(18,203)	(18,203)
Trade and other payables	(16,390)	(16,390)
	(34,593)	(34,593)
At 31 December 2021		
Financial assets		
Trade and other receivables, less prepayments	19,042	19,042
Cash and bank balances	4,217	4,217
	23,259	23,259
Financial liabilities		
Loans and borrowings	(7,645)	(7,645)
Trade and other payables	(14,997)	(14,997)
	(22,642)	(22,642)
A4.04 D		
At 31 December 2022 Financial assets		
Trade and other receivables, less prepayments	25,494	25,494
Cash and bank balances	5,056	5,056
	30,550	30,550
Financial liabilities		_
Loans and borrowings	(15,749)	(15,749)
Trade and other payables	(21,365)	(21,365)
	(37,114)	(37,114)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by their carrying amounts in the combined statements of financial position.

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting period, the Group does not have any significant exposure to its individual customer.

The Group applies the simplified approach to provide for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected losses provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

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13. ACCOUNTANTS' REPORT (Cont'd)

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix are as follows:

		Trade receivables								
	Contract assets	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 150 days past due	151 to 180 days past due	> 180 days past due	Total
At 31 December 2020 Expected credit loss rate Gross carrying amount at default	0.0%	0.0%	0.0%	0.1%	0.3%	0.9%	2.1%	2.4%	9.5%	2.0%
(RM'000)	292	14,033	3,232	1,103	378	117	94	165	4,973	24,095
Impairment losses (RM'000)	-	4	1	1	1	1	2	4	470	484

Registration No. 201901016953 (1326281-T)

13. ACCOUNTANTS' REPORT (Cont'd)

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix are as follows: (continued)

		Trade receivables								
,	Contract assets	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 150 days past due	151 to 180 days past due	> 180 days past due	Total
At 31 December 2021 Expected credit loss rate Gross carrying	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	3.8%	0.2%	19.2%	3.4%
amount at default (RM'000)	48	10,751	3,049	832	169	128	198	50	3,189	18,366
Impairment losses (RM'000)		2	1	1	*	1	7	*	613	625

^{*} Less than 1,000

Registration No. 201901016953 (1326281-T)

13. ACCOUNTANTS' REPORT (Cont'd)

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix are as follows: (continued)

		Trade receivables								
	Contract assets	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 150 days past due	151 to 180 days past due	> 180 days past due	Total
At 31 December 2022 Expected credit loss rate Gross carrying	0.0%	0.0%	0.1%	60.0%	0.4%	1.1%	3.7%	13.4%	11.5%	1.2%
amount at default (RM'000)	27	19,803	1,172	460	770	596	487	238	2,026	25,552
Impairment losses (RM'000)		8	1	3	3	6	18	32	234	305

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than the credit term in making a contractual payment.

Intercompany loans between related entities are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the debtor does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

As at the end of the reporting date, the Group considers the other receivables and other financial assets as low credit risk and any loss allowance would be negligible. Refer to Note 3.10(a) for the Group's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arise principally from trade and other payables and loans and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group 's financial liabilities by its relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

			- Contractual	cash flows -	
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2020					
Trade and other payables	16,390	16,390	-	_	16,390
Term loans	7,478	828	4,284	3,980	9,092
Lease liabilities	990	518	514	-	1,032
Hire purchase payables	256	192	88	-	280
Bank overdrafts	9,479	9,479	_		9,479
	34,593	27,407	4,886	3,980	36,273

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

The maturity analysis of the Group 's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows: (continued)

				
Carrying amount RM7000	On demand or within 1 year RM 000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
14,997	14,997	-	-	14,997
6,908	882	4,066	3,316	8,264
500	351	163	-	514
237	130	125	<u>.</u>	255
22,642	16,360	4,354	3,316	24,030
21,365	21,365	-	-	21,365
12,720	1,364	5,098	10,706	17,168
213	13 1	92	-	223
1 1 4	68	53	-	121
2,702	2,702	-	-	2,702
37,114	25,630	5,243	10,706	41,579
	amount RM7000 14,997 6,908 500 237 22,642 21,365 12,720 213 114 2,702	Carrying amount RM7000 or within 1 year RM7000 14,997 14,997 6,908 882 500 351 237 130 22,642 16,360 21,365 21,365 12,720 1,364 213 131 114 68 2,702 2,702	Carrying amount 1 year RM*000 RM*000 RM*000 14,997 14,997 - 6,908 882 4,066 500 351 163 237 130 125 22,642 16,360 4,354 21,365 21,365 - 12,720 1,364 5,098 213 131 92 114 68 53 2,702 2,702 -	Carrying amount RMT000 or within 1 year RMT000 Between 1 and 5 years RMT000 More than 5 years RMT000 14,997 - - 6,908 882 4,066 3,316 500 351 163 - 237 130 125 - 22,642 16,360 4,354 3,316 21,365 - - - 12,720 1,364 5,098 10,706 213 131 92 - 114 68 53 - 2,702 2,702 - -

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales and purchases that are denominated in a foreign currency).

The foreign currencies in which these transactions are denominated are United States Dollar ("USD"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB").

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

The Group's unhedged financial assets and liabilities that are not denominated in its functional currencies are as follows:

	← As at 31 December → ►				
	2020 RM'000	2021 RM'000	2022 RM'000		
<u>Trade receivables</u> USD SGD	1,482 466	693 499	1,586 797		
	1,948	1,192	2,383		
Bank balances USD	98	396	177		
Trade payables USD SGD RMB	1,733 420 - 2,153	761 274 43 1,078	1,815 33 - 1,848		

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure mainly relates to USD, SGD and RMB.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, SGD and RMB, with all other variables held constant on the Group's total equity and profit for the financial years.

	Change in rate %	Effect on profit and equity for the financial year RM'000
At 31 December 2020		
USD	+15	17
	-15	(17)
SGD	+15	(5)
	-15	` 5
At 31 December 2021		
USD	+15	(37)
	-15	`37 [′]
SGD	+15	(26)
	-15	26
RMB	+15	5
	-15	(5)
At 31 December 2022		
USD	+15	6
	-15	(6)
SGD	+15	(87)
	-15	`87 [´]

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial years:

	Carrying amount RM'000	Change in basis points	Effect on profit and equity for the financial year RM'000
At 31 December 2020 Term loans	7,478	+50	(28)
ram ramo	1,470	-50	28
Bank overdrafts	9,479	+50 -50	(36) 36
At 31 December 2021 Term loans	6 000	1.50	(26)
rem loans	6,908	+50 -50	(26)
At 31 December 2022			
Term loans	12,720	+50 -50	(48) 48
Bankers' acceptance	2,702	+50 -50	(10) 10

(c) Fair value measurement

The carrying amount of cash and cash equivalents, short-term receivables and payables and short-term loans and borrowings reasonably approximate to its fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1 and Level 2 during the financial years (2021 and 2020: no transfer in either direction).

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

The following table provide the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount	Fair value of financial instruments not carried at fair value Fair value			
	Total RM'000	Level 1 RM 000	Level 2 RMT000	Level 3 RM 000	Total RM*000
At 31 December 2020 Financial liability Non-current					
Term loans	6,865			5,433	5,433
At 31 December 2021 Financial liability Non-current					
Term loans	6,334	-		5,119	5,119
At 31 December 2022 Financial liability Non-current	44 970			0 539	0.500
Term loans	11,870	-	-	9,528	9,528

Level 3 fair value

Fair value of financial instruments not carried at fair value

The fair value of liability component of term loans is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

28. COMMITMENTS

The Group has made commitments for the following's capital expenditures:

	← As at 31 December ← →			
	2020	2021	2022	
	RM'000	RM'000	RM'000	
Approved and contracted for:				
- Construction of factory building	-	**	23,556	
- Purchase and commissioning of				
automated paint production system	8,717	9,038	9,526	
- Implementation of software		358	274	
	8,717	9,396	33,356	
				

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

29. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Entity in which person connected to a director has interests;
- (ii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the combined financial statements are as follows:

	← FYE 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	
Purchase of property, plant and equipment - Entity in which person connected to a director has interest	230		-	
Purchase of intangible asset - Entity in which person connected				
to a director has interest	-	-	200	
Disposal of property, plant and equipment Entity in which person connected to a director has interest	<u>-</u>		30	
Sales of goods - Entities in which person connected to a director has interest	6,953	7,592	7,284	
Purchase of goods				
 Entities in which person connected to a director has interest 	5,294	2,752	702	

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

29. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions (continued)

Significant related party transactions other than disclosed elsewhere in the combined financial statements are as follows: (continued)

	← FYE 31 December —		
	2020 RM'000	2021 RM'000	2022 R M '000
Rental charged to - Entity in which person connected			
to a director has interest	3	4	4
Rental charged by			
- A director	42	42	21
Management fee charged by - Entity in which person connected			
to a director has interest	36	12	1
Maintenance services charged to - Entity in which person connected to a director has interest			5
to a director has interest	<u> </u>		
Transportation costs charged by - Entities in which person connected			40
to a director has interest	8	-	12
Advances to - Entities in which person connected			
to a director has interest	126	<u>-</u>	
Payment of sinking funds and maintenance fees			
- A director	10	6	6
Interest charged by			
 Entity in which person connected to a director has interest 	1		

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

29. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

There is no compensation of key management personnel other than as disclosed in Note 23.

Significant outstanding balances with related parties at the end of the reporting periods are disclosed in Notes 10 and 17.

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio as at 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

		← As at 31 December — →				
		2020 2021 2022				
		RM'000	RM'000	RM'000		
	Note					
Loans and borrowings/total debts	15 _	18,203	7,645	15,749		
Total equity		41,513	51,553	59,966		
Gearing ratio (times)	_	0.44	0.15	0.26		

There were no changes in the Group's approach to capital management during the financial years under review.

The Group is not subject to externally imposed capital requirements.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

31. SIGNIFICANT EVENT DURING THE FINANCIAL YEARS

COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

The Group has performed an assessment of the overall impact of the situation on the Group's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurements of assets and liabilities and concluded that there was no material adverse effect on the financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Share Split

The Company has undertaken the share split involving the subdivision of 50,900,002 existing ordinary share into 254,500,010 ordinary shares, which was completed on 12 May 2023.

(b) Smart Paint (Selangor) Acquisition

On 19 June 2023, Smart Asia entered into a conditional share sale agreement to acquire the entire equity interest in Smart Paint (Selangor) comprising 650,000 ordinary shares from Goh Chye Hin, Chu Teck, Kee Hui Lang, Goh Chye Leng and Lim Kok Beng for a total purchase consideration of RM3,771,645, to be fully satisfied by the issuance of 18,858,225 new ordinary shares at an issue price of RM0.20 per share.

The Smart Paint (Selangor) Acquisition is pending completion as it is conditional upon the fulfilment of conditions precedent which includes amongst others, the approval from Bursa Securities for the listing of and quotation for the enlarged share capital of Smart Asia on the ACE Market of Bursa Securities ("Listing"). Upon completion, Smart Paint (Selangor) shall become wholly-owned subsidiary of the Company.

(b) Smart Paints (Sabah) Acquisition

On 19 June 2023, Smart Asia entered into a conditional share sale agreement to acquire the entire equity interest in Smart Paints (Sabah) comprising 250,000 ordinary shares from Goh Chye Hin, Kee Hui Lang and Wong Kui Ming for a total purchase consideration of RM598,437, to be fully satisfied by the issuance of 2,992,185 new ordinary shares at an issue price of RM0.20 per share.

The Smart Paints (Sabah) Acquisition is pending completion as it is conditional upon the fulfilment of conditions precedent which includes amongst others, the approval from Bursa Securities for the Listing. Upon completion, Smart Paints (Sabah) shall become wholly-owned subsidiary of the Company.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

33. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The three reportable operating segments are as follow:

Segments	Product and services
Manufacturing	Development, manufacturing, distribution and sale of decorative paints, and protective coatings for household and industrial application and related products which includes colourant and binding and coating machines and provision of original design manufacturers ("ODM") services of decorative paints, protective coating as well as binding and coating chemicals for third party brand owners.
Sale and Trading	Sale and trading of painting tools and accessories, aerosol spray paints and other related products which mainly include raw materials such as resin, pigments and additives, and face masks.
Others	Provision of painting services and selling of disinfectant products and sales and maintenance services of Smart Colour POS Tinting Machine.

Inter-segment pricing is determined on negotiated basis.

Segment profit

Segment performance is used to measure performance as Group's Managing Director believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operate within these industries.

Segment assets and liabilities

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the Managing Director. Hence, no disclosure is made on segments assets.

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

33. SEGMENT INFORMATION (CONTINUED)

	Manufacturing	Sale and Trading	Others	Total
	RM*000	RM'000	RM'000	RM'000
At 31 December 2020 Revenue:				
Revenue from external customers	55,783	8,763	7,053	71,599
Segment profit Other income Unallocated expenses Finance income Finance costs Income tax expense Profit for the financial year	17,194	2,350	3,243 —	22,787 514 (13,326) * (574) (1,959) 7,442
, , , , , , , , , , , , , , , , , , ,			-	
Results: Included in the measure of segment profit are:				
Depreciation of property, plant and equipment				2,166
Employee benefits expense			_	8,857

^{*} Less than 1,000

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

33. SEGMENT INFORMATION (CONTINUED)

	Manufacturing RM'000	Sale and Trading RM'000	Others RM'000	Total RM'000
At 31 December 2021	7441000	TAIN OOD	Tan 000	1411 000
Revenue:				
Revenue from external customers	67,007	7,691	5,068	79,766
Segment profit Other income Unallocated expenses Finance income Finance costs	22,315	1,792	2,611	26,718 448 (12,710) * (525)
Income tax expense				(3,241)
Profit for the financial year				10,690
Results: Included in the measure of segment profit is: Depreciation of property,				
plant and equipment				2,496
Loss on disposal of other investment				355
Employee benefits expense				10,000

^{*} Less than 1,000

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

33. SEGMENT INFORMATION (CONTINUED)

	Manufacturing RM'000	Sale and Trading RM'000	Others RM'000	Total RM'000
At 31 December 2022 Revenue: Revenue from external customers	70,086	7,981	1,151	79,218
rio torrao (rom o marriar o doterno) o				70,210
Segment profit Other income Unallocated expenses Finance income Finance costs Income tax expense	20,688	2,496	351	23,535 749 (12,560) - (520) (2,590)
Profit for the financial year				8,614
Results: Included in the measure of segment profit is:				
Depreciation of property, plant and equipment				2,482
Amortisation of intangible asset				10
Employee benefits expense				9,978

SMART ASIA CHEMICAL BHD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

33. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue assets information based on the geographical location of customers are as follows:

	Revenue RM'000
At 31 December 2020	
Local	57,976
Overseas	13,623
	71,599
At 31 December 2021	
Local	65,907
Overseas	13,859
	79,766
At 31 December 2022	
Local	64,539
Overseas	14,679
	79,218

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA COMBINED STATEMENTS OF FINANCIAL POSITION



24 August 2023

The Board of Directors

Smart Asia Chemical Bhd

No. 11, Jalan Indah Gemilang 5

Taman Perindustrian Gemilang
81800 Ulu Tiram, Johor, Malaysia

Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) Chartered Accountants (AF 0117) Baker Tilly Tower Level 10, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur, Malaysia

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Dear Sirs.

SMART ASIA CHEMICAL BHD ("Smart Asia" or the "Company")

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of Smart Asia Chemical Bhd ("Smart Asia" or the "Company") and the combining entities, namely Smart Paint Manufacturing Sdn. Bhd., Smart Paints (M) Sdn. Bhd., Smart Paints (Sabah) Sdn. Bhd., Smart Paint (Selangor) Sdn. Bhd. and Color Breeze Sdn. Bhd. (collectively referred to as "Group") for which the directors of Smart Asia are solely responsible. The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 31 December 2022 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Smart Asia have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma combined statements of financial position of the Group has been compiled by the directors of Smart Asia, for illustrative purposes only, for inclusion in the prospectus of Smart Asia ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of Smart Asia on the ACE Market of Bursa Malaysia Securities Berhad ("Listing") comprising public issue of 93,500,000 initial public offering shares ("IPO"), after making certain assumptions and such adjustments to show the effects on the pro forma combined statements of financial position of the Group as at 31 December 2022 adjusted for the Pre-Listing or Internal Restructuring Exercise, IPO and utilisation of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.2 respectively.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

Reporting Accountants' Report on the Compilation of the Pro Forma Combined Statements of Financial Position as at 31 December 2022 Included in a Prospectus

As part of this process, information about the Group's pro forma combined statements of financial position has been extracted by the directors of Smart Asia from the audited combined financial statements of the Group for the Financial Year Ended ("FYE") 31 December 2022, on which a reporting accountants' report dated 24 August 2023 has been issued.

The audited combined financial statements of the Group for the FYE 31 December 2022 were reported by us to the members without any modifications.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The directors of Smart Asia are responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws* (on *Professional Ethics, Conduct and Practice*) issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position has been compiled, in all material respects, by the directors of Smart Asia based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of Smart Asia have compiled, in all material respects, the pro forma combined statements of financial position based on the Applicable Criteria.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

Reporting Accountants' Report on the Compilation of the Pro Forma Combined Statements of Financial Position as at 31 December 2022 Included in a Prospectus

Reporting Accountants' Responsibilities (Continued)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma combined statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined statements of financial position.

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Smart Asia in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to Listing Scheme as described in Note 1.2 to the pro forma combined statements of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited combined financial statements of the Group for the FYE 31 December 2022, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 31 December 2022; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

Reporting Accountants' Report on the Compilation of the Pro Forma Combined Statements of Financial Position as at 31 December 2022 Included in a Prospectus

Opinion

In our opinion:

- (a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited financial statements of the Group for the FYE 31 December 2022 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its financial statements for the FYE 31 December 2022; and
- (b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

Other matter

This report has been prepared for inclusion in the Prospectus of Smart Asia in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) & AF 0117 Chartered Accountants

Paul Tan Hong No. 03459/11/2023 J Chartered Accountant

SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma combined statements of financial position of Smart Asia Chemical Bhd ("Smart Asia" or the "Company") and its combining entities, namely Smart Paint Manufacturing Sdn. Bhd. ("Smart Paint Manufacturing"), Smart Paints (M) Sdn. Bhd. ("Smart Paints (M)"), Smart Paints (Sabah) Sdn. Bhd. ("Smart Paints (Sabah)"), Smart Paint (Selangor) Sdn. Bhd. ("Smart Paint (Selangor)") and Color Breeze Sdn. Bhd. ("Color Breeze") (hereinafter collectively referred to as the "Group") has been compiled by the directors of Smart Asia, for illustrative purposes only, for inclusion in the prospectus of Smart Asia in connection with the listing of and quotation for the entire enlarged issued share capital of 369,850,420 ordinary shares in Smart Asia ("Share(s)") on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.1 In conjunction with the admission of Smart Asia to the Official List of the ACE Market of Bursa Securities and Listing, Smart Asia had undertaken the following transactions:

1.2 Listing Scheme

1.2.1 Pre-Listing or Internal Restructuring Exercise

In conjunction with Listing, the Company has undertaken the Share Split and Acquisitions as described in Notes 1.2.1.1 and 1.2.1.2 respectively.

1.2.1.1 Share Split

The Company has undertaken the share split involving the subdivision of 50,900,002 existing Shares into 254,500,010 Shares, which was completed on 12 May 2023.

1.2.1.2 Acquisitions

Smart Paint (Selangor) Acquisition

On 19 June 2023, Smart Asia entered into a conditional share sale agreement to acquire the entire equity interest in Smart Paint (Selangor) comprising 650,000 ordinary shares from Goh Chye Hin, Chu Teck, Kee Hui Lang, Goh Chye Leng and Lim Kok Beng for a total purchase consideration of RM3,771,645, to be fully satisfied by the issuance of 18,858,225 new Shares at an issue price of RM0.20 per Share.

The purchase consideration for the Smart Paint (Selangor) Acquisition of RM3,771,645 was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of Smart Paint (Selangor) as at 31 December 2022 of RM3,771,645.



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

- 1. (Continued)
- 1.2 (Continued)
- 1.2.1 (Continued)

1.2.1.2 Acquisitions (Continued)

Smart Paint (Selangor) Acquisition (Continued)

The Smart Paint (Selangor) Acquisition is pending completion as it is conditional upon the fulfilment of conditions precedent which includes amongst others, the approval from Bursa Securities for the Listing. Upon completion, Smart Paint (Selangor) shall become wholly-owned subsidiary of the Company.

Smart Paints (Sabah) Acquisition

On 19 June 2023, Smart Asia entered into a conditional share sale agreement to acquire the entire equity interest in Smart Paints (Sabah) comprising 250,000 ordinary shares from Goh Chye Hin, Kee Hui Lang and Wong Kui Ming for a total purchase consideration of RM598,437, to be fully satisfied by the issuance of 2,992,185 new Shares at an issue price of RM0.20 per Share.

The purchase consideration for the Smart Paints (Sabah) Acquisition of RM598,437 was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Smart Paints (Sabah) as at 31 December 2022 of RM598,437.

The Smart Paints (Sabah) Acquisition is pending completion as it is conditional upon the fulfilment of conditions precedent which includes amongst others, the approval from Bursa Securities for the Listing. Upon completion, Smart Paints (Sabah) shall become wholly-owned subsidiary of the Company.



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

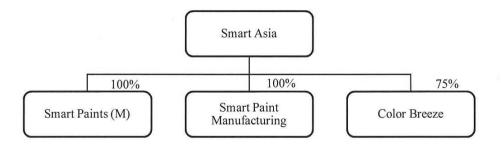
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

- 1. (Continued)
- 1.2 (Continued)
- 1.2.1 (Continued)

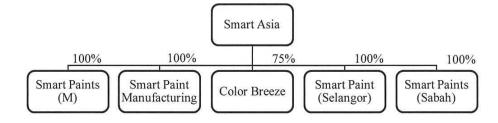
1.2.1.2 Acquisitions (Continued)

The Group structure before and after the Acquisitions are as below:

As at 31 December 2022



After the Acquisitions





SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

- 1. (Continued)
- 1.2 (Continued)

1.2.2 **IPO**

A total of 93,500,000 IPO Shares, representing approximately 25.28% of the enlarged issued Shares of Smart Asia are offered at RM[•] per IPO Share ("IPO Price"), will be allocated in the following manner:

- (i) 18,492,600 IPO Shares, representing 5.00% of enlarged issued Shares, will be made available for application by the Malaysian Public by way of balloting, of which at least 50% will be set aside to Bumiputera public investors; and
- (ii) 12,100,000 IPO Shares, representing 3.27% of enlarged issued Shares, will be reserved for application by the eligible Directors, employees of the Group and persons who have contributed to the success of the Group; and
- (iii) 62,907,400 IPO Shares, representing 17.01% of enlarged issued Shares, have been reserved for application by way of private placement in the following manner:
 - (a) 46,231,400 IPO Shares, representing 12.50% of enlarged issued Shares, made available for selected Bumiputera investors approved by Ministry of Investment, Trade and Industry of Malaysia; and
 - (b) 16,676,000 IPO Shares, representing approximately 4.51% of our enlarged issued Shares, made available for selected investors.

(Collectively hereinafter referred to as "IPO").

1.2.3 Listing

Upon completion of the IPO, Smart Asia's entire enlarged issued Shares of RM[●] comprising 369,850,420 Shares will be listed on the ACE Market of Bursa Securities.



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

- 2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION
- 2.1 The pro forma combined statements of financial position have been prepared to illustrate the pro forma combined financial position of the Group as at 31 December 2022, adjusted for the Pre-Listing or Internal Restructuring Exercise, IPO and utilisation of proceeds as described in Notes 1.2.1, 1.2.2 and 3.2.2 respectively.
- 2.2 The pro forma combined statements of financial position have been prepared based on the audited combined financial statements of the Group for the financial year ended ("FYE") 31 December 2022.
- 2.3 The audited combined financial statements of the Group for the FYE 31 December 2022 were reported by the auditors to the members without any modifications.
- 2.4 The pro forma combined statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.
- 2.5 The pro forma combined statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statements of financial position based on the audited combined financial statements of the Group for FYE 31 December 2022, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

3.1 The pro forma combined statements of financial position of the Group as set out below, for which the directors of Smart Asia are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited combined statement of financial position of the Group as at 31 December 2022, had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

		Pro Forma I	Pro Forma II	Pro Forma III
	Combined Statements of Financial Position as at 31 December 2022# RM'000	After the Pre-Listing or Internal Restructuring Exercise RM'000	After Pro Forma I and the IPO RM'000	After Pro Forma II and the utilisation of proceeds RM'000
ASSETS				
Non-current assets Property, plant and equipment	43,549	43,549	43,549	43,549
Intangible asset	190	190	190	190
Deferred tax assets	136	136	136	136
Total non-current assets	43,875	43,875	43,875	43,875
Current assets				
Inventories	23,744	23,744	23,744	23,744
Current tax assets	699	699	699	699
Trade and other receivables	26,264	26,264	26,264	[•]
Contract assets	27	27	27	27
Cash and bank balances	5,056	5,056	[•]	
Total current assets	55,790	55,790	[•]	[•]
TOTAL ASSETS	99,665	99,665	[•]	[•]
EQUITY AND LIABILITIES Equity attributable to owners of the Group				
Invested equity/Share capital	51,800	55,270	[•]	[•]
Reorganisation reserve	(25,783)	(29,253)	(29,253)	\$ 20
Retained earnings	33,828	33,828	33,828	[•]
	59,845	59,845	[•]	[•]
Non-controlling interest	121	121	121	121
TOTAL EQUITY	59,966	59,966	[•]	[•]
				110

Pro Forma Combined Statements of Financial Position

SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.1 (Continued)

	Combined Statements of Financial Position as at 31 December 2022# RM'000	After the Pre-Listing or Internal Restructuring Exercise RM'000	After Pro Forma I and the IPO RM'000	After Pro Forma III and the utilisation of proceeds RM'000
Non-current liabilities	va ta manaran			
Loans and borrowings	12,013	12,013	12,013	12,013
Deferred income	143	143	143	143
Deferred tax liabilities	410	410	410	410
Total non-current liabilities	12,566	12,566	12,566	12,566
Current liabilities Loans and borrowings Current tax liabilities Trade and other payables Contract liabilities Total current liabilities	3,736 317 21,365 1,715 27,133	3,736 317 21,365 1,715 27,133	3,736 317 21,365 1,715 27,133	3,736 317 21,365 1,715 27,133
TOTAL LIABILITIES	39,699	39,699	39,699	39,699
TOTAL EQUITY AND LIABILITIES	99,665	99,665	[•]	[•]
Number of ordinary shares assumed to be in issue ('000)	51,800*	276,350	369,850	369,850
NA^ (RM'000)	59,845	59,845	[•]	[•]
NA per ordinary share (RM)	1.1553	0.2166	[•]	[•]
^ attributable to owners of the C * represent the aggregate number Smart Paint (Selangor) and Sn	er of issued Share			

Extracted from Group's audited combined financial statements for the FYE 31 December 2022.

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Pro Forma Combined Statements of Financial Position

SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

- 3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
- 3.2 Notes to the pro forma combined statements of financial position are as follows:
- 3.2.1 The pro forma combined statements of financial position of the Group, for which the directors of Smart Asia are solely responsible, have been prepared for illustrative purposes only, to show the effects on the combined audited statements of financial position of the Group as at 31 December 2022, had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.
- 3.2.2 The proceeds from the IPO would be used in the following manner:

Details of use of proceeds	RM'000	%	Estimated timeframe for utilisation from the date of listing
Not reflected in pro forma combined			
statements of financial position			
Establishment of Perak Plant:			
(i) Construction of Perak Plant (1)	[•]	[•]	Within 12 months
(ii) Purchase and commissioning of automated	NO. 1972		property of relation
paint production system (1)	[•]	[•]	Within 12 months
Purchase of 250 units of Smart Colour POS Tinting Machine (2)	[•]	[•]	Within 36 months
Working capital	[•]	[•]	Within 12 months
Reflected in pro forma combined			
statements of financial position			
Estimated listing expenses	[•]	[•]	Within 1 month
Gross proceeds	[•]	[•]	

- (1) As at 31 December 2022, the Group has yet to drawdown the banking facilities to part finance the construction of Perak Plant and purchase and commissioning of the automated paint production system for the Perak Plant. Accordingly, the utilisation of proceeds earmarked for the repayment of banking facilities to part finance the Establishment of Perak Plant are not reflected in the pro forma combined statements of financial position.
- (2) As at the latest practicable date, the Group has yet to issue any purchase order in relation to the purchase of 250 units of Smart Colour POS Tinting Machine. Accordingly, the utilisation of proceeds earmarked for the purchase of 250 units of Smart Colour POS Tinting Machine are not reflected in the pro forma combined statements of financial position.



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

- 3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
- 3.2 (Continued)
- 3.2.3 The pro forma combined statements of financial position should be read in conjunction with the notes below:

(a) Pro Forma I

Pro Forma I incorporate the effects of the Pre-Listing or Internal Restructuring Exercise as described in Note 1.2.1 on the audited combined statements of financial position of the Group as at 31 December 2022.

Smart Paint (Selangor) Acquisition

The reorganisation reserve arising from the Smart Paint (Selangor) Acquisition are as below:

	RM'000
Purchase consideration	3,772
Less: Share capital of Smart Paint (Selangor)	(650)
Reorganisation reserve	3,122

Smart Paints (Sabah) Acquisition

The reorganisation reserve arising from the Smart Paints (Sabah) Acquisition are as below:

	RM'000
Purchase consideration	598
Less: Share capital of Smart Paints (Sabah)	(250)
Reorganisation reserve	348



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

- 3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
- 3.2 (Continued)
- 3.2.3 (Continued)

(a) Pro Forma I (Continued)

The Pre-Listing or Internal Restructuring Exercise will have the following impact on the pro forma combined statements of financial position of the Group as at 31 December 2022:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Invested equity/Share capital	-	3,470
Reorganisation reserve	-	(3,470)
	E	=

(b) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and IPO as described in Note 1.2.2.

The IPO will have the following impact on the pro forma combined statements of financial position of the Group as at 31 December 2022:

	Increase	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	[•]	-
Invested equity/Share capital	; <u>=</u>	[•]
	[•]	[•]



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

- 3.2 (Continued)
- 3.2.3 (Continued)

(c) Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the IPO of RM[•]million after netting off RM[•]million of estimated listing expenses.

The remaining proceeds expected from the IPO of RM[•] million will be used in the manner as described in Note 3.2.2.

The proceeds arising from the IPO earmarked for the Establishment of Perak Plant and purchase of 250 units of Smart Colour POS Tinting Machine and Group's working capital purposes of RM[•]million will be included in the Cash and Bank balances Account.

As at 31 December 2022, out of the RM[•] million for listing expenses, RM0.66 million has been incurred and recognised as prepayment. The RM0.66 million is recognised as prepayment as this is direct attributable expenses relating to the new issuance of Shares which will be capitalised as Invested Equity/Share Capital Account upon Listing.

Out of the remaining estimated listing expense to be incurred of RM[•]million, RM[•]million will be charged to Retained Earnings Account and RM[•]million is recognised in Invested Equity/Share Capital Account as this is directly attributable expenses relating to the new issuance of Shares. Together with the amount previously recorded as prepayment of RM0.66 million, a total of RM[•]million will be capitalised under Invested Equity/Share Capital Account.

The utilisation of proceeds will have the following impact on the pro forma combined statements of financial position of the Group as at 31 December 2022:

	Decrease	
	Effects on	Effects on
	Total Assets RM'000	Total Equity RM'000
Trade and other receivables	(657)	-
Cash and bank balances	[•]	-
Invested equity/Share capital		[•]
Retained earnings		[•]
	[•]	

Pro Forma Combined Statements of Financial Position

SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

- 3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
- 3.2 (Continued)
- 3.2.4 Movements in share capital and reserves are as follows:

	Invested equity/ Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000
Combined statements of financial position of the Group as at 31 December 2022 Arising from the Pre-Listing or	51,800	(25,783)	33,828
Internal Restructuring Exercise	3,470	(3,470)	:-
Per Pro Forma I Arising from the IPO	55,270 [•]	(29,253)	33,828
Per Pro Forma II Arising from the defrayment of estimated listing expenses in	[•]	(29,253)	33,828
relation to the Listing	[•]	7 .	[•]
Per Pro Forma III	[•]	(29,253)	[•]



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES

- 3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)
- 3.2 (Continued)
- 3.2.5 Movements in cash and bank balances are as follows:

	RM'000
Combined statements of financial position of the Group as at 31 December 2022	5,056
Arising from the Pre-Listing or Internal Restructuring Exercise	<u>=</u> :
Per Pro Forma I	5,056
Arising from the IPO	[•]
Per Pro Forma II	[•]
Arising from the defrayment of estimated listing expenses in relation to the Listing	[•]
Per Pro Forma III	[•]



SMART ASIA CHEMICAL BHD AND ITS COMBINING ENTITIES			
APPROVAL BY BOARD OF DIRECTORS			
Approved and adopted by the Board of Director a resolution dated 2 4 AUG 2023	rs of Smart Asia Chemical Bhd in accordance with		
Goh Chye Hin Director	Kee Hui Lang Director		



15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we have only 1 class of shares in our Company, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (b) Save for the new Shares to be issued under the Pink Form Allocations as disclosed in Section 4.3.1 of this Prospectus,
 - no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any shares of our Company or our subsidiaries; and
 - (ii) there is no scheme involving the directors and employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the new Shares issued for the Acquisitions as disclosed in Section 6.1.2 of this Prospectus and to be issued pursuant the Public Issue as disclosed in Section 4.3.1 of this Prospectus, respectively, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 3 years immediately preceding the LPD.
- (d) Save for our IPO as disclosed in Section 4.3.1 of this Prospectus, there is no intention on the part of our Directors to further issue any Shares.
- (e) As at the date of this Prospectus, we do not have any outstanding warrants, options, convertible debt securities or uncalled capital.

15.2 CONSTITUTION

The following provisions are extracted from our Company's Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here, or the context otherwise requires. The following provisions extracted from our Company's Constitution are based on the Listing Requirements, the Act and the Depository Rules.

(a) Remuneration, voting and borrowing power of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing power of Directors are as follows:

Remuneration of Directors

Clause 103 – Remuneration

The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS that:-

- 103.1 fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- 103.2 salaries payable to executive Directors may not include a commission on or percentage of turnover;

- 103.3 fees of directors, any benefits payable to directors shall be subject to shareholders' approval at general meeting; and
- any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 104 - Reimbursement and special remuneration

- 104.1 The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in connection with or about the business of the Company in the course of the performance of their duties as Directors.
- 104.2 If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged subject to any other provisions of our Constitution.

Directors voting powers

Clause 123 – Declaration of interest and restriction of voting

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, a personal interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:

- (a) any arrangement for giving any Director any security or indemnity in respect
 of money lent by him or obligations undertaken by him for the benefit of the
 Company or any of its subsidiaries; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security.

Clause 127 – Director's interest in corporation promoted by the Company

A Director of the Company may be or become a Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of or from his interest in such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.

Directors' borrowing powers

Clause 108 - Directors' borrowing powers

- The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- 108.2 The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.
- 108.3 If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

(b) Changes to Share Capital

The provisions in our Constitution dealing with changes to share capital and variation of class rights are as follows:

Variation of rights

Clause 18 - Alteration of class rights

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may be subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares capital of the class or group, or with the sanction of any special resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or represented by proxy (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply.

Alteration of Capital

Clause 54 – Alteration of capital

Subject to the provision of the Act and Listing Requirements, the Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived:
- (ii) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or
- (iii) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

The Company may, subject to the provision of the Act, by special resolution reduce its share capital.

(c) Transfer of shares

The provision in our Constitution dealing with transfer of securities is as follows:

Transfer of Securities

Clause 42 - Transfer of securities

The transfer of any listed Security or class of listed Security in the Company shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 or 110 of the Act, subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed Security.

(d) Rights, preferences, and restrictions attached to each class of securities relating to voting, dividend, liquidation, and any special rights

The provisions in our Constitution dealing with rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation, and any special rights are as follows:

Clause 81

(i) Members' vote

Subject to Clause 60 in the Constitution and any rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, each Member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.

(ii) Number of votes

Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with the Constitution, on a show of hands a holder of ordinary shares or preference shares who presents as a Member or a Member's representative or proxy or attorney and entitled to vote shall be entitled to one (1) vote on any question at any general meeting and in the case of a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for every share held by him. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses on a poll in the same way.

Clause 152 - Dividends

The Directors may if they think fit from time to time pay to the Members such dividends as appear to the Directors to be justified by the profits of the Company. If at any time the share capital of the Company is divided into different classes, the Directors may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Directors act bona fide they shall not incur any responsibility to the holder of shares conferring any preferential rights for any damage that they may suffer by reason of the payment of a dividend on any shares having deferred or non-preferential rights. The Directors may also pay half- yearly or at other suitable intervals to be determined by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits justify the payment.

15.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account/ CDS Account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers, and privileges and be subject to all liabilities, duties, and obligations in respect of, or rising from, such Shares.

15.4 GENERAL INFORMATION

- (a) Save for the Directors' remuneration as disclosed in Section 5.2.4 of this Prospectus, dividends paid to our Promoters as disclosed in Section 12.14 of this Prospectus, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Promoters, Directors or substantial shareholders.
- (b) Save as disclosed in Section 10.1 of this Prospectus, none of our Directors or substantial shareholders has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the procedures for application of our Shares are set out in Section 16 of this Prospectus.
- (d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:

- (a) sale and purchase agreement between Smart Paint Manufacturing (as purchaser) and Perbadanan Kemajuan Negeri Perak ("**PKNP**") (as vendor) dated 9 July 2020 in relation to the purchase of Perak Land 2, Perak Land 3 and Perak Land 4 for a purchase consideration of RM1,815,811.67. The sale and purchase of the aforementioned industrial lands were completed in February 2021;
- (b) sale and purchase agreement dated 10 March 2022 between Smart Paint Manufacturing (as purchaser) and Sheng Sin Equipment Sdn Bhd (as vendor) in respect of the purchase of Johor Factory 3 for a purchase consideration of RM7,200,000.00. The sale and purchase of the aforementioned property was completed in July 2022;

- (c) letter of award dated 22 June 2022 between Smart Paint Manufacturing and Maneto Engineering Sdn Bhd ("Maneto Engineering") for the construction and completion of Perak Plant for a consideration of RM28,200,000.00. As at the LPD, the Perak Plant is pending completion and is estimated to be completed by fourth quarter of 2023;
- (d) YGL E-Corporate Suite proposal dated and accepted on 25 June 2021 in relation to the engagement of YGL Intelligent Technology Sdn Bhd by Smart Paint Manufacturing for the implementation of the Industry 4.0 System which includes the implementation of software, maintenance services and the training of the key users and department heads for our Group. The cost for the implementation of the system amounts to RM448,000.00 and an annual software and maintenance support service of RM68,090.00 per annum. The implementation of the Industry 4.0 System is pending completion and is estimated to be completed by the first quarter of 2024;
- (e) letter of award dated 22 December 2022 between Paints Depot and Smart Paint Manufacturing for Painting Works for the Perak Plant for a consideration of RM1,511,479.60 ("Painting Works Consideration"). As at the LPD, the Painting Works is pending completion and is estimated to be completed by November 2023;
- (f) settlement agreement between dated 28 December 2022 between Smart Paint Manufacturing and Paints Depot in respect of the set off of an outstanding debt owed by Paints Depot, amounting to RM1,654,744.71, to Smart Paint Manufacturing ("Debt") by way of Painting Works for the Perak Plant. The outstanding debt arose from unpaid invoices for products sold by Smart Paint Manufacturing to Paints Depot. The remaining outstanding balance of the Debt amounting to RM143,265.11 (after setting off the Painting Works Consideration against the Debt) is to be paid by Paints Depot to Smart Paint Manufacturing. The outstanding balance of RM143,265.11 was paid on 29 December 2022. As at the LPD, the Painting Works is pending completion and is estimated to be completed by November 2023;
- supplemental agreement dated 17 May 2023 ("Supplemental Agreement") between Smart Paint Manufacturing (as purchaser) and PKNP (as vendor) (supplemental to the sale and purchase agreement dated 13 August 2018 between the same parties in relation to the purchase of Perak Land ("Principal SPA")). The Principal SPA states that PKNP will be liable at its own cost to provide the main infrastructure to the Perak Land. The Supplemental Agreement revises the aforementioned provision, and the parties agree that Smart Paint Manufacturing will take over and assume PKNP's obligations to provide main infrastructure to the Perak Land. In return, PKNP will make a payment of RM1,275,960.00 to Smart Paint Manufacturing within 6 months of the Supplemental Agreement ("Infrastructure Payment"). As at the LPD, the Infrastructure Payment is still pending and is estimated to be settled by November 2023;
- (h) construction contract dated 1 June 2023 between Smart Paint Manufacturing and Maneto Engineering to carry out of the road and drainage works for the Perak Land for a consideration of RM1,160,000.00. As at the LPD, the aforementioned road and drainage works is pending completion and is estimated to be completed by September 2023;
- (i) conditional share sale agreement dated 19 June 2023 between our Company and Goh Chye Hin, Kee Hui Lang, Chu Teck, Goh Chye Leng and Lim Kok Beng to acquire 100% equity interest in Smart Paint (Selangor) for a total purchase consideration of RM3,771,645.00 to be satisfied by way of an issuance of a total of 18,858,225 Shares of our Company, which was completed on [•];

- (j) conditional share sale agreement dated 19 June 2023 between our Company and Goh Chye Hin, Kee Hui Lang and Wong Kui Ming to acquire 100% equity interest in Smart Paints (Sabah) for a purchase consideration of RM598,437.00 to be satisfied by way of an issuance of 2,992,185 Shares of our Company, which was completed on [•]; and
- (k) the Underwriting Agreement dated [•] between our Company and Mercury Securities as Underwriter for the underwriting of 30,592,600 IPO Shares for an Underwriting commission of up to [•]% of IPO Price multiplied by the number of IPO Shares underwritten.

15.6 EXCHANGE CONTROLS

All corporations in Malaysia are required to adopt a single-tier system. As such, all dividends distributed by Malaysian corporations under this system are not taxable. Further, the Malaysian Government does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian corporations. There is no Malaysian capital gains tax arising from the disposal of listed shares. However, in the event the capital gain arising from the disposal of listed shares is revenue in nature, such gain can be subject to income tax.

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company. As such, there are no law, decree, regulation or other requirement which may affect the repatriation of capital and remittance of profits by or to our Group.

15.7 CONSENTS

- (a) The respective written consents of the Principal Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Company Secretary, Share Registrar, and Issuing House for the inclusion in this Prospectus of their names and all references in the form and context in which such names appear have been given before the issue of this Prospectus, and such consents have not subsequently been withdrawn;
- (b) The written consent of the External Auditors and Reporting Accountants for the inclusion in this Prospectus of its name, Accountants' Report and Reporting Accountants' Report on the compilation of Pro Forma Combined Statements of Financial Position as at 31 December 2022 and all references thereto, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus, and such consent has not subsequently been withdrawn; and
- (c) The written consent of the IMR for the inclusion in this Prospectus of its name and the IMR Report and all references thereto, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus, and such consent has not subsequently been withdrawn.

15.8 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (a) our Constitution;
- (b) the audited financial statements of our Group for the Financial Years Under Review;
- (c) the Accountants' Report as set out in Section 13 of this Prospectus;
- (d) the Reporting Accountants' Report on the compilation of Pro Forma Combined Statements of Financial Position as at 31 December 2022 as set out in Section 14 of this Prospectus;
- (e) the IMR Report as set out in Section 8 of this Prospectus;
- (f) the material contracts as set out in Section 15.5 of this Prospectus; and
- (g) the letters of consent as set out in Section 15.7 of this Prospectus.

15.9 RESPONSIBILITY STATEMENTS

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

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

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THIS SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

Applications for our IPO Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., ON [•]

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., ON [•]

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

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with the terms of our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Type	es of Application and category of investors	Application Method
Appli	cations by our Eligible Persons	Pink Application Form only
Appli	cations by the Malaysian Public:	
(a)	Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b)	Non-Individuals	White Application Form only

16.2.2 Private Placement

Types of Application		Application Method
Applic	eations by:	
(a)	Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b)	Bumiputera Investors approved by MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera Investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only ONE Application Form for each category from each applicant will be considered and APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (a) You must be one of the following:
 - a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (c) You must submit Applications by using only one of the following methods:
 - (i) White Application Form;
 - (ii) Electronic Share Application; or
 - (iii) Internet Share Application.

16.3.3 Application by the Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribed to the allocated IPO Shares. Applicants must follow the notes and instructions on the said documents and where relevant, in this Prospectus.

The Eligible Persons who have made applications using the Pink Application Form may still apply for our IPO Shares allocated to the Malaysian Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions printed therein or which are illegible will not be accepted.

The FULL amount payable is RM [•] for each IPO Share.

Payment must be made out in favour of "TIIH SHARE ISSUE ACCOUNT NO. [•]" and crossed "A/C PAYEE ONLY" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatch by ORDINARY POST in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd

(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVER BY HAND AND DEPOSIT** in the issuing house drop-in box provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur so as to arrive not later than 5.00 p.m. on [•] or by such other time and date specified in any change to the time or date for the closing of the applications for our IPO shares.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the following Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (a) reject Applications which:
 - (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (ii) are illegible, incomplete or inaccurate; or
 - (iii) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 of this Prospectus below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER / UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of our IPO shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, at all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within one Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event this requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in Section 4.3.2 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).
- (d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (b) You may check your account on the 5th Market Day from the balloting date.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution or Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution or Internet Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (a) Our IPO Shares allotted to you will be credited into your CDS account.
- (b) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (d) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no.03-2783 9299
Electronic Share Application	The relevant Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.