

**NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF ZANTAT HOLDINGS BERHAD (“ZANTAT” OR THE “COMPANY”) DATED 6 MARCH 2024 (“ELECTRONIC PROSPECTUS”)**

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

**Website**

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“**Website**”).

**Availability and Location of Paper/Printed Prospectus**

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

Prospective investors should note that the Application Form is not available in electronic format.

**Jurisdictional Disclaimer**

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, M&A Securities and Zantat take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

**Close of Application**

Applications will be accepted from 10.00 a.m. on 6 March 2024 and will close at 5.00 p.m. on 13 March 2024.

In the event the Closing Date is extended, Zantat will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original Closing Date, and make an announcement on Bursa Securities’ website.

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

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

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

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



征达私人有限公司  
**Zantat Holdings Berhad**  
 202101040483 (1440783-X)

#### PERAK PLANT

PT24571 & PT21289 (Lot 35978)  
 Kaw. Industri Batu Kapur Keramat Pulai  
 31300 Kampung Kepayang  
 Perak, Malaysia.

**T** +605 357 1853  
**F** +605 357 1407

#### KUALA LUMPUR PLANT

Lot 1013-B, Jalan 2/32A, 6 1/2 Miles  
 Kepong Industrial Area, Off Jalan Kepong  
 52100 Kuala Lumpur, Malaysia.

**T** +603 6258 5552 / +603 6258 1985  
**F** +603 6251 8766

[www.zantat.com.my](http://www.zantat.com.my)



# PROSPECTUS

## ZANTAT HOLDINGS BERHAD

Registration No. 202101040483 (1440783-X)  
 (Incorporated in Malaysia)

**INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING:**

**(I) PUBLIC ISSUE OF 56,000,000 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:**

- 14,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 11,200,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND
- 30,800,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;

**AND**

**(II) OFFER FOR SALE OF 16,800,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS AT AN ISSUE/OFFER PRICE OF RM0.25 PER SHARE, PAYABLE IN FULL UPON APPLICATION.**

Adviser, Sponsor, Underwriter and Placement Agent



**M & A SECURITIES SDN BHD**  
 (197301001503 (15017-H))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Bursa Securities has approved the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities and this Prospectus has been registered by the Bursa Securities. The approval of the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities and registration of this Prospectus, should not be taken to indicate that the 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 221.**

**THE ACE MARKET 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. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. 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.**

THIS PROSPECTUS IS DATED 6 MARCH 2024

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

M & A Securities Sdn Bhd, being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), 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.

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

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("**CMSA**") for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Shares are offered to the public premised on 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.

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on 12 October 2023. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

The Securities Commission Malaysia ("**SC**") has on 16 October 2023 approved the resultant equity structure of our Company under the Bumiputera equity requirements for public listed companies pursuant to our Listing (as defined herein).

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

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 our IPO would result in the contravention of any law of such countries or jurisdictions.

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 our 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. We will further assume that you had accepted our IPO in Malaysia and will 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.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser 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.

### **ELECTRONIC PROSPECTUS**

This Prospectus can be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://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 (as defined herein) may be subject to the risks of problems occurring during 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 (as defined herein). 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 Adviser or the Issuing House (as defined herein), a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the electronic 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 the Prospectus registered with 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:

- (a) We and our 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;
- (b) We and our 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 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
- (c) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our 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 material.

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

- (a) The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and 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
- (b) 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**

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*All terms used are defined under "Definitions" commencing from page vii.*

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

<b>Events</b>	<b>Indicative date</b>
Issuance of this Prospectus / Opening of Application	6 March 2024
Closing of Application	13 March 2024
Balloting of Application	18 March 2024
Allotment / Transfer of our IPO Shares to successful applicants	25 March 2024
Date of Listing	27 March 2024

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

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**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

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*All terms used in this section are defined under "Definitions" commencing from page vii.*

All references to "Zantat Holdings" and "Company" in this Prospectus are to Zantat Holdings Berhad (Registration No: 202101040483 (1440783-X)). Unless otherwise stated, references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, 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.

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 one decimal place (for percentages) or one 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 the "Definitions" and "Technical Glossary" appearing after this section. Words denoting singular shall include 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 companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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 the internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, such information can be assumed to originate from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the IMR. 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.

The information on our website, or any website directly or indirectly linked to such websites do not form part of this Prospectus.

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## **FORWARD-LOOKING STATEMENTS**

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*All terms used are defined under "Definitions" commencing from page vii.*

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, plans and objectives 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, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our 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 terminology 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:

- (a) Demand for our products;
- (b) Our business strategies;
- (c) Our future plans;
- (d) Our future earnings, cash flows and liquidity; and
- (e) Our ability to pay future dividends.

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:

- (a) The economic, political and investment environment in Malaysia; and
- (b) Government policy, legislation or regulation.

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 – "Risk Factors" and Section 12 – "Financial Information" 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 only as at the date of this Prospectus.

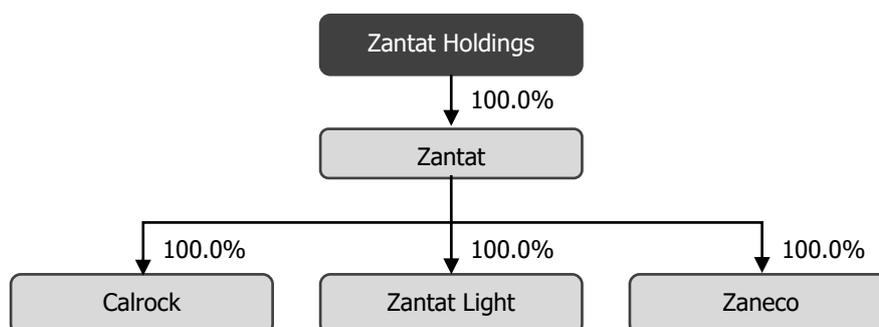
Should we become aware of any subsequent material change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, we shall further issue a supplemental or replacement prospectus,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

## DEFINITION

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

### COMPANIES WITHIN OUR GROUP:

"Calrock"	:	Calrock Sdn Bhd (Registration No. 197001000253 (9503-V))
"Zaneco"	:	Zaneco Sdn Bhd (Registration No. 202101031889 (1432189-P))
"Zantat"	:	Zantat Sdn Bhd (Registration No. 198101012988 (79120-A))
"Zantat Holdings" or the "Company"	:	Zantat Holdings Berhad (Registration No. 202101040483 (1440783-X))
"Zantat Holdings Group" or the "Group"	:	Zantat and its subsidiaries, Zantat, Calrock, Zantat Light and Zaneco, collectively
"Zantat Light"	:	Zantat Light C.C. Sdn Bhd (Registration No. 200001030329 (532936-W))



### GENERAL:

"ACE Market"	:	ACE Market of Bursa Securities
"Acquisition of Zantat"	:	Acquisition by Zantat Holdings of the entire equity interest of Zantat from Zantat Vendors for a purchase consideration of RM57,411,200, which was wholly satisfied by the issuance of 223,999,999 new Shares at an issue price of RM0.2563 per share, which was completed on 21 November 2023
"Act"	:	Companies Act 2016
"ADA"	:	Authorised Depository Agent
"Adviser" or "Sponsor" or "Underwriter" or "Placement Agent"	:	M & A Securities
"AELB"	:	Atomic Energy Licensing Board
"Application(s)"	:	Application(s) for IPO Shares by way of Application Form(s), Electronic Share Application(s) or Internet Share Application(s)

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**DEFINITIONS (Cont'd)**

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"Application Form(s)"	:	Printed application form(s) for the application of our IPO Shares accompanying this Prospectus
"ASEAN"	:	Association of Southeast Asian Nations
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of Zantat Holdings
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Calrock Perak Plant"	:	A single-storey manufacturing facility annexed with 2 single-storey office building at a total built-up area of approximately 54,240 sq ft, located at 60, Persiaran Portland, Kawasan Perindustrian Tasek, 31400 Ipoh, Perak
"CAGR"	:	Compound annual growth rate
"CCC"	:	Certificate of completion and compliance
"CDS"	:	Central Depository System
"CDS Account"	:	Account established by Bursa Depository for a depositor for the recording and dealing in securities by the depositor
"CFA"	:	Certificate of Accommodation
"CFO"	:	Certificate of Fitness for Occupation
"CLHF Resources"	:	CLHF Resources Sdn Bhd (Registration No. 202101040490 (1440790-V)), a Promoter, Specified Shareholder and substantial shareholder of our Company
"Closing Date"	:	Date adopted in this Prospectus as the last date for acceptance and receipt of the Application
"CMSA"	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
"Constitution"	:	Our constitution
"COVID-19"	:	Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
"Depository Rules"	:	Rules of Bursa Depository and any appendices thereto as they may be amended from time to time
"DBKL"	:	Dewan Bandaraya Kuala Lumpur
"Director(s)"	:	An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act

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**DEFINITIONS (Cont'd)**

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"EBIT"	:	Earnings before interest and tax
"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
"Electronic Share Application(s)"	:	Application(s) for IPO Shares through a Participating Financial Institution's ATM
"EMSH 1990"	:	Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990
"EPS"	:	Earnings per share
"FPE"	:	9-month financial period(s) ended/ending 30 September, as the case may be
"FYE"	:	Financial year(s) ended/ending 31 December, as the case may be
"Government"	:	Government of Malaysia
"GP"	:	Gross profit
"IFRS"	:	International Financial Reporting Standards
"IMR" or "Vital Factor"	:	Vital Factor Consulting Sdn Bhd (Registration No. 199301012059 (266797-T)), our Independent Business and Market Research Consultants
"IMR Report"	:	Independent Market Research Report titled "Independent Assessment of the Calcium Carbonate Industry"
"Initial Public Offering" or "IPO"	:	Our initial public offering comprising the Public Issue and Offer for Sale
"Internet Participating Financial Institution(s)"	:	Participating financial institution(s) for Internet Share Application(s) as listed in Section 16.6 of this Prospectus
"Internet Share Application(s)"	:	Application(s) for IPO Shares through an online share application service provided by Internet Participating Financial Institution(s)
"IPO Price"	:	Issue/Offer price of RM0.25 per Share under our Public Issue and Offer for Sale
"IPO Share(s)"	:	Issue Share(s) and Offer Share(s), collectively
"ISO"	:	International Organisation for Standardisation
"Issue Share(s)"	:	New Share(s) to be issued under the Public Issue
"Issuing House"	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))

## **DEFINITIONS (Cont'd)**

"KL Plant"	: A single-storey manufacturing facility annexed with a 3-storey office building at a total built-up area of approximately 36,332 sq ft, located at Lot 12-A1, Lot 1013A & A1 and Lot 1013-B & B1, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur
"Listing"	: Listing of and quotation for our entire enlarged share capital of RM71,411,201 comprising 280,000,000 Shares on the ACE Market
"Listing Requirements"	: ACE Market Listing Requirements of Bursa Securities, as amended from time to time
"Listing Scheme"	: Comprising the Public Issue, Offer for Sale and Listing, collectively
"LPD"	: 8 February 2024, being the latest practicable date for ascertaining certain information contained in this Prospectus
"M & A Securities"	: M & A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
"Malaysian Public"	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia, but excluding Zantat Holdings Group's Directors, substantial shareholders of Zantat Holdings and persons associated with them (as defined by the Listing Requirements)
"Market Day"	: Any day between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities. This 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 under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
"MBI"	: Majlis Bandaraya Ipoh
"MDBG"	: Majlis Daerah Batu Gajah
"MFRS"	: Malaysian Financial Reporting Standards
"MIDA"	: Malaysian Investment Development Authority
"MITI"	: Ministry of Investment, Trade and Industry Malaysia
"MyIPO"	: Intellectual Property Corporation of Malaysia
"NA"	: Net assets
"NBV"	: Net book value
"NRP"	: National Recovery Plan

## **DEFINITIONS (Cont'd)**

"Offer for Sale"	:	Offer for sale of 16,800,000 Offer Shares by our Selling Shareholders at our IPO Price
"Offer Share(s)"	:	Existing Share(s) to be offered by our Selling Shareholders pursuant to the Offer for Sale
"Participating Financial Institution(s)"	:	Participating financial institution(s) for Electronic Share Application(s) as listed in Section 16.5 of this Prospectus
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"PE Multiple"	:	Price-to-earnings multiple
"Perak Plants"	:	Calrock Perak Plant, Zantat Perak Plant 1 and 2, collectively
"PDT"	:	Pejabat Daerah dan Tanah Kinta
"Pink Form Allocations"	:	Allocation of 11,200,000 Issue Shares to our eligible Directors, employees and persons who have contributed to the success of our Group, which forms part of our Public Issue
"Promoters"	:	CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan and Chan Jee Chet, collectively
"Prospectus"	:	This prospectus dated 6 March 2024 in relation to our IPO
"PTG Perak"	:	Pejabat Pengarah Tanah dan Galian Perak
"Public Issue"	:	Public issue of 56,000,000 Issue Shares at our IPO Price
"R&D"	:	Research and development
"ROC"	:	Registrar of Companies
"Rules of Bursa Depository"	:	Rules of Bursa Depository as issued pursuant to the SICDA
"SC"	:	Securities Commission Malaysia
"Selling Shareholder(s)"	:	CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet, Chan Jee Yang, Lim Gaik Lan, Teh Koh Tun, Teh Su Hui, Ng Paik Hoon, Chan Yu Xuan and Chan Jing Han, collectively
"Share(s)" or "Zantat Holdings Share(s)"	:	Ordinary share(s) in Zantat Holdings
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991
"SOP"	:	Standard operating procedures

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**DEFINITIONS (Cont'd)**

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"Specified Shareholder(s)"	:	CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet, Chan Jee Yang and Ng Paik Hoon, collectively
"SST"	:	Sales and service tax
"TNB"	:	Tenaga Nasional Berhad (Registration No. 199001009294 (200866-W))
"TOL"	:	Temporary occupational licence issued by the state authority to a licensee to occupy certain lands in Peninsular Malaysia and the Federal Territory of Labuan for the purposes stated in the licence
"Underwriting Agreement"	:	Underwriting agreement dated 19 February 2024 entered into between our Company and our Underwriter for the purpose of our IPO
"US"	:	United States of America
"Zantat Perak Plant 1"	:	A single-storey manufacturing facility annexed with a single-storey office building and warehouse and a double-storey hostel accommodation at a total built-up area of approximately 118,000 sq ft, located at PT 24571 Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kampung Kepayang, Perak
"Zantat Perak Plant 2"	:	A single-storey manufacturing facility annexed with a double-storey office building and warehouse at a total built-up area of approximately 107,000 sq ft, located at PT 21289 (Lot 35978), Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kampung Kepayang, Perak
"Zantat Vendor(s)"	:	CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet, Chan Jee Yang, Lim Gaik Lan, Teh Koh Tun, Teh Su Hui, Ng Paik Hoon, Chan Yu Xuan and Chan Jing Han

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**DEFINITIONS (Cont'd)**

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**CURRENCIES AND UNITS:**

"CNY"	:	Chinese Yuan Renminbi
"EUR"	:	Euro
"ft"	:	Feet
"km"	:	Kilometre
"kg"	:	Kilogram
"m <sup>2</sup> "	:	Square metre
"m <sup>3</sup> "	:	Cubic metre
"mm"	:	Millimetre
"MW"	:	Megawatt
"MWh"	:	Megawatt hour
"RM" or "sen"	:	Ringgit Malaysia and sen respectively
"SGD"	:	Singapore Dollar
"sq ft"	:	Square feet
"USD"	:	United States Dollar

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## TECHNICAL GLOSSARY

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

- "Additive" : A substance added to another material to improve or change the chemical and/or physical properties of the material
- "Anti-tack agent" : A substance used to prevent one material from sticking to another or similar material. It is commonly used in latex glove manufacturing for latex gloves to be easily removed from the hand moulds or formers
- "Ball mill" : A machine used in the grinding process to produce fine powder. Ball mill is a hollow cylindrical shell that rotates on its axis. The cylindrical shell is partially filled with balls made from steel, ceramic or rubber. As the shell rotates, the balls are lifted up on the rising side of the shell and then dripped down onto the mineral to crush them. The repeated motion will eventually grind the mineral into fine particles
- "Bioplastic" : A type of plastic that is made entirely from renewable resources (bio-based) such as corn, sugarcane and cellulose, or combined with non-renewable resources (fossil-based) that are biodegradable. Bioplastics may also be made from renewable resources that are non-biodegradable
- "Bioplastic compounds" : A formulated input material comprising bioplastic resins and additives such as calcium carbonate and/or pigments used to make bioplastic products
- "Calcium carbonate (CC)" : A material containing the elements namely, calcium (Ca), carbon (C) and oxygen (O) and having a chemical formulation of  $\text{CaCO}_3$ . In the context of this Prospectus, it is taken to represent naturally occurring limestone that has been ground to become GCC, or limestone that had gone through additional process of refining, purification or synthesis to become PCC. The term calcium carbonate used in this Prospectus has purity in excess of 95% and will include some proportion of impurities
- "CC dispersion" : GCC or PCC with added water or solvents
- "Cost, insurance and freight (CIF)" : CIF pricing typically includes the cost of goods, transportation costs to the port of shipment, shipping freight costs to the port of destination and the marine insurance costs to protect against loss or damage during transit. Under the CIF pricing, the seller is responsible for delivering the goods to the port of shipment, loading them onto the vessel and liable for the goods during transit
- "Classifying" : A process of separating particles into different size categories. The process does not change its chemical composition or physical properties. In dry processing, screens or air classifiers are used for classifying. In wet processing, classifying involves the use of centrifuges. Classifying is part of the production process for our calcium carbonate products

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**TECHNICAL GLOSSARY (Cont'd)**

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- "Coated GCC" : Natural calcium carbonate powder (uncoated GCC) that goes through an additional coating process or chemical surface treatment process where the powder is sprayed and coated with a fine layer of fatty acid such as stearic acid
- "Compostable bioplastic" : A type of bioplastic that is capable of breaking down into organic matter such as carbon dioxide, water and other organic materials, in a composting environment within a certain timeframe. Some compostable bioplastics may not be suitable for home composting and may require industrial composting facilities to properly break down
- "Compostable packaging film compound" : A type of bioplastic compound used for the production of compostable plastic packaging film
- "Compounds" : Compounds are a mixture of several ingredient including pigments, additives, fillers or reinforcement agents, that are blended together to create a new material with specific properties. They are typically used to modify the properties of the base resin such as improving strength, impact resistance and stiffness. Compounds are usually pre-mixed and supplied in pellet or powder form
- Compounds and masterbatch are both additives used to modify the properties of plastic materials, however they differ in their composition and function
- "Crushing" : Crushing is the first stage of size reduction for large rocks that are blasted from a quarry. There are three or sometimes four stages in the crushing process namely primary, secondary, tertiary and quaternary crushing before it goes through the grinding process. Crushing is part of the production processes for our calcium carbonate products
- "D50" : Also referred to as "average particle size" which represents the midpoint of particle sizes in a given sample. In a calcium carbonate powder sample, D50 means that 50% of the particles in the sample have sizes smaller than a particular stated size. For example, D50 = 1.0 micron, means in a calcium carbonate sample, 50% of the particles in the sample have sizes smaller than 1.0 micron
- "D97" : Also referred to as "top cut particle size" represents the upper limit of particle sizes in a given sample. In a calcium carbonate powder sample, D97 means that 97% of the particles in the sample have sizes smaller than a particular stated size. For example, D97 = 1.0 micron, means in a calcium carbonate sample, 97% of the particles in the sample have sizes smaller than 1.0 micron
- "Dispersing agent" : Also referred to as dispersant which is a substance that is added into a solution to improve the separation or dispersion of particles and to prevent the particles from settling to the bottom of the container or clumping together
- "Dispersion" : In chemistry, dispersion is a mixture in which fine particles of one substance are scattered evenly throughout another substance

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**TECHNICAL GLOSSARY (Cont'd)**

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- "Dry grinding" : A mechanical grinding process that does not use any liquids to produce fine particles in powdered form
- "Filler" : A substance that is added to another material (for example, plastics and paints) to replace some proportion of the more expensive original material or it is added to bulk up the volume of the original material. In many situations, fillers also affect the chemical and/or physical properties of the final products
- "Filler masterbatch" : A type of masterbatch which functions as a filler for the finished plastic product. It comprises a concentrated amount of filler such as calcium carbonate mixed with small proportions of other materials such as additives and/or pigment encapsulated within a resin
- "Free on board (FOB)" : FOB pricing typically includes the cost of goods and transportation costs to the port of shipment. FOB pricing indicates that the seller is responsible for delivering the goods to a specific port of shipment and loading them onto the vessel. Once the goods are loaded onto the vessel, the risk and responsibility of the goods are transferred to the buyer. The buyer assumes responsibility for all subsequent costs such as shipping freight costs, marine insurance costs and any applicable custom duties and taxes
- "GCC dispersion" : GCC that have undergone an additional wet grinding process to reduce its particle size where the final product is in liquid or slurry form
- "Grinding" : The process of reducing the size of a material to a certain specified size. Grinding is the second stage of mineral processing after crushing. Grinding may reduce the size of the material to micrometre ( $10^{-6}$  metres) or nanometre ( $10^{-9}$  metres) particle size. Grinding and milling has the same effect of reducing materials to smaller particle sizes and are used interchangeably. Grinding is part of the production processes for our calcium carbonate products
- "Ground calcium carbonate" or "GCC or Uncoated GCC" : Ground calcium carbonate, commonly known as GCC, is a limestone that has undergone a grinding process. In the context of this Prospectus, GCC is taken to represent ground limestone in powdered form unless otherwise stated
- "Hammer mill" : A mill whose purpose is to crush materials into smaller pieces by the repeated blows of hammers. It is basically a steel drum containing a vertical or horizontal rotating shaft or drum on which multiple hammers are mounted. The hammers are free to swing on the ends of the cross, fixed to the central rotor. The rotor is spun at high speed inside the drum where the material is crushed and expelled through screens of selected sizes. Hammer mill is commonly used in the secondary or tertiary stage of the crushing process
- "IBC" : Intermediate Bulk Container, a large plastic container commonly used to hold liquids or slurries

**TECHNICAL GLOSSARY (Cont'd)**

- "Industrial compostable bioplastics" : A type of compostable bioplastic that can only be broken down in an industrial composting facility. Industrial composting facilities provide specific conditions such as high temperatures, moisture and microbial activity that enable the bioplastic to break down into organic matter within a certain timeframe
- "Jaw crusher" : A type of machine used to crush large boulders. It is most commonly used in the primary crushing stage
- "Kaolin dispersion" : Kaolin dispersions are kaolin that has gone through a wet grinding process and it is in slurry form. Kaolin is a hydrated aluminosilicate, and it occurs naturally as a clay. Alumina, the raw material for aluminum, is commercially extracted from kaolin. In the context of this Prospectus, kaolin dispersion is used mainly as a filler for the manufacture of synthetic rubber gloves
- "Limestone purity classification" : Limestone purity classification is based on the level of calcium carbonate content as follows:

<b>Purity classification</b>	<b>Calcium carbonate content by weight (%)</b>
Very high purity	> 98.5
High purity	> 97.0
Medium purity	> 93.5 - 97.0
Low purity	> 85.0 - 93.5
Impure	≤ 85.0

- "Masterbatch" : Masterbatch is the formulated input material for the manufacture of plastic products. The formulated mixture includes plastic resins such as polypropylene. This resin is also referred to as a carrier resin as it serves to "carry" all the materials in their respective proportion. The mixture is melted and homogenised to ensure uniform distribution of all the materials and subsequently cooled and cut into small granules to serve as input material for the manufacturing process. Materials in the mixture may include pigments, additives, fillers and/or other chemicals or minerals plus the carrier resin
- "Micron" : Micron or micrometre is a unit of measure of length. One micron is equivalent to one-millionth of a metre represented as  $10^{-6}$  metres. It is a common unit of measure for tiny particles such as calcium carbonate powder. The lower the micron unit, the smaller the particle size. For comparison, a diameter of a typical human hair is 70 microns, a naked-eye visibility threshold is 40 microns, while a red blood cell is 8 microns
- "Milling" : Used interchangeable with grinding
- "OK certification" : OK certification refers to the certification by TUV Austria Cert GmBH for compostable and biodegradable products or materials. This includes compostable products in an industrial composting facility, or in a home garden compost, as well as biodegradable products in a marine (sea), soil or fresh water environment

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**TECHNICAL GLOSSARY (Cont'd)**

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- "OK compost INDUSTRIAL certification" : OK compost INDUSTRIAL certification refers to the certification by TUV Austria Cert GmbH for compostable bioplastic products or materials that are biodegradable in an industrial composting facility and complies with the requirements of the EU Packaging Directive (94/62/EEC)
- "Particle size distribution" : In calcium carbonate powder sample, particle size distribution refers to the range of particle sizes present in the given sample. It describes the distribution of particle sizes from the smallest to the largest in a given sample  
  
Calcium carbonate powder consists of numerous particles, and their sizes can vary significantly. The particle size distribution of calcium carbonate powder is an essential characteristic that affects various properties and performance of the material. It can impact the powder's flowability, dispersibility, packing density, surface area and reactivity
- "PBAT" : Polybutylene adipate terephthalate, a type of bioplastics that is synthetic, derived from fossil resources and is biodegradable
- "PCC dispersion" : PCC that has undergone a wet grinding process to reduce its particle size and the final product is in liquid or slurry form
- "PE" : Polyethylene, a plastic polymer of ethylene mainly used to manufacture containers, electrical insulation and packaging
- "pH" : Potential of hydrogen, a measure of the acidity or basicity (alkalinity) of a solution
- "PLA" : Polylactic acid, a type of bioplastic derived from renewable resources such as corn starch or sugarcane
- "Pigments" : A substance used to provide colours
- "PP" : Polypropylene, a plastic polymer mainly used for moulded parts, electrical insulation, packaging and fibres for wearing apparels
- "Precipitate" : In chemistry, precipitate is the formation of solids from a mixture of chemical solutions. When two or more liquid chemicals are combined, the solid that is formed resulting from the reaction of the mixture is called the precipitate
- "Precipitated Calcium Carbonate" or "PCC" : A higher purity calcium carbonate that is obtained through a series of chemical processes, compared to calcium carbonate obtained directly from naturally formed limestone. PCC is also known as purified, refined or synthetic calcium carbonate. It is provided in powder or slurry form
- "PVC" : Polyvinyl chloride, a thermoplastic resin derived by the polymerisation of vinyl chloride and is mainly used for thin coating, insulation and piping

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**TECHNICAL GLOSSARY (Cont'd)**

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- "Slurry" : A mixture of one or more solid substances in a liquid. Commonly the solid substance is in powder form. Examples of slurry include mud mixed with water or concrete before setting. In the context of this Prospectus, it is used interchangeably with dispersion as we are involved in the production of CC dispersions which is in slurry form
- "Solvent" : A liquid that is able to dissolve solid materials resulting in a solution
- "Steep particle size distribution" : Steep particle size distribution refers to particle size distribution where the majority of particles in a given sample are concentrated within a narrow size range. In the context of calcium carbonate powder, a steep particle size distribution may indicate a high level of particle uniformity, which can result in improved dispersibility, packing density, and consistency in applications such as coatings, plastics or adhesives
- "Titanium dioxide" : A naturally occurring mineral that is commonly used as a pigment to provide whiteness and opacity in paints, plastics, paper and other products
- "Vertical roller mill" : A machine used in the grinding process to produce extremely fine powder. The machine is equipped with two to six rollers that are pressed hydraulically against a rotating grinding table. The circular motion of the rotating grinding table crushes and grinds the minerals as it passes through the rollers
- "Wet grinding" : A process that uses beads in liquid to grind a substance to produce fine particles in liquid or slurry form. Usually, finer particle size can be achieved using the wet grinding process compared to dry grinding
- "Whitener" : An additive that is used to increase the brightness or whiteness of a product

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**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Designation</b>	<b>Residential address</b>	<b>Nationality / Profession</b>	<b>Gender</b>
Yap Yoon Kong	Independent Non-Executive Chairman	22, Jalan Desa Residen 3 Levenue Desa Parkcity 52200 Kuala Lumpur	Malaysian / Director	Male
Chan Hup Ooi	Non-Independent Non-Executive Deputy Chairman	10, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Malaysian / Director	Male
Chan Bin Iuan	Managing Director (Non-Independent)	8, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Malaysian / Director	Male
Chan Jee Chet	Executive Director (Non-Independent)	10, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Malaysian / Director	Male
Poo Lap Tuck	Independent Non-Executive Director	Unit 102, Zenia 3, Jalan Residen 2 Desa Parkcity 52200 Kuala Lumpur	Malaysian / Director	Male
Gan Seng Kian	Independent Non-Executive Director	C-20-2, Pangsapuri Akasa Jalan Akasa Akasa Cheras Selatan 43300 Seri Kembangan Selangor	Malaysian / Director	Male
Rima Ramona Binti Muhammad Arif	Independent Non-Executive Director	10, Jalan Burhanuddin Helmi Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian / Director	Female

**AUDIT AND RISK MANAGEMENT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Poo Lap Tuck	Chairperson	Independent Non-Executive Director
Gan Seng Kian	Member	Independent Non-Executive Director
Rima Ramona Binti Muhammad Arif	Member	Independent Non-Executive Director

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**1. CORPORATE DIRECTORY (Cont'd)**

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**NOMINATING COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Gan Seng Kian	Chairperson	Independent Non-Executive Director
Poo Lap Tuck	Member	Independent Non-Executive Director
Rima Ramona Binti Muhammad Arif	Member	Independent Non-Executive Director

**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Rima Ramona Binti Muhammad Arif	Chairperson	Independent Non-Executive Director
Poo Lap Tuck	Member	Independent Non-Executive Director
Gan Seng Kian	Member	Independent Non-Executive Director

**COMPANY SECRETARY** : Siew Suet Wei (MAICSA 7011254)  
SSM Practising Certificate No.: 202008001690  
*(Chartered Secretary and Fellow of the Malaysian Institute of Chartered Secretaries and Administrators)*

Lim Yen Teng (LS0010182)  
SSM Practising Certificate No.: 201908000028  
*(Chartered Governance Professional and Master in Administration from Universiti Tunku Abdul Rahman)*

5-9A, The Boulevard Offices  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Telephone: +603-2282 6331

**REGISTERED OFFICE** : 5-9A, The Boulevard Offices  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Telephone: +603-2282 6331

**HEAD OFFICE** : PT 24571 & PT 21289 (Lot 35978)  
Kaw. Industri Batu Kapur Keramat Pulai  
31300 Kampung Kepayang  
Perak

Telephone: +605-357 1853

**EMAIL ADDRESS AND WEBSITE** : Website: [www.zantat.com.my](http://www.zantat.com.my)  
Email address: [zantat@zantat.com.my](mailto:zantat@zantat.com.my)

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**1. CORPORATE DIRECTORY (Cont'd)**

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- AUDITORS AND REPORTING ACCOUNTANTS FOR OUR LISTING** : **Crowe Malaysia PLT**  
(Registration No. 201906000005 (LLP0018817-LCA) & AF 1018)  
Level 16 Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
  
Partner-in-charge : Ho Yen Ling  
Approval number : 03378/06/2024 J  
Professional : Chartered Accountant of the  
qualification Malaysian Institute of Accountants  
  
Telephone: +603-2788 9999
- ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT** : **M & A Securities Sdn Bhd**  
(Registration No. 197301001503 (15017-H))  
45 & 47, Levels 3 and 7  
The Boulevard  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
  
Telephone: +603-2284 2911
- SOLICITORS FOR OUR LISTING** : **Cheang & Ariff**  
Loke Mansion  
273A, Jalan Medan Tuanku  
50300 Kuala Lumpur  
  
Telephone: +603-2691 0803
- ISSUING HOUSE AND SHARE REGISTRAR** : **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: +603-2783 9299
- INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS** : **Vital Factor Consulting Sdn Bhd**  
(Registration No. 199301012059 (266797-T))  
V Square @ PJ City Centre (VSQ)  
Block 6 Level 6, Jalan Utara  
46200 Petaling Jaya  
Selangor

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**1. CORPORATE DIRECTORY (Cont'd)**

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Person-in-charge : Wooi Tan  
Professional : Master of Business Administration  
qualification : from The New South Wales  
Institute of Technology (now  
known as University of  
Technology, Sydney), Australia,  
Bachelor of Science from The  
University of New South Wales,  
Australia and a Fellow of the  
Australian Marketing Institute,  
and Institute of Managers and  
Leaders, Australia (formerly  
known as the Australian Institute  
of Management)

Telephone: +603-7931 3188

**LISTING SOUGHT** : ACE Market of Bursa Securities

**SHARIAH STATUS** : Approved by Shariah Advisory Council of SC

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## 2. PROSPECTUS SUMMARY

**This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all 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.**

### 2.1 PRINCIPAL DETAILS OF 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:

	Public Issue		Offer for Sale		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Malaysian Public	14,000,000	5.0	-	-	14,000,000	5.0
Pink Form Allocations	11,200,000	4.0	-	-	11,200,000	4.0
Private placement to selected investors	30,800,000	11.0	16,800,000	6.0	47,600,000	17.0
	<b>56,000,000</b>	<b>20.0</b>	<b>16,800,000</b>	<b>6.0</b>	<b>72,800,000</b>	<b>26.0</b>

Enlarged number of Shares upon Listing	280,000,000
IPO Price per Share	RM0.25
Market capitalisation (calculated based on our IPO Price and enlarged number of Shares upon Listing)	RM70,000,000

**Note:**

(1) Based on our enlarged share capital of 280,000,000 Shares after our IPO.

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

Our Specified Shareholders' entire shareholdings after IPO will be held under moratorium for 6 months from the date of Listing. Thereafter, our Specified Shareholders' shareholdings amounting to 45.0% of our share capital will remain under moratorium for another 6 months. Thereafter, our Specified Shareholders may sell, transfer or assign up to a maximum of one-third per annum (on a straight-line basis) of their shares under moratorium upon expiry of the second 6-month moratorium period.

Separately, the ultimate shareholders of CLHF Resources, namely, Chan Hup Ooi, Lee Mei Hoon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang have also undertaken not to sell, transfer or assign their shareholdings in CLHF Resources during the moratorium period.

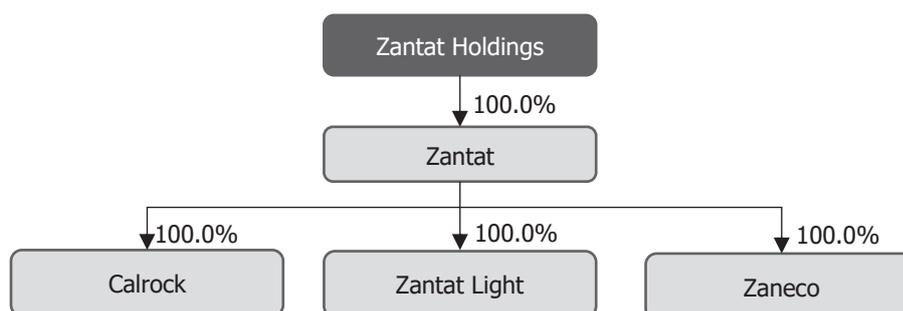
Further details on the moratorium on our Shares are set out in Section 3.2 of this Prospectus.

### 2.2 GROUP STRUCTURE, BUSINESS MODEL AND OPERATIONAL HIGHLIGHTS

Our Company was incorporated in Malaysia under the Act on 30 November 2021 as a private limited company under the name of Zantat Holdings Sdn Bhd. On 25 May 2023, we converted into a public limited company and adopted our present name.

## 2. PROSPECTUS SUMMARY (Cont'd)

Our Company is an investment holding company. Our Group structure as at LPD is as follows:



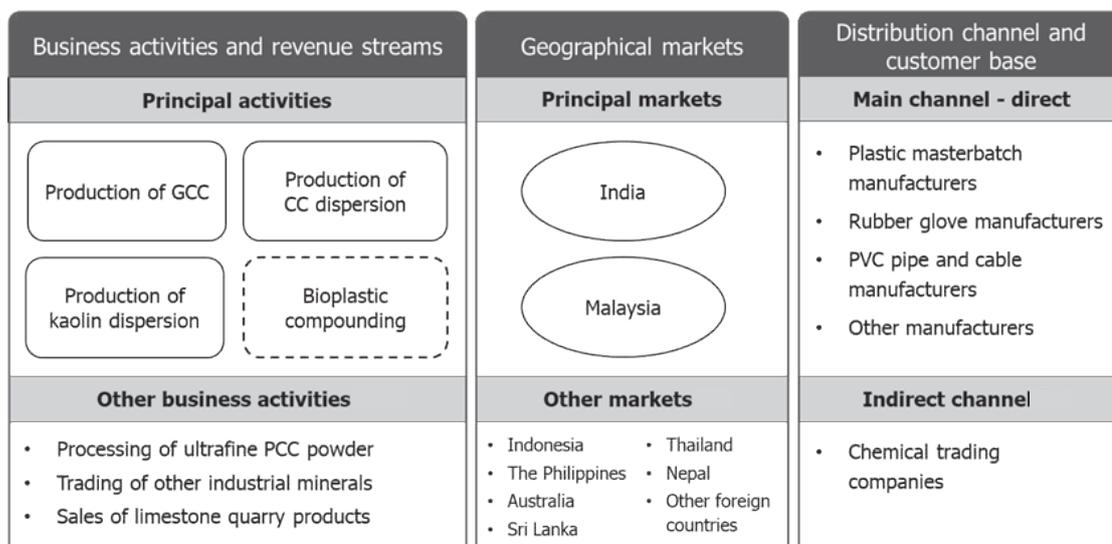
Company	Principal activities
Zantat	Production of calcium carbonate, processing and trading of industrial minerals, and operations of limestones quarry
Calrock	Production of calcium carbonate
Zantat Light	Operations of limestone quarry
Zaneco	Dormant <sup>(1)</sup>

### Note:

- (1) As at LPD, Zaneco is a dormant company and has yet to commence operations. Zaneco intends to carry out the manufacturing of bioplastic compound as part of its future plans by first quarter of 2024.

Through our subsidiaries, we are principally involved the production of calcium carbonate namely GCC and CC dispersions. We are also involved in the production of kaolin dispersion, processing of ultrafine PCC powder, trading of other industrial minerals (mainly talcum powder and limestone chips), and sales of limestone quarry products. We also operate our own limestone quarry mainly for internal use of limestone. Our bioplastic compounding business is in the process of commercialisation. Potential customers have been identified with samples provided for testing. Upon completion of testing, the customers' orders are expected to commence during first quarter of 2024. Our Promoters acquired Zantat with 5 other shareholders in 1985 and subsequently commenced operations to produce GCC in 1986.

Our business model is depicted in the following diagram:

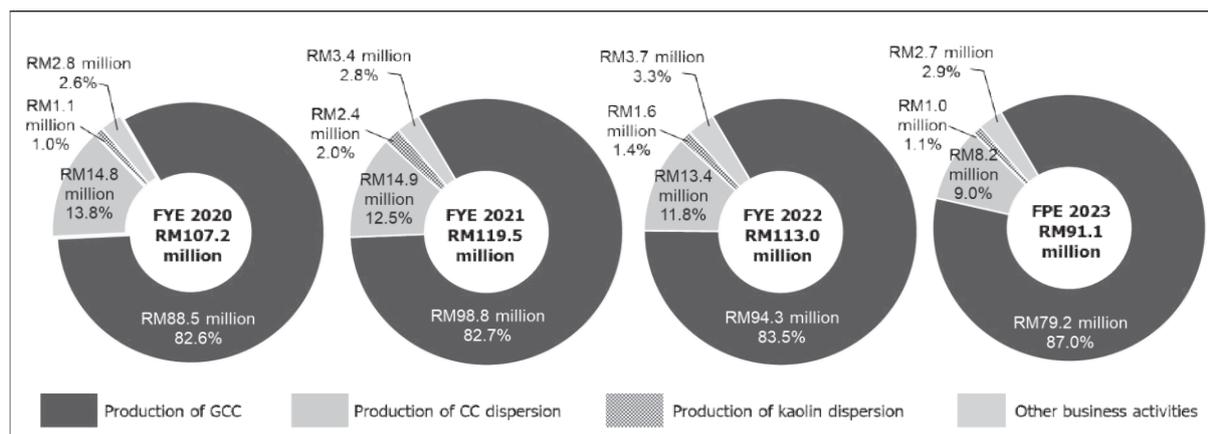


Bioplastic compounding In the process of commercialisation

## 2. PROSPECTUS SUMMARY (Cont'd)

We are primarily involved in the production of calcium carbonate products, namely GCC and CC dispersions. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, the production of GCC was the largest revenue contributor to our Group which accounted for 82.6%, 82.7%, 83.5% and 87.0% of our total revenue, respectively. This was followed by the production of CC dispersion, and kaolin dispersion, a new product we introduced in 2020 for use as fillers in the production of synthetic rubber gloves.

Our Group is also involved in other business activities such as the processing of ultrafine PCC powder, trading of other industrial minerals, and sales of limestone quarry products. Our revenue segmentation by business activities are as follows:



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

### 2.3 IMPACT OF COVID-19 AND MCO

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of COVID-19 in the country, commencing on 18 March 2020. As a result of the implementation of MCO by the Government, our Group's revenue declined by 33.7% in the second quarter of FYE 2020 compared to the previous quarter due to the closure of our business operations from 18 March 2020 up to 21 April 2020, but was made up by increased orders upon resumption of business operations on 22 April 2020.

Despite the implementation of phase 1 under the NRP, as an "essential services" provider, we continued our business operations from 1 June 2021. Although we were able to continue our operations, our sales volume was impacted due to the COVID-19 outbreak in India coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia. As a result, our Group's revenue declined by 30.3% mainly due to decrease in sales to India as there was a lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021, and further in FYE 2022, where our revenue declined by 21.0%. Nevertheless, our revenue recovered by 25.6% in the third quarter of 2022 as demand from customers increased as sea freight rates was decreasing in the second half of 2022.

We are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run, taking into consideration the gradual recovery of the economy in Malaysia and India. Further details on the impact of COVID-19 and MCO and our measures to commence and continue operations are set out in Section 7.10.1 of this Prospectus.

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**2. PROSPECTUS SUMMARY (Cont'd)**

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**2.4 COMPETITIVE STRENGTHS**

Our Directors believe that our business sustainability and future growth is built on the following competitive strengths:

- (a) The diverse functions and uses of our calcium carbonate provide us with a potentially wide addressable market to sustain and grow our business. Our Group has a diversified range of calcium carbonate product range, and is well positioned to capitalise on the global movement towards reduction of plastic in manufacturing, as we have commercialised several types of GCC products that are suitable for as fillers used to reduce the composition of plastic, making it more environmentally friendly.
- (b) We have an established track record that spans approximately 38 years since the commencement of our business operation in the production of calcium carbonate products in 1986. Throughout our 38 years of operations, we have developed and established long-term relationships with our customers where our top 5 major customers for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 have been dealing with us between 11 years and 21 years, as at LPD.
- (c) For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we serve customers across 19 foreign markets in Asia Pacific and the Middle East. Revenue derived from foreign markets collectively accounted for 71.3% (RM76.4 million), 72.5% (RM86.6 million), 68.9% (RM77.9 million) and 68.1% (RM62.0 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This demonstrates our ability to tap into various foreign markets which indicates the acceptance of our products in these countries which increases our potential addressable market.
- (d) We have an experienced key senior management team, led by our Managing Director / Chief Executive Officer, Chan Bin Iuan, who bring with him 17 years of experience in the calcium carbonate industry. He has been instrumental in the growth and development of our Group including his initiative to drive export sales of our GCC products to India in 2012. Having an experienced management team will provide stability and serve as a platform for business sustainability and growth.
- (e) We have received ISO 9001:2015 quality management system certification and Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practice (GMP) and Halal certifications in order to provide customers with the assurance that we adhere to recognised quality standards, processes and management systems for our calcium carbonate products. This is because some of our calcium carbonate products are for the manufacturing of plastics used for food packaging. In addition, all our production plants are equipped with their respective quality control and testing facility to ensure consistent product quality.
- (f) We have 2 pieces of leasehold lands with limestone reserves in Keramat Pulai, Perak that respectively expire in 2068 and 2070. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we extracted approximately 0.07 million tonnes, 0.10 million tonnes, 0.06 million tonnes and 0.06 million tonnes, respectively. Based on the average extraction rate of FYE 2020, FYE 2021, FYE 2022 and FPE 2023, the 2 limestone reserves will last us through the remaining tenure of the leasehold lands.

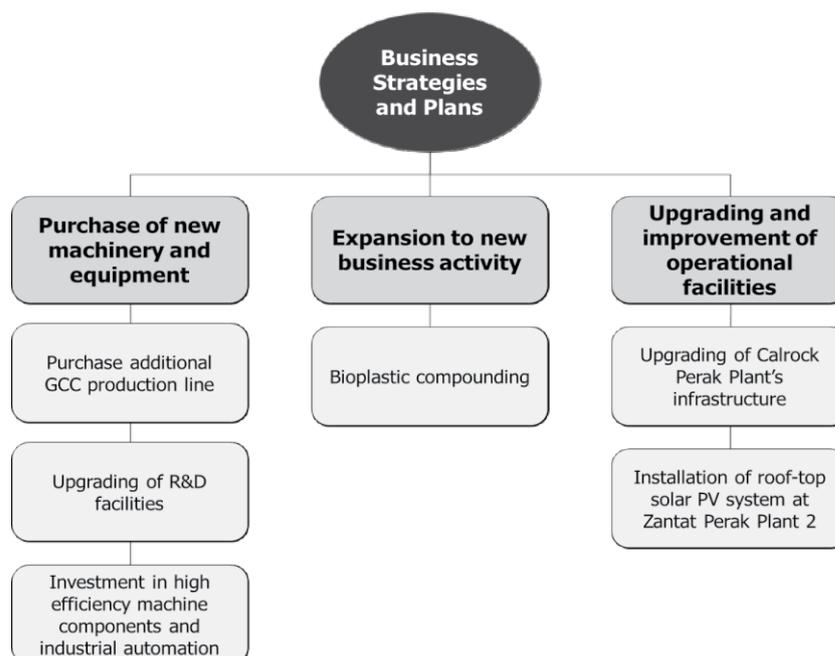
Further details of our competitive strengths are set out in Section 7.15 of this Prospectus.

**2.5 BUSINESS STRATEGIES**

Our business objectives are to maintain sustainable growth and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over the period of 24 months from the date of our Listing.

## 2. PROSPECTUS SUMMARY (Cont'd)

Our business strategies and plans are summarised in the following diagram:



Further details of our business strategies are set out in Section 7.18 of this Prospectus.

### 2.6 RISK FACTORS

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

- (a) We are dependent on our customers from India who are mainly plastic masterbatch manufacturers. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, India was our largest export market which amounted to RM67.1 million (62.5%), RM75.5 million (63.2%), RM67.4 million (59.6%) and RM54.2 million (59.5%) of our total revenue, respectively. Any unfavourable changes in the plastic masterbatch manufacturing industry, as well as the economy, political, laws and regulation, and social environment in India may adversely impact on our business operations and financial performance to the extent that such changes affects our customers in India and their demand for our products.
- (b) We are dependent on our top 2 major customers, namely Alok Group (Alok Master Batches Private Limited and Alok Industries) and Sonali Group (Sonali Polyplast Pvt Ltd and Sonali Polymers Pvt Ltd), collectively contributed approximately 24.6%, 30.5%, 32.4% and 33.5% to our Group's revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We expect that these major customers will continue to contribute to our Group's revenue in the future. We may be materially and adversely affected if we were to lose one or both of these 2 major customers without securing new customers in a timely manner to replace the loss of business.
- (c) Our operations are subject to the validity of our licences, permits or approvals. As mentioned in Section 6.7, our Group does not expect any material adverse impact to the operations or financial performance of our Group in the unlikely event of non-renewal or absence of the water abstraction licence and the TOL. Save for the foregoing, if we are unable to obtain, renew or maintain our licences, permits or approvals, our business operations may be disrupted and this could have a material adverse impact on our financial condition, results of operations and prospects.

## 2. PROSPECTUS SUMMARY (Cont'd)

- (d) We are exposed to the increases in logistic and raw material costs. For the FYE 2020, FYE 2021 and FYE 2022, our logistic costs increased from RM24.4 million in FYE 2020 to RM37.7 million in FYE 2021 before it subsequently decreased to RM33.3 million in FYE 2022. In FPE 2023, logistic costs decreased to RM18.7 million compared to RM25.8 million in FPE 2022. Any increases in our cost will eventually require us to increase our selling prices, which may reduce our competitiveness. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the costs and this would adversely affect our profitability and financial performance.
- (e) We are dependent on our experienced management team for the continuing success of our Group. The continuing success, future growth and expansion of our Group are, to a significant extent, dependent on the knowledge, experience, skills and continued services of our Directors and key senior management. The loss of our experienced Managing Director, Executive Director and key senior management without suitable and timely replacements, may have an adverse impact on our Group's business and ability to compete effectively.
- (f) We are dependent on a broad range of human capital as we require semi-skilled operators to operate our plants. As at LPD, we have a workforce of 220 employees, of which 50.0% are foreign workers employed as production workers, machine operators and packers at our production plants. We may face the risk of shortage of foreign workers to meet the manpower requirements needed for our production and business activities in the future due to such changes.
- (g) We are subject to the demand and performance of the user-industries. Our revenue contribution from plastic masterbatch manufacturers accounted for 67.6% (RM72.5 million), 67.0% (RM80.1 million), 68.8% (RM77.7 million) and 70.3% (RM64.1 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively, while our revenue contribution from glove manufacturers accounted for 10.6% (RM11.4 million), 9.7% (RM11.6 million), 11.1% (RM12.5 million) and 8.5% (RM7.7 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Any loss or reduction of orders from operators in this industry, if not replaced, may adversely affect our business operations and financial performance.
- (h) We face competition from other suppliers of calcium carbonate products. The competition we face from existing industry players and new market entrants domestically and from foreign countries may impact our revenue and profitability as we are required to be more price competitive in order to secure purchase orders. If we are unable to remain competitive, this may result in a reduction in our profit margins and/or reductions in orders or loss of business from customers, all of which would adversely affect our financial performance.

### 2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

<b>Name</b>	<b>Designation</b>
<b>Directors</b>	
Yap Yoon Kong	Independent Non-Executive Chairman
Chan Hup Ooi	Non-Independent Non-Executive Deputy Chairman
Chan Bin Iuan	Managing Director
Chan Jee Chet	Executive Director
Poo Lap Tuck	Independent Non-Executive Director
Gan Seng Kian	Independent Non-Executive Director
Rima Ramona Binti Muhammad Arif	Independent Non-Executive Director

**2. PROSPECTUS SUMMARY (Cont'd)**

<b>Name</b>	<b>Designation</b>
<b>Key senior management</b>	
Chan Bin Iuan	Chief Executive Officer
Chan Eng Hue	Chief Operating Officer (KL Plant)
Chan Jee Chet	Chief Operating Officer (Perak Plants)
Aw Ee Ling	Chief Financial Officer

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

**2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS**

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

<b>Name</b>	<b>Country of incorporation / Nationality</b>	<b>(1)Before IPO</b>				<b>(2)After IPO</b>			
		<b>Direct</b>		<b>Indirect</b>		<b>Direct</b>		<b>Indirect</b>	
		<b>No. of Shares</b>	<b>%</b>						
<b>Promoters and substantial shareholders</b>									
CLHF Resources <sup>(3)</sup>	Malaysia	119,466,600	53.3	-	-	110,506,600	39.4	-	-
Teh Ah Soon @ Teh Soon Tick	Malaysian	20,160,000	9.0	-	-	18,648,000	6.6	-	-
Chan Eng Hue	Malaysian	17,920,000	8.0	-	-	16,576,000	5.9	-	-
Chan Hup Ooi	Malaysian	8,362,700	3.7	(4)(5)	60.8	7,735,500	2.8	(4)(5)	45.0
				136,192,000				125,977,600	
<b>Promoters</b>									
Lee Mei Choon	Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-
Chan Bin Iuan	Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-
Chan Jee Chet	Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-

**Notes:**

- (1) Based on the share capital of 224,000,000 Shares before our IPO.
- (2) Based on the enlarged share capital of 280,000,000 Shares after our IPO.
- (3) CLHF Resources is held by Chan Hup Ooi (61.1%), Lee Mei Choon (13.6%), Chan Bin Iuan (10.5%), Chan Jee Chet (10.5%) and Chan Jee Yang (4.3%). Please see Section 5.1.2(a) of this Prospectus for further details of CLHF Resources.
- (4) Deemed interested by virtue of his shareholdings in CLHF Resources pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his spouse's and his son's (Chan Jee Yang) shareholdings pursuant to Section 59(11)(c) of the Act.

Further details of our Promoters and substantial shareholders are set out in Section 5.1 of this Prospectus.

## 2. PROSPECTUS SUMMARY (Cont'd)

### 2.9 UTILISATION OF PROCEEDS

The gross proceeds to be raised by our Company from the Public Issue of RM14.0 million shall be utilised in the following manner:

<b>Utilisation of proceeds</b>	<b>RM'000</b>	<b>%</b>	<b><sup>(1)</sup>Estimated timeframe for utilisation</b>
Upgrading of R&D facilities	3,830	27.4	Within 12 months
Upgrading of Calrock Perak Plant's infrastructure	1,000	7.2	Within 12 months
Investment in high efficiency machine components and industrial automation	1,350	9.6	Within 6 months
Repayment of bank borrowings	3,390	24.2	Within 12 months
Working capital	1,430	10.2	Within 12 months
Estimated listing expenses	3,000	21.4	Immediately
<b>Total</b>	<b>14,000</b>	<b>100.0</b>	

**Note:**

(1) From the date of listing of our Shares.

There is no minimum subscription to be raised from IPO.

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

### 2.10 FINANCIAL HIGHLIGHTS

#### 2.10.1 Combined and consolidated statements of comprehensive income

The following table sets out the financial highlights based on our combined and consolidated statements of comprehensive income for FYE 2020 to 2022 and FPE 2022 to 2023:

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	107,209	119,464	113,023	82,977	91,089
GP	47,161	60,171	52,079	38,883	35,889
PBT	8,533	9,111	7,341	5,850	7,834
PAT	6,235	6,504	5,419	4,420	5,671
GP margin (%) <sup>(1)</sup>	44.0	50.4	46.1	46.9	39.4
PAT margin (%) <sup>(2)</sup>	5.8	5.4	4.8	5.3	6.2
EPS (sen) <sup>(3)</sup>	2.2	2.3	1.9	1.6	2.0
Current ratio (times)	1.5	1.4	1.3	1.5	1.7
Gearing ratio (times)	0.4	0.5	0.4	0.4	0.2

**Notes:**

(1) GP margin is computed based on GP divided by revenue.

(2) PAT margin is computed based on PAT divided by revenue.

(3) Calculated based on PAT and enlarged share capital of 280,000,000 Shares after our IPO.

**2. PROSPECTUS SUMMARY (Cont'd)**

There were no exceptional items during the financial years / periods under review. Our audited combined and consolidated financial statements for the past financial years / periods under review were not subject to any audit qualifications. Further details on the financial information are set out in Section 12 and 13 of this Prospectus.

**2.10.2 Pro forma consolidated statements of financial position**

The following table sets out a summary of the pro forma consolidated statements of financial position of our Group to show the effects of the Acquisition of Zantat, Public Issue and utilisation of proceeds. It is presented for illustrative purposes only and should be read together with the pro forma consolidated statements of financial position as set out in Section 14 of this Prospectus.

	As at 30 September 2023 RM'000	I After Acquisition of Zantat RM'000	II After I and Public Issue RM'000	III After II and utilisation of proceeds RM'000
<b>ASSETS</b>				
Total non-current assets	55,946	55,946	55,946	55,946
Total current assets	40,324	40,303	54,303	49,198
<b>TOTAL ASSETS</b>	<b>96,270</b>	<b>96,249</b>	<b>110,249</b>	<b>105,144</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	6,000	57,411	71,411	70,530
Merger deficit	(4,100)	(4,100)	(4,100)	(4,100)
Reorganisation deficit	-	(51,411)	(51,411)	(51,411)
Retained profits	61,178	61,155	61,155	60,321
<b>TOTAL EQUITY</b>	<b>63,078</b>	<b>63,055</b>	<b>77,055</b>	<b>75,340</b>
Total non-current liabilities	8,819	8,819	8,819	6,349
Total current liabilities	24,373	24,375	24,375	23,455
<b>TOTAL LIABILITIES</b>	<b>33,192</b>	<b>33,194</b>	<b>33,194</b>	<b>29,804</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>96,270</b>	<b>96,249</b>	<b>110,249</b>	<b>105,144</b>
No. of Shares in issue (^000)	6,000	224,000	280,000	280,000
NA per Share (RM)	10.5	0.3	0.3	0.3
Borrowings	11,983	11,983	11,983	8,593
Gearing (times)	0.2	0.2	0.2	0.1

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**2. PROSPECTUS SUMMARY (Cont'd)****2.11 DIVIDEND POLICY**

Our Company presently does not have a fixed dividend policy. It is our intention to pay dividends to shareholders in the future, however, such payments will depend upon a number of factors, including our Group's financial performance and condition, working capital needs and availability of cash, capital expenditure and business expansion plans, loan agreements and covenants therein, general financial condition and any other factors considered relevant by our Board.

The dividends declared and paid by our Group for FYE 2020 to FYE 2022 and FPE 2023 and up to the LPD are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>	<u>From 1 October 2023 and up to LPD</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Dividends declared and paid	4,500	3,723	6,000	-	-

The dividends declared and paid in FYE 2020 to FYE 2022 were funded via internally generated funds. Additionally, it should be noted that, of the RM6.0 million dividends declared in FYE 2022, RM3.0 million was utilised to reinvest in Zantat via the issuance of ordinary shares. Please refer to Section 15.2.1 of this Prospectus for further details. Further, we do not intend to declare and pay any dividends from the LPD up to the point of our Listing.

Further details of our dividend policy are set out in Section 12.16 of this Prospectus.

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### 3. APPROVALS AND CONDITIONS

#### 3.1 APPROVALS AND CONDITIONS

##### 3.1.1 Bursa Securities approval

Bursa Securities had, vide its letter dated 12 October 2023, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

<b>No.</b>	<b>Details of conditions imposed</b>	<b>Status of compliance</b>
(a)	Submit the following information with respect to the moratorium on the shareholding of the Specified Shareholders to Bursa Depository: <ul style="list-style-type: none"> <li>(i) Name of shareholders;</li> <li>(ii) Number of Shares; and</li> <li>(iii) Date of expiry of the moratorium for each block of Shares.</li> </ul>	Complied
(b)	Confirmation that approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied
(c)	The Bumiputera equity requirements for public listed companies as approved / exempted by the SC including any conditions imposed thereon;	Complied
(d)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied
(e)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Zantat Holdings on the first day of Listing;	To be complied
(f)	In relation to the Public Issue to be undertaken by Zantat Holdings, to announce at least 2 market days prior to the Listing date, the result of the offering including the following: <ul style="list-style-type: none"> <li>(i) Level of subscription of public balloting and placement;</li> <li>(ii) Basis of allotment / allocation;</li> <li>(iii) A table showing the distribution for placement tranche; and</li> <li>(iv) Disclosure of placees who become substantial shareholders of Zantat Holdings arising from the Public Issue, if any.</li> </ul>	To be complied
(g)	Zantat Holdings / M & A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Zantat Holdings to the Official List of the ACE Market.	To be complied

### 3. APPROVALS AND CONDITIONS *(Cont'd)*

#### 3.1.2 SC approval

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 16 October 2023, approved our resultant equity structure pursuant to our Listing under the Bumiputera equity requirement for public listed companies.

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

<b>No.</b>	<b>Details of conditions imposed</b>	<b>Status of compliance</b>
(a)	Zantat Holdings to make available at least 50% of the shares offered to the Malaysian public investors via balloting to Bumiputera public investors at the point of Listing;	To be complied
(b)	Zantat Holdings to allocate 12.5% of its enlarged number of issued shares to Bumiputera investors to be approved by the MITI within one (1) year after achieving the profit requirement for companies seeking listing on the Main Market of Bursa Securities or five (5) years after being listed on the ACE Market, whichever is earlier (" <b>Compliance Date</b> ");	To be complied
(c)	Zantat Holdings to submit to the SC a proposal to comply with the equity condition stated in paragraph (b) above, at least six (6) months prior to the Compliance Date; and	To be complied
(d)	M & A Securities or Zantat Holdings to submit Zantat Holding's equity structure to the SC upon completion of the Listing.	To be complied

The Shariah Advisory Council of SC had, vide its letter dated 20 July 2023 classified our Shares as shariah-compliant based on our audited combined and consolidated financial statements for FYE 2022.

### 3.2 MORATORIUM ON OUR SHARES

#### 3.2.1 Specified Shareholders

The Specified Shareholders of Zantat pursuant to definitions under Rule 1.01 of the Listing Requirements are the controlling shareholders, namely CLHF Resources and Chan Hup Ooi (via CLHF Resources), and the persons connected to them, namely Teh Ah Soon @ Teh Soon Tick being the original founder and business partner of Chan Hup Ooi, and the family of Chan Hup Ooi, namely Lee Mei Choon, Chan Eng Hue, Ng Paik Hoon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang. 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:

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**3. APPROVALS AND CONDITIONS (Cont'd)**

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- (a) 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 45.0% 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.

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### 3. APPROVALS AND CONDITIONS (Cont'd)

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

Specified Shareholders	Year 1				Year 2		Year 3	
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares		Moratorium shares	
	(1)No. of Shares	(2)%	(1)No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%
CLHF Resources	110,506,600	39.4	74,944,167	26.7	49,962,777	17.9	24,981,388	8.9
Teh Ah Soon @ Teh Soon Tick	18,648,000	6.6	12,646,836	4.5	8,431,223	3.0	4,215,612	1.5
Chan Eng Hue	16,576,000	5.9	11,241,632	4.0	7,494,420	2.7	3,747,210	1.3
Chan Hup Ooi	7,735,500	2.8	5,246,117	1.9	3,497,412	1.2	1,748,706	0.6
Lee Mei Choon	7,735,500	2.8	5,246,117	1.9	3,497,412	1.2	1,748,706	0.6
Chan Bin Iuan	7,735,500	2.8	5,246,117	1.9	3,497,412	1.2	1,748,706	0.6
Chan Jee Chet	7,735,500	2.8	5,246,117	1.9	3,497,412	1.2	1,748,706	0.6
Chan Jee Yang	7,735,500	2.8	5,246,117	1.9	3,497,412	1.2	1,748,706	0.6
Ng Paik Hoon	1,381,300	0.5	936,780	0.3	624,520	0.2	312,260	0.1
	<b>185,789,400</b>	<b>66.4</b>	<b>126,000,000</b>	<b>45.0</b>	<b>84,000,000</b>	<b>30.0</b>	<b>42,000,000</b>	<b>15.0</b>

**Notes:**

(1) After Offer for Sale.

(2) Based on the enlarged share capital of 280,000,000 Shares after our IPO.

The moratorium has been fully accepted by our Specified Shareholders, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the abovementioned Specified Shareholders to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

Separately, the ultimate shareholders of CLHF Resources, namely Chan Hup Ooi, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang have also undertaken not to sell, transfer or assign their shareholdings in CLHF Resources during the abovementioned moratorium period.

## 4. DETAILS OF OUR IPO

### 4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on 6 March 2024 and will remain open until 5.00 p.m. on 13 March 2024. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

### 4.2 INDICATIVE TIMETABLE

<b>Events</b>	<b>Indicative date</b>
Issuance of this Prospectus / Opening of Application	6 March 2024
Closing of Application	13 March 2024
Balloting of Application	18 March 2024
Allotment / Transfer of our IPO Shares to successful applicants	25 March 2024
Date of Listing	27 March 2024

If there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and make the relevant announcement on Bursa Securities' website.

### 4.3 DETAILS OF OUR IPO

#### 4.3.1 Listing scheme

##### (a) Public Issue

A total of 56,000,000 Issue Shares, representing approximately 20.0% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

##### (i) Malaysian Public

14,000,000 Issue Shares, representing approximately 5.0% of our enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

(aa) 7,000,000 Issue Shares made available to public investors; and

(bb) 7,000,000 Issue Shares made available to Bumiputera public investors.

##### (ii) Eligible Directors, employees and persons who have contributed to the success of our Group

11,200,000 Issue Shares, representing approximately 4.0% of our enlarged share capital, are reserved for our eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.2 of this Prospectus.

##### (iii) Private placement to selected investors

30,800,000 Issue Shares, representing approximately 11.0% of our enlarged share capital, are reserved for private placement to selected investors.

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**4. DETAILS OF OUR IPO (Cont'd)**

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The basis of allocation of the Issue Shares shall take into account our Board's intention to distribute the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors.

Upon completion of our Public Issue, our share capital will increase from RM57,411,201 comprising 224,000,000 Shares to RM71,411,201 comprising 280,000,000 Shares. There is no over-allotment or 'greenshoe' option that will increase the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

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#### 4. DETAILS OF OUR IPO (Cont'd)

##### (b) Offer for Sale

A total of 16,800,000 Offer Shares, representing 6.0% of our enlarged share capital, are offered by our Selling Shareholders to selected investors by way of private placement at our IPO Price.

Our Offer for Sale is subject to the terms and conditions of this Prospectus. The details of our Selling Shareholders and their relationship with our Group are as follows:

Name / Registered or Residential address	Relationship with our Group	As at LPD / Before IPO <sup>(1)</sup>		Offer Shares offered			After IPO	
		No. of Shares	%	No. of Shares	<sup>(2)</sup> %	<sup>(3)</sup> %	No. of Shares	<sup>(3)</sup> %
CLHF Resources / Lot 4.81, 4th floor Wisma Central Jalan Ampang 50450 Kuala Lumpur	Promoter, Specified Shareholder and substantial shareholder	119,466,600	53.3	8,960,000	4.0	3.2	110,506,600	39.4
Teh Ah Soon @ Teh Soon Tick / 10, Jalan RP 11/6 Taman Rawang Perdana 2 48000 Rawang Selangor	Promoter, Specified Shareholder and substantial shareholder	20,160,000	9.0	1,512,000	0.7	0.5	18,648,000	6.6
Chan Eng Hue / Unit 166, Zenia 3 Jalan Residen 2 Desa Parkcity 52200 Kuala Lumpur	Promoter, Specified Shareholder, substantial shareholder and Chief Operating Officer (KL Plant)	17,920,000	8.0	1,344,000	0.6	0.5	16,576,000	5.9
Chan Hup Ooi / 10, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Promoter, Specified Shareholder, substantial shareholder and Non-Independent Non-Executive Deputy Chairman	8,362,700	3.7	627,200	0.3	0.2	7,735,500	2.8

**4. DETAILS OF OUR IPO (Cont'd)**

Name / Registered or Residential address	Relationship with our Group	As at LPD / Before IPO <sup>(1)</sup>		Offer Shares offered			After IPO	
		No. of Shares	%	No. of Shares	<sup>(2)</sup> %	<sup>(3)</sup> %	No. of Shares	<sup>(3)</sup> %
Lee Mei Choon / 10, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Promoter and Specified Shareholder	8,362,700	3.7	627,200	0.3	0.2	7,735,500	2.8
Chan Bin Iuan / 8, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Promoter, Specified Shareholder and Managing Director / Chief Executive Officer	8,362,700	3.7	627,200	0.3	0.2	7,735,500	2.8
Chan Jee Chet / 10, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Promoter, Specified Shareholder and Executive Director / Chief Operating Officer (Perak Plants)	8,362,700	3.7	627,200	0.3	0.2	7,735,500	2.8
Chan Jee Yang / 10, Uplands Laluan Bandar Baru Tambun 3 Bandar Baru Tambun 31400 Ipoh Perak	Specified Shareholder	8,362,700	3.7	627,200	0.3	0.2	7,735,500	2.8
Lim Gaik Lan / 10, Jalan RP 11/6 Taman Rawang Perdana 2 48000 Rawang Selangor	Shareholder	6,720,000	3.0	504,000	0.2	0.2	6,216,000	2.2

**4. DETAILS OF OUR IPO (Cont'd)**

Name / Registered or Residential address	Relationship with our Group	As at LPD / Before IPO <sup>(1)</sup>		Offer Shares offered			After IPO	
		No. of Shares	%	No. of Shares	<sup>(2)</sup> %	<sup>(3)</sup> %	No. of Shares	<sup>(3)</sup> %
Teh Koh Tun / 10, Jalan RP 11/6 Taman Rawang Perdana 2 48000 Rawang Selangor	Shareholder	6,720,000	3.0	504,000	0.2	0.2	6,216,000	2.2
Teh Su Hui / 10, Jalan RP 11/6 Taman Rawang Perdana 2 48000 Rawang Selangor	Shareholder	6,720,000	3.0	504,000	0.2	0.2	6,216,000	2.2
Ng Paik Hoon / Unit 166, Zenia 3 Jalan Residen 2 Desa Parkcity 52200 Kuala Lumpur	Specified Shareholder	1,493,300	0.7	112,000	0.1	<0.1	1,381,300	0.5
Chan Yu Xuan / Unit 166, Zenia 3 Jalan Residen 2 Desa Parkcity 52200 Kuala Lumpur	Shareholder	1,493,300	0.7	112,000	0.1	<0.1	1,381,300	0.5
Chan Jing Han / Unit 166, Zenia 3 Jalan Residen 2 Desa Parkcity 52200 Kuala Lumpur	Shareholder	1,493,300	0.7	112,000	0.1	<0.1	1,381,300	0.5

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**4. DETAILS OF OUR IPO (Cont'd)**

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**Notes:**

- (1) After completion of Acquisition of Zantat prior to Public Issue.
- (2) Based on the share capital of 224,000,000 Shares before our IPO.
- (3) Based on the enlarged share capital of 280,000,000 Shares after our IPO.

For avoidance of doubt, the above Selling Shareholders who share the same address are family. Further details of our Selling Shareholders, some of who are also our Promoters and substantial shareholders can be found in Section 5.1 of this Prospectus.

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**4. DETAILS OF OUR IPO (Cont'd)****(c) Listing**

Upon completion of our IPO, our Company's entire enlarged share capital of RM71,411,201 comprising 280,000,000 Shares shall be listed on the ACE Market.

**4.3.2 Pink Form Allocations**

We have allocated 11,200,000 Issue Shares under the Pink Form Allocations to our eligible Directors, employees and persons who have contributed to the success of our Group as follows:

<b>Category</b>	<b>No. of eligible persons</b>	<b>Aggregate no. of Issue Shares allocated</b>
Eligible Directors	4	2,800,000
Eligible employees	65	8,200,000
Persons who have contributed to the success of our Group	2	200,000
	<b>71</b>	<b>11,200,000</b>

Pink Form Allocations which are not accepted by certain eligible Directors, employees and persons who have contributed to the success of our Group will be re-allocated among the other eligible Directors mentioned in the table above and other eligible employees and persons who have contributed to the success of our Group at the discretion of our Board.

**(a) Allocation to eligible Directors**

The criteria for allocation to our eligible Directors are based on amongst others their anticipated contribution to our Group.

Chan Hup Ooi (our Non-Independent Non-Executive Deputy Chairman), Chan Bin Iuan (our Managing Director / Chief Executive Officer) and Chan Jee Chet (our Executive Director / Chief Operating Officer (Perak Plants)) have opted not to participate in the Pink Form Allocations as they are shareholders in both Zantat Holdings and CLHF Resources (our substantial shareholder). Please refer to Section 5.1.2(a) of this Prospectus for further details on CLHF Resources.

Details of the proposed allocation to our other Directors are as follows:

<b>Name</b>	<b>Designation</b>	<b>No. of Issue Shares allocated</b>
Yap Yoon Kong	Independent Non-Executive Chairman	850,000
Poo Lap Tuck	Independent Non-Executive Director	850,000
Gan Seng Kian	Independent Non-Executive Director	850,000
Rima Ramona Binti Muhammad Arif	Independent Non-Executive Director	250,000
		<b>2,800,000</b>

**4. DETAILS OF OUR IPO (Cont'd)****(b) Allocation to our eligible employees**

The criteria of allocation to our eligible employees (as approved by our Board) are based on, inter-alia, the following factors:

- (i) Our employees must be an eligible and confirmed employee and on the payroll of our Group;
- (ii) The number of shares allocated to our eligible employees are based on their seniority, position, length of service and respective contribution made to our Group as well as other factors deemed relevant to our Board; and
- (iii) Full time employee of at least 18 years of age.

Other than the non-participation in the Pink Form Allocations by Chan Bin Iuan (our Managing Director / Chief Executive Officer) and Chan Jee Chet (our Executive Director / Chief Operating Officer (Perak Plants)) as stated in Section 4.3.2(a) of this Prospectus. Chan Eng Hue (our Chief Operating Officer (KL Plant)) has also opted not to participate in Pink Form Allocations as he is already our substantial shareholder.

Details of the proposed allocation to our key senior management are as follows:

<u>Name</u>	<u>Designation</u>	<u>No. of Issue Shares allocated</u>
Aw Ee Ling	Chief Financial Officer	300,000

**(c) Allocation to persons who have contributed to the success of our Group**

Persons who have contributed to the success of our Group include business associates, customers and suppliers.

The number of Issue Shares to be allotted to those persons who have contributed to the success of our Group are based on amongst others, the nature and terms of their business relationship with us, length of their relationship with us and the level of contribution and support to our Group.

**4.3.3 Placement and underwriting arrangement**

Our Underwriter will underwrite 25,200,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 30,800,000 Issue Shares and 16,800,000 Offer Shares available for application by selected investors will not be underwritten and will be placed out by our Placement Agent.

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

- (a) Any IPO Shares not subscribed for under the Pink Form Allocations (if any), will be made available for application by the Malaysian Public; and
- (b) Any remaining IPO Shares including those from (a) which are not subscribed by the Malaysian Public will then be made available to selected investors via private placement.

Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement. Our Board will ensure that any excess IPO Shares will be allocated in a fair and equitable manner.

#### 4. DETAILS OF OUR IPO (Cont'd)

##### 4.3.4 Minimum and over-subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirements as set out in the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Directors.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. 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 repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

To the best of our knowledge and belief, there is no person who intends to subscribe for more than 5.0% of our IPO Shares.

#### 4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

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

	<b>No. of Shares</b>	<b>RM</b>
<b>Share capital</b>		
As at the date of this Prospectus	224,000,000	57,411,201
To be issued under our Public Issue	56,000,000	14,000,000
<b>Enlarged share capital upon our Listing</b>	<b>280,000,000</b>	<b>71,411,201</b>

Our Offer for Sale will not have any effect on our share capital.

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

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing ordinary 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 Issue Shares.

Our Offer Shares rank equally in all respects with our existing ordinary 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 transfer of the Offer 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 paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus if our Company is liquidated in accordance with our Constitution.

**4. DETAILS OF OUR IPO (Cont'd)**

Each of our shareholders shall be entitled to vote at any of our general meetings in person or by proxy or by other duly authorised corporate representative. Every shareholder present in person or by proxy or other duly authorised corporate representative shall have one vote for each ordinary share held.

**4.5 PURPOSES OF OUR IPO**

The purposes of our IPO are as follows:

- (a) To enable our Group to raise funds for the purposes specified in Section 4.9 of this Prospectus;
- (b) To gain recognition through our listing status to enhance our reputation and to retain and attract new and skilled employees from the calcium carbonate industry;
- (c) To provide an opportunity for the Malaysian Public, including our eligible Directors, employees and persons who have contributed to the success of our Group to participate in our equity; and
- (d) 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.

**4.6 BASIS OF ARRIVING AT OUR IPO PRICE**

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

- (a) Our pro forma NA per Share of RM0.27, calculated based on our pro forma NA after IPO and utilisation of proceeds as at 30 September 2023 of approximately RM75.3 million and enlarged share capital of 280,000,000 Shares upon Listing;
- (b) The PE Multiple of our IPO Price of approximately 12.9 times based on our EPS of approximately 1.9 sen for FYE 2022, calculated based on our PAT for FYE 2022 of RM5.4 million and enlarged share capital of 280,000,000 Shares upon Listing;
- (c) Our historical financial track record as follows:

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	107,209	119,464	113,023	82,977	91,089
GP	47,161	60,171	52,079	38,883	35,889
PAT	6,235	6,504	5,419	4,420	5,671
Other incomes	667	1,163	1,707	2,160	1,660

- (d) Our competitive strengths as set out in Section 7.15 of this Prospectus; and
- (e) Our business strategies and prospects as set out in Section 7.18 of this Prospectus.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. 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. DETAILS OF OUR IPO (Cont'd)****4.7 TOTAL MARKET CAPITALISATION UPON LISTING**

Based on our IPO Price and enlarged share capital of 280,000,000 Shares, our total market capitalisation upon Listing will be RM70,000,000.

**4.8 DILUTION**

Dilution is the amount by which our IPO Price exceeds our pro forma NA per Share immediately after our IPO. The following table illustrates such dilution on a per Share basis:

	<b>RM</b>
IPO Price	0.25
Pro forma NA per Share as at 30 September 2023 after Acquisition of Zantat but before IPO	0.28
Pro forma NA per Share as at 30 September 2023 after Acquisition of Zantat, IPO and utilisation of proceeds	0.27
(Decrease) in pro forma NA per Share attributable to existing shareholders	(0.01)
Dilution in pro forma NA per Share to our new public investors	-
Dilution in pro forma NA per Share as a percentage of our IPO Price	-

Further details of our pro forma NA per Share as at 30 September 2023 is set out in Section 14 of this Prospectus.

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to LPD:

<b>Shareholders</b>	<b>(1)No. of Shares</b>	<b>Total consideration</b>	<b>Average effective cost per Share</b>
		<b>RM</b>	<b>RM</b>
CLHF Resources	(2)119,466,600	30,619,289	0.2563
Teh Ah Soon @ Teh Soon Tick	20,160,000	5,167,008	0.2563
Chan Eng Hue	17,920,000	4,592,896	0.2563
Chan Hup Ooi	8,362,700	2,143,360	0.2563
Lee Mei Choon	8,362,700	2,143,360	0.2563
Chan Bin Iuan	8,362,700	2,143,360	0.2563
Chan Jee Chet	8,362,700	2,143,360	0.2563
Chan Jee Yang	8,362,700	2,143,360	0.2563
Lim Gaik Lan	6,720,000	1,722,336	0.2563
Teh Koh Tun	6,720,000	1,722,336	0.2563
Teh Su Hui	6,720,000	1,722,336	0.2563
Ng Paik Hoon	1,493,300	382,733	0.2563
Chan Yu Xuan	1,493,300	382,733	0.2563
Chan Jing Han	1,493,300	382,733	0.2563
<b>Total</b>	<b>224,000,000</b>	<b>57,411,200</b>	

**Notes:**

(1) Issued pursuant to the Acquisition of Zantat.

**4. DETAILS OF OUR IPO (Cont'd)**

- (2) Including 1 subscriber share of Zantat Holdings which was transferred to CLHF Resources.

Save as disclosed above and the Pink Form Allocations to our eligible Directors and key senior management, there has been no acquisitions or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected with 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 LPD.

**4.9 UTILISATION OF PROCEEDS****4.9.1 Public Issue**

The estimated gross proceeds from our Public Issue of RM14.0 million will accrue entirely to us and are planned to be utilised in the following manner:

<b>Utilisation of proceeds</b>	<b>Notes</b>	<b>RM'000</b>	<b>%</b>	<b>(1)Estimated timeframe for utilisation</b>
Upgrading of R&D facilities	(a)	3,830	27.4	Within 12 months
Upgrading of Calrock Perak Plant's infrastructure	(b)	1,000	7.2	Within 12 months
Investment in high efficiency machine components and industrial automation	(c)	1,350	9.6	Within 6 months
Repayment of bank borrowings	(d)	3,390	24.2	Within 12 months
Working capital	(e)	1,430	10.2	Within 12 months
Estimated listing expenses	(f)	3,000	21.4	Immediately
<b>Total</b>		<b>14,000</b>	<b>100.0</b>	

Pending the deployment of the proceeds raised from our Public Issue as aforementioned, the funds will be placed in short-term deposits with financial institutions.

**Notes:**

- (1) From the date of our Listing.

**(a) Upgrading of R&D facilities**

We plan to upgrade our existing R&D centre within our Zantat Perak Plant 1 as well as purchase additional test and product development equipment by 2024.

Currently, our R&D centre mainly functions as a testing and quality control centre to conduct daily routine testing and quality control checks on incoming raw materials, in-process products, and finished products to ensure our input materials and finished products are safe and of the specified quality.

As at LPD, we have 4 R&D personnel supported by 4 quality assurance personnel. Part of our strategies is to expand the team by hiring additional 2 R&D personnel and 1 quality assurance personnel. This will require an additional working capital for the expansion of R&D team which will be funded from the proceeds of our Public Issue as disclosed in Section 4.9.1 (e) of this Prospectus.

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**4. DETAILS OF OUR IPO (Cont'd)**

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As part of our R&D implementation, we allocate resources including budget, personnel and equipment to support our R&D activities. In addition, we continue to focus on the research of the following product range:

- (i) calcium carbonate products: continue to focus on improving existing and development new products to meet the technical requirements and formulation of end-user industries. This covers the research on materials, sources for materials, requirements of applications and industries, utilisation of specialised equipment, as well as working with end-users to enhance products in meeting technical specifications such as particle size required.
- (ii) bioplastic compounding where our R&D covers the utilisation of new machinery and equipment, formulation of biodegradable polymer with calcium carbonate, as well as additives and pigments.

Although we carry out R&D, we did not recognise nor capture any expenditure for R&D activities for FYE 2020 and FYE 2021. We have begun capturing R&D expenses in FYE 2022 totalling RM0.2 million and FPE 2023 totalling RM0.2 million, particularly materials for bioplastic compounding activities.

Our calcium carbonate products are used as raw materials for the production of plastic masterbatch and compounds, which are then used to produce various types of plastic products such as packaging films and injection moulded plastic parts and products. Previously, whenever we develop a new calcium carbonate product, the process of commercialising and marketing the said product is lengthy which can take up to 6 months. This is to ensure the viability of new product in meeting the desired specifications and customer requirements as customers would require various product testing and proof-of-concept. This is followed by collection of feedbacks to improve the products to address the customer requests and their technical needs. These potential customers would require additional product testing on the resultant plastic masterbatch and compounds to determine if our calcium carbonate products, after it is utilised as their raw material, meets their desired specification and requirements.

Under our calcium carbonate product segment, we continue to carry out R&D activities and we had commercialised a new product ("**Zanelite-A**") and initiated product testing for 1 new product "Zanelite-B" under the ultrafine-grade GCC range under our "Zanelite" brand during the financial years under review as follow:

- (i) commercialised "Zanelite-A" in 2021 where we started selling this new product in 2021; and
- (ii) initiated product testing for "Zanelite-B" where we delivered samples for product trial in the second half of 2022. Subsequently, we received feedback from our customer for product enhancement and received confirmed purchase orders in March 2023.

As for bioplastic compounding, our R&D team has been carrying out product development using our existing facilities since 2022 and the products have been undergoing the product testing phase and is expected to commercialise by the first quarter of 2024.

**4. DETAILS OF OUR IPO (Cont'd)**

Our R&D centre only has equipment to test our calcium carbonate products. We only have certain equipment to test our customers' products, namely a tensile strength testing machine to test the tensile strength and tear resistance of packaging films, as well as a melt flow index tester to test the viscosity (melt flow index) and a filter pressure value tester to test the filter pressure value of plastic masterbatch. As such, we are unable to conduct other product testing and proof-of-concept in-house for our customers. We currently own a 16mm lab-scale twin screw extruder with a capacity to 2kg to 3kg of pellets per hour to produce plastic masterbatch and compounds in small batches where we would send these samples to external laboratories or to our customers' laboratories for testing. This process can take between 3 to 6 months from the initiation of product testing and proof-of-concept up to feedback obtained from customers to improve the products and to address the customer's technical needs before achieving the customer's acceptance. For instance, our "Zanelite-A" had taken about 4 months where we initiated the product testing and proof-of-concept in March 2021 and feedback received from customer in order to improve the products in meeting the technical specifications in May 2021 before we received our first purchase order in June 2021.

In addition, for the production of our bioplastic compostable packaging film compound, we currently own a single layer blown film machine to produce single layer blown film in small batches to perform testing. Typically, potential customers would require additional product testing on the packaging film to determine if our bioplastic compounds, after being used as their input material, would meet their desired specification and requirements.

As such, we plan to purchase additional test and product development equipment to conduct this additional testing in-house to shorten our product trials to under a month. The following sets out the testing and product development equipment that we plan to purchase, which will be fully funded through the proceeds of our Public Issue:

<b>No.</b>	<b>Equipment</b>	<b>Function</b>	<b>No. of unit(s)</b>	<b>Estimated cost (RM'000)</b>
1	3-layer co-extrusion compact blown film machine	To produce multilayer blown film	1	990
2	26mm twin screw extruder with capacity of 20kg to 80kg of pellets per hour	To produce plastic compounds for R&D and customer sampling trial, test and refine new technology or processes, as well as to troubleshoot any potential problems or issues that may arise during production of bioplastic compounds	1	868
3	Various test and measurement equipment	To test the various properties of chemical compounds and functions, such as particle size, accelerated aging, colour, moisture content, tear strength, viscosity, acidity, density and weight. Also includes any related equipment that supports such testing	22	1,972
				<b>3,830</b>

#### 4. DETAILS OF OUR IPO (Cont'd)

To accommodate the new equipment, we are undergoing a renovation to expand the floor space of our current R&D centre at Zantat Perak Plant 1 from approximately 1,500 sq ft to approximately 5,400 sq ft, where we intend to free up the existing storage space at Zantat Perak Plant 1 to be made available for the expansion. The renovation is ongoing as at LPD. The renovation of the analytical lab was completed in August 2023. Meanwhile, the renovation for the processing lab is expected to complete by second quarter of 2024. As at LPD, the building plan for this renovation has been submitted to the local district council and it is pending approval. The estimated cost for the renovation is RM0.8 million and this will be funded through bank borrowings and internally generated funds. The proposed utilisation of proceeds of RM3.8 million for the upgrading of our R&D facilities will be used to purchase the above additional test and product development equipment.

With the upgraded R&D facility with enhance testing capabilities, we will be focusing on our in-house product development and enhancement including testing of our products as well as for new and existing customers pertaining to our calcium carbonate products and bioplastic compounds. In the event of any spare resources in the future, we may conduct tests for third parties.

In addition, we will still need to engage third parties for testing or proof-of-concept for products that require special tests not available in-house, such as atomic absorption spectroscopy. Additionally, third-party tests are also required for independent testing required by customers or for regulatory compliance.

Additionally, as part of our strategy to expand our product range, we intend to develop the following products:

- (i) 3 new bioplastic compounds such as compostable stretch film compound, compostable mulch film compound and marine-degradable film compound; and
- (ii) enhance our ultrafine grade GCC namely "Zanelite" series and produce more varieties such as different coating applications and particle size distributions, for the manufacture of breathable films for use such as diapers which need better breathability, and bi-axially oriented polypropylene (BOPP) films for stronger packaging and labelling materials.

#### (b) Upgrading of Calrock Perak Plant's infrastructure

We plan to upgrade and improve the building structures at Calrock Perak Plant by 2024. Calrock Perak Plant was established in 1971 and its previous major renovation works were undertaken in 2000. As it has been 24 years since its previous major renovation, we plan to refurbish and upgrade the plant.

The upgrading of Calrock Perak Plant entails the construction works for a new 3,000 sq ft office and warehouse (including electrical works, fixtures and fittings, and professional fees), which will cost a total of RM1.0 million to be funded from proceeds raised from our Public Issue.

The indicative timeline of the upgrading of Calrock Perak Plant is as follows:

<b>Milestones</b>	<b>Timeframe</b>
Submit plans for authorities' approval	1st quarter of 2024
Commencement of construction	2nd quarter of 2024
Completion of construction	4th quarter of 2024
CCC by local government authorities obtained	1st quarter of 2025

**4. DETAILS OF OUR IPO (Cont'd)**

Please refer to Section 7.18.3(a) of this Prospectus for further details.

**(c) Investment in high efficiency machine components and industrial automation**

We plan to purchase and install automated packaging machines and high-efficiency motors for our production lines in Zantat Perak Plant 1 by 2024.

As at LPD, at our Zantat Perak Plant 1, we have 8 GCC production lines where 4 lines are equipped with 2 robotic arm palletising machines. The robotic arm palletising machine stacks the filled bags one by one directly onto the pallet in accordance with a specified stacking arrangement. We plan to purchase another robotic arm palletising system to equip another 2 GCC production lines. This will allow us to reduce our dependency on human labour resources.

Meanwhile, the proposed high-efficiency motors consume less electricity than our existing motors. Hence, this would allow us to consume less energy and save on electricity costs.

The total estimated cost for the purchase of automated packaging machines and high-efficiency motors is RM1.3 million which will be fully funded by proceeds from Public Issue as follows:

<b>Purchase of automated packaging machines and high-efficiency motors</b>	<b>Estimated cost</b>
	<b>RM'000</b>
1 set of fully integrated automatic robotic arm palletising system <sup>(1)</sup>	580
49 units of high-efficiency motors <sup>(2)</sup>	770
	<b>1,350</b>

**Notes:**

- (1) This refers to a standalone packing equipment with robotic arm to stack products on pallets and also to improve workplace safety by reducing manual handling of heavy products.
- (2) The high-efficiency motors are for equipment integration into our production lines in the Zantat Perak Plant 1 to reduce electricity consumption.

All the above machinery and equipment will be purchased locally.

Please refer to Section 7.18.1(c) of this Prospectus for further details.

**(d) Repayment of bank borrowings**

We have allocated RM3.4 million to partially repay our term loan which were mainly drawn down to finance the construction of factory building at Zantat Perak Plant 2.

We have decided to prioritise the repayment of our term loans from Hong Leong Bank Berhad and HSBC Bank Malaysia Berhad as they carry higher effective interest rate of 6.6% and 5.5% respectively for FPE 2023 compared to our other bank borrowings which carry interest rates of 4.1% to 5.5%.

**4. DETAILS OF OUR IPO (Cont'd)**

For illustrative purpose, the details of our borrowings as at LPD are set out as follows, among which we have indicated which facility the RM3.4 million repayment will be made to:

<b>Financial institution / Type of facility</b>	<b>Purpose</b>	<b>Effective interest rate per annum</b>	<b>Maturity date</b>	<b>Balance as at LPD RM'000</b>	<b>Amount to be repaid RM'000</b>	<b>Annual interest savings RM'000</b>
Hong Leong Bank Berhad / Term loan	Finance the construction of factory building at Zantat Perak Plant 2	6.6%	January 2027	2,980	2,980	197
HSBC Bank Malaysia Berhad / Term loan	Finance the purchase of bioplastic compounding machineries	5.5%	October 2027	2,250	410	23
<b>Total</b>				<b>5,230</b>	<b>3,390</b>	<b>220</b>

If the balance of the abovementioned term loan as at the time of repayment is less than the amount allocated, the excess amount allocated will be used to repay the other term loans. The Company will not be subject to any early settlement penalty.

As at LPD, our outstanding banking facilities amounted to RM6.6 million. However, we expect to drawdown further trade facilities to support our working capital requirements as our business continues to grow. Nonetheless, the expected annual interest savings from the repayment of the bank borrowing is approximately RM0.2 million based on the effective interest rate of 6.6% and 5.5% per annum respectively, as tabulated above. However, the actual interest savings may vary depending on the then applicable interest rates.

**(e) Working capital**

Our Group's working capital requirement are expected to increase in line with our venture into bioplastic compounding business. We have allocated RM1.4 million to be used to supplement our working capital requirements for bioplastic business venture once it commercialises.

The proposed allocations of the proceeds are set out as follows:

<b>Description</b>	<b>Estimated cost RM'000</b>
Hiring of 1 assistant lab manager, 1 R&D executive and 1 quality assurance executive (being salaries for a year)	210
Purchase of bioplastic resins for production trial and product sample distribution	1,070
Application of OK certification for 3 new bioplastic compounds	150
	<b>1,430</b>

**4. DETAILS OF OUR IPO (Cont'd)**

Since 2022, our R&D team has been carrying out product development using our existing lab-scale twin-screw extruder with a pelletiser to produce bioplastic compounds in small batches. In 2022, we purchased a bioplastic compounding production line comprising 5 units of feeding systems, 1 unit of twin-screw extruder and 1 unit of pelletising system with a capacity of producing 300kg to 600kg pellets per hour, depending on the product formulation. The total capital expenditure was RM5.0 million, funded through bank borrowings and internally generated funds. As at LPD, the production line has been installed at Zantat Perak Plant 2 and is undergoing the product testing phase and is expected to commercialise by the first quarter of 2024.

Please refer to Section 7.18.2 of this Prospectus for further details of our bioplastic compounding business.

**(f) Estimated listing expenses**

An amount of RM3.0 million is allocated to meet the estimated cost of our Listing. The following summarises the estimated expenses incidental to our Listing to be borne by us:

<b>Description</b>	<b>Estimated cost (RM'000)</b>
Professional fees <sup>(1)</sup>	2,100
Underwriting, placement and brokerage fees	400
Printing, advertising fees and contingencies <sup>(2)</sup>	435
Fees payable to the authorities	65
	<b>3,000</b>

**Notes:**

(1) Includes advisory fees for, amongst others, our Principal Adviser, solicitors, reporting accountants, IMR, independent internal control review consultant and Issuing House.

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

Any variations of the allocation in proceeds set out above shall be adjusted towards or against the proceeds allocated towards our working capital as set out in item (e), and any further shortfall is to be funded from our internally-generated funds and/or bank borrowings.

**4.9.2 Offer for Sale**

The Offer for Sale is expected to raise gross proceeds of approximately RM4.2 million which will accrue entirely to the Selling Shareholders and we will not receive any of the proceeds.

The Selling Shareholders shall bear all of the expenses relating to the Offer Shares, the aggregate of which is estimated to be approximately RM0.1 million.

**4.10 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION****4.10.1 Brokerage fees**

Brokerage is payable in respect of the Issue Shares at the rate of 1% 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.

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#### **4. DETAILS OF OUR IPO (Cont'd)**

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##### **4.10.2 Placement fees**

Our Placement Agent will place out a total of 30,800,000 Issue Shares and 16,800,000 Offer Shares to selected investors.

We will pay our Placement Agent a placement fee of 2.5% of our IPO Price multiplied by the number of Issue Shares placed out by our Placement Agent.

The placement fee of 2.5% of the value of those Offer Shares placed out by our Placement Agent will be paid by the Selling Shareholders.

##### **4.10.3 Underwriting commission**

Our Underwriter has agreed to underwrite 25,200,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We will pay our Underwriter an underwriting commission of 2.5% of our IPO Price multiplied by the number of Shares underwritten.

#### **4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT**

We have entered into the Underwriting Agreement with M & A Securities, to underwrite 25,200,000 Issue Shares ("**Underwritten Shares**") in the manner as set out in Section 4.3.3 of this Prospectus.

The salient terms of the Underwriting Agreement are extracted as follows:

- (a) The Underwriter may by notice in writing to the Company given at any time before the last date and time for the receipt of applications and payment for the Issue Shares in accordance with the Prospectus or such later date as the Company and the Underwriter may mutually agree upon ("**Closing Date**") or the extended Closing Date, as the case may be, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares if:
- (i) the approval of Bursa Securities for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Underwriter;
  - (ii) there is any material breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company;
  - (iii) there is a material failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement;
  - (iv) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the Public Issue or Listing, or the distribution or sale of the Issue Shares;
  - (v) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group;
  - (vi) the Listing does not take place within three months from the date of the Underwriting Agreement or such other extended date as may be agreed by the Underwriter;

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**4. DETAILS OF OUR IPO (Cont'd)**

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(vii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the Public Issue or Listing, or the distribution or sale of the Issue Shares;

(viii) a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

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

(bb) prior to the close of the offering of the Public Issue,

lower than 85% of the level of Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three consecutive Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event; or

(ix) there shall have occurred, or happened any of the following circumstances:

(aa) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(bb) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, pandemics / epidemics, natural disasters, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole or the Public Issue or Listing which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

(b) In the event that the Underwriting Agreement is terminated pursuant to (a) above, the Underwriter and the Company may confer with a view to deferring the Public Issue by amending the terms of the Underwriting Agreement and entering into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.

(c) Upon any such notice(s) being given pursuant to (a) above, the Underwriter shall be released and discharged from their obligations under the Underwriting Agreement whereupon the following shall take place within three Market Days of the receipt of such notice:

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**4. DETAILS OF OUR IPO (Cont'd)**

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- (i) the Company shall make payment of underwriting commission to the Underwriter in accordance with the Underwriting Agreement;
- (ii) the Company shall pay or reimburse to the Underwriter the costs and expenses referred to in the Underwriting Agreement; and
- (iii) each party shall return all other monies (in the case of the Underwriter, after deducting the underwriting commission due and owing to the Underwriter under the Underwriting Agreement) including but not limited to the subscription monies paid to the other under the Underwriting Agreement (except for monies paid by the Company for the payment of the expenses as provided under the Underwriting Agreement);

and thereafter, the Underwriting Agreement shall be terminated and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.

**4.12 TRADING AND SETTLEMENT IN SECONDARY MARKET**

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, among others, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Upon our Listing, transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired.

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

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

### 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 IPO are set out below:

Name	Country of incorporation / Nationality	<sup>(1)</sup> Before IPO				<sup>(2)</sup> After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b><u>Promoters and substantial shareholders</u></b>									
CLHF Resources <sup>(3)</sup>	Malaysia	119,466,600	53.3	-	-	110,506,600	39.4	-	-
Teh Ah Soon @ Teh Soon Tick	Malaysian	20,160,000	9.0	-	-	18,648,000	6.6	-	-
Chan Eng Hue	Malaysian	17,920,000	8.0	-	-	16,576,000	5.9	-	-
Chan Hup Ooi	Malaysian	8,362,700	3.7	<sup>(4)(5)</sup> 136,192,000	60.8	7,735,500	2.8	<sup>(4)(5)</sup> 125,977,600	45.0
<b><u>Promoters</u></b>									
Lee Mei Choon	Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-
Chan Bin Iuan	Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-
Chan Jee Chet	Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-

#### Notes:

- (1) Based on the share capital of 224,000,000 Shares before our IPO.
- (2) Based on the enlarged share capital of 280,000,000 Shares after our IPO.
- (3) CLHF Resources is held by Chan Hup Ooi (61.1%), Lee Mei Choon (13.6%), Chan Bin Iuan (10.5%), Chan Jee Chet (10.5%) and Chan Jee Yang (4.3%). Please see Section 5.1.2(a) of this Prospectus for further details of CLHF Resources.
- (4) Deemed interested by virtue of his shareholdings in CLHF Resources pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his spouse's and his son's (Chan Jee Yang) shareholdings pursuant to Section 59(11)(c) of the Act.

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

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Group and there is no arrangement between Zantat Holdings and its shareholders with any third parties, the operation of which may at a subsequent date result in a change in control of our Company.

### 5.1.2 Profiles of Promoters and/or substantial shareholders

The profile of our other Promoters and/or substantial shareholders are set out below.

#### (a) CLHF Resources

CLHF Resources was incorporated in Malaysia on 30 November 2021 under the Act as a private limited company. CLHF Resources is an investment holding company set up for the purpose of holding shares in Zantat Holdings. As at LPD, CLHF Resources is not holding any other investment, except for Zantat Holdings Shares. As at LPD, the issued capital of CLHF Resources is RM32,000 comprising 32,000 ordinary shares. As at LPD, the Directors and shareholders of CLHF Resources are as follows:

Name	Designation	Nationality	Direct		Indirect	
			No. of shares	%	No. of shares	%
Chan Hup Ooi	Director and shareholder	Malaysian	19,560	61.1	-	-
Lee Mei Choon	Director and shareholder	Malaysian	4,360	13.6	-	-
Chan Bin Iuan	Director and shareholder	Malaysian	3,360	10.5	-	-
Chan Jee Chet	Director and shareholder	Malaysian	3,360	10.5	-	-
Chan Jee Yang	Director and shareholder	Malaysian	1,360	4.3	-	-
			<b>32,000</b>	<b>100.0</b>		

#### (b) Teh Ah Soon @ Teh Soon Tick

Teh Ah Soon @ Teh Soon Tick, a Malaysian, aged 77, is our Promoter and substantial shareholder. He co-founded Zantat together with Chan Hup Ooi (our Promoter, substantial shareholder and Non-Independent Non-Executive Deputy Chairman).

He graduated from Sam Ming Secondary School in 1963 and began his career in 1964 as a salesman in Dailoke Store, selling ceramic kitchenware. He left the company in 1968 to work as a helper in a convenience store in Kuala Lumpur. In 1971, he went to Singapore and joined Foo Sheng Furniture as a Factory Supervisor where he was responsible for the operations of production lines. He left Foo Sheng Furniture in 1975 and formed a partnership Hsing Yang Trading Co in Singapore together with a third party in the same year. Hsing Yang Trading Co was involved in the business of wholesale of sporting and recreational goods and fruits and vegetables. The business ceased in 1986.

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

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In 1985, Teh Ah Soon @ Teh Soon Tick and Chan Hup Ooi as well as 5 other shareholders acquired and allotted new shares in Zantat. Since then, he became the Executive Director of Zantat and he gradually relinquished his executive roles and became a non-executive Director in 2022. He was responsible for its operations and production planning. He also managed the procurement of raw materials from China, and liaised with banks to secure banking facilities.

**(c) Chan Eng Hue**

Chan Eng Hue, aged 61, a Malaysian, is our Promoter, Chief Operating Officer (KL Plant) and substantial shareholder. He is mainly responsible for the overall operations of KL Plant.

He obtained his Diploma in Quantity Surveyor in 1983 from the Federal Institute of Technology (currently known as UCSI University) and was a freelancer for 1984 to 1985, before joining Zantat in 1986 as a Production Supervisor responsible for operating its production lines. In 1989, he was transferred to Sale & Marketing department as a Sales Executive and was further promoted in 1990 to Sales Manager. In 2002, Chan Eng Hue assisted Zantat to secure its first calcium carbonate dispersion sales to a latex glove customer, to use as fillers in their gloves, consequently attracting more gloves companies to follow suit. Over the years, he has also been involved in the improvement of product performance to meet the ever-changing market requirements as well as sourcing for new market and technologies. In 2022, he was promoted to Chief Operating Officer of KL Plant, a role which he continues to assume.

**(d) Chan Hup Ooi**

Chan Hup Ooi, a Malaysian, aged 68, is our Promoter, substantial shareholder and Non-Independent Non-Executive Deputy Chairman. He co-founded Zantat together with Teh Ah Soon @ Teh Soon Tick (our Promoter and substantial shareholder). He was appointed to our Board on 31 March 2023.

After completing his secondary education in 1974, he started as a kitchenware salesman independently where he handled sales related activities in Klang Valley from 1975 to 1976. Subsequently in 1976, he joined Sagami Sdn Bhd as a Machine Operator where he was involved in the production cycle and responsible to maintain production activity logs. He left Sagami Sdn Bhd in 1977 and was firstly introduced to the production of calcium carbonate when he joined Ban Loong Trading Company Sdn Bhd in the same year as a storekeeping clerk for the factory. He was later promoted to Production Manager in 1979 and he was responsible for planning, organising, and overseeing the production process to ensure efficient operations, cost control and quality assurance. He left Ban Loong Trading Company Sdn Bhd in 1981 and then joined Anglo American Corporation (M) Sdn Bhd in Malaysia as a salesman in the same year to sell chainsaw and saw chain products. He then left the company in 1983 to join Cheng Sun Quarry Sdn Bhd as a Production Manager managing its production operations. After leaving Cheng Sun Quarry Sdn Bhd in 1986, he focused on Zantat's business which he acquired together with Teh Ah Soon @ Teh Soon Tick as well as 5 other shareholders in 1985. Since then, he became Zantat's Managing Director, where he has been involved in the overall management and day-to-day business operations of Zantat until 2021, when he officially relinquished his executive role and became a non-executive Director of Zantat, where his daily responsibilities were succeeded by his children.

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

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Please refer to Section 5.2.3(b) of this Prospectus for further details of his involvement in principal business activities and directorships outside our Group.

**(e) Lee Mei Choon**

Lee Mei Choon, aged 65, a Malaysian, is the Promoter of our Group. She completed her secondary education in 1977. She began her career in Ban Loong Trading Co in 1979 as Head of Delivery Department. She was responsible for the arrangement of logistics for the delivery of goods and inventory control. She left Ban Loong Trading Co in 1982 and joined Malayan Banking Berhad as a clerk in the legal department. She was responsible for the administrative tasks of the legal documents. In 1991, she resigned to become a fulltime housewife. In 2002, she joined Zantat as Purchasing Manager and she was responsible for the procurement of raw materials for KL Plant. In 2008, she was redesignated to become Personal Assistant to Chan Hup Ooi, Zantat's Managing Director at that point in time. As a Personal Assistant, she was responsible for assisting the Managing Director in the daily administrative tasks until her resignation in 2021.

**(f) Chan Bin Iuan**

Chan Bin Iuan, a Malaysian, aged 39, is our Managing Director / Chief Executive Officer, responsible for overseeing and managing the day-to-day operations of our Group. He was appointed to our Board on 31 March 2023.

He graduated with a Bachelor's degree in Mechanical Engineering from the University of Nottingham in 2006. He began his career at Cairnhill Metrology Sdn Bhd in 2006 as Application Engineer where he was responsible for performing demonstration and installation of new metrology equipment. In 2007, he left Cairnhill Metrology Sdn Bhd and joined Zantat as Business Development Executive where he managed the digitalisation process and business development activities of Zantat. In 2008, he was promoted to Business Development Manager where he led the company to obtain ISO 9001 quality management system, developed Zantat's first website and handled international inquiries as the brand exposure increased. During his tenure as Business Development Manager, he led the expansion of Zantat's business to India. In 2022, he was promoted to Managing Director / Chief Executive Officer of Zantat, a role which he continues to assume, where he is responsible for managing the company's organisational structure, developing strategic objectives and directions and establishing corporate culture.

Please refer to Section 5.2.3(c) of this Prospectus for further details of his involvement in principal business activities and directorships outside our Group.

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

### (g) Chan Jee Chet

Chan Jee Chet, a Malaysian, aged 35, is our Executive Director / Chief Operating Officer (Perak Plants), responsible for the overall operations of the Perak Plants. He was appointed to our Board on 31 March 2023.

He graduated with a Bachelor of Business and Commerce specialising in Marketing from Monash University, Malaysia in 2012 and started his career at Zantat in 2012 as a Business Development Executive. Together with Chan Bin Iuan, he is also responsible for Zantat's sales and marketing activities, in particular the company's expansion into the India market. Besides India, he also handles sales in the Oceania region. He is also the team leader of Zantat's new product development team since 2020. In 2022, he was promoted to Chief Operating Officer of the Perak Plants, where he is responsible for overseeing various departments of the Perak Plants production, plant operations, purchasing, inventory management, quarry operations, plant maintenance and engineering, R&D, logistics, customer service, quality assurance as well as sales and marketing.

Please refer to Section 5.2.3(d) of this Prospectus for further details of his involvement in principal business activities and directorships outside our Group.

### 5.1.3 Changes in Promoters' and substantial shareholders' shareholdings

The changes in our Promoters and substantial shareholders' respective shareholdings in our Company since our incorporation are as follows:

Name	As at incorporation				<sup>(1)</sup> After Acquisition of Zantat and Before IPO				<sup>(2)</sup> After IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Aw Ee Ling	1	100.0	-	-	-	-	-	-	-	-	-	-
<b>Promoters and substantial shareholders</b>												
CLHF Resources <sup>(4)</sup>	-	-	-	-	<sup>(3)</sup> 119,466,600	53.3	-	-	110,506,600	39.4	-	-
Teh Ah Soon @ Teh Soon Tick	-	-	-	-	20,160,000	9.0	-	-	18,648,000	6.6	-	-
Chan Eng Hue	-	-	-	-	17,920,000	8.0	-	-	16,576,000	5.9	-	-
Chan Hup Ooi	-	-	-	-	8,362,700	3.7	<sup>(5)(6)</sup> 136,192,000	60.8	7,735,500	2.8	<sup>(5)(6)</sup> 125,977,600	45.0
<b>Promoters</b>												
Lee Mei Choon	-	-	-	-	8,362,700	3.7	-	-	7,735,500	2.8	-	-
Chan Bin Iuan	-	-	-	-	8,362,700	3.7	-	-	7,735,500	2.8	-	-

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

Name	As at incorporation				<sup>(1)</sup> After Acquisition of Zantat and Before IPO				<sup>(2)</sup> After IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chan Jee Chet	-	-	-	-	8,362,700	3.7	-	-	7,735,500	2.8	-	-

### Notes:

- (1) Based on the share capital of 224,000,000 Shares before our IPO.
- (2) Based on our enlarged share capital of 280,000,000 Shares after our IPO.
- (3) Including 1 subscriber share of Zantat Holdings which was transferred to CLHF Resources.
- (4) CLHF Resources is held by Chan Hup Ooi (61.1%), Lee Mei Choon (13.6%), Chan Bin Iuan (10.5%), Chan Jee Chet (10.5%) and Chan Jee Yang (4.3%). Please see Section 5.1.2(a) of this Prospectus for further details of CLHF Resources.
- (5) Deemed interested by virtue of his shareholdings in CLHF Resources pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of his spouse's and his son's (Chan Jee Yang) shareholdings pursuant to Section 59(11)(c) of the Act.

### 5.1.4 Persons exercising control over the corporation

Save for our Promoters as set out in Section 5.1.1 of this Prospectus, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

### 5.1.5 Amounts or benefits paid or intended to be paid or given to our Promoters or substantial shareholders

Save for the issuance of our Shares as disclosed in Section 6.1 of this Prospectus, the dividends as set out in Section 12.16 of this Prospectus and aggregate remuneration and benefits paid or proposed to be paid to our Promoters as set out below (in their capacity as Directors of our subsidiaries), there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus.

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

	Directors' fees	Salaries	(2) Bonuses	Other emolument	Benefits-in-kind	Total
	RM'000					
<b>FYE 2021 (Paid)</b>						
Teh Ah Soon @ Teh Soon Tick <sup>(1)</sup>	115	600	100	43	24	882
Chan Eng Hue <sup>(1)</sup>	115	600	169	93	24	1,001
Lee Mei Choon <sup>(1)</sup>	115	216	36	16	-	383
Chan Hup Ooi	115	792	431	74	28	1,440
Chan Bin Iuan	115	552	46	167	-	880
Chan Jee Chet	115	444	43	153	-	755
<b>FYE 2022 (Paid)</b>						
Teh Ah Soon @ Teh Soon Tick <sup>(1)</sup>	-	318	-	-	24	342
Chan Eng Hue <sup>(1)</sup>	-	600	-	73	12	685
Lee Mei Choon <sup>(1)</sup>	-	108	-	7	-	115
Chan Hup Ooi	-	396	-	24	14	434
Chan Bin Iuan	-	552	-	161	-	713
Chan Jee Chet	-	444	-	148	-	592
<b>FYE 2023 (Paid)</b>						
Teh Ah Soon @ Teh Soon Tick <sup>(1)</sup>	50	318	63	1	24	456
Chan Eng Hue <sup>(1)</sup>	50	600	90	115	12	865
Lee Mei Choon <sup>(1)</sup>	50	108	23	8	-	189
Chan Hup Ooi	50	396	83	39	16	584
Chan Bin Iuan	50	576	300	200	-	1,126
Chan Jee Chet	50	468	300	187	-	1,005
<b>FYE 2024 (Proposed)</b>						
Teh Ah Soon @ Teh Soon Tick <sup>(1)</sup>	50	-	-	-	13	63
Chan Eng Hue <sup>(1)</sup>	50	600	-	126	-	776
Lee Mei Choon <sup>(1)</sup>	50	-	-	-	-	50
Chan Hup Ooi	98	-	-	-	16	114
Chan Bin Iuan	98	720	-	181	-	999
Chan Jee Chet	98	600	-	167	-	865

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

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**Notes:**

- (1) He/She is a director of our subsidiaries, namely Zantat, Zantat Light and Calrock.
- (2) The bonuses for FYE 2024 are not included. Such bonuses, if any, will be determined at a later date based on the individual's performance as well as our Group's performance.

The salaries paid and proposed to be paid to the Promoters notwithstanding their current non-executive roles in the Group are paid in view of their past contributions in growing the Group to its current state. Additionally, Teh Ah Soon @ Teh Soon Tick is also guarantor for some of the bank facilities undertaken. They are paid in this respect for up to FYE 2023, and will no longer receive such salaries thereafter.

Apart from directorships held in Zantat, Zantat Light and Calrock, in which they do not have any executive role, Teh Ah Soon @ Teh Soon Tick and Lee Mei Choon provide advice to the Group on a consultative basis based on their experience in historically leading the operations of the Group. The non-executive directors provide strategic guidance, leadership, and mentoring to the Group. They leverage their experience and industry knowledge to shape the Group's direction and foster a culture of innovation. They also utilise their networks and relationships to facilitate partnerships and business opportunities. Their roles include governance and oversight, preserving institutional memory, and ensuring compliance. Overall, their continued advisory support contributes to the Group's growth, success, and sustainability.

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

### 5.2 DIRECTORS

Our Board takes note of the recommendations under the Malaysian Code of Corporate Governance ("MCCG") released in April 2021 and intends to have our Group adhere to its recommendations. Specifically, on Practice Note 5.9, where it is recommended that our Board comprise 30% female members. As at the date of this Prospectus, our Board comprises 1 female out of 7 members, which represents 14.3% of our Board, and is a departure from Practice Note 5.9. We undertake to secure the appointment of 2 additional female Directors within a year after Listing to meet the recommendation of 30% female Board members. Save for Practice Note 5.9, the composition of our Board presently adheres to the other recommendations of the MCCG.

#### 5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after IPO are set out below:

Name	Designation/ Nationality	<sup>(1)</sup> Before IPO				<sup>(2)</sup> After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Yap Yoon Kong	Independent Non-Executive Chairman / Malaysian	-	-	-	-	<sup>(3)</sup> 850,000	0.3	-	-
Chan Hup Ooi	Non-Independent Non-Executive Deputy Chairman / Malaysian	8,362,700	3.7	<sup>(4)(5)</sup> 136,192,000	60.8	7,735,500	2.8	<sup>(4)(5)</sup> 125,977,600	45.0
Chan Bin Iuan	Managing Director / Chief Executive Officer / Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-
Chan Jee Chet	Executive Director / Chief Operating Officer (Perak Plants) / Malaysian	8,362,700	3.7	-	-	7,735,500	2.8	-	-
Poo Lap Tuck	Independent Non-Executive Director / Malaysian	-	-	-	-	<sup>(3)</sup> 850,000	0.3	-	-

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

Name	Designation/ Nationality	<sup>(1)</sup> Before IPO				<sup>(2)</sup> After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Gan Seng Kian	Independent Non-Executive Director / Malaysian	-	-	-	-	<sup>(3)</sup> 850,000	0.3	-	-
Rima Ramona Binti Muhammad Arif	Independent Non-Executive Director / Malaysian	-	-	-	-	<sup>(3)</sup> 250,000	0.1	-	-

**Notes:**

- (1) Based on the share capital of 224,000,000 Shares before our IPO.
- (2) Based on the enlarged share capital of 280,000,000 Shares after our IPO.
- (3) Assuming he/she fully subscribes for his/her respective entitlements under the Pink Form Allocations.
- (4) Deemed interested by virtue of his shareholdings in CLHF Resources pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his spouse's and his son's (Chan Jee Yang) shareholdings pursuant to Section 59(11)(c) of the Act.

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

### 5.2.2 Profiles of Directors

The profiles of Chan Hup Ooi, Chan Bin Iuan and Chan Jee Chet are set out in Section 5.1.2 of this Prospectus. The profiles of our Directors are as follows:

**Yap Yoon Kong**, a Malaysian, aged 67, is our Independent Non-Executive Chairman. He was appointed to our Board on 31 March 2023.

He graduated with a Bachelor of Accounting (Honours) from University of Malaya in 1982 and obtained a Master of Business Administration from The Cranfield Institute of Technology, UK in 1993. He is a member and a Chartered Accountant of the Malaysian Institute of Accountants since 1987 and 2001 respectively. He is also a member of the Asian Institute of Chartered Bankers (formerly known as Institute of Bankers Malaysia) since 1984.

He began his career as an Officer in United Malayan Banking Corporation Berhad (currently known as RHB Bank Berhad) in 1982 and he was responsible for banking and credit operations. He left United Malayan Banking Corporation Berhad and joined Diners Club (Malaysia) Berhad as an Accountant in 1984. He was in charge of the accounts and finance department. Subsequently in the same year, he left Diners Club (Malaysia) Berhad and joined Southern Bank Berhad (currently known as CIMB Berhad) as Credit & Marketing Officer. As a Credit & Marketing Officer, he was responsible for the customer credit and marketing of banking products. In 1990, he joined Pegi Malaysia Berhad (currently known as Asian Pac Holdings Berhad, a company listed on the Main Market of Bursa Securities), as Corporate Planner and he was responsible for the corporate finance and restructuring works. He was promoted to Financial Controller in 1993 where he was responsible for the financial management works. In 1994, he left Asian Pac Holdings Berhad and joined Eastern & Oriental Bhd, a company listed on the Main Market of Bursa Securities, as Financial Controller, a position he held until 1996. He was responsible for the overall financial management of the company. He joined PJ Development Holdings Berhad in 1996 as Group Financial Controller, and was promoted to Executive Director of the company in 2006 and was later re-designated to Non-Independent Non-Executive Director in 2016, a position he has held until 2017.

He is also currently the Senior Independent Non-Executive Director of Inta Bina Group Berhad, a company listed on the Main Market of Bursa Securities since 25 May 2017.

Please refer to Section 5.2.3(a) of this Prospectus for further details of his involvement in principal business activities and directorships outside our Group.

**Poo Lap Tuck**, a Malaysian, aged 72, is our Independent Non-Executive Director. He was appointed to our Board on 31 March 2023. He is the Chairman of our Audit and Risk Management Committee and a member of our Nominating Committee and Remuneration Committee.

He completed his professional level paper of Association of Chartered Certified Accountants 1986 in Emile Woolf College of Accountancy. He is a Chartered Accountant of the Association of Chartered Certified Accountants since 1987 and a member of the Malaysian Institute of Accountants since 1988.

He began his career in 1977 as an audit clerk with Lim Chooi Tee & Co and left in 1979 to join Yit Seng Sdn Bhd as Finance & Administration Manager, where he was responsible for overseeing the company's finance and administration functions. He left Yit Seng Sdn Bhd and joined Maju Industrial Trading Sdn Bhd in 1984 as a Manager, Marketing, Finance & Administration where he was responsible for overseeing the company's marketing, finance and administration functions. He left Maju Industrial Trading Sdn Bhd in 1985 to further his studies in London.

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

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In 1987, he returned to Malaysia and joined Sam Management Services, a secretarial firm, as Accounts and Administration Manager. He was responsible for providing management services to the clients. He left Sam Management Services in 1989 and acted as the corporate consultant for Union Paper Holdings Berhad's restructuring exercise from 1989 to 1990, and he later joined Union Paper Holdings Berhad as Group Financial Controller in 1990. He was responsible for the corporate financial works where he oversaw the corporate matters and financial accounting functions of the group.

In February 1999, he left Union Paper Holdings Berhad to focus on his own business, via Star Corporate Services Sdn Bhd which he acquired the company in October 1998. As a Managing Director, he was responsible for overseeing the day-to-day operation of the company.

He left Star Corporate Services Sdn Bhd in 2016 to join Zantat as Chief Financial Officer where he was responsible for the financial and accounting functions of Zantat and its group of companies. Subsequent to his retirement in 2019, he re-joined Star Corporate Services Sdn Bhd as a Director in August 2020 until September 2021. Star Corporate Services Sdn Bhd had provided corporate services to our Group between 2019 to 2021. He disposed of his shareholding in Star Corporate Services Sdn Bhd to his spouse in November 2016.

Please refer to Section 5.2.3(e) of this Prospectus for further details of his involvement in principal business activities and directorships outside our Group.

**Gan Seng Kian**, a Malaysian, aged 46, is our Independent Non-Executive Director. He was appointed to our Board on 31 March 2023. He is the Chairman of our Nominating Committee and a member of our Audit and Risk Management Committee and Remuneration Committee.

He graduated with a Bachelor of Engineering (Civil) in 2001 from University of Technology Malaysia. In 2003, he obtained a Master degree of Engineering (Civil - Construction and Management) from University of Technology Malaysia. Subsequently, he obtained his doctorate in Business Administration in 2010 from United Business Institutes, Brussels and he further completed his Master of Business Administration from Nottingham Trent University, UK in 2012. In 2021, he obtained his Doctor of Philosophy in Business Administration from North Borneo University College, Malaysia.

He began his career as Sales Engineer with BlueScope Lysaght (M) Sdn Bhd in 2003, where he was responsible for the sales and technical support for clients in both Johor and Melaka. In 2005, he left BlueScope Lysaght (M) Sdn Bhd and joined Perusahaan Huat Soon Chan Sdn Bhd as Operational Manager, where he was responsible for the operation management of the steel fabrication and erection division. He resigned from Perusahaan Huat Soon Chan Sdn Bhd in 2009 and joined Industrial Fasteners Sdn Bhd where he was the Managing Director, being responsible for the overall management of the business. In 2013, he left Industrial Fasteners Sdn Bhd and joined M Metal (M) Sdn Bhd where he was the General Manager and was responsible for the setting up the business for Malaysia market and reporting to group Managing Director who is based in Singapore. He resigned from M Metal (M) Sdn Bhd in 2015 and he founded Genesis Academy Sdn Bhd, a private limited company involved in provision of education and training. He is responsible for spearheading the business direction and overseeing the operations of the company. In the same year, he joined Metal Sphere Sdn Bhd (now known as Formino Metal Sdn Bhd), a company principally involved in manufacturing of building materials as its Chief Executive Officer, where he was responsible to oversee the day-to-day operations of the company. He left Formino Metal Sdn Bhd in 2017 to continue and focus on his entrepreneurship in Genesis Academy Sdn Bhd since then.

Please refer to Section 5.2.3(f) of this Prospectus for further details of his involvement in principal business activities and directorships outside our Group.

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

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**Rima Ramona Binti Muhammad Arif**, a Malaysian, aged 50, is our Independent Non-Executive Director. She was appointed to the Board on 31 March 2023. She is the Chairman of our Remuneration Committee and a member of our Audit and Risk Management Committee and Nominating Committee.

She graduated from The University of Wales, Aberystwyth in 1999 with a Bachelor of Laws and obtained the Certificate in Legal Practice in 2000. She was admitted as an Advocate & Solicitor of the High Court in Malaya in 2001. Thereafter, in 2002, she joined Messrs Adam Bachek & Associates as a Legal Associate where she spearheaded the litigation department specialising in debt recovery and civil suits. She left the firm in 2006 to join Messrs NK Tan & Rahim as a Legal Associate where she was responsible for dealing with conveyancing and banking litigation. Subsequently in year 2007, she joined Messrs Raslan Loong (now known as Messrs Raslan Loong, Shen & Eow) as a Legal Associate where she handled corporate as well as conveyancing matters. In 2007, she left the firm to join Messrs Shahrizat Rashid & Lee as a Legal Associate, where she was assigned to handle several high-profile conveyancing and corporate matters. She left in 2009 and joined Messrs Dennis Nik & Wong as a Partner, where her areas of expertise include retail and corporate banking including Islamic banking transactions, sale and purchase agreements, joint venture agreement, concession agreements, probate and administration matters, commercial loans and share sale agreements. She also advises on entertainment law such as artists management contracts, recording contracts and intellectual property and copyrights related thereto. In 2023, she left the firm to join Messrs Lee & Koh as a Partner, a position she currently assumes. Her practice area and job responsibilities are similar to those undertaken by her in Messrs Dennis Nik & Wong.

She does not hold any directorships in other companies outside our Group.

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

**5.2.3 Principal business performed outside our Group**

Save as disclosed below, none of our Directors has any principal business activities performed outside our Group as at LPD, and none of our Directors holds any directorships outside our Group as at LPD ("**Present Involvements**") and in the past 5 years preceding the LPD ("**Past Directorships**"):

**(a) Yap Yoon Kong**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<b><u>Present Involvements</u></b>					
Inta Bina Group Berhad <sup>(1)</sup>	Investment holding of non-listed shares of its subsidiaries principally involved in securing and carrying out construction contracts, property development and investment, and construction and engineering services to supply, install and maintain elevators, escalators, and dumbwaiter lifts	Senior Independent Non-Executive Director / Shareholder	15 April 2016	2.6	<sup>(2)</sup> <0.1
Cendana Olimpik Sdn Bhd <sup>(3)</sup>	Property investment	Director / Shareholder	21 June 2013	50.0	-
Evergreen Credit Express Sdn Bhd	Shariah compliant financing, licensed money lending activities and investment holding	Shareholder	-	<sup>(4)</sup> 2.7	-

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

**Notes:**

- (1) A company listed on the Main Market of Bursa Securities.  
 (2) Deemed to have an interest to the extent of 425 warrants held.  
 (3) In the process of winding up.  
 (4) He holds preference shares in this company.

**(b) Chan Hup Ooi**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<b><u>Present Involvements</u></b>					
CLHF Resources	Investment holding in shares <sup>(1)</sup>	Director / Shareholder	27 July 2022	61.1	-

**Note:**

- (1) CLHF Resources was incorporated with the intention to hold the investment of Chan Hup Ooi, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang in Zantat Holdings.

**(c) Chan Bin Iuan**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<b><u>Present Involvements</u></b>					
MBCY Resources Sdn Bhd	Investment holding in property	Director / Shareholder	27 July 2012	25.0	-
CLHF Resources	Investment shares <sup>(1)</sup>	Director / Shareholder	30 November 2021	10.5	-

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

**Note:**

- (1) CLHF Resources was incorporated with the intention to hold the investment of Chan Hup Ooi, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang in Zantat Holdings.

**(d) Chan Jee Chet**

<b>Company</b>	<b>Principal activities</b>	<b>Position held</b>	<b>Date of appointment / Date of cessation</b>	<b>% of shareholdings held</b>	
				<b>Direct</b>	<b>Indirect</b>
<b><u>Present Involvements</u></b>					
MBCY Resources Sdn Bhd	Investment holding in property	Director / Shareholder	27 July 2012	25.0	-
CLHF Resources	Investment shares <sup>(1)</sup>	Director / Shareholder	27 July 2022	10.5	-

**Note:**

- (1) CLHF Resources was incorporated with the intention to hold the investment of Chan Hup Ooi, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang in Zantat Holdings.

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

**(e) Poo Lap Tuck**

Company	Principal activities	Position held	Date of appointment / Date of cessation	% of shareholdings held	
				Direct	Indirect
<b>Present Involvements</b>					
Totality Cosmeceutical Industry Sdn Bhd	Manufacturer of cosmetic products	Director / Shareholder	23 December 2020	9.2	(1)4.6
<b>Past Directorship</b>					
Star Corporate Services Sdn Bhd <sup>(2)</sup>	Provision of secretarial and corporate consultancy services	Director	18 August 2020 / 30 September 2021	-	-

**Notes:**

- (1) Deemed interested by virtue of his child's shareholding in the company pursuant to Section 59(11)(c) of the Act.
- (2) He was a director of Star Corporate Services Sdn Bhd from 1 October 1998 to 1 November 2016. He has disposed of his entire shares in Star Corporate Services Sdn Bhd to his spouse on 10 November 2016.

**(f) Gan Seng Kian**

Company	Principal activities	Position held	Date of appointment / Date of cessation	% of shareholdings held	
				Direct	Indirect
<b>Present Involvements</b>					
Genesis Academy Sdn Bhd	Provide education, training, coaching, import & export of a variety of goods	Director / Chief Executive Officer / Shareholder	13 July 2015	66.7	-
Bitver Technology Sdn Bhd	Information technology service activities and computer programming activities	Shareholder	-	33.3	-

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

Company	Principal activities	Position held	Date of appointment / Date of cessation	% of shareholdings held	
				Direct	Indirect
<b>Past Directorship</b>					
Exodus Beauty Supplies Sdn Bhd	Stores specialised in retail sale of perfumery, cosmetic and toilet articles, other retail sale of new goods in specialised stores, retail sale of any kind of product over the internet	Director	8 March 2021 / 11 May 2023	-	-

The involvement of our Directors as disclosed above excludes shares in public listed companies held by our Directors as minority shareholders (less than 5.00% of the total number of issued shares of a public listed company) in which they do not hold any directorship, and is only for trading and personal investment purposes.

As at LPD, the directorships of our Directors in other companies are in compliance with Rule 15.06 of the Listing Requirements as our Directors do not hold more than 5 directorships in public listed companies on Bursa Securities.

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Additionally, the involvement of our Executive Directors in those business activities are investment holding of shares or property. Therefore, their involvement in these companies does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

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

### 5.2.4 Directors' remuneration and benefits

The remuneration of our Directors including fees, salaries, bonuses, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. The Director's fees and any benefits payable to our Directors shall be subject to annual approval by our shareholders pursuant to an ordinary resolution passed at a general meeting in accordance with our Constitution. Please refer to Section 15.3 of this Prospectus for further details.

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2021 to 2024 are as follows:

	<sup>(1)</sup> Directors' fees	Salaries	<sup>(2)</sup> Bonuses	Other emolument	Benefits-in-kind	Total
	RM'000					
<b>FYE 2021 (Paid)</b>						
Chan Hup Ooi	115	792	431	74	28	1,440
Chan Bin Iuan	115	552	46	167	-	880
Chan Jee Chet	115	444	43	153	-	755
<b>FYE 2022 (Paid)</b>						
Chan Hup Ooi	-	396	-	24	14	434
Chan Bin Iuan	-	552	-	161	-	713
Chan Jee Chet	-	444	-	148	-	592
<b>FYE 2023 (Paid)</b>						
Yap Yoon Kong	13	-	-	-	-	13
Chan Hup Ooi	50	396	83	39	16	584
Chan Bin Iuan	50	576	300	200	-	1,126
Chan Jee Chet	50	468	300	187	-	1,005
Poo Lap Tuck <sup>(3)</sup>	13	-	-	-	-	13
Gan Seng Kian	11	-	-	-	-	11
Rima Ramona Binti Muhammad Arif	11	-	-	-	-	11

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

	<sup>(1)</sup> Directors' fees	Salaries	<sup>(2)</sup> Bonuses	Other emolument	Benefits-in-kind	Total
	RM'000					
<b>FYE 2024 (Proposed)</b>						
Yap Yoon Kong	60	-	-	5	-	65
Chan Hup Ooi	98	-	-	-	16	114
Chan Bin Iuan	98	720	-	181	-	999
Chan Jee Chet	98	600	-	167	-	865
Poo Lap Tuck <sup>(3)</sup>	60	-	-	5	-	65
Gan Seng Kian	54	-	-	5	-	59
Rima Ramona Binti Muhammad Arif	54	-	-	5	-	59

**Notes:**

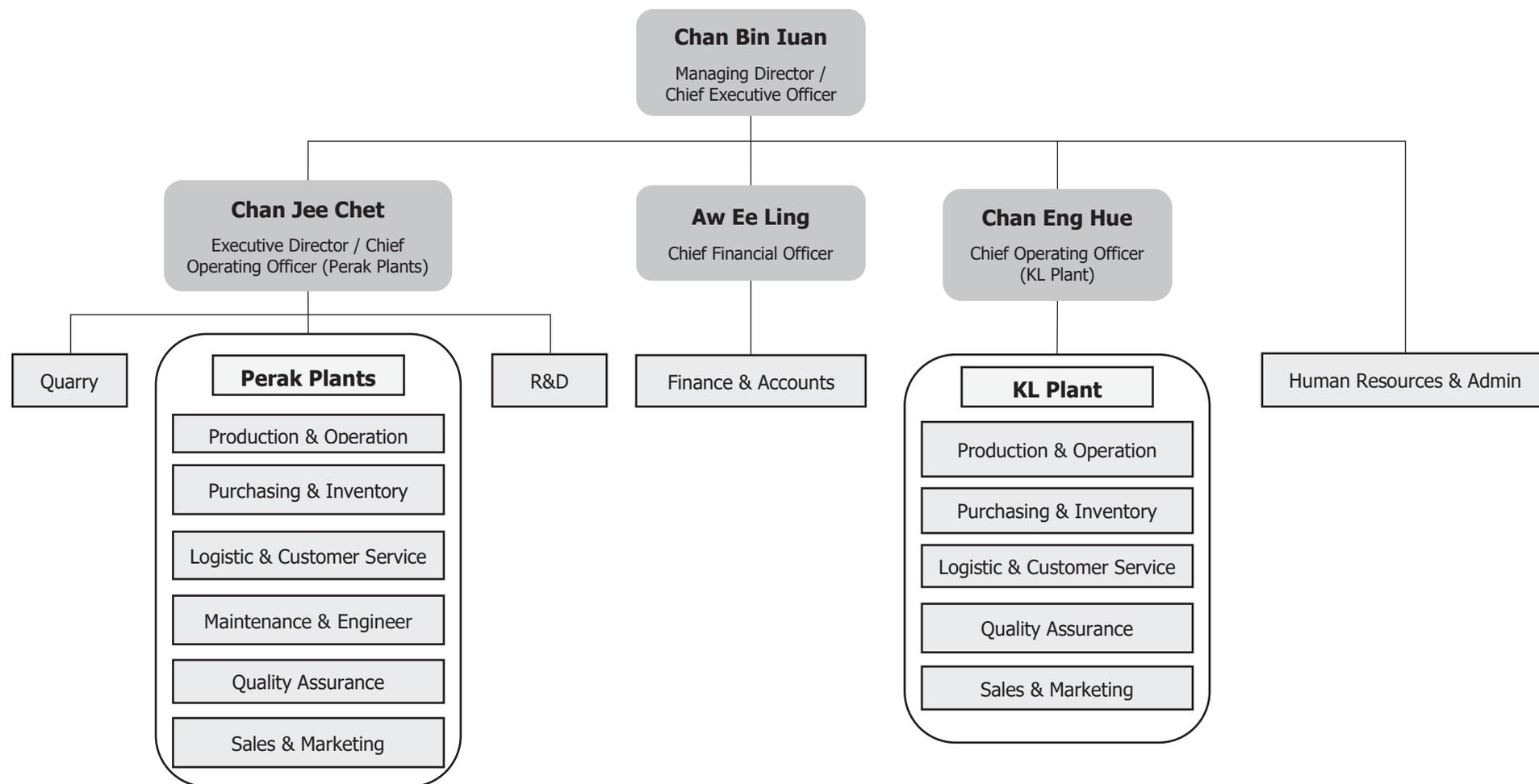
- (1) Pro-rated based on their respective appointment dates.
- (2) The bonuses for FYE 2024 are not included. Such bonuses, if any, will be determined at a later date based on the individual's performance as well as our Group's performance.
- (3) Poo Lap Tuck resigned as Chief Financial Officer of Zantat on 31 December 2019. His resignation from Zantat is more than 3 years from the date of his appointment as our Independent Non-Executive Director on 31 March 2023. Subsequent to his retirement in December 2019, he had personally provided corporate finance advisory services to our Group until December 2022 for consultancy fees totalling RM102,000. Separately, he was a director of Star Corporate Services Sdn Bhd ("**Star Corporate Services**") which has provided secretarial and corporate consultancy services to our Group between May 2019 to December 2021. The consideration received by Star Corporate Services amounts to RM37,513. He was a director of Star Corporate Services from (i) 1 October 1998 to 1 November 2016; and (ii) 18 August 2020 to 30 September 2021. He has disposed of his entire shares in Star Corporate Services to his spouse on 10 November 2016. As at LPD, he is no longer a director and shareholder of Star Corporate Services.

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

**5.3 KEY SENIOR MANAGEMENT**

**5.3.1 Management structure**

The management reporting structure of our Group is as follows:



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

**5.3.2 Key senior management shareholdings**

The shareholdings of our key senior management in our Company before and after IPO, save for Chan Eng Hue (our Promoter, substantial shareholder and Chief Operating Officer (KL Plant)), Chan Bin Iuan (our Managing Director / Chief Executive Officer) and Chan Jee Chet (our Executive Director / Chief Operating Officer (Perak Plants)), which are disclosed in Sections 5.1.1 and 5.2.1 of this Prospectus are set out below:

Name	Designation / Nationality	Before IPO				<sup>(1)</sup> After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Aw Ee Ling	Chief Financial Officer / Malaysian	-	-	-	-	<sup>(2)</sup> 300,000	0.1	-	-

**Notes:**

<sup>(1)</sup> Based on the enlarged share capital of 280,000,000 Shares after our IPO.

<sup>(2)</sup> Assuming she fully subscribes for her entitlement under the Pink Form Allocations.

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

### 5.3.3 Profiles of key senior management

Save for the profiles of Chan Bin Iuan (our Managing Director / Chief Executive Officer), Chan Jee Chet (our Executive Director / Chief Operating Officer (Perak Plants) and Chan Eng Hue (our Promoter, substantial shareholder and Chief Operating Officer (KL Plant)) which are set out in Sections 5.1.2 and 5.2.2 of this Prospectus, the profile of the other key senior management of our Group are as follows:

**Aw Ee Ling**, a Malaysian, aged 33, is our Chief Financial Officer, responsible for the accounting and finance matters of our Group. She graduated with a Bachelor of Business and Commerce specialising in Accounting, Econometrics and Business Statistics from the Monash University, Malaysia in 2012 and subsequently obtained a Master of Business Administration (Distinction) from The University of Lancaster, United Kingdom and Sunway University in 2020. She is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants since 2016 and a Chartered Accountant of the Malaysian Institute of Accountants since 2017. She is also an ASEAN Chartered Professional Accountant of the ASEAN Chartered Professional Accountants Coordinating Committee since 2019.

She began her career in 2012 with Ernst & Young as an Audit Assistant. She was subsequently promoted to Senior and Supervisor in 2013 and 2015 respectively before she left Ernst & Young in 2016.

She joined Zantat in 2016 as an Accountant where she was responsible for the financial and accounting functions of the company and was promoted to the Group Accountant position in 2017 expanding her scope to cover Zantat group of companies.

In 2021, she was promoted to her current role as Chief Financial Officer of our Group.

### 5.3.4 Principal business performed outside our Group

Save as disclosed in Section 5.2.3 of this Prospectus, none of our key senior management has any principal business activities performed outside our Group as at LPD and none of our key senior management holds any directorships outside our Group as at the LPD and in the past 5 years preceding the LPD. This excludes shares in public listed companies held by our key senior management as minority shareholders (less than 5.00% of the total number of issued shares of a public listed company) in which they do not hold any directorship, and is only for trading and personal investment purposes.

### 5.3.5 Key senior management remuneration and benefits

The remuneration of our key senior management including salaries, bonuses, allowances, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board.

The aggregate remuneration and material benefits-in-kind (in bands of RM50,000) paid and proposed to be paid to our key senior management (save for our Promoters and Directors which are disclosed in Sections 5.1.5 and 5.2.4 of this Prospectus respectively) for services rendered in all capacities to our Group for FYE 2021 to 2024 are as follows:

	Remuneration band			
	FYE 2021 (Paid)	FYE 2022 (Paid)	FYE 2023 (Paid)	<sup>(1)</sup> FYE 2024 (Proposed)
	RM'000			
Aw Ee Ling	200 – 250	250 – 300	350 – 400	300 – 350

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

### **Note:**

- (1) The bonuses for FYE 2024 are not included. Such bonuses, if any, will be determined at a later date based on the individual's performance as well as our Group's performance.

### **5.4 BOARD PRACTICE**

#### **5.4.1 Board**

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

- (a) setting the corporate values and promoting together with the senior management, good corporate governance culture within our Group which reinforces ethical, prudent and professional behaviour and ensure that its obligations to shareholders and other stakeholders are met.
- (b) reviewing and adopting a strategic plan for our Group:
  - (i) review, challenge and decide on management's proposal on a strategic plan for our Group by bringing objectivity and breadth of judgment to the strategic planning process;
  - (ii) review and oversee the implementation of the strategic business plan for our Group to ensure that it supports long-term value creation and includes strategies on economic, environmental, safety & health, social and governance considerations underpinning sustainability;
  - (iii) together with management, take responsibility for the governance of sustainability in our Group including setting our Group's sustainability strategies, priorities and targets; and
  - (iv) monitor the implementation of the strategic plan by the management.
- (c) overseeing the conduct of our Group's business:
  - (i) oversee the conduct of our Group's business, including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management;
  - (ii) approve and monitor progress of major capital expenditure, fund-raising, acquisitions and divestitures;
  - (iii) supervise and assess the performance of the management to determine whether the business is being properly managed and ensure that appropriate measures are in place against which the management's performance can be assessed;
  - (iv) review, challenge and decide on the management's proposals for our Group and monitor its implementation by the management; and
  - (v) monitor compliance with established policies and procedures.

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

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- (d) identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures:
  - (i) understand the principal risks of our Group's businesses and recognise that business decisions involve the taking of appropriate risks;
  - (ii) fulfil statutory and fiduciary responsibilities by monitoring the operational, financial and risk management processes of our Group and ensuring that internal control procedures are in place;
  - (iii) set the risk appetite within which our Board expects the management to operate and ensure that there is a sound risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks; and
  - (iv) comply with environment, safety and health legislation by understanding the operations being carried out by employees and the hazards and risks associated with such operations.
- (e) succession planning:
  - (i) ensure the senior management has the necessary skills and experience; and
  - (ii) ensure measures are in place to provide for orderly succession planning of our Board and senior management, including appointing, training, fixing the compensation of and, where appropriate, replacing the senior management.
- (f) overseeing the development and implementation of a stakeholder communications policy for our Group:
  - (i) ensure that our Group has in place a policy to enable effective communication with its stakeholders. This policy should include how feedback received from its stakeholders is considered by our Group when making business and other decisions; and
  - (ii) ensure that our Group's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.
- (g) reviewing the adequacy and the integrity of the management information and internal control systems of our Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines:
  - (i) ensure that there is a sound framework of reporting on internal controls and regulatory compliance;
  - (ii) review the efficiency and quality of our Group's financial reporting process and systems of accounting and internal controls; and
- (h) ensure the integrity of our Group's financial and non-financial reporting and ensure that all our Directors are able to understand financial statements and form a view on the information presented.

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

In accordance with our Constitution, at the first annual general meeting of our Company, all our Directors shall retire from the office and be eligible for re-election and an election of Directors shall take place each year at the annual general meeting of our Company, where one-third of our 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. This is provided always that all 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.

As at 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:

<b>Name</b>	<b>Date of appointment as Director</b>	<b>Date of expiration of the current term in office<sup>(1)</sup></b>	<b>Tenure up to LPD</b>
Yap Yoon Kong	31 March 2023	At the 2024 Annual General Meeting of our Company	Less than 1 year
Chan Hup Ooi	31 March 2023	At the 2025 Annual General Meeting of our Company	Less than 1 year
Chan Bin Iuan	31 March 2023	At the 2024 Annual General Meeting of our Company	Less than 1 year
Chan Jee Chet	31 March 2023	At the 2025 Annual General Meeting of our Company	Less than 1 year
Poo Lap Tuck	31 March 2023	At the 2026 Annual General Meeting of our Company	Less than 1 year
Gan Seng Kian	31 March 2023	At the 2026 Annual General Meeting of our Company	Less than 1 year
Rima Ramona Binti Muhammad Arif	31 March 2023	At the 2026 Annual General Meeting of our Company	Less than 1 year

### Note:

- <sup>(1)</sup> Our Directors shall have the power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the number fixed in our Constitution. Any Director so appointed shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. All our Directors retired from office in accordance with Article 18.2 of our Constitution and were re-elected at our first AGM held on 30 June 2023.

In accordance with our Constitution, an election of Directors shall take place each year at the AGM of our Company. At the AGM in every subsequent year, 1/3 of our Directors for the time being, or, if their number is not three or multiple of three, then the number nearest to 1/3 shall retire from office and be eligible for re-election. This is provided always that all of our Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he/she retires.

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

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The members of our Board are set out in Section 5.2 of this Prospectus.

**5.4.2 Audit and Risk Management Committee**

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

- (a) to review the following and report the same to our Board with the external auditors:
  - (i) the audit plan and audit report and the extend of assistance rendered by the employees of our Company;
  - (ii) their evaluation of the system of internal controls;
  - (iii) the audit fee and on matter regarding their suitability for nomination, appointment and re-appointment and any issue regarding resignation or dismissal;
  - (iv) issues and matters arising from the audit;
  - (v) the management letter and the management's response; and
  - (vi) to perform annual assessment on their competencies, objectivity and independence.
  
- (b) to review the following and report the same to our Board with the internal auditors:
  - (i) to review the adequacy of the scope, the function, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (ii) the internal audit plan, processes, the results of the internal audit assessment including the recommendations and appropriateness of the actions taken;
  - (iii) the extend of assistance rendered by the employees of our Company; and
  - (iv) to review any appraisal or assessment of the performance of members of the internal audit function.
  
- (c) to review and approve our quarterly results and annual financial statements for recommendation to our Board, focusing in particular on:
  - (i) any changes in or implementation of major accounting policies;
  - (ii) significant and unusual events or transactions, significant adjustments arising from the audit and how these matters are addressed;
  - (iii) going concern assumption; and
  - (iv) compliance with accounting standards and other regulatory or legal requirements.

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

- (d) to review and monitor any related party transaction and conflict of interest situation that arose, persist or may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures to resolve, eliminate, or mitigate such conflicts.
- (e) to oversee and recommend the risk management policies and procedures of our Group.
- (f) to review the principal risks of our Group and recommend and ensure the implementation of an appropriate risk management framework and policies for our Group to mitigate / manage such risks.
- (g) to assess the quality, effectiveness and efficiency of our internal controls and advise our Board on setting appropriate policies on internal control.
- (h) to review and deliberate on reports on significant risk findings and recommendations.
- (i) to determine the level of risk tolerance and actively identify, assess and monitor key business risks to safeguard the shareholders' investments and our Company's assets.
- (j) to ensure that our Board conducts an annual review and periodic testing of our internal control and risk management.
- (k) to review the Audit and Risk Management Committee's reporting and the statement with regard to the state of internal controls and risk management of our Group for inclusion in the annual report for the relevant financial year and report the same to our Board.
- (l) to discuss problems and reservations arising from the interim and final audits, and any matter that the external auditor may wish to raise (in the absence of management, where necessary).
- (m) to review and recommend for our Board's approval, the provision of non-audit services by the external auditors and to ensure that adequate safeguard in place so that the provision for non-audit services does not create conflicts of interest with the independent judgement of the external auditors.

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

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

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Poo Lap Tuck	Chairperson	Independent Non-Executive Director
Gan Seng Kian	Member	Independent Non-Executive Director
Rima Ramona Binti Muhammad Arif	Member	Independent Non-Executive Director

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

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

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### **5.4.3 Nominating Committee**

The duties and responsibilities as stated in the terms of reference of our Nominating Committee include the following:

- (a) Assessment of board composition
- (i) establish a policy formalising our Group's approach to boardroom diversity (including diversity in gender, nationality, age, culture and socio-economic backgrounds);
  - (ii) annually review and recommend to our Board the appropriate size, structure, balance and composition of our Board, required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors shall bring to our Board to ensure that they are in line with our Company and our Group's requirements and is in compliance with the Listing Requirements;
  - (iii) consider and recommend any policy regarding the period of service of Non-Executive Directors, and the term of office of Board Committee members, including Chairmen of Board Committees; and
  - (iv) ensure periodic reviews of the term of office, and terms of reference of all Board Committees assisted by our Company Secretary.
- (b) Appointments
- (i) consider and recommend to our Board the selection criteria for new appointment as Directors of our Company which may include:
    - required skills, knowledge, expertise and experience;
    - time commitment, character, professionalism and integrity (probity, financial integrity and personal integrity);
    - ability to work cohesively with other members of our Board;
    - specialist knowledge or technical skills in line with our Group's strategy;
    - diversity in age, gender, skills, experience, cultural background and other factor(s) that will best qualify a nominee to serve on our Board;
    - number of directorships in companies outside our Group; and
    - ability to discharge such responsibilities / functions as expected, particularly for independent non-executive Directors.
  - (ii) consider and recommend to our Board the composition of our Board which must comprise at least 2 Directors or 1/3 of our Board, whichever is higher, are Independent Directors;
  - (iii) consider and recommend suitable persons to be appointed as Directors of our Company and members of our Board Committees;
  - (iv) appointment of key management positions:
    - review and if deemed appropriate, endorse for our Board's approval on the appointment, evaluation, promotion, resignation, disciplinary actions and termination of the key positions of our Company.

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

- (c) Retirement and re-election
  - (i) ensure that every Director, including the Executive Directors, shall be subject to retirement at least once every 3 years. A retiring Director shall be eligible for re-election; and
  - (ii) recommend to our Board, re-election of Directors by shareholders. In instances where an Independent Non-Executive Directors is to be retained beyond nine (9) years, the Nominating Committee shall conduct an assessment of the Independent Non-Executive Director(s) and recommend to our Board whether they shall remain Independent or be re-designated as a Non-Independent Non-Executive Director.
- (d) Succession planning
  - (i) our Chairman shall assist the Nominating Committee in ensuring that an appropriate succession planning framework, talent management and human capital development programme is in place for the position of the Chairman and key positions, and be appraised of the progress of the programme on a regular basis, and at least once a year; and
  - (ii) oversee succession planning for our Chairman and Directors.
- (e) Annual performance assessment
  - (i) assist our Board in establishing procedures and processes towards an annual assessment of the effectiveness of our Board as a whole and each Board Committee (including its size and composition), as well as the contribution of each individual Director. Results of evaluation shall be properly documented and disclosed in the annual report;
  - (ii) consider and recommend to our Board an annual assessment of the Independent Directors of our Company;
  - (iii) develop, maintain and review the criteria for evaluating Board and Board Committees' and each individual Director's performance; and
  - (iv) ensure that appropriate actions are taken based on the results of the annual assessments, to continuously enhance our Board's overall performance and identify opportunities for improvement.
- (f) Training and development
  - (i) recommend suitable orientation and training programmes to continuously train and equip existing Directors, where necessary;
  - (ii) arrange, with management, induction programmes for newly appointed Directors to familiarise themselves with the operations, products and services of our Group through briefings by the relevant management teams; and
  - (iii) ensure a statement is made by our Board in our Company's annual report, containing a brief description on the type of training attended by Directors during the financial year.

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

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

The members of our Nominating Committee as at LPD are as follows:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Gan Seng Kian	Chairperson	Independent Non-Executive Director
Poo Lap Tuck	Member	Independent Non-Executive Director
Rima Ramona Binti Muhammad Arif	Member	Independent Non-Executive Director

### 5.4.4 Remuneration Committee

The duties and responsibilities as stated in the terms of reference of our Remuneration Committee include the following:

- (a) to assist our Board in determining the remuneration of our Executive Directors and key senior management. In fulfilling this responsibility, our Remuneration Committee is to ensure that our Executive Directors and our key senior management:
  - (i) are fairly rewarded for their individual contributions to overall performance;
  - (ii) that the compensation is reasonable in light of our business strategy and long-term objectives; and
  - (iii) that the compensation is similar to other companies of similar size in the same industry.
- (b) to review and recommend on an annual basis, the performance of our Directors and our senior management, and recommend to our Board specific adjustments in remuneration and/or reward payments to be passed at a general meeting.
- (c) to establish our Chairman's and Executive Director's goals, objectives and key performance indicators.
- (d) to review our Chairman's and Executive Director's performance against the goals, objectives and key performance indicators set.
- (e) to ensure that the remuneration packages and benefits for Independent Non-Executive Directors do not conflict with their obligations to bring objective and independent judgement to our Board. Independent Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised.
- (f) to assist our Board in discharging their responsibilities to, amongst others, compensation strategy, management development and other compensation arrangements.

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

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

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Rima Ramona Binti Muhammad Arif	Chairperson	Independent Non-Executive Director
Poo Lup Tuck	Member	Independent Non-Executive Director
Gan Seng Kian	Member	Independent Non-Executive Director

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

### **5.5 RELATIONSHIPS AND/OR ASSOCIATIONS**

Save as disclosed below, there are no family relationships (as defined under Section 197 of the Act) or associations between or amongst our Promoters, substantial shareholders, Directors and key senior management as at LPD:

- (a) CLHF Resources is a company held by Chan Hup Ooi, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang;
- (b) Chan Hup Ooi, Chan Eng Hue and Teh Ah Soon @ Teh Soon Tick are business partners;
- (c) Teh Ah Soon @ Teh Soon Tick is maternal uncle of Chan Hup Ooi and Chan Eng Hue;
- (d) Chan Hup Ooi and Chan Eng Hue are siblings;
- (e) Chan Hup Ooi and Lee Mei Choon are husband and wife;
- (f) Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang are siblings and are the children of Chan Hup Ooi and Lee Mei Choon;
- (g) Chan Eng Hue and Ng Paik Hoon are husband and wife; and
- (h) Aw Ee Ling is the maternal cousin of Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang, and niece to Chan Hup Ooi, Lee Mei Choon, Chan Eng Hue and Ng Paik Hoon.

For avoidance of doubt, Ng Paik Hoon and Chan Jee Yang is not our Promoter, substantial shareholder, Director or key senior management. Ng Paik Hoon is a Specified Shareholder while Chan Jee Yang is a Specified Shareholder and shareholder of CLHF Resources. Their family relationships with our Promoters, substantial shareholders, Directors and key senior management are included above for purposes of completeness.

In addition to the above, the following are the other family relationships of our Directors and key senior management amongst our other Selling Shareholders:

- (a) Teh Ah Soon @ Teh Soon Tick and Lim Gaik Lan are husband and wife;
- (b) Teh Koh Tun and Teh Su Hui are siblings, and are children of Teh Ah Soon @ Teh Soon Tick and Lim Gaik Lan; and
- (c) Chan Yu Xuan and Chan Jing Han are siblings, and are children of Chan Eng Hue and Ng Paik Hoon.

### **5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS**

As at LPD, there are no existing or proposed service agreements entered into between our Company with any Directors, or between any companies within our Group with any key senior management.

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

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**5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

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

- (a) in the last 10 years, a petition under any bankruptcy or insolvency laws that was filed (and not struck out) against him 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 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;
- (g) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (h) has any unsatisfied judgment against him.

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## 6. INFORMATION ON OUR GROUP

### 6.1 INFORMATION ON OUR GROUP

Our Company was incorporated in Malaysia under the Act on 30 November 2021 as a private limited company under the name of Zantat Holdings Sdn Bhd. On 25 May 2023, we converted into a public limited company and adopted our present name.

Our Company was incorporated to facilitate the Listing and our Company is principally an investment holding company. There has been no material change in the manner in which we conduct our business or activities since our incorporation and up to LPD.

Through our subsidiaries, we are principally involved the production of calcium carbonate namely GCC and CC dispersions. We are also involved in the production of kaolin dispersion, processing of ultrafine PCC powder, trading of industrial minerals and sales of limestone quarry products. Please refer to Section 7.1 of this Prospectus for detailed information of our Group's history.

As at LPD, our share capital is RM57,411,201 comprising 224,000,000 Shares, all of which have been issued and fully paid-up. The movements in our share capital since the date of our incorporation are set out below:

<b>Date of allotment</b>	<b>No. of Shares allotted</b>	<b>Consideration / Types of issue</b>	<b>Cumulative share capital RM</b>
30 November 2021	1	RM1 / Subscriber's share	1
21 November 2023	223,999,999	RM57,411,200 / Consideration for Acquisition of Zantat	57,411,201

As at LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there were 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 RM71,411,201 comprising 280,000,000 Shares.

### 6.2 DETAILS OF THE ACQUISITION OF ZANTAT

In preparation for our Listing, we have undertaken the Acquisition of Zantat. On 23 May 2023, we entered into a conditional share sale agreement with the Zantat Vendors to acquire the entire equity interest in Zantat comprising 6,000,000 ordinary shares for a purchase consideration of RM57,411,200 which was satisfied by the issuance of 223,999,999 new Shares to Zantat Vendors at an issue price of RM0.2563 each.

Details of Zantat Vendors and the number of Shares issued to them under the Acquisition of Zantat are set out below:

<b>Zantat Vendors</b>	<b>No. of Zantat shares to be acquired</b>	<b>% of share capital in Zantat</b>	<b>Purchase consideration RM</b>	<b>No. of Shares to be issued</b>
CLHF Resources	3,200,000	53.3	30,619,289	119,466,599
Teh Ah Soon @ Teh Soon Tick	540,000	9.0	5,167,008	20,160,000
Chan Eng Hue	480,000	8.0	4,592,896	17,920,000

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>Zantat Vendors</b>	<b>No. of Zantat shares to be acquired</b>	<b>% of share capital in Zantat</b>	<b>Purchase consideration</b>	<b>No. of Shares to be issued</b>
			<b>RM</b>	
Chan Hup Ooi	224,000	3.7	2,143,360	8,362,700
Lee Mei Choon	224,000	3.7	2,143,360	8,362,700
Chan Bin Iuan	224,000	3.7	2,143,360	8,362,700
Chan Jee Chet	224,000	3.7	2,143,360	8,362,700
Chan Jee Yang	224,000	3.7	2,143,360	8,362,700
Lim Gaik Lan	180,000	3.0	1,722,336	6,720,000
Teh Koh Tun	180,000	3.0	1,722,336	6,720,000
Teh Su Hui	180,000	3.0	1,722,336	6,720,000
Ng Paik Hoon	40,000	0.7	382,733	1,493,300
Chan Yu Xuan	40,000	0.7	382,733	1,493,300
Chan Jing Han	40,000	0.7	382,733	1,493,300
	<b>6,000,000</b>	<b>100.0</b>	<b>57,411,200</b>	<b>223,999,999</b>

The purchase consideration for the Acquisition of Zantat of RM57,411,200 was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Zantat as at 31 December 2022 of RM57.5 million.

The Acquisition of Zantat was completed on 21 November 2023. Thereafter, Zantat became our wholly-owned subsidiary. Accordingly, Calrock, Zaneco and Zantat Light became our wholly-owned subsidiaries through Zantat.

The new Shares issued under the Acquisition of Zantat shall rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

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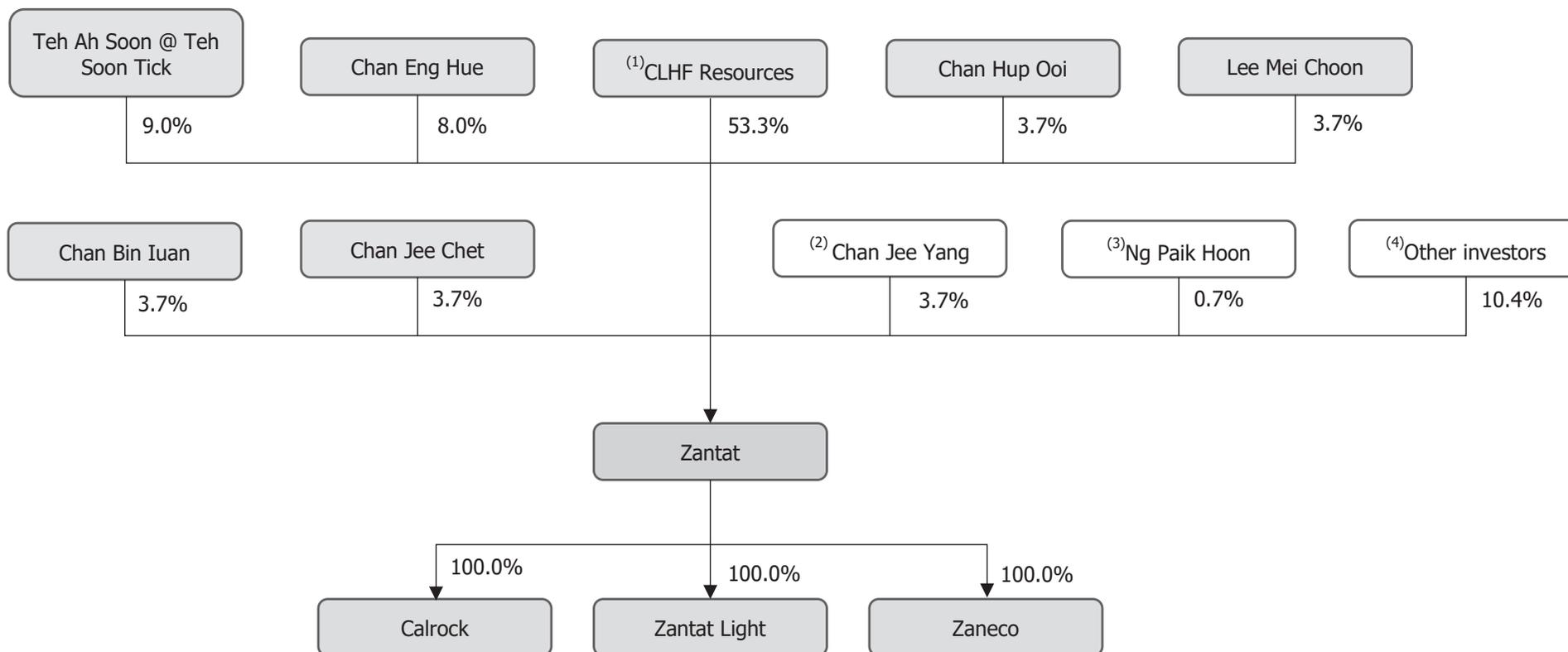
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## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.3 GROUP STRUCTURE

#### Before our Acquisition of Zantat



#### Notes:

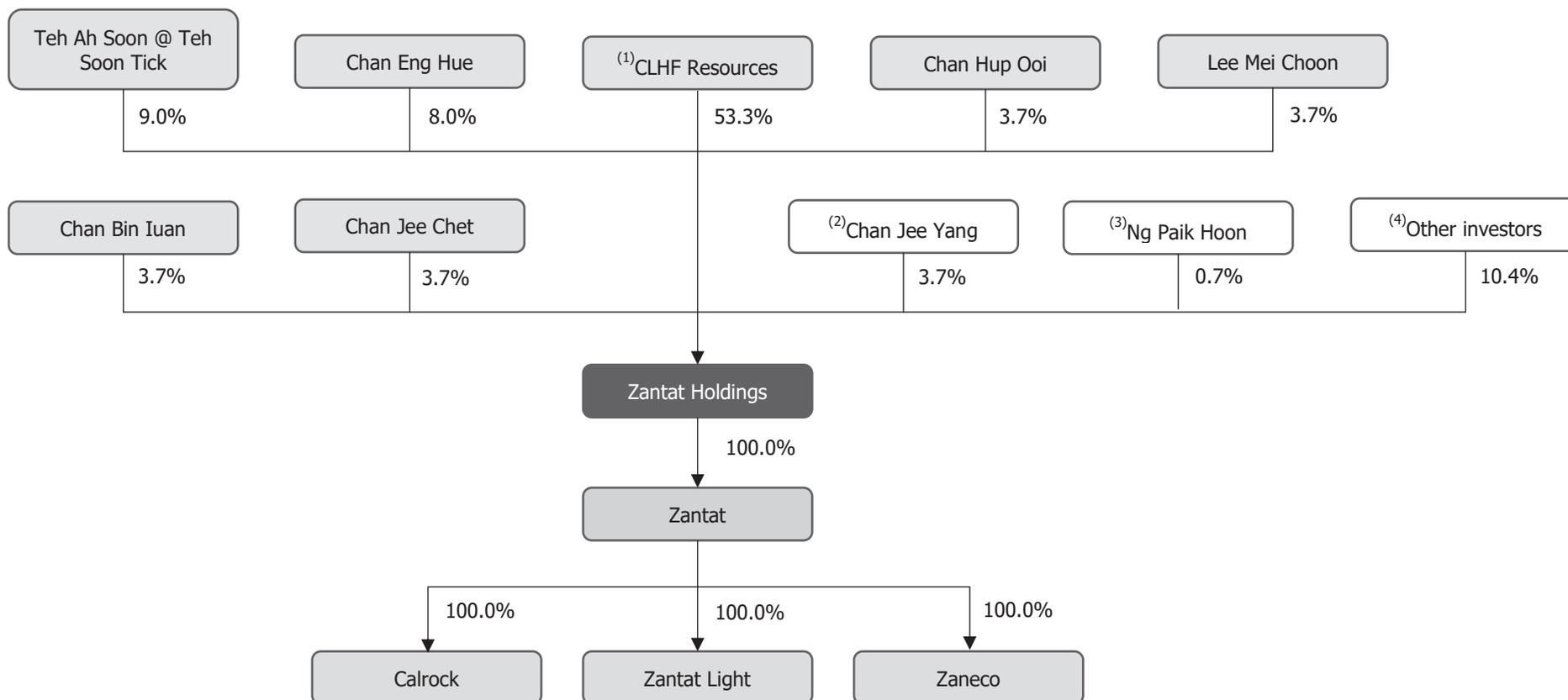


Promoter

- (1) CLHF Resources is held by Chan Hup Ooi (61.1%), Lee Mei Choon (13.6%), Chan Bin Iuan (10.5%), Chan Jee Chet (10.5%) and Chan Jee Yang (4.3%)
- (2) Being child of Chan Hup Ooi and Lee Mei Choon as well as brother of Chan Bin Iuan and Chan Jee Chet
- (3) Being spouse of Chan Eng Hue and sister-in-law of Chan Hup Ooi
- (4) Being Lim Gaik Lan (3.0%), Teh Koh Tun (3.0%), Teh Su Hui (3.0%), Chan Yu Xuan (0.7%) and Chan Jing Han (0.7%), collectively

**6. INFORMATION ON OUR GROUP (Cont'd)**

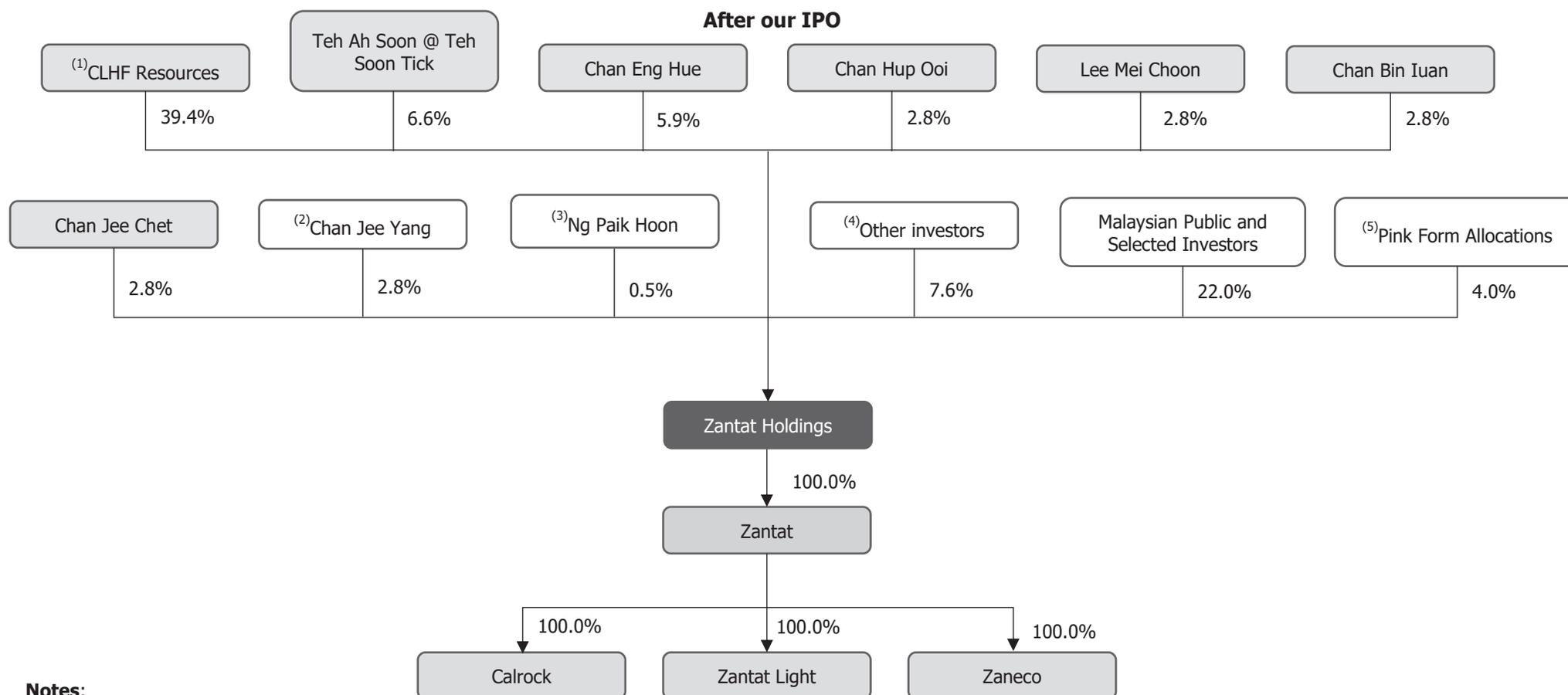
**After our Acquisition of Zantat but before our IPO**



**Notes:**

- Promoter
- (1) CLHF Resources is held by Chan Hup Ooi (61.1%), Lee Mei Choon (13.6%), Chan Bin Iuan (10.5%), Chan Jee Chet (10.5%) and Chan Jee Yang (4.3%)
- (2) Being child of Chan Hup Ooi and Lee Mei Choon as well as brother of Chan Bin Iuan and Chan Jee Chet
- (3) Being spouse of Chan Eng Hue and sister-in-law of Chan Hup Ooi
- (4) Being Lim Gaik Lan (3.0%), Teh Koh Tun (3.0%), Teh Su Hui (3.0%), Chan Yu Xuan (0.7%) and Chan Jing Han (0.7%), collectively

**6. INFORMATION ON OUR GROUP (Cont'd)**



**Notes:**

- Promoter
- (1) CLHF Resources is held by Chan Hup Ooi (61.1%), Lee Mei Choon (13.6%), Chan Bin Iuan (10.5%), Chan Jee Chet (10.5%) and Chan Jee Yang (4.3%)
- (2) Being child of Chan Hup Ooi and Lee Mei Choon as well as brother of Chan Bin Iuan and Chan Jee Chet
- (3) Being spouse of Chan Eng Hue and sister-in-law of Chan Hup Ooi
- (4) Being Lim Gaik Lan (2.2%), Teh Koh Tun (2.2%), Teh Su Hui (2.2%), Chan Yu Xuan (0.5%) and Chan Jing Han (0.5%), collectively
- (5) Assuming that all our eligible Directors, employees and persons who have contributed to the success of our Group will subscribe for the Pink Form Allocation

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**6. INFORMATION ON OUR GROUP (Cont'd)**

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The following are the family relationships (as defined under Section 197 of the Act) or associations between or amongst our Promoters, substantial shareholders, Directors and key senior management as at LPD:

- (a) CLHF Resources is a company held by Chan Hup Ooi, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang;
- (b) Chan Hup Ooi, Chan Eng Hue and Teh Ah Soon @ Teh Soon Tick are business partners;
- (c) Teh Ah Soon @ Teh Soon Tick is maternal uncle of Chan Hup Ooi and Chan Eng Hue;
- (d) Chan Hup Ooi and Chan Eng Hue are siblings;
- (e) Chan Hup Ooi and Lee Mei Choon are husband and wife;
- (f) Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang are siblings and are the children of Chan Hup Ooi and Lee Mei Choon;
- (g) Chan Eng Hue and Ng Paik Hoon are husband and wife; and
- (h) Aw Ee Ling is the maternal cousin of Chan Bin Iuan, Chan Jee Chet and Chan Jee Yang, and niece to Chan Hup Ooi, Lee Mei Choon, Chan Eng Hue and Ng Paik Hoon.

In addition to the above, the following are the other family relationships of our Directors, substantial shareholders and key senior management amongst our other Selling Shareholders:

- (a) Teh Ah Soon @ Teh Soon Tick and Lim Gaik Lan are husband and wife;
- (b) Teh Koh Tun and Teh Su Hui are siblings, and are children of Teh Ah Soon @ Teh Soon Tick and Lim Gaik Lan; and
- (c) Chan Yu Xuan and Chan Jing Han are siblings, and are children of Chan Eng Hue and Ng Paik Hoon.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4 SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of our subsidiaries as at LPD are summarised as follows:

<b>Company</b>	<b>Registration No.</b>	<b>Date / Place of incorporation</b>	<b>Principal place of business</b>	<b>Issued share capital</b>	<b>Effective equity interest</b>	<b>Principal activities</b>
				<b>RM</b>	<b>%</b>	
Zantat	198101012988 (79120-A)	15 December 1981 / Malaysia	Malaysia	6,000,000	100.0	Production of calcium carbonate, processing and trading of industrial minerals, and operations of limestones quarry
<b>Held through Zantat</b>						
Calrock	197001000253 (9503-V)	17 April 1970 / Malaysia	Malaysia	2,000,000	100.0	Production of calcium carbonate
Zantat Light	200001030329 (532936-W)	25 November 2000 / Malaysia	Malaysia	500,000	100.0	Operations of limestone quarry
Zaneco	202101031889 (1432189-P)	30 September 2021 / Malaysia	Malaysia	500,000	100.0	Dormant <sup>(1)</sup>

**Note:**

<sup>(1)</sup> As at LPD, Zaneco is a dormant company and has yet to commence operations. Zaneco intends to carry out the manufacturing of bioplastic compound as part of its future plans by first quarter of 2024.

Details of the share capital of our subsidiaries are set out in Section 15.2 of this Prospectus.

As at LPD, we do not have any associated company.

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**6. INFORMATION ON OUR GROUP (Cont'd)**

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**6.5 MATERIAL CONTRACTS**

Save as disclosed below, there were no contracts which are or may be material (not being contracts entered into in the ordinary course of business) entered into by our Group for FYE 2020 to 2022, FPE 2023 and up to LPD:

- (a) Sale and purchase agreement dated 18 March 2021 between Three By Three Sdn Bhd as the vendor / developer, BT Lifestyle Sdn Bhd as the proprietor of the land and Calrock as the purchaser, for the purchase of a unit of double-storey terrace house at No. 30, Persiaran Taman Tasek 1, Taman Tasek Baru, 31400 Ipoh, Perak Darul Ridzuan held under PN 374167, Lot 177880, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak for a purchase consideration of RM436,000, which was completed on 17 July 2021;
- (b) Share sale agreement dated 23 May 2023 between our Company and Zantat Vendors for the Acquisition of Zantat for a purchase consideration of RM57,411,200 which was satisfied by the issuance of 223,999,999 new Shares at an issue price of RM0.2563 per Share, which was completed on 21 November 2023; and
- (c) Underwriting agreement dated 19 February 2024 between our Company and M & A Securities for the underwriting of 25,200,000 Issue Shares for an underwriting commission of 2.5% of the IPO Price multiplied by the number of Issue Shares underwritten.

Additionally, our Group is not materially dependent on any commercial or financial contracts for our business and profitability as at LPD.

**6.6 PUBLIC TAKE-OVERS**

During the last financial year and the current financial year up to LPD, there were:

- (a) No public take-over offers by third parties in respect of our Shares; and
- (b) No public take-over offers by our Company in respect of other companies' shares.

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## 6. INFORMATION ON OUR GROUP *(Cont'd)*

### 6.7 MAJOR APPROVALS AND LICENCES

As at LPD, the major approvals, licences and permits issued to our Group in order for us to carry out our operations are disclosed below:

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
(a)	Zantat	DBKL / DBKL.JPPP / 4007/03/2017/ PR01	3 August 2023 / 2 August 2024*	Business licence to manufacture, sell and store acids, alkalis, solvents, resins, adhesives, fertilizers, pesticides and other chemicals under similar categories at Lot 1013-A, 1013-A1, 1013-B, 1013-B1 & 12-A1, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur	The number of workers in the premises shall comprise of 50% Malaysian workers and 50% foreign workers possessing valid work permits.	Complied
(b)	Zantat	DBKL / DBKL.JPPP /2281/06/2017/PR01	27 January 2024 / 26 January 2025	Business licence for office at Lot 1013-A & Lot 1013-B, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur	The number of workers in the premises shall be 50% Malaysian and 50% foreign workers possessing valid work permits.	Complied
(c)	Zantat	DBKL / DBKL.JPPP/IK00/6335/ 15/2018	15 January 2024 / 14 January 2025	Signage licence of 9.15*0.91 for 1013B, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur	The number of workers in the premises shall be 50% Malaysian and 50% foreign workers possessing valid work permits.	Complied

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
(d)	Zantat	MDBG / MDBG.LT 36.2012	8 January 2024 /  Validity Period: 29 February 2024 to 27 February 2027 <sup>(1)</sup>	Business and signage licence for office, limestone mill, storage of diesel <9000 litres and warehouse storage at PT 24571, PT 21289 & PT 21294 Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kampung Kepayang, Perak	None	Not applicable
(e)	Calrock	MBI / N-2-83-1	1 January 2024 / 31 December 2024	Business licence for the production of products under the category of roof tiles, wall, floor tiles, stone or marble at 60, Persiaran Portland, Kawasan Perindustrian Tasek, 31400 Ipoh	None	Not applicable
(f)	Calrock	MBI / G1/A/3/137/88	1 January 2024 / 31 December 2024	Signage licence at 60, Persiaran Portland, Kawasan Perindustrian Tasek, 31400 Ipoh	None	Not applicable

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
(g)	Zantat Light	MDBG / (JKAPP).600-6/1/99	1 November 2023 / 23 October 2024	Licence for quarrying, processing of limestone, storage of sand / minerals, storage of diesel (> 9,000 litres) and non-illuminated signage at PT 22565, Kaw. Industri Batu Kapur Keramat Pulau, 31300, Kampung Kepayang, Perak	None	Not applicable
(h)	Zaneco	MDBG / (JKAPP).600-6/1/61	12 October 2023 / 21 December 2024	Business licence for the manufacturing of plastic goods, storage of plastic goods and non- illuminated signage at PT 24571 & PT 21289, Kaw. Industri Batu Kapur Keramat Pulau, 31300 Kampung Kepayang, Perak	None	Not applicable



**6. INFORMATION ON OUR GROUP (Cont'd)**

<u>No.</u>	<u>Licencee</u>	<u>Issuing authority / Registration no.</u>	<u>Date of issue / Date of expiry</u>	<u>Nature of approval / Licences</u>	<u>Equity and/or major conditions imposed</u>	<u>Compliance status</u>
(j)	Zantat	MITI / A 004393	<u>Issuance Date:</u> 14 July 1986 and 15 January 2018 <sup>(3)</sup>  <u>Commencement Date:</u> 11 October 1985 <sup>(3)</sup>  <u>Date of expiry:</u> Valid until revoked	Manufacturing licence for Zantat to act as licensed manufacturer at the place of manufacturing at Lot 1013-A & A1, B & B1, Lot 12-A1, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur for the products of coated and uncoated calcium carbonate	(a) MITI and MIDA shall be notified of any sale of shares in the company;  (b) The company shall train Malaysians to ensure transfer of technological expertise to all levels of the workforce;  (c) The company shall implement their project as approved in accordance with the legislations and other applicable regulations in Malaysia.	Complied  Complied  Complied
(k)	Calrock	MITI / A 020947	<u>Issuance Date:</u> 22 June 2017  <u>Commencement Date:</u> 18 April 2017  <u>Date of expiry:</u> Valid until revoked	Manufacturing licence for Calrock to act as licensed manufacturer at the place of manufacturing at 60, Persiaran Portland, Kawasan Perindustrian Tasek, 31400 Ipoh, Perak for the products of uncoated and coated calcium carbonate	(a) MITI and MIDA shall be notified of any sale of shares in the company;  (b) The company shall train Malaysians to ensure transfer of technological expertise to all levels of the workforce;  (c) The company shall comply with the minimum Capital Investment Per Employee (CIPE) of at least RM140,000;  (d) The full-time workforce of the company shall comprise of at least 80% Malaysians. Employment of foreign workers including workers hired through outsourcing shall be subject to the current policy;	Complied  Complied  Complied  Please refer to Note (4) below

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
					(e) The company shall implement their project as approved in accordance with the legislations and other applicable regulations in Malaysia.	Complied
(l)	Zantat	Jabatan Mineral dan Geosains Negeri Perak / B 000598	1 December 2023 / Validity Period: 17 July 2021 to 16 July 2024 <sup>#</sup>	Mineral processing licence for Zantat of PT 24571 and PT 21289, Mukim Sg. Raya, 31300 Keramat Pulau, Perak Darul Ridzuan to carry out the activities of processing including owning, purchasing, selling or storing of minerals (Limestone (Calcium Carbonate Powder)) at H.S (D) 178742 PT 21289 and H.S (D) 229426 PT 24571, Mukim Sg. Raya, Daerah Kinta, Perak	(a) This licence shall be amended if there are any changes to the information and shall obtain the approval of the Director General of Mines.  (b) The appointed manager of the premises shall be fully responsible of the mineral processing premises. Any changes to the appointed manager shall be informed and obtain the approval of the Director General of Mines.  (c) Only the approved minerals are allowed for the purpose of owning, purchasing, storing, selling and processing.  (d) The purchasing and selling of minerals can only be carried out with the holder of mineral tenement, holder of mineral licence and mineral processing licence other than holder of panning licence and fossicking licence.	Complied  Complied  Complied  Complied

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
					(e) Every purchase and sale of minerals shall be accompanied by licence to transport mineral in the event it is not from the mining lease or proprietary mining licence.	Complied
					(f) In the event of occurrence of any hazardous incidents, accidents or damage to property, all operation in the premises shall cease immediately. Report via verbal shall be made to the Deputy Director General of Mines immediately and preliminary written report shall be made within 2 working days from the date of incident. Full report shall be submitted within 2 weeks.	Noted
					(g) This licence may be revoked in the event of breach of the Mineral Development (Licensing) Regulations 2016 and the conditions imposed. The conditions imposed may be amended at any time if deemed required.	Noted

**6. INFORMATION ON OUR GROUP (Cont'd)**

<u>No.</u>	<u>Licencee</u>	<u>Issuing authority / Registration no.</u>	<u>Date of issue / Date of expiry</u>	<u>Nature of approval / Licences</u>	<u>Equity and/or major conditions imposed</u>	<u>Compliance status</u>
(m)	Zantat	Ministry of Domestic Trade and Cost of Living / PBKB/2024/B/A-000079	Validity Period: 31 January 2024 to 30 January 2027	Controlled Scheduled Articles Permit for Zantat at PT 24571 & PT 21289 (Lot 335978), Kaw. Industri Batu Kapur Keramat Pulai, 31300 Batu Gajah, Perak for the purchasing and storing of unsubsidised diesel of 5,000 litre	(a) The controlled scheduled articles must be stored at the premises stated in the permit.  (b) The permit holder shall store or have in his possession the controlled scheduled article not exceeding the quantity allowed in the permit.  (c) The permit holder shall purchase the controlled scheduled articles stated for its own use and not for the purpose of reselling.  (d) This permit is not transferable.  (e) The controlled scheduled article purchased and stored shall not be subsidised controlled article.	Complied  Complied  Complied  Noted  Complied
(n)	Zantat	AELB / LPTA/A/2060	13 July 2022 / 27 July 2025	Class C licence to purchase, own, possess, handle, use and store irradiating apparatus, Spectro Xepos 50kV (kilovolt), 1mA (milliampere), 0.05kW (kilowatt) – Sinar-X Analisa at the address of PT 24571 and PT 21289 Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kinta, Perak	(a) The licence holder shall update AELB within 14 days when there are changes to the ownership of the irradiating apparatus.  (b) The licence holder shall ensure that the irradiating apparatus is only handled by the personnel recognised by AELB only.	Complied  Complied

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
					(c) The licence holder shall obtain the approval of AELB at least 14 days prior to any changes of the person responsible for the licence or personnel recognised by AELB for handling the irradiating apparatus.	Complied
					(d) The licence holder shall notify AELB and any other relevant authorities soonest possible within 24 hours from the date of the radiation incident / accident and shall ensure that the hazard is under control.	Noted
					(e) The licence holder shall report to AELB any unforeseen incident which threatens the security soonest possible within 24 hours from the time of occurrence of the incident.	Noted
					(f) The licence holder shall obtain the prior approval of AELB of any change in the location of the irradiating apparatus.	Noted
					(g) The licence is forbidden to carry out any modification towards all licenced irradiating apparatus without the prior approval of AELB.	Complied
					(h) The licence issued by AELB is not transferable.	Noted



**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
					(e) Blasting activities at the mining area shall be carried out and supervised by the appointed shotfirers, Leong Tat Cheen and Anuar Baki Bin Husin, both of whom are not employees of our Group. Any changes to the appointed shotfirers shall be reported to and approved by the Deputy Director General of Mines.	Complied
					(f) The maximum quantities of explosives which are allowed for each blasting are as below:  (i) High explosives – 20 kg (ii) Detonators (Plain /Electric /Nonel) – 50 pieces (iii) Detonating cord – 500 metres (iv) Safety fuse – 20 metres  Any changes to the usage of the explosives shall be approved by the Deputy Director General of Mines.	Complied
					(g) Blasting activities shall only be allowed on working days and shall not be carried out on Friday, Saturday, Sunday and Public Holiday from 12 pm to 5 pm. Any changes shall be approved by the Deputy Director General of Mines.	Complied

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Licencee</b>	<b>Issuing authority / Registration no.</b>	<b>Date of issue / Date of expiry</b>	<b>Nature of approval / Licences</b>	<b>Equity and/or major conditions imposed</b>	<b>Compliance status</b>
					(h) For the purpose of purchase and transportation of explosives, approval must be obtained from the Royal Malaysia Police as prescribed under the Explosives Act 1957.	Complied
(p)	Zantat Light	Ibu Pejabat Polis Diraja Malaysia Kontinjen Perak / LMAF 14 DLM. 61/5/6	22 January 2024 / 31 December 2024	Approval to purchase, carry and use explosives for the following explosives: <ul style="list-style-type: none"> <li>• High explosives – 20 kg (kilogram)</li> <li>• Detonators – 50 pieces</li> <li>• Detonating cord – 500 metres</li> <li>• Safety fuse – 20 metres</li> </ul>	(a) The purchase of explosives shall not exceed the quantity as approved in the licence.  (b) The purchase, carry and usage of explosives shall be escorted by armed security company.  (c) Explosives purchased shall be used up on the same day of purchase without any leftover.	Complied  Complied  Complied
(q)	Zantat Light	PTG Perak / Licence No.: 67/2024	26 December 2023 / 31 December 2024	Mineral transfer licence at PT 22565, Mukim Sungai Raya, Daerah Kinta, Negeri Perak for the quantity of 200,000 metric ton limestone	(a) Activities of transfer and transportation of the mineral (quarry product) are not allowed on Sunday, Public Holiday or after the time period allowed unless with the written consent and special condition from the Director General.  (b) Activities of transfer and transportation of mineral (quarry product) shall only be carried out from 8.00 am to 6.00 pm only.	Complied  Complied



**6. INFORMATION ON OUR GROUP (Cont'd)**

<u>No.</u>	<u>Licencee</u>	<u>Issuing authority / Registration no.</u>	<u>Date of issue / Date of expiry</u>	<u>Nature of approval / Licences</u>	<u>Equity and/or major conditions imposed</u>	<u>Compliance status</u>
					(ii) when compensation is paid (as agreed and determined pursuant to Section 434 of the National Land Code) at any time before the expiry of the validity period.	
					<u>Major conditions set out in the approval letter dated 5 May 2023</u>	
					(a) This land can only be used for the purpose of processing of stone materials and not for any other purposes.	Complied
					(b) This licence will be revoked at any time without payment of compensation if the licence holder is found to have breached the conditions stated or when the land is required by the Government.	Complied
					(c) It is the responsibility of the licence holder to vacate the land immediately at his own costs if this licence is revoked.	Noted
					(d) This licence shall not be rented, transferred or leased to any person.	Complied



## 6. INFORMATION ON OUR GROUP (Cont'd)

### Notes:

- \* Our Group plans to submit the renewal application for this licence 60 days before the expiry date.
- # Our Group plans to submit the renewal application for this licence 3 months before the expiry date.
- (1) The previous licences issued by MDBG are valid until 28 February 2024.
- (2) Zantat has obtained a manufacturing licence dated 23 June 2017 from MITI with an effective date of 27 April 2017 for the manufacturing of uncoated and coated calcium carbonate at PT 21289, Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kampung Kepayang, Perak. The manufacturing licence was subsequently amended and the latest manufacturing licence was issued on 5 April 2022 to reflect the current address of Zantat Perak Plant 1 and Zantat Perak Plant 2.
- (3) Zantat has obtained a manufacturing licence dated 14 July 1986 from MITI with an effective date of 11 October 1985 for the manufacturing of coated and uncoated calcium carbonate powder at Lot 1013-B, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur. The manufacturing licence was subsequently amended and the latest manufacturing licence was issued on 15 January 2018 with an effective date of 4 December 2017 to reflect the current address of the KL Plant.
- (4) Pursuant to the announcement made by MITI on 18 July 2022, relaxation from compliance with this condition of at least 80% Malaysians from the total full-time workforce as stated in the manufacturing licences is given until 31 December 2024.

As at LPD, Zantat has a total workforce of 202 employees, comprising 95 Malaysian employees (47.0%) and 107 foreign employees (53.0%). As at LPD, Calrock has a total workforce of 13 employees, comprising 10 Malaysian employees (76.9%) and 3 foreign employees (23.1%). Our foreign employees are involved mainly in our manufacturing operations which involve manual labour.

Based on our Group's experience, it is difficult to recruit and retain local employees to fill positions which involve manual labour. However, our Group will continue its efforts to recruit and retain local employees such as offering competitive remuneration packages, providing staff accommodation for outstation local employees, and providing training to unexperienced local employees. Our Group expects to be able to comply with this requirement by the end of 2024 and the estimated costs to increase its Malaysian workforce would be approximately RM0.4 million.

Pursuant to Section 6(a) of the Industrial Co-Ordination Act 1975 ("**ICA 1975**"), the licensing officer may in his discretion revoke a manufacturing licence if the manufacturer has not complied with any condition imposed in the manufacturing licence. Upon revocation, any person who engages in manufacturing activity without a licence is guilty of an offence under the ICA 1975 and is liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

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**6. INFORMATION ON OUR GROUP (Cont'd)**

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In the event the manufacturing licences are revoked by MITI, Zantat and Calrock will need to cease their manufacturing operations at the Perak Plants. This will have a material adverse impact to our Group's business operation and financial condition.

Our Sponsor is of the view that our Group is likely able to fulfil the condition as it is given a reasonable timeframe of up to 31 December 2024 to do so.

- (5) Zantat Light has submitted the application for the renewal of the TOL for year 2024 on 3 January 2024, and as at LPD, it is pending the issuance of the renewed TOL by PDT, Batu Gajah. Although our Group has been processing limestone on the TOL land since the expiry of the TOL, our Sponsor is of the view that the likelihood of penalty being imposed by PDT, Batu Gajah pending issuance of the renewed TOL is remote as approval from PDT, Batu Gajah has been obtained in March 2021 to renew the TOL for 5 times subject to it being satisfied with the development on the TOL, and we have renewed the TOL twice without penalty or impact to our operations. In the unlikely event of absence of a TOL license, we will not be allowed to operate our quarry business, and in such case, we are able to source for our limestone elsewhere without compromise on quality. In this regard, our Group does not expect this to have any impact to the operations or financial performance of our Group as there are ready suppliers of limestone within the vicinity. Additionally, our Promoters, Chan Bin Iuan and Chan Jee Chet, being chiefly responsible for the operations of our Group, have jointly and severally agreed to fully indemnify our Group for any potential penalties and/or losses which may arise due to the non-renewal of the TOL. This includes any impact to the operations or financial performance of our Group. Chan Bin Iuan and Chan Jee Chet may use the proceeds which they will receive as Selling Shareholders under the Offer for Sale or their personal funds, for this purpose. For avoidance of doubt, should the Offer for Sale not materialise, the Promoters are obliged to source for the necessary funds personally to fulfil their indemnity.
- (6) Mining operation requires water usage. Pursuant to Section 99 of the Mineral (Perak) Enactment 2003, a holder of a mineral tenement is entitled to the enjoyment of water as may be found on the land which is the subject of the mineral tenement for the purposes of such tenement and no holder of a mineral tenement shall obtain or cause to be obtained any water supply from any river, stream or water course flowing over or under the land which is the subject of a mineral tenement except under the authority and in accordance with the terms of a licence or permit under Part VIII of the Mineral (Perak) Enactment 2003. As there is no river, stream or water course flowing over or under the TOL land, Zantat Light consumes water from Sungai Raya which is situated next to our Group's TOL land via the water pump since June 2015, for washing the raw stone from quarry face. Average water consumption of Zantat Light from the river is around 28m<sup>3</sup> to 30m<sup>3</sup> per day. No chemical is added or used in the washing process. The water after washing will pass through a concrete siltation pond (20ft x 10ft x 4ft) with a capacity of 42m<sup>3</sup>. It is for the settlement of silt or clay particles before the clean water is discharged back into the river. The concrete siltation pond will be desilted every two weeks in order to maintain its function and capacity. The desilted materials will be dried and later used as back filling for quarry road maintenance purpose.

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**6. INFORMATION ON OUR GROUP (Cont'd)**

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Pursuant to Section 7 of the Waters Act 1920, save as may be expressly authorised under any other law, no person shall, except under and in accordance with the terms of a licence under the Waters Act 1920, by means of any ditch, drain, channel, pipe, or otherwise divert water of any river from its natural course. Licences to divert water from a river in any district for use for industrial and other purposes may be granted by the district officer of such district with the approval of the state authority. As directed by PDT, Batu Gajah, an application for the water abstraction licence has been submitted by Zantat Light on 13 April 2021 under the Waters (Amendment) Enactment 2009 in which PDT, Batu Gajah via its letter dated 12 May 2022 has confirmed that the approval for the water abstraction licence is in process. Pending approval of the water abstraction licence, a water meter has been installed on 1 August 2022 under the instruction of PDT, Batu Gajah to record the water consumption by Zantat Light for its mining operations. On 29 May 2023, Zantat Light has received the approval from PDT, Batu Gajah via its letter dated 26 May 2023 for the water abstraction licence with a validity period from 1 January 2023 to 31 December 2023. Our Group has on 2 June 2023 made payment for the water charges for year 2023 stipulated in the approval letter and is currently pending issuance of the water abstraction licence by PDT, Batu Gajah.

On 3 January 2024, Zantat Light has applied for the renewal of the approval for the water abstraction licence for year 2024. On 9 February 2024, Zantat Light has received the approval from PDT, Batu Gajah via its letter dated 7 February 2024 for the water abstraction licence with a validity period from 1 January 2024 to 31 December 2025. Zantat Light has on 16 February 2024 made payment for the licensing and processing fees and is currently pending the issuance of the water abstraction licence by PDT, Batu Gajah.

As at LPD, no penalty has been imposed by any authorities for such water consumption thus far. Our Group is of the view that this will not have a material adverse impact to our Group's business operation and financial condition should there be any back charge by the relevant authority for the water consumption prior to 2023.

Our Sponsor is of the view that the pending issuance of the water abstraction licence should not affect the mining operation of our Group at the TOL land as the approval for the water abstraction licence has been granted by PDT, Batu Gajah via its letter dated 7 February 2024 with no penalties imposed by PDT, Batu Gajah on our Group. Notwithstanding the approval for the water abstraction licence being granted, in the unlikely event of non-renewal of the water abstraction licence, our Group will not be allowed to use any water in the area for its mining operation, and in such case, our Group will have to source for water elsewhere, or buy the limestone from other suppliers. Nonetheless, our Group does not expect this to have any material impact to the operations of our Group as there are ready suppliers of limestone within the vicinity.

Premised on the above, our Sponsor is satisfied that our Group has fulfilled the condition imposed by PTG Perak on Zantat Light for its proprietary mining licence by obtaining the water abstraction licence to be issued by PDT, Batu Gajah.

Save as disclosed above, our Group has not faced any difficulties or issues in renewing the major approvals, licences and permits obtained by our Group.

**6. INFORMATION ON OUR GROUP (Cont'd)****6.8 INTELLECTUAL PROPERTIES**

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

<b>No.</b>	<b>Trademark</b>	<b>Registered owner</b>	<b>Trademark No. / Description</b>	<b>Class</b>	<b>Approving authority / Place of application or registration</b>	<b>Validity Period</b>	<b>Status</b>
1.		Zantat	2016071457 / Calcium carbonate powder; Calcium carbonate suspensions; Compounds containing calcium carbonate; Fillers derived from calcium carbonate; Fillers derived from white minerals	1	MyIPO / Malaysia	14 November 2016 to 14 November 2026	Registered
2.		Zantat	2016071461 / Calcium carbonate powder; Calcium carbonate suspensions; Compounds containing calcium carbonate; Fillers derived from calcium carbonate; Fillers derived from white minerals	1	MyIPO / Malaysia	14 November 2016 to 14 November 2026	Registered
3.		Zantat	2637273 / Calcium carbonate powder; calcium carbonate suspensions; compounds containing calcium carbonate; fillers derived from calcium carbonate; and fillers derived from white minerals	1	Intellectual Property India / India	4 December 2013 to 4 December 2033	Registered
4.		Zantat	2637274 / Calcium carbonate powder; calcium carbonate suspensions; compounds containing calcium carbonate; fillers derived from calcium carbonate; and fillers derived from white minerals	1	Intellectual Property India / India	4 December 2013 to 4 December 2033	Registered

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Trademark</b>	<b>Registered owner</b>	<b>Trademark No. / Description</b>	<b>Class</b>	<b>Approving authority / Place of application or registration</b>	<b>Validity Period</b>	<b>Status</b>
5.		Zaneco	018930130 / Biodegradable polymer compounds for use in manufacture; unprocessed biodegradable plastics for industrial use; biopolymer compounds for use in manufacture; chemicals for use in the processing of biodegradable plastics; plastics, unprocessed; precursors for polymer composites; polymer compounds for use in industry; biodegradable compounds containing calcium carbonate; fillers derived from minerals; fillers derived from calcium carbonate; reinforcing fillers derived from minerals; catalysts for use in the manufacture of plastics; additives (Chemical -) for use in the processing of plastics; dispersions of plastics; plastic adhesives for industrial purposes; unprocessed protein plastics	1	European Union Intellectual Property Office / European Union	26 September 2023 to 26 September 2033	Registered

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Trademark</b>	<b>Registered owner</b>	<b>Trademark No. / Description</b>	<b>Class</b>	<b>Approving authority / Place of application or registration</b>	<b>Validity Period</b>	<b>Status</b>
6.		Zaneco	TM2023027520 / Biodegradable polymer compounds for use in manufacture; unprocessed biodegradable plastics for industrial use; biopolymer compounds for use in manufacture; chemicals for use in the processing of biodegradable plastics; plastics, unprocessed; precursors for polymer composites; polymer compounds for use in industry; biodegradable compounds containing calcium carbonate; fillers derived from minerals; fillers derived from calcium carbonate; reinforcing fillers derived from minerals; catalysts for use in the manufacture of plastics; chemicals for use in the processing of plastics; dispersions of plastics; plastic adhesives for industrial purposes; protein plastics, unprocessed	1	MyIPO / Malaysia	Application for registration has been filed on 12 September 2023	Pending registration

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Trademark</b>	<b>Registered owner</b>	<b>Trademark No. / Description</b>	<b>Class</b>	<b>Approving authority / Place of application or registration</b>	<b>Validity Period</b>	<b>Status</b>
7.		Zaneco	TM2023027522 / Bags for packaging made of biodegradable plastic; biodegradable plastic bags for household use; biodegradable plastic film for wrapping; biodegradable paper pulp-based to-go containers for food; biodegradable plastic wraps; biodegradable food storage bags of plastic for household use; biodegradable general purpose plastic bags; biodegradable plastic garbage bags; biodegradable plastic waste bags for pet waste disposal and undergarment disposal; biodegradable plastic film roll stock for packaging; biodegradable plastic flexible packaging film; plastic bags for household use; plastic bags for packaging; plastic materials for packaging; plastic sheets, films and bags for wrapping and packaging; general purpose plastic bags, plastic garbage bags, disposal bags and waste bags; plastic flexible packaging film sold in bulk to industrial and commercial manufacturers	16	MyIPO / Malaysia	Application for registration has been filed on 12 September 2023	Pending registration

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Trademark</b>	<b>Registered owner</b>	<b>Trademark No. / Description</b>	<b>Class</b>	<b>Approving authority / Place of application or registration</b>	<b>Validity Period</b>	<b>Status</b>
8.		Zaneco	TM2023027527 / Presentation of goods on communication media, for retail purposes; retail services featuring a wide variety of consumer goods; retail services or wholesale services for bags and pouches; providing business information via a website; import-export agency services; providing information about products via telecommunication networks for advertising and sales purposes; the bringing together, for the benefit of others, of a variety of goods, excluding the transport thereof, enabling customers to conveniently view and purchase those goods	35	MyIPO / Malaysia	Application for registration has been filed on 12 September 2023	Pending registration

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Trademark</b>	<b>Registered owner</b>	<b>Trademark No. / Description</b>	<b>Class</b>	<b>Approving authority / Place of application or registration</b>	<b>Validity Period</b>	<b>Status</b>
9.		Zaneco	2392057 / Biodegradable polymer compounds for use in manufacture; unprocessed biodegradable plastics; biopolymer compounds for use in manufacture; chemical products for use in the processing of biodegradable plastic; plastics, unprocessed; precursors for polymer materials; polymer compounds for use in manufacture; biodegradable compounds containing calcium carbonate; fillers derived from minerals; fillers derived from calcium carbonate; reinforcing fillers derived from minerals; catalysts for use in the manufacture of plastics; additives (chemical -) for use in the processing of plastics; dispersions of plastics; plastic adhesives for industrial purposes; unprocessed protein plastics	1	IP Australia / Australia	Application for registration has been filed on 27 September 2023	Pending registration

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Trademark</b>	<b>Registered owner</b>	<b>Trademark No. / Description</b>	<b>Class</b>	<b>Approving authority / Place of application or registration</b>	<b>Validity Period</b>	<b>Status</b>
10.		Zaneco	6130864 / Biodegradable polymer compounds for use in manufacture; unprocessed biodegradable plastics for industrial use; biopolymer compounds for use in manufacture; chemicals for use in the processing of biodegradable plastics; plastics, unprocessed; precursors for polymer composites; polymer compounds for use in industry; biodegradable compounds containing calcium carbonate; fillers derived from minerals; fillers derived from calcium carbonate; reinforcing fillers derived from minerals; catalysts for use in the manufacture of plastics; additives (Chemical -) for use in the processing of plastics; dispersions of plastics; plastic adhesives for industrial purposes; unprocessed protein plastics	1	Intellectual Property India / India	Application for registration has been filed on 29 September 2023	Pending registration

Our Group's business and profitability are not materially dependent on the trademarks listed above.

**6. INFORMATION ON OUR GROUP (Cont'd)**

**6.9 PROPERTY, PLANT AND EQUIPMENT**

**6.9.1 Properties owned by our Group**

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

**(a) Zantat**

No.	Postal address / Title details	Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)	Approximate land area / Approximate built-up area	Date of CCC or CFO	Restrictions in interest / Encumbrance	Audited NBV as at 30 September 2023  RM'000
(a)	PT 24571 Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kampung Kepayang, Perak / H.S.(D) 229426, PT 24571, Mukim Sungai Raya, Daerah Kinta, Negeri Perak	A single-storey manufacturing facility annexed with a single-storey office building and warehouse and a double-storey hostel accommodation <sup>(1)</sup> / Manufacturing plant / Leasehold for 99 years expiring on 3 July 2115 / Industry	21,410 m <sup>2</sup> / 118,000 sq ft	12 October 2016 (manufacturing facility) and 29 April 2022 (hostel)	This land can only be transferred, leased, charged with the written consent of the State Authority / Charged to Hong Leong Bank Berhad	11,068

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Postal address / Title details</b>	<b>Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)</b>	<b>Approximate land area / Approximate built-up area</b>	<b>Date of CCC or CFO</b>	<b>Restrictions in interest / Encumbrance</b>	<b>Audited NBV as at 30 September 2023 RM'000</b>
(b)	PT 21289 (Lot 335978), Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kampung Kepayang, Perak / PN 1066053, Lot 335978, Mukim Sungai Raya, Daerah Kinta, Negeri Perak	A single-storey manufacturing facility annexed with a double-storey office building and warehouse / Manufacturing plant / Leasehold for 99 years expiring on 25 September 2107 / Industry	18,979 m <sup>2</sup> / 107,000 sq ft	28 July 2018	This land can only be transferred, leased, or charged to person with the written consent of the State Authority / Charged to Hong Leong Bank Berhad	14,791
(c)	PT 21294 (Lot 335983) Kaw. Industri Batu Kapur Keramat Pulai, 31300 Kampung Kepayang, Perak / PN 1066057, Lot 335983, Mukim Sungai Raya, Daerah Kinta, Negeri Perak	Quarry land / No quarrying operations currently / Leasehold for 60 years expiring on 25 September 2068 / Industry	59,790 m <sup>2</sup> / N/A	N/A	This land can only be transferred, leased or charged to person with the written consent approval of the State Authority / Charged to Hong Leong Bank Berhad	2,796

**6. INFORMATION ON OUR GROUP (Cont'd)**

**(b) Zantat Light**

<b>No.</b>	<b>Postal address / Title details</b>	<b>Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)</b>	<b>Approximate land area / Approximate built-up area</b>	<b>Date of CCC or CFO</b>	<b>Restriction in interest / Encumbrance</b>	<b>Audited NBV as at 30 September 2023 RM'000</b>
(a)	PT 22565, Kaw. Industri Batu Kapur, Keramat Pulai, 31300 Kampung Kepayang, Perak / H.S.(D) 190127, PT 22565, Mukim Sungai Raya, Daerah Kinta, Negeri Perak	Quarry land / Quarry operations / Leasehold for 60 years expiring on 14 March 2070 / Industry	40,440 m <sup>2</sup> / N/A	N/A	This land can be transferred or leased with the written approval of the Perak State Authority / Charged to HSBC Bank Malaysia Berhad	440

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**6. INFORMATION ON OUR GROUP (Cont'd)**

**(c) Calrock**

<b>No.</b>	<b>Postal address / Title details</b>	<b>Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)</b>	<b>Approximate land area / Approximate built-up area</b>	<b>Date of CCC or CFO</b>	<b>Restriction in interest / Encumbrance</b>	<b>Audited NBV as at 30 September 2023 RM'000</b>
(a)	60, Persiaran Portland, Kawasan Perindustrian Tasek, 31400, Ipoh, Perak / PN 289294, Lot 60997, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak	A single-storey manufacturing facility annexed with 2 single- storey office building / Manufacturing plant / Leasehold for 99 years expiring on 30 June 2076 / Industry	7,572 m <sup>2</sup> / 54,240 sq ft	25 July 2001 and 14 March 2023	This land cannot be transferred or leased unless with the approval of the Menteri Besar Perak. This land cannot be subdivided in accordance with Section 135 of the National Land Code without the approval of the Menteri Besar Perak / Charged to HSBC Bank Malaysia Berhad	1,091

**6. INFORMATION ON OUR GROUP (Cont'd)**

<b>No.</b>	<b>Postal address / Title details</b>	<b>Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)</b>	<b>Approximate land area / Approximate built-up area</b>	<b>Date of CCC or CFO</b>	<b>Restriction in interest / Encumbrance</b>	<b>Audited NBV as at 30 September 2023 RM'000</b>
(b)	30, Persiaran Taman Tasek 1, Taman Tasek Baru, 31400 Ipoh, Perak / PN 374167, Lot 177880, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak	Double-storey terrace house (corner house) / Hostel for foreign workers <sup>(1)</sup> / Leasehold for 99 years expiring on 3 July 2113 / Building	317 m <sup>2</sup> / 2,182 sq ft	8 November 2017	Nil / Charged to HSBC Bank Malaysia Berhad	413

**Note:**

- <sup>(1)</sup> Under the EMSH 1990, all employers who provide accommodation to their employees must obtain a CFA from the Director General of Labour to accommodate the employees in the premises. As at LPD, we have obtained the CFA for such workers' accommodation with a validity period of 3 years.

The properties owned by our Group are not in breach of any other land use conditions and/or non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD.

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## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.9.2 Properties rented by our Group

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

No.	Address	Landlord / Tenant	Description / Existing use	Date of CCC or CFO	Approximate rented area	Period of tenancy / Rental per annum
1.	Lot 1013-A & A1, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur	Wong Kee Sing Realty Sdn Bhd / Zantat	A single-storey manufacturing facility annexed with a 3-storey office building / Manufacturing Plant & Office	18 January 2011	15,726 sq ft	1 January 2024 to 31 December 2024 / RM180,000
2.	Lot 1013-B & B1, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur	Wong Kee Sing Realty Sdn Bhd / Zantat	A single-storey manufacturing facility annexed with a 3-storey office building / Manufacturing Plant & Office	18 January 2011	15,726 sq ft	1 January 2024 to 31 December 2024 / RM180,000
3.	Lot 12-A1, Mukim Batu, Jalan 2/32A, 6 ½ Miles, Off Jalan Kepong, 52100 Kuala Lumpur	Perusahaan Tunku Farid (M) Sdn Bhd / Zantat	A single storey factory building / Manufacturing Plant	21 June 1988	4,880 sq ft	1 January 2024 to 31 December 2024 / RM60,000
4.	2-6-4, Greenview Apartment, Blok 2, Jalan 2/40 Taman Pusat Kepong, 52100 Kuala Lumpur	Oh Guat Beng and Tan Teck Kuan / Zantat	Apartment / Hostel for foreign workers <sup>(1)</sup>	26 April 2000 <sup>(2)</sup>	735 sq ft	1 January 2024 to 31 December 2024 / RM10,800
5.	5-3-23, Greenview Apartment, Blok 5, Jalan 2/40 Taman Pusat Kepong, 52100 Kuala Lumpur	Ng Hock Huat / Zantat	Apartment / Hostel for foreign workers <sup>(1)</sup>	26 April 2000 <sup>(2)</sup>	735 sq ft	1 January 2024 to 31 December 2024 / RM9,600
6.	2-2-18, Greenview Apartment, Blok 2, Jalan 2/40 Taman Pusat Kepong, 52100 Kuala Lumpur	Guok Soon Yean / Zantat	Apartment / Hostel for foreign workers <sup>(1)</sup>	26 April 2000 <sup>(2)</sup>	735 sq ft	1 April 2023 to 31 March 2024 <sup>(3)</sup> / RM10,320

## 6. INFORMATION ON OUR GROUP (Cont'd)

<b>No.</b>	<b>Address</b>	<b>Landlord / Tenant</b>	<b>Description / Existing use</b>	<b>Date of CCC or CFO</b>	<b>Approximate rented area</b>	<b>Period of tenancy / Rental per annum</b>
7.	Blok A, No. A-09-07, Vista Mutiara Apartment, Jalan Vista Mutiara 1 Off Jalan Kepong, 52000 Kuala Lumpur	Leow Kien Hoong / Zantat	Apartment / Hostel for foreign workers <sup>(1)</sup>	15 September 2011	1,080 sq ft	1 June 2023 to 31 May 2026 / RM13,200

### Notes:

- (1) As at LPD, we have obtained the CFA for such workers' accommodation with a validity period of 3 years. These rented properties stated in items items (4), (5), (6) and (7) above are currently occupied by 17 foreign workers as workers' accommodation.
- (2) The owners of these properties have not been able to provide or confirm the availability of the CFO/CCC of these properties. However, our Group was provided with (i) the Certificate of Completion of Inspection ("CCI") issued by DBKL dated 14 August 2019 that inspection under section 85(3)(a) of Street, Drainage and Building Act 1974 to assess the building conditions has been carried out for Greenview Apartment by a professional engineer and the joint management body is required to arrange for the next periodical inspection of the buildings after 10 years from the issuance date of the CCI (i.e., 14 August 2019) or whenever necessary; and (ii) the letters issued by DBKL dated 6 June 2023 and 21 June 2023 confirming that based on their records, CFO for the said properties has been issued on 26 April 2000, although they do not possess a copy of the CFO for the said properties.
- (3) On 26 October 2023, our Group has entered into a renewal agreement to renew the tenancy from 1 April 2024 to 31 December 2024 at the same monthly rental.

Save as disclosed above, the properties rented by our Group are not in breach of any other land use conditions and/or non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD.

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**6. INFORMATION ON OUR GROUP (Cont'd)**


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**6.9.3 Occupied property**

As at LPD, our Group is occupying the following property pursuant to a TOL issued by PDT under Section 65 of the National Land Code as stated in item (r), Section 6.7 of this Prospectus:

<b>No.</b>	<b>Licence No / Issue Date</b>	<b>Licensee</b>	<b>Address</b>	<b>Description / Existing use</b>	<b>Approximate land area</b>	<b>Validity period / Licence fee</b>
1.	A03/2021/38/1 / 2 August 2021 (first issuance)	Zantat Light	A parcel of land located at Keramat Pulai, Mukim Sungai Raya, Daerah Kinta, Perak	TOL land / Processing of stone materials	5,652 m <sup>2</sup>	1 January 2023 to 31 December 2023 (second renewal) <sup>(1)</sup> / RM5,652

**Note:**

<sup>(1)</sup> Zantat Light has obtained approval from PDT, Batu Gajah in March 2021 to renew the TOL for 5 times subject to it being satisfied with the development on the TOL. On 3 January 2024, Zantat Light has submitted its application for the renewal of the TOL for 2024 and is pending the approval and issuance of the renewed TOL by PDT, Batu Gajah, as at the LPD.

**6.9.4 Acquisition of properties**

Save as disclosed in Section 6.5 of this Prospectus, we have not acquired nor entered into any agreements to acquire any properties during FYE 2020 to 2022, FPE 2023 and up to LPD.

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## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.9.5 Key machinery and equipment

Details of our Group's key machinery and equipment are as follows:

No.	Key machinery and equipment	Average useful life (years)	Year of purchase	As at 30 September 2023		Audited NBV RM'000
				No. of unit(s)	No. of units fully depreciated	
<b>Production of GCC</b>						
<b>Zantat Perak Plant 1 and 2</b>						
(a)	Hammer mill	10	2015 to 2016	3	-	85
(b)	Vertical roller mill	10	2011 to 2018	8	3	622
(c)	Ball mill	10	2018	1	-	10,500
(d)	Secondary crushing plant	10	2020 to 2021	1	-	877
(e)	Air compressor	10	2005 to 2018	9	3	219
(f)	Automatic electronic bag filling machine	10	2011 to 2017	9	3	24
(g)	Robotic arm palletising system	10	2016 to 2021	2	-	496
(h)	Rotary arm wrapping machine	10	2019 to 2021	3	-	57
<b>Calrock Perak Plant</b>						
(a)	Hammer mill	10	2005	1	1	-
(b)	Vertical roller mill	10	1992 to 2010	5	5	-
<b>Production of CC and kaolin dispersion (KL Plant)</b>						
(a)	Grinding mill	10	2004 to 2019	19	17	242
<b>Production of bioplastic compounding (Zantat Perak Plant 2)</b>						
(a)	Compounding line	10	2022 to 2023	1	-	5,052

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**6. INFORMATION ON OUR GROUP (Cont'd)**

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We conduct periodic inspections and maintenance of our machinery and undertake certain repair works when necessary. Our maintenance procedures include oiling, corrosion prevention and cleaning. The machinery that we own are commonly used in the production of calcium carbonate products and are generally available from the local and overseas market. Machinery which is fully depreciated would have surpassed its useful life. However, although certain machinery (such as the 32 units disclosed above) are fully depreciated, they can still operate effectively and efficiently as they are regularly maintained and consumable parts are regularly replaced. If the machinery is well maintained and can operate efficiently and effectively, it will not be disposed. Fully depreciated machineries are disposed when they cannot operate effectively, or are functionally obsolete.

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**6. INFORMATION ON OUR GROUP (Cont'd)****6.9.6 Material capital expenditures and divestitures****(a) Material capital expenditures**

Save for the expenditures disclosed below, there were no other capital expenditures (including interests in other corporations) made by us for FYE 2020 to 2022, FPE 2023 and up to LPD:

Capital expenditures	At Cost				1 October
	FYE 2020	FYE 2021	FYE 2022	FPE 2023	2023 up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Buildings	294	436	203	2	61
Buildings-in-progress	235	574	269	14	-
Plant and machinery	44	454	106	124	88
Plant and machinery under installation	1,428	302	5,152	776	33
Factory tools and equipment	138	134	341	64	11
Motor vehicles	-	85	135	-	339
Forklifts and lorries	-	250	198	380	15
Office equipment	54	34	84	108	26
Furniture and fittings	86	5	160	53	8
Air-conditioners	8	5	2	9	7
Electrical equipment and fittings	23	52	110	29	45
Renovation	35	-	-	5	-
Software	-	-	-	-	-
	<b>2,345</b>	<b>2,331</b>	<b>6,760</b>	<b>1,564</b>	<b>633</b>

**FYE 2020**

For FYE 2020, our capital expenditures mainly related to the purchase of:

- (i) Building amounting to RM0.3 million comprising the renovation and upgrading work carried out at Zantat Perak Plant 1 and 2 office; and
- (ii) Plant and machinery amounting to RM1.4 million mainly comprising the purchase of crushing plant at Zantat Perak Plant 2, 1 unit of automatic robotic palletising system, 1 unit of digital weighbridge system, 1 unit of thermal analyser and 1 unit of humidity chamber.

**FYE 2021**

In FYE 2021, our capital expenditures mainly related to the purchase of:

- (i) Building amounting to RM0.4 million comprising the purchase a double-storey house for workers' accommodation at Tasek, Ipoh, Perak;
- (ii) Building-in-progress amounting to RM0.6 million comprising the construction of a workers' hostel building at our Zantat Perak Plant 1; and

**6. INFORMATION ON OUR GROUP (Cont'd)**

- (iii) Plant and machinery amounting to RM0.5 million comprising mainly 1 unit of wheel loader, 1 unit of jaw crusher, 1 unit of rotary arm pallet wrapper, and 1 unit of furnace with dryer.

**FYE 2022**

In FYE 2022, our capital expenditures mainly related to the purchase of:

- (i) Plant and machinery under installation amounting to RM5.2 million comprising mainly machinery and equipment for our bioplastic compounding activity; and
- (ii) Factory tools and equipment amounting to RM0.3 million comprising mainly infrastructure works for our crusher plant.

**FPE 2023**

In FPE 2023, our capital expenditures mainly related to the purchase of:

- (i) Plant and machinery amounting to RM0.8 million comprising mainly machinery and equipment for our bioplastic compounding activity; and
- (ii) Forklifts and lorries amounting to RM0.4 million comprising 4 units of forklifts.

The above capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. Our capital expenditures are mainly driven by our business growth as well as for replacement purposes.

**(b) Material capital divestitures**

Save for the divestitures disclosed below, there were no other capital divestitures (including interests in other corporations) made by us for FYE 2020 to 2022, FPE 2023 and up to LPD:

	<b>At Cost</b>				<b>1 October</b>
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>	<b>2023 up to</b>
<b>Capital divestitures</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>LPD</b>
					<b>RM'000</b>
Buildings	-	-	11	29	-
Plant and machinery	-	255	<sup>(1)</sup> 1,560	-	-
Factory tools and equipment	163	4	-	41	-
Motor vehicles	-	102	396	457	568
Forklifts and lorries	92	102	246	156	-
Office equipment	4	9	81	2	4
Furniture and fittings	1	7	7	-	-
Air-conditioners	2	1	7	1	3
Electrical equipment and fittings	2	2	191	-	-
	<b>264</b>	<b>476</b>	<b>2,499</b>	<b>686</b>	<b>575</b>

**Note:**

- (1) Mainly being written off of 1 unit of vertical roller mill and 1 unit of ball mill (acquired in 1986).

## **6. INFORMATION ON OUR GROUP (Cont'd)**

All our capital divestitures were carried out in the ordinary course of business as part of the periodic review of our fixed asset register to identify and eliminate those assets which have been fully depreciated or no longer in use or obsolete or surpassed their useful lives.

Moving forward, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9.1 of this Prospectus, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

### **6.9.7 Material plans to construct, expand or improve our facilities**

Save for the proposed utilisation of proceeds from our IPO to finance the capital expenditure as set out in Section 4.9.1 of this Prospectus and the capital commitment as set out in Section 12.6 of this Prospectus, our Group does not have any other immediate material plans to construct, expand and improve our facilities as at LPD.

### **6.10 RELEVANT LAWS, REGULATIONS, RULES OR REQUIREMENTS**

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

#### **(a) ICA 1975**

Pursuant to Section 3(1) of the ICA 1975, 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 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

"Manufacturing activity" is defined under the ICA 1975 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 RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

As at LPD, our subsidiaries, Zantat and Calrock, which carry out manufacturing activity, hold valid manufacturing licences issued by the MITI and our subsidiary, Zaneco, has obtained an exemption from MIDA to obtain manufacturing licence to carry out the production of compostable bioplastic.

#### **(b) EMSH 1990**

The EMSH 1990 prescribes the minimum standards of housing, nurseries and accommodation for employees (and their dependents, if applicable) as well as health, hospital, medical and social amenities to be provided by the employers to their employees.

## 6. INFORMATION ON OUR GROUP (Cont'd)

The EMSH 1990 was amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 ("**Amended Act**") where effective from 1 June 2020, employers must abide by enhanced minimum standards on accommodation for employees which includes obtaining a CFA from the Department of Labour Peninsular Malaysia. To obtain the CFA, Section 24F of the EMSH 1990 provides that an employer is required to ensure that every accommodation provided for employees complies with the minimum standards required under EMSH 1990 or any regulations made thereunder which includes the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 ("**Regulations 2020**").

The Regulations 2020 came into force on 1 September 2020, giving three months grace period from the enforcement of the Amended Act i.e. 1 June 2020 to allow employers to making necessary arrangements to ensure compliance with the EMSH 1990.

Absence of CFA for accommodation provided by employers to their employees is an offence under Section 24D of the EMSH 1990 and the employer shall, on conviction, be liable to a fine not exceeding RM50,000.

As at LPD, we have obtained the CFA for all 6 of our workers' accommodations occupied by our foreign workers.

Please refer to Sections 6.9.1 and 6.9.2 of this Prospectus for further details of these accommodations and the CFA issued in relation to these accommodations.

### (c) Environmental Quality Act 1974 ("**EQA 1974**")

Due to the nature of our Group's business activities, we are required to comply with the EQA 1974 and its regulations, among others, the Environmental Quality (Scheduled Wastes) Regulation 2005 ("**Scheduled Waste Regulations**") with respect to the disposal of scheduled waste in Malaysia and the Environmental Quality (Industrial Effluent) Regulations 2009 with respect to the discharge or release of industrial effluent or mixed effluent, onto or into any soil, or into inland waters or Malaysian waters.

It is an offence under EQA 1974 to dispose scheduled wastes on land or into Malaysian water unless with the approval of the DOE. A breach of this provision would subject the offender to a fine of not more than RM500,000 or imprisonment of not more than 5 years or both. Among others, the EQA 1974 and the Scheduled Waste Regulations also requires only licenced holders are allowed to transport and/or dispose of scheduled wastes.

Further, an owner or occupier of a premises shall ensure that a competent person is on duty at any time the industrial effluent treatment system is in operation. Any person who contravenes such regulation shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 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 a day for every day that the offence is continued after the notice by the Director General requiring him to cease the act as specified in the notice has been served upon him.

As at LPD, our Group's disposal of scheduled wastes is carried out by the licenced competent person and/or licenced service provider.

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**6. INFORMATION ON OUR GROUP (Cont'd)**

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Since our inception and up to LPD, our Group has not been issued with any material penalties pursuant to the EQA 1974 and any regulations issued under EQA 1974 in relation to the disposal of our scheduled wastes. As at LPD, our Group has observed and will continue to ensure we comply with the provisions of EQA 1974 and its regulations.

**(d) Occupational Safety and Health Act 1994 ("OSHA 1994")**

OSHA 1994 regulates, among others, the safety, health and welfare of persons at work, protecting others against the risks to safety or health in connection with the activities of the persons at work in various industries including the manufacturing industry.

Under the OSHA 1994, employers must, so far as is practicable, ensure the safety, health and welfare of all the employees at work, in particular:

- (i) the provision and maintenance of plants and systems of work that are, so far as is practicable, safe and without risks to health;
- (ii) the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
- (iii) the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of all its employees;
- (iv) so far as is practicable, the maintenance of a place of work that is in a safe condition and without risks to health; and
- (v) the provision and maintenance of a working environment that is, so far as practicable, without risks to health, and adequate facilities for the welfare of employees at work.

Failure to carry out the aforementioned duties shall constitute an offence and the employer is liable to a fine not exceeding RM50,000 or to imprisonment for term not exceeding 2 years or to both. The employer shall also notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

Since our inception and up to LPD, our Group has not been issued with any penalties pursuant to the OSHA 1994 and any regulations issued under the OSHA 1994. Our Group has observed and will continue to ensure that we comply with the provisions of the OSHA 1994.

**(e) Factories and Machinery Act 1967 ("FMA 1967")**

FMA 1967 provides for the control of factories with respect to matters relating to the safety, health and welfare of persons working in a factory and matters connected therein.

## **6. INFORMATION ON OUR GROUP (Cont'd)**

An occupier of a factory has a duty to maintain the standards of safety, health and welfare of its factories and factory workers, and these includes provisions requiring the taking of precautions against fire, the proper maintenance of machinery, that every factory shall be kept in a clean state, the taking of effective and suitable provisions for securing and maintaining adequate ventilation and that effective provision shall be made for securing and maintaining sufficient and suitable lighting and the mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machineries of Malaysia having jurisdiction for the area in which the accident or dangerous occurrence has taken place.

Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provides that the owner of every steam boiler, unfired pressure vessel or hoisting machine other than a hoisting machine driven by manual power shall hold a valid certificate of fitness in respect thereof so long as such machinery remains in service.

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 in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA 1967. Any person who contravenes this shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years, or both.

As at LPD, our Group has obtained certificates of fitness for all its machineries located in Perak Plants, Calrock Plant and KL Plant that require issuance of certificate of fitness by Department of Occupational Safety and Health under the FMA 1967 and its regulations.

Since our inception and up to LPD, our Group has not been issued with any material penalties pursuant to the FMA 1967 and any regulations issued under the FMA 1967. As at LPD, our Group has observed and will continue to ensure that we comply with the provisions of the FMA 1967.

### **(f) Mineral Development Act 1994 ("MDA 1994")**

MDA 1994 provides for the inspection and regulation of the exploration and mining of minerals and mineral ores and for other related matters. State Mineral Enactment provides the States with the powers and rights to issue mineral prospecting and exploration licences, mining leases and other related matters. Our Group's quarrying operations are carried out in Kampung Kepayang, Perak and hence, we are subject to the provisions under the Mineral (Perak) Enactment 2003.

Subject to the rights of the holder of any mineral tenement provided under any written law, no person shall -

- (i) possess, purchase, sell or store any minerals unless the person holds a mineral licence;
- (ii) carry out any mineral processing activities unless the person holds a mineral processing licence; or
- (iii) transport any mineral unless the person holds a licence to transport mineral.

## 6. INFORMATION ON OUR GROUP (Cont'd)

Any person who contravenes paragraphs (i) or (ii) commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 5 years or to both, while any person who contravenes paragraph (iii) commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 3 years or to both.

As at LPD, our Group has obtained the relevant licences for its mining operations, further details of which are set out in items (o), (p), (q), (r) and (s), Section 6.7 of this Prospectus.

Since our inception and up to LPD, our Group has not been issued with any material penalties pursuant to the MDA 1994 and any regulations issued under the MDA 1994. As at LPD, our Group has observed and will continue to ensure that we comply with the provisions of the MDA 1994.

### (g) Local Government Act 1976 ("LGA 1976")

Pursuant to Section 102 of the LGA 1976, local authorities are empowered to make, amend and revoke bylaws. Presently, our Group's business activities are carried out in Kuala Lumpur, Kampung Kepayang and Ipoh and as such, we come under the jurisdiction of DBKL, MDBG and MBI.

- (i) The Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws 2016 ("**DBKL By-Laws**") provides that any person who uses any premises for operating any business activity must have a business license issued pertaining to the said premises by under the DBKL By-Laws. Any person who contravenes any provision of the DBKL By-Laws, shall be guilty of 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, and in the case of a continuing offence, to a fine not exceeding RM200 for each day during which the offence is continued after conviction.
- (ii) The Licensing of Trades, Businesses and Industries (Batu Gajah District Council) By-Laws 2017 ("**MDBG By-Laws**") provides that no person shall operate any activity of trade, business or industry or use any place or premises in the local area of MDBG for any activity of trade, business or industry without the licence issued. Any person without first having obtained a valid licence operates or cause to be operated in his premises in which he has control over it shall be guilty of 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, and in the case of a continuing offence, to a fine not exceeding RM200 for each day during which the offence is continued after conviction.
- (iii) Licensing of Trades, Businesses and Industries (Ipoh City Council) By-Laws 2017 ("**MBI By-Laws**") provides that no person shall operate any activity of trade, business or industry or use any place or premises in the local area of MBI for any activity or trade, business or industry without the licence issued. Any person without first having obtained a valid licence operates or cause to be operated in his premises upon which he has control over it shall be guilty of 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, and in the case of a continuing offence, to a fine not exceeding RM200 for each day during which the offence is continued after conviction.

## 6. INFORMATION ON OUR GROUP (Cont'd)

As at LPD, our Group has obtained valid licences issued by DBKL, MDBG and MBI for our business premises, further details of which are set out in items (a) to (h), Section 6.7 of this Prospectus.

Since our inception and up to LPD, our Group has not been issued with any material penalties pursuant to the LGA 1976 and the applicable bylaws. As at LPD, our Group has observed and will continue to ensure that we comply with the provisions of the LGA 1976 and the applicable bylaws.

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 6.7 of this Prospectus. Save as disclosed therein, as at 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.

### 6.11 ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") PRACTICES

Zantat recognises the importance of a strong sustainability governance structure to manage accountability, discipline, and effective management of sustainability matters. In the year 2022, our Group established a three-tier sustainability governance system comprising our Board of Directors, the Sustainability Steering Committee ("**SSC**"), and the Sustainability Working Group ("**SWG**"). Our Board sets the overall sustainability direction, while the SSC oversees sustainability strategies and policies. The SWG is responsible for implementing approved sustainability initiatives. This is a governance structure with integrated sustainability at all levels of the organisation and facilitates the coordination and execution of sustainability efforts. The roles and responsibilities of the three-tier sustainability governance system are as follows:

#### **Board of Directors**

- (a) Develops the overarching sustainability strategy for our Group.
- (b) Approves proposed material sustainability matters and validates the materiality matrix proposed by the SSC.
- (c) Approves sustainability disclosures prepared by the SSC.
- (d) Reviews all ESG-related risks and opportunities that incorporated into our Group's strategy.

#### **Sustainability Steering Committee**

- (a) Reviews the sustainability statement which is prepared in accordance with the Bursa Malaysia Sustainability Reporting Guide prior to presenting it to our Board for approval.
- (b) Proposes the sustainability strategies, policies, and targets that are in line with our Group's overall business strategy for our Board's approval.
- (c) Assesses and manages our Group's material sustainability matters, such as corporate governance and transparency, climate resilience and energy efficiency, occupational health and safety and other pertinent risks and opportunities.
- (d) Provides oversight and monitors the implementation of sustainability initiatives and the progress of sustainability strategies approved by our Board.
- (e) Develops communication strategies and mechanisms to engage stakeholders on sustainability and periodically conduct materiality assessments to assess and identify stakeholders' priorities.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### **Sustainability Working Group**

- (a) Assists the SSC in coordinating and implementing our Group's sustainability strategies and initiatives in daily operations and reports their progress and performance to the SSC.
- (b) Compiles and monitors ESG-related data and information for sustainability reporting for the SSC's review and approval.
- (c) Oversees and monitors sustainability trends, climate-related issues and key sustainability risks and opportunities.
- (d) Identifies ESG risks and opportunities relevant to business operations to the SSC based on stakeholders' expectations.

Our Group adopts the sustainability standards with reference made to Bursa Malaysia's Sustainability Reporting Guide (3rd Edition) and the Global Reporting Initiative ("**GRI**") standards to prepare meaningful reporting of our ESG matters. The disclosures are aligned with the chosen Sustainable Development Goals (also known as "**SDGs**" or "**UN SDGs**"). Our Group also began the adoption of Task Force on Climate-related Financial Disclosures ("**TCFD**") recommendations.

Our Group has implemented, and are in the midst of implementing, the following practices:

#### **(a) Environmental**

Our Group believes in preserving and caring for the environment by adopting sustainable practices in our business activities. The measures that we have taken or plan to take (as the case may be) include the following:

- (i) Our Group has initiatives to promote efficient raw material usage and sustainable use of raw materials. The usage of our GCC is currently being promoted as a filler to replace other more costly materials, and less environmentally conscious materials, particularly plastic, which has seen pressures globally to be reduced in production. We have thus placed more focus of our R&D to develop new uses of GCC as a replacement raw material in support of such substitution.
- (ii) As part of the efforts to manage and facilitate climate resilience and energy efficiency, our Group installed solar panels at Zantat Perak Plant 1 that generated 1,274 MWh of electricity for the FPE 2023.
- (iii) In compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005 enforced by the Department of Environment, Zantat has recorded the total domestic waste, metal waste, and scheduled waste generated from the year 2020 to 2023 to comply with legal requirements. Out of all the waste generated, we recycled 64.3 tonnes of metal waste through a third-party metal recycler.

#### **(b) Social**

Our Group is committed to act responsibly to all our stakeholders in our business operations as well as to the community in which we operate in.

Zantat has established a Safety, Health and Environment ("**SHE**") Committee, which the committee members meet once every quarter to develop and initiate recommended plans of action related to Occupational Health and Safety management. The discussions and outcomes are recorded in meeting minutes and a copy of it is also shared with the employees to communicate the discussed information related to safety.

**6. INFORMATION ON OUR GROUP (Cont'd)**

Our Group has also established an Emergency Response Team (“**ERT**”), which consists of firefighting, rescue, and first-aid teams that facilitate proper prevention, mitigation, and recovery steps taken in case of emergencies. Our Group has also developed safe operating procedures for emergencies.

In view of implementing the SHE Committee and ERT team, our Group also provides health and safety training for its employees, as follows:

<b>Health and safety training in Zantat Perak Plants</b>	<b>Health and safety training in KL Plant</b>
Personal protective equipment training	Forklift safety
Forklift safety	Occupational first aid skills and cardiopulmonary resuscitation training
Protection against noise	Fire drill
Proper chemicals handling	Chemical handling and chemical spillage response training
Fire drill	Chemical spillage training
Emergency response plan	
Mass toolbox meetings	

In the year 2023, our Group invested RM113,000 in employee development, with a total of 21 new training programs for employees at Zantat Perak Plant 1 and Zantat Perak Plant 2, 17 programs at KL Plant, and 8 at Calrock Perak Plant. The training programs covered various areas relating to safety, technical skills, management, and soft skills.

In terms of gender diversity and inclusion, 14% of our Board of Directors is comprised of women. In the year 2023, our Group has hired a total of 216 employees, where 172 are men and 44 are women. The majority of employees are men (80%), and most of them are within the age group of 30 to 50 years old (60%). This is attributed to the intensive manual labour and safety concerns that arise from daily operations. The majority of employees at the management, executive, and non-executive levels are between the ages of 30 and 50. However, senior management has a greater number of employees aged 50 or older. Our Group also has a record of zero cases of discrimination in the year 2023.

Besides that, we also participate in corporate social responsibility initiatives and has donated approximately RM17,216 to various elderly and children welfare homes. We have also donated school uniforms worth RM2,911 to Ipoh, Perak’s SJK (C) Phui Ying Simpang Pulau and SK Sungai Raia in December 2023. The donation was for students from families with a Bottom 40% (“**B40**”) Malaysia household income, benefiting 15 SJK (C) Phui Ying students and 15 SK Sungai Raia students. We also sponsored approximately RM2,347 and collaborated with Hospital Raja Permaisuri Bainun and Aeon Mall Kinta City to provide a platform for people to make a blood donation.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### (c) Governance

Our Group is committed to conduct our business ethically and in compliance with all relevant laws, regulations, rules and requirements as disclosed in Section 6.10 of this Prospectus.

We strive to uphold the highest standards of integrity, transparency and accountability in our business operations. We are dedicated to conducting business in compliance with all applicable laws, rules and regulations, including the Malaysian Anti-Corruption Commission ("**MACC**") Act 2009, the MACC (Amendment) Act 2018, and other applicable local anti-bribery or anti-corruption laws. All employees are expected to abide by applicable laws and regulations.

We have also developed the following ethical policies that serve as an overarching guide. These policies assist us in navigating our long-term sustainability commitments and are listed below:

- (i) Code of conduct and ethics
- (ii) Fit and proper policy
- (iii) Whistleblowing policy
- (iv) Conflict of interest policy
- (v) Anti-money laundering policy
- (vi) Health and safety policy
- (vii) Equal employment policy and equal ratio of salaries between genders

In addition to the above, we have formalised a sustainability policy that represents our efforts and addresses the governance, economic, environmental and social facets of our business activities. The sustainability policy will be periodically reviewed to maintain its applicability and efficacy.

### 6.12 EMPLOYEES

As at LPD, we have a total workforce of 220 employees, of which 110 are local employees, comprising 100 permanent employees and 10 contractual employees. The Group has currently 110 foreign employees, all of whom have valid working permits.

The breakdown of our employees as at 30 September 2023 and LPD are as follows:

	No. of employees				Total employees
	Permanent		Contract/Temporary		
	Local (Malaysian)	Foreign	Local (Malaysian)	Foreign	
<b>As at 30 September 2023</b>					
<b>Department</b>					
Management / Managerial	11	-	-	-	11
Production & Operation	29	93	5	-	127
Purchase & Inventory	4	-	-	-	4
Logistic & Customer	13	-	-	-	13
Maintenance & Engineer	8	4	-	-	12
Quality Assurance	11	10	-	-	21
Sales & Marketing	4	-	-	-	4
Quarry	-	-	1	-	1
R&D	3	-	-	-	3
Finance & Accounts	11	-	-	-	11

**6. INFORMATION ON OUR GROUP (Cont'd)**

	No. of employees				Total employees
	Permanent		Contract/Temporary		
	Local (Malaysian)	Foreign	Local (Malaysian)	Foreign	
Human Resources & Administration	6	1	2	-	9
<b>Total</b>	<b>100</b>	<b>108</b>	<b>8</b>	<b>-</b>	<b>216</b>

**As at LPD**

<b>Department</b>					
Management / Managerial	11	-	-	-	11
Production & Operation	27	95	6	-	128
Purchase & Inventory	4	-	-	-	4
Logistic & Customer	12	-	1	-	13
Maintenance & Engineer	8	4	-	-	12
Quality Assurance	12	10	-	-	22
Sales & Marketing	4	-	-	-	4
Quarry	-	-	1	-	1
R&D	4	-	-	-	4
Finance & Accounts	11	-	-	-	11
Human Resources & Administration	7	1	2	-	10
<b>Total</b>	<b>100</b>	<b>110</b>	<b>10</b>	<b>-</b>	<b>220</b>

The breakdown of our employees by company as at 30 September 2023 and LPD are as follows:

<b>Company</b>	No. of employees	
	<b>As at 30 September 2023</b>	<b>As at LPD</b>
Zantat Holdings	4	4
Zantat	195	202
Zantat Light	-	-
Calrock	15	13
Zaneco	2	1
	<b>216</b>	<b>220</b>

There were no significant changes in the number of employees of our Group from 30 September 2023 up to LPD.

None of our employees belong to any labour union and over FYE 2020 to 2022, FPE 2023 and up to LPD, there is no labour dispute between our management and our employees. Additionally, over FYE 2020 to 2022, FPE 2023 and up to LPD, there has not been any incident of work stoppage that has materially affected our operations.

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## 7. BUSINESS OVERVIEW

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### 7.1 OUR HISTORY

Our Company was incorporated under the name of Zantat Holdings Sdn Bhd in Malaysia on 30 November 2021 under the Act as a private limited company and was subsequently converted to a public limited company on 25 May 2023.

The principal activity of our Company is investment holding, while through our subsidiaries, our Group is principally involved in the production of calcium carbonate namely GCC and CC dispersions. We are also involved in the production of kaolin dispersion, processing of ultrafine PCC powder, trading of other industrial minerals and sales of limestone quarry products. We also operate our own limestone quarry mainly for internal use of limestone.

Our history can be traced back to 1985 when our Promoters and founders, Chan Hup Ooi and Teh Ah Soon @ Teh Soon Tick, as well as 5 other shareholders acquired and allotted new shares in our subsidiary, Zantat, which was inactive at the time of acquisition. In 1985, Chan Hup Ooi and Teh Ah Soon @ Teh Soon Tick held 19.6% and 12.5% equity stakes in Zantat, respectively, while the remaining 67.9% was held by the 5 other shareholders comprising 1 family member and 4 third-party individuals. In 1986, Zantat commenced operations to produce GCC in Kuala Lumpur.

Subsequently, between 1992 and 2000, the 5 other shareholders sold off their equity interests in Zantat gradually to Chan Hup Ooi and Teh Ah Soon @ Teh Soon Tick. In 2000, Chan Eng Hue, brother of Chan Hup Ooi, became a minority shareholder with a 3.9% stake in Zantat. He joined Zantat in 1986 as a Production Supervisor and gradually worked his way up to become our Chief Operating Officer for KL Plant in 2022 up to LPD.

In the same year, in 2000, Chan Hup Ooi acquired a 50.0% stake in Calrock from a third-party individual. The remaining 50.0% equity stake was held by Asia Quest Industrial Sdn Bhd ("**Asia Quest**"), a third-party investor with no involvement in the day-to-day operations of Calrock. The total purchase consideration for the entire shares in Calrock was RM2.4 million. At the time of acquisition, Calrock, incorporated in 1970, was a producer of uncoated GCC based in Tasek Industrial Estate in Ipoh, Perak. Subsequently, in 2016, Chan Hup Ooi purchased the 50.0% equity stake in Calrock from Asia Quest at RM3.6 million based on the NA of Calrock as at August 2016.

Additionally, during the same year, in 2000, Zantat Light, was incorporated by our Promoters, Chan Hup Ooi and Teh Ah Soon @ Teh Soon Tick. In 2002, Zantat Light became a wholly-owned subsidiary of Zantat.

Subsequently, in 2008, Chan Bin Iuan, our Managing Director, became a minority shareholder with a 2.0% stake in Zantat. He joined Zantat in 2007 as a Business Development Executive. Since 2008, he helped Chan Hup Ooi, his father, and Teh Ah Soon @ Teh Soon Tick to oversee the production operations of Zantat and was promoted to Chief Executive Officer of Zantat in 2022. Chan Jee Chet, our Executive Director, became a minority shareholder with a 2.0% stake in 2015. He joined Zantat in 2012 as a Business Development Executive and assisted his brother, Chan Bin Iuan, to expand Zantat's business to the India market and was promoted to Chief Operating Officer of Perak Plants in 2022.

In 2022, Chan Hup Ooi and Teh Ah Soon @ Teh Soon Tick officially retired and handed over the operations of our Group to Chan Bin Iuan, Chan Eng Hue and Chan Jee Chet. Thereafter, they continue to advise our Company on strategic matters, and are no longer involved in the daily operations of our Group.

## 7. BUSINESS OVERVIEW (Cont'd)

As at LPD, our Group has 4 production plants of which 3 are located in Perak and 1 is located in Kuala Lumpur, as well as 2 pieces of leasehold lands with limestone reserves in Perak serving approximately 300 customers in India, Malaysia, Thailand, Indonesia, the Philippines, Australia, Sri Lanka, Nepal, China, Singapore, Papua New Guinea, Hong Kong, Vietnam, Oman, Taiwan, Fiji, South Korea, Brunei, Cambodia and Egypt.

Our history and key milestones are further elaborated in Section 7.2 of this Prospectus.

### 7.2 KEY ACHIEVEMENTS AND MILESTONES

The table below sets out the key events and milestones in the history and development of our business:

Year	Key events and milestones
1985	<ul style="list-style-type: none"> <li>Chan Hup Ooi and Teh Ah Soon @ Teh Soon Tick, our Promoters and founders, as well as 5 third-party shareholders acquired and allotted new shares in Zantat.</li> </ul>
1986	<ul style="list-style-type: none"> <li>Zantat commenced operations to produce GCC at KL Plant. We invested in a ball milling machine to produce coated and uncoated GCC. Our customers were manufacturers of PVC pipes and cables, as well as rubber and rubber products.</li> </ul>
1987	<ul style="list-style-type: none"> <li>We made our first export of coated GCC to Singapore serving customers involved in the manufacturing of PVC pipes and cables.</li> </ul>
1997	<ul style="list-style-type: none"> <li>We introduced a new product, namely ultrafine PCC powder, which functions as a release or anti-tack agent in the production of rubber gloves.</li> </ul>
2000	<ul style="list-style-type: none"> <li>Chan Hup Ooi acquired a 50.0% equity stake in Calrock while the remaining 50.0% equity stake was held by a third party, Asia Quest. At the time of acquisition, Calrock, incorporated in 1970, was a producer of uncoated GCC at the Calrock Perak Plant. Its customers were mainly manufacturers of paint, ceramic, glass, plywood and plaster as well as operators from the construction sector.</li> </ul>
2002	<ul style="list-style-type: none"> <li>We relocated Zantat's ball milling machine from the KL Plant to Calrock Perak Plant for the production of GCC to be closer to the source of raw materials in Perak to reduce transportation costs. Meanwhile, we invested and installed a wet milling machine at KL Plant to develop a new range of calcium carbonate products.</li> <li>We successfully commercialised the production of PCC dispersion at our KL Plant, whereby PCC dispersion is used as filler in the production of rubber gloves.</li> </ul>
2003	<ul style="list-style-type: none"> <li>Zantat Light, incorporated in 2000.</li> <li>Zantat Light acquired a 10-acres leasehold land with limestone reserves located in Keramat Pulai, Perak ("<b>Perak Quarry 1</b>"). At the time of the acquisition, it was inactive and had a lease expiring in 2015.</li> </ul>
2004	<ul style="list-style-type: none"> <li>We invested in another wet milling machine and started the production of GCC dispersion at our KL Plant for the rubber glove manufacturing industry.</li> </ul>

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

<b>Year</b>	<b>Key events and milestones</b>
2005	<ul style="list-style-type: none"> <li>As part of our expansion, Zantat acquired a 5-acre vacant land in Keramat Pulai, Perak to set up a calcium carbonate production plant. The said land is located at approximately 6 km away from Perak Quarry 1.</li> </ul>
2006	<ul style="list-style-type: none"> <li>Zantat Light obtained the Approval Letter of Quarry Operations (currently known as Approval Letter of Operational Mining Scheme), a compulsory licence to commence quarry operations from the Jabatan Mineral dan Geosains Negeri Perak and commenced quarry operations by engaging an external quarry contractor to carry out limestone extraction and crushing activities.</li> </ul>
2010	<ul style="list-style-type: none"> <li>We were granted 60 years lease extension for Perak Quarry 1 till 2070.</li> <li>We started the construction of a factory building comprising a warehouse and office with a built-up area of approximately 65,500 sq ft at our 5-acre vacant land in Keramat Pulai, Perak (Zantat Perak Plant 1). The first phase of Zantat Perak Plant 1 was completed in 2012.</li> </ul>
2011	<ul style="list-style-type: none"> <li>We installed 3 production lines comprising 1 hammer mill and 3 vertical roller mills for the production of GCC at Zantat Perak Plant 1 with an annual production capacity of approximately 78,000 tonnes of GCC.</li> </ul>
2012	<ul style="list-style-type: none"> <li>We started to export coated GCC to India mainly serving customers involved in the manufacturing of plastic masterbatch, a raw material used for the manufacturing of plastics and plastic products.</li> <li>We also started exporting coated GCC to Australia mainly serving customers involved in the manufacturing of PVC pipes.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Due to increasing demand from India and Australia, we invested in a fourth GCC production line at our Zantat Perak Plant 1 increasing our annual production capacity for GCC at Zantat Perak Plant 1 to approximately 104,000 tonnes.</li> <li>We started the construction of the second phase of development of our Zantat Perak Plant 1 with a built-up area of approximately 52,500 sq ft.</li> </ul>
2014	<ul style="list-style-type: none"> <li>The second phase of development of the Zantat Perak Plant 1 was completed in 2014 and we installed 2 additional vertical roller mills and 1 hammer mill.</li> </ul>
2015	<ul style="list-style-type: none"> <li>In 2015, we further installed 2 additional vertical roller mills at our Zantat Perak Plant 1, increasing the annual production capacity of GCC powder at our Zantat Perak Plant 1 to approximately 208,000 tonnes. The additional capacity is to support the increased demand from export markets where our total export quantity for the year reached 140,000 tonnes.</li> <li>We acquired a 4.7-acre leasehold land and a 14.8-acre leasehold land with limestone reserves ("<b>Perak Quarry 2</b>"), both of which are situated next to our Zantat Perak Plant 1. At the time of acquisition, Perak Quarry 2 was inactive with the lease expiring in 2068.</li> </ul>
2016	<ul style="list-style-type: none"> <li>Chan Hup Ooi purchased the remaining 50.0% equity stake in Calrock from Asia Quest at RM3.6 million based on the NA of Calrock as at August 2016.</li> </ul>

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

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<b>Year</b>	<b>Key events and milestones</b>
2017	<ul style="list-style-type: none"> <li>We started the construction of a factory building comprising a warehouse and office with a built-up area of approximately 107,000 sq ft on the newly acquired 4.7-acre land (Zantat Perak Plant 2).</li> </ul>
2018	<ul style="list-style-type: none"> <li>Zantat Perak Plant 2 was completed and we installed a new ball milling system mainly to manufacture our ultrafine grade GCC powder namely "Zanelite" with a production capacity of 45,000 tonnes annually.</li> </ul>
2020	<ul style="list-style-type: none"> <li>We developed and commenced the production of kaolin dispersion which functions as a filler to produce synthetic rubber gloves.</li> <li>We set-up a crushing plant at Zantat Perak Plant 2 to crush and reduce the size of the 6" x 9" limestone rocks produced by our external quarry contractor for our GCC production.</li> </ul>
2021	<ul style="list-style-type: none"> <li>We incorporated Zaneco to undertake bioplastic compounding.</li> </ul>
2022	<ul style="list-style-type: none"> <li>We commenced R&amp;D on the formulation for the bioplastic compound where we mix PLA (imported from China and USA) and PBAT (imported from China and Taiwan) with our GCC as fillers and other additives, to form bioplastic pellets. We intend to sell these bioplastic pellets to plastic product manufacturers for the production of biodegradable plastic products such as disposable gloves, and plastic packaging bags and films.</li> <li>Zaneco purchased and installed a bioplastic compounding production line with a monthly production capacity of 300 tonnes at Zantat Perak Plant 2. In April 2023, we obtained the OK compost INDUSTRIAL certification from TUV Austria Cert GmbH for our first bioplastic compound namely a compostable packaging film compound. We are in the process of discussion with several potential customers and intend to commercialise the said bioplastic compound by the first quarter of 2024. In this regard, potential customers have been identified with samples provided for testing. Upon completion of testing, the customers' orders are expected to commence.</li> </ul>

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**7. BUSINESS OVERVIEW (Cont'd)****7.2.1 Accreditations**

As at LPD, we have been accredited with the following accreditations:

<b>Company within our Group</b>	<b>Accreditation</b>	<b>Scope</b>	<b>Issuing party</b>	<b>Validity period</b>
Zantat (Perak Plants)	Quality Management System ISO 9001:2015	Manufacture of calcium carbonate products	Guardian Independent Certification Ltd	30 November 2023 to 8 December 2026
	Environmental Management System ISO 14001:2004	Manufacture of calcium carbonate products	Guardian Independent Certification Ltd	29 December 2021 to 23 January 2025
	HACCP <sup>(1)</sup>	Production of calcium carbonate for food contact surface	VE International Certification Group of Companies	1 November 2022 to 1 November 2025
	GMP <sup>(2)</sup>	Production of calcium carbonate for food contact surface	VE International Certification Group of Companies	1 November 2022 to 1 November 2025
Zantat (KL Plant)	Quality Management System ISO 9001:2015	Manufacture of calcium carbonate products	Guardian Independent Certification Ltd	30 November 2023 to 8 December 2026
	Environmental Management System ISO 14001:2004	Manufacture of calcium carbonate products	Guardian Independent Certification Ltd	29 December 2021 to 23 January 2025
Calrock	Quality Management System ISO 9001:2015	Manufacture of calcium carbonate products	VE International Certification Group of Companies	2 December 2023 to 2 December 2026

**Notes:**

- (1) HACCP refers to Hazard Analysis Critical Control Point.
- (2) GMP refers to Good Manufacturing Practice.

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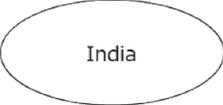
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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.3 PRINCIPAL ACTIVITIES

#### 7.3.1 Our business model

Our business model is depicted in the following diagram:

Business activities and revenue streams	Geographical markets	Distribution channel and customer base
<p><b>Principal activities</b></p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; width: 45%;">Production of GCC</div> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; width: 45%;">Production of CC dispersion</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; width: 45%;">Production of kaolin dispersion</div> <div style="border: 1px dashed black; border-radius: 10px; padding: 5px; width: 45%;">Bioplastic compounding</div> </div>	<p><b>Principal markets</b></p> <div style="text-align: center; margin: 10px 0;">  <p>India</p> </div> <div style="text-align: center; margin: 10px 0;">  <p>Malaysia</p> </div>	<p><b>Main channel - direct</b></p> <ul style="list-style-type: none"> <li>• Plastic masterbatch manufacturers</li> <li>• Rubber glove manufacturers</li> <li>• PVC pipe and cable manufacturers</li> <li>• Other manufacturers <sup>(4)</sup></li> </ul>
<p><b>Other business activities <sup>(1)</sup></b></p> <ul style="list-style-type: none"> <li>• Processing of ultrafine PCC powder</li> <li>• Trading of other industrial minerals</li> <li>• Sales of limestone quarry products</li> </ul>	<p><b>Other markets <sup>(2)</sup></b></p> <div style="display: flex; justify-content: space-between;"> <ul style="list-style-type: none"> <li>• Indonesia</li> <li>• The Philippines</li> <li>• Australia</li> <li>• Sri Lanka</li> </ul> <ul style="list-style-type: none"> <li>• Thailand</li> <li>• Nepal</li> <li>• Other foreign countries</li> </ul> </div>	<p><b>Indirect channel <sup>(3)</sup></b></p> <ul style="list-style-type: none"> <li>• Chemical trading companies</li> </ul>

In the process of commercialisation

#### Notes:

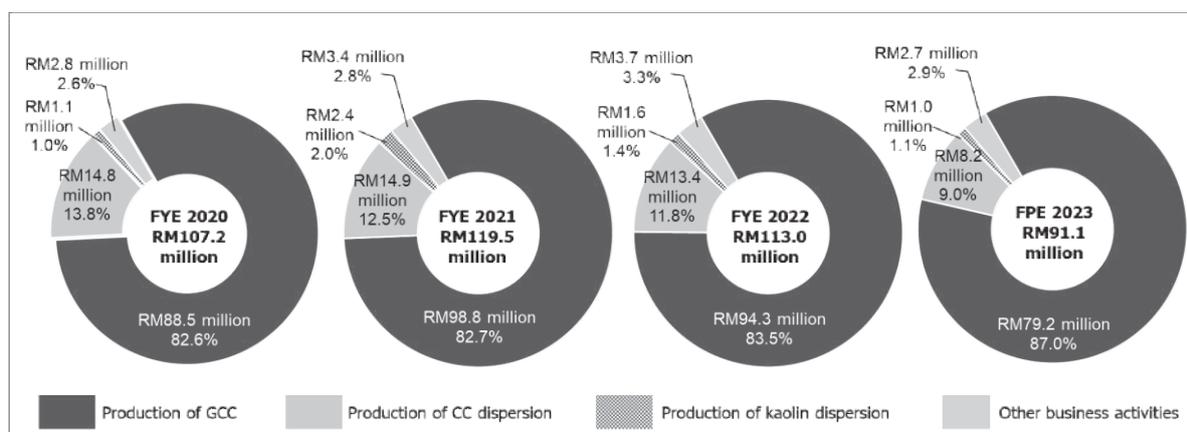
- (1) Other business activities accounted for 2.6%, 2.8%, 3.3% and 2.9% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.
- (2) Other geographical markets accounted for 8.8%, 9.3%, 9.3% and 8.6% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.
- (3) Indirect distribution channel accounted for 9.4%, 12.5%, 8.5% and 6.3% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.
- (4) Other manufacturers include, among others, manufacturers of paints and coatings, rubber products, sheet moulding compounds, ceramic and pottery, adhesive, plaster and furniture.

#### 7.3.2 Business activities and revenue streams

We are primarily involved in the production of calcium carbonate products, namely GCC and CC dispersions. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, the production of GCC was the largest revenue contributor to our Group which accounted for 82.6%, 82.7%, 83.5% and 87.0% of our total revenue, respectively. This was followed by the production of CC dispersion, and kaolin dispersion, a new product we introduced in 2020 for use as fillers in the production of synthetic rubber gloves. Our Group is also involved in other business activities such as the processing of ultrafine PCC powder, trading of other industrial minerals, and sales of limestone quarry products. These industrial minerals are used for various industrial applications, namely for the manufacturing of plastics, gloves, paints and coatings, and rubber products.

## 7. BUSINESS OVERVIEW (Cont'd)

Our revenue segmentation by business activities are as follows:



### (a) Production of GCC

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, production of GCC accounted for RM88.5 million (82.6%), RM98.8 million (82.7%), RM94.3 million (83.5%) and RM79.2 million (87.0%) of our total revenue, respectively.

GCC is limestone powder. The production of GCC involves crushing and grinding limestone into various particle sizes. We produce a diverse range of GCC average particle sizes ranging from 1.5 microns up to 25 microns.

We obtain limestone from our limestone reserves in Perak as well as purchase from third-party quarries for the production of GCC. All the input materials including limestone rocks and chips for our GCC production are sourced from Perak including those from our limestone reserves. Several limestone reserves in Perak including ours, are suitable for the production of GCC due to their higher purity content of calcium carbonate and a higher level of whiteness compared to limestone used for aggregates used in road works and construction. GCC is naturally white and commonly used as fillers or pigments by users, particularly plastic product manufacturers who prefer GCC with high whiteness. Our production of GCC is carried out at our Perak Plants.

In addition, we have 2 pieces of leasehold lands with limestone reserves each in our Perak Quarry 1 and Perak Quarry 2. The details of Perak Quarry 1 and Perak Quarry 2 are set out in Section 7.5 of this Prospectus. As at LPD, we are operating Perak Quarry 1 to produce GCC while there are no activities on Perak Quarry 2. We do not have in-house expertise and relevant equipment to undertake the primary crushing and quarrying operations. In this respect, we engage a third-party contractor, namely Britestone Sdn Bhd ("**Britestone**"), to undertake the quarrying and primary crushing process for us. This is mainly because the quarrying process requires specialised equipment such as excavators, hydraulic breakers and wheel loaders as well as a qualified person to handle explosives. We also have our crusher plant at Zantat Perak Plant 2 to carry out the secondary crushing process. Generally, our production of GCC involve primary crushing to crush the blasted rocks, and secondary crushing to crush the limestone rocks (from primary crushing process) prior to the grinding process.

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

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, approximately 29.0%, 32.0%, 30.0% and 25.6% of the limestone rocks and chips were sourced internally from our limestone reserves, while 71.0%, 68.0%, 70.0% and 74.4% were purchased from third parties namely Zillion Freight Sdn Bhd, CI Limestone Marketing Sdn Bhd as well as 10 other suppliers, respectively where their limestone rocks and chips were also from Perak.

As at LPD, despite owning 2 leasehold lands with limestone reserves, we choose to purchase limestone rocks and chips from third parties as it is not our focus to carry out quarrying operations and we do not have in-house expertise and equipment in quarry operations. Purchasing externally provides us with the flexibility of choosing suitable raw materials in terms of whiteness, brightness and purity content that meets our product composition requirements which are readily available from a wide array of suppliers. For the FYE 2020 to 2022 and FPE 2023, we have 12 suppliers of the limestone rocks and chips.

During the quarry operations, the extracted limestone comprises various purity level of calcium carbonate including limestones that are suitable for GCC production and other lower purity level limestone which are then use as aggregates for road works and construction. In this respect, not all extracted limestone is suitable for use in our production, by purchasing externally, we also would not have to incur more time and labour costs in handling the by-products of quarrying such as aggregates, quarry fines and dusts which are not used for the production of our calcium carbonate products.

As at LPD, although the cost of extracting limestone is approximately 15% to 25% lower than externally purchased limestone, external limestone prices are reasonable enough for us to continue purchasing for the conveniences mentioned above, so that we can spend more efforts focused on our calcium carbonate production, R&D, whilst preserving the limestone reserves for situations where external prices are unfavourable.

**(b) Production of CC dispersions**

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, production of CC dispersions accounted for RM14.8 million (13.8%), RM14.9 million (12.5%), RM13.4 million (11.8%) and RM8.2 million (9.0%) of our total revenue respectively.

Our CC dispersions are GCC or PCC power with added water or solvents. The production of CC dispersions involves GCC or PCC powder that has gone through a wet grinding process and the final products are in slurry form. The GCC powder is sourced internally, while the PCC powder is imported from China. PCC is a type of calcium carbonate that has undergone a chemical process for refinement and to obtain certain desired shapes and sizes of the PCC particles. As such, PCC's purity level is higher and has a uniform particle shape and size compared to GCC. Our production of CC dispersions is carried out at our KL Plant.

**(c) Production of kaolin dispersion**

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, production of kaolin dispersion accounted for RM1.1 million (1.0%), RM2.4 million (2.0%), RM1.6 million (1.4%) and RM1.0 million (1.1%) of our total revenue respectively.

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

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Kaolin dispersions are kaolin with added water or solvents. Kaolin is hydrated aluminosilicate, and it occurs naturally as clay. Alumina, the raw material for aluminium, is commercially extracted from kaolin. Kaolin dispersion functions as a filler to produce synthetic rubber gloves. We source the kaolin powder from China, Indonesia and Malaysia, and produce the kaolin dispersion at our KL Plant.

**(d) Bioplastic compounding**

Bioplastic compounds are formulated input materials comprising bioplastic resins and additives such as calcium carbonate and/or pigments used to make bioplastic products. We are in the process of expanding our business downstream into manufacturing bioplastic compounds. This will leverage our core competencies as a producer of calcium carbonate products as well as our customer base which includes plastic product manufacturers. In addition, it allows us to value-add on the calcium carbonate that we produce. The bioplastic materials that we use are a combination of plant-based and fossil-based materials and which is fully biodegradable. This will be combined with our calcium carbonate to become a bioplastic compound.

As at LPD, we have installed the bioplastic compounding production lines and is undergoing the product testing phase. In April 2023, we obtained the "OK compost INDUSTRIAL" certification from TUV Austria Cert GmbH for our first bioplastic compound, namely a compostable packaging film compound. TUV Austria Cert GmbH is an independent party to certify that our bioplastic compound is a biodegradable product in an industrial composting facility. This certification is only applicable to our bioplastic compounds and not for other products. We are also in the process of discussing with several potential customers and intend to commercialise our bioplastic compound by the first quarter of 2024. In September 2023, we have started providing samples to customers for testing. Upon completion of testing, the customers' orders are expected to commence during first quarter of 2024.

This business segment is to provide product diversification through higher value-adding to our existing products to enlarge our target market and customer base. Please refer to Section 7.18.2 of this Prospectus for further details on our plans.

**(e) Other business activities**

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, other business activities accounted for RM2.8 million (2.6%), RM3.4 million (2.8%), RM3.7 million (3.3%) and RM2.7 million (2.9%) of our total revenue respectively.

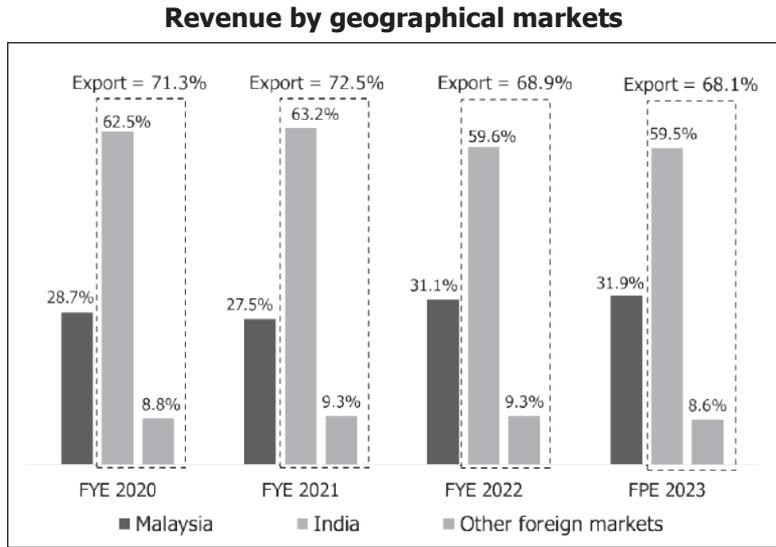
Our other business activities include the processing of ultrafine PCC powder, trading of other industrial minerals such as talcum powder, and sales of limestone quarry products.

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

**7.3.3 Geographical markets**

Our products are mainly sold to countries in the Asia Pacific region. Our largest market is India which accounted for 62.5%, 63.2%, 59.6% and 59.5% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

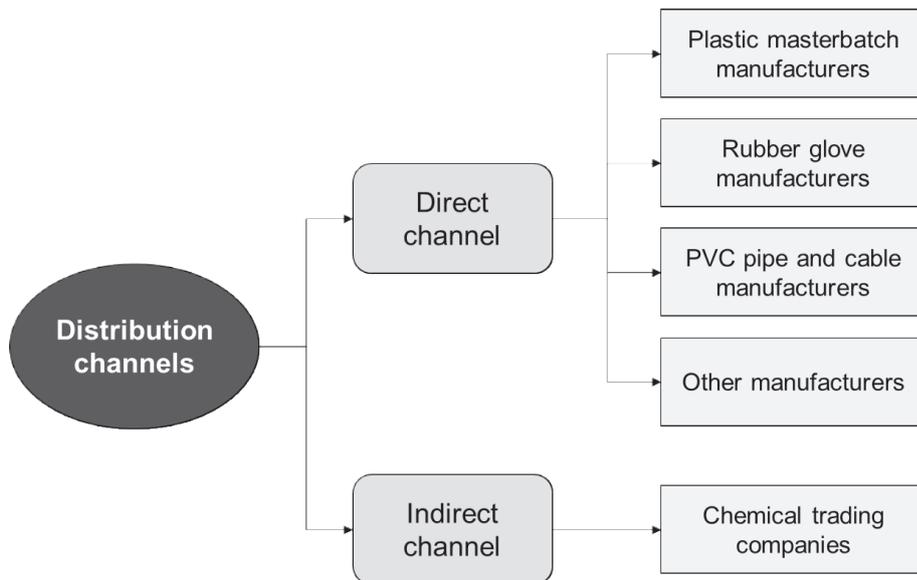
This is followed by Malaysia, which accounted for 28.7%, 27.5%, 31.1% and 31.9% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.



The remaining 8.8%, 9.3%, 9.3% and 8.6% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were generated from sales to customers in 18 other foreign markets including Indonesia, the Philippines, Australia, Sri Lanka, Thailand, Nepal, Vietnam, Cambodia, Singapore, Papua New Guinea, Fiji, Egypt, Hong Kong, Taiwan, Brunei, China, Oman, and South Korea (contribution of each country represents less than 5% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023).

**7.3.4 Distribution channel and customer base**

We use both direct and indirect distribution channels as depicted below:



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

We mainly utilise direct distribution channels where we market and sell our products directly to users of our products. Our direct distribution channel strategy enables us to work closely with users of our products to better understand their needs as well as obtain feedback to enhance our products or develop new products. Within our direct distribution channel, our largest group of customers are plastic masterbatch manufacturers who mainly use our calcium carbonate products as fillers to produce plastic masterbatch. This is followed by rubber glove manufacturers, PVC pipe and cable manufacturers, and other manufacturers including paints and coatings, other rubber products, sheet moulding compound, ceramic and pottery, adhesive, plaster and furniture, among others.

We also use an indirect distribution channel where we sell our products to chemical trading companies who will then resell them to end-user industries such as rubber glove manufacturers in Malaysia.

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our customer base comprises approximately 350, 340, 320 and 315 customers, respectively. Our revenue segmented by type of customers are as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Direct channel – Manufacturers</b>	<b>97,158</b>	<b>90.6</b>	<b>104,523</b>	<b>87.5</b>	<b>103,371</b>	<b>91.5</b>	<b>85,383</b>	<b>93.7</b>
Plastic masterbatch	72,481	67.6	80,052	67.0	77,711	68.8	64,098	70.3
Rubber gloves	11,393	10.6	11,554	9.7	12,526	11.1	7,718	8.5
PVC pipes and cables	7,103	6.6	7,208	6.0	6,354	5.6	5,641	6.2
Others <sup>(1)</sup>	6,181	5.8	5,709	4.8	6,780	6.0	7,926	8.7
<b>Indirect channel</b>	<b>10,051</b>	<b>9.4</b>	<b>14,941</b>	<b>12.5</b>	<b>9,652</b>	<b>8.5</b>	<b>5,706</b>	<b>6.3</b>
Chemical trading companies	10,051	9.4	14,941	12.5	9,652	8.5	5,706	6.3
<b>Total revenue</b>	<b>107,209</b>	<b>100.0</b>	<b>119,464</b>	<b>100.0</b>	<b>113,023</b>	<b>100.0</b>	<b>91,089</b>	<b>100.0</b>

**Note:**

- (1) Includes manufacturers of paints and coatings, other rubber products, sheet moulding compound, ceramic and pottery, adhesive, plaster and furniture, among others.

**7.3.5 Our mode of operations**

We do not have any long-term agreements with our customers. We operate based on purchase orders issued by our customers as and when they require our products. We manufacture to stock and purchase orders are filled from our stocks and delivered to destinations specified by our customers.

Invoices are issued upon delivery of our products. We maintain an inventory level of 1 month which allows us to deliver most of our products to our domestic customers within 7 days and foreign customers between 2 weeks to 4 weeks from the purchase order date.

For sales to domestic customers, the pricing of our products is ex-factory or including delivery.

For sales to foreign customers, the pricing of our products is mainly based on CIF which comprises cost of goods, insurance and freight of the customer's shipment while in transit. Under the CIF pricing, we are responsible and liable for the goods during transit. Meanwhile, a small proportion of our export sales are based on FOB where the customer is responsible and liable for the goods during transit.

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

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We do not provide any warranty for our products.

### **7.4 OUR PRODUCTS**

Our business activities are as follows:

- Production of GCC;
- Production of CC dispersions;
- Production of kaolin dispersions; and
- Other business activities.

#### **7.4.1 Overview of calcium carbonate**

##### **7.4.1.1 Source, types and applications of calcium carbonate**

Our business is mainly involved in the production of calcium carbonate products. Calcium carbonate is a naturally formed material found in limestone. Generally, rocks from limestone reserves are quarried and ground to become calcium carbonate powder or ground calcium carbonate (GCC).

Limestone is a useful and flexible mineral. It is widely used in many applications including construction and non-construction-related applications. For construction applications, limestone can be cut and polished to become marble slabs and tiles and are used for flooring, walling and surfaces of furniture and structures. When limestone is crushed into aggregates, they are used for road construction and the manufacturing of concrete and building materials. Limestone aggregates are also used to manufacture cement and lime.

For non-construction-related applications, limestone is commonly crushed and ground into a powder used in many applications. The type of limestone used to produce GCC has fewer impurities and is whiter in colour compared to those used for building materials, road construction and cement. Thus, not all limestones are suitable for the production of GCC.

Generally, calcium carbonate products that are produced from limestone deposits that are of higher purity are considered to be more valuable. Based on different usage, calcium carbonate extracted from limestone deposits needs to meet certain chemical and physical requirements such as purity, particle size distribution, brightness or whiteness and many other factors.

In Malaysia, the largest amount of limestone deposits is located in Perak. Therefore, this has made Perak a major producer of limestone products such as calcium carbonate powder, dolomite, lime, marble slabs and tiles, aggregates and cement in Malaysia. A number of these limestone reserves in Perak are suitable for the production of GCC due to their higher purity content of calcium carbonate and a higher level of whiteness compared to limestone hills in other parts of Malaysia. We obtain our limestone from limestone reserves in Perak for the production of GCC and GCC dispersions.

**7. BUSINESS OVERVIEW (Cont'd)****Limestone used for road construction, building materials and cement****Limestone used to produce ground calcium carbonate**

There is another type of calcium carbonate called precipitated calcium carbonate (PCC). PCC is known as a purified, refined or synthetic calcium carbonate. PCC is manufactured through a chemical process which involves burning crushed limestones at a high temperature of approximately 1,250 degrees centigrade (calcination) and subsequently, water and carbon dioxide are added to produce PCC. As PCC is manufactured through a chemical process, the purity level is very high, commonly above 98.0% content of calcium carbonate. By controlling certain variables in the manufacturing process, PCC can be synthesised to provide desired uniformed particle size and shape. Due to the additional processing, PCC is more expensive compared to GCC. We import PCC as input material to produce PCC dispersions and processing of ultrafine PCC.

**GCC****PCC**

The following are some of the differences between PCC and GCC:

- PCC is generally of higher purity compared to GCC as the manufacturing process removes a significant amount of impurities which makes it suitable for food and pharmaceutical products;
- PCC is whiter in colour compared to GCC which is a desirable characteristic for some products, especially paints and coatings;
- PCC can be manufactured into very fine particles, much finer compared to GCC which is derived from the mechanical grinding of limestone; and
- PCC is generally more expensive compared to GCC.

Both GCC and PCC can be used for a wide range of applications depending on the technical requirements of the user industry.

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

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Calcium carbonate has very wide applications. One of the most common usages for calcium carbonate is used as a filler. Filler is used for reducing the use of more expensive raw materials in each formulation without materially compromising the properties and characteristics of the final manufactured products. For example, instead of using 100% of plastic raw material, the formulation may be changed to 20% calcium carbonate and 80% of plastic raw material. Using calcium carbonate as filler provides significant cost savings as calcium carbonate usually costs less compared to the main raw material.

Calcium carbonate is also sometimes used as a whitener due to its natural white colour. As a whitener, it is used to replace some of the more expensive white pigments like titanium dioxide commonly used in paints and coatings.

Calcium carbonate also has its characteristics and properties that when mixed with other materials may result in improved or provide desired characteristics and properties. In this situation, calcium carbonate functions as an additive.

Calcium carbonate is used across many industries including plastics, rubber gloves, other rubber products, paper, paints and coatings, and adhesives.

Our calcium carbonate products are sold for use in non-food and non-pharmaceutical applications.

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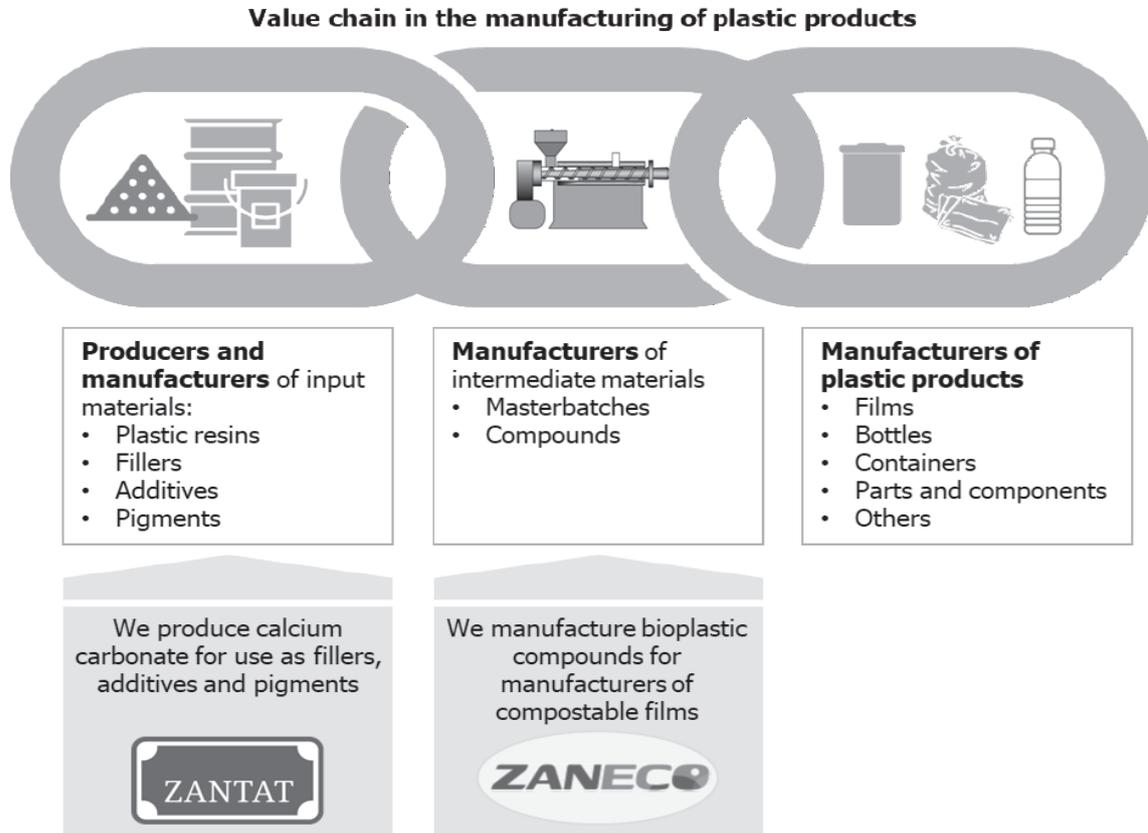
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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.4.1.2 Our position in the value chain of manufacturing of plastic products

Our position in the value chain of manufacturing of plastic products is depicted in the diagram below:



We produce calcium carbonate which serves as fillers, additives and/or pigments which are combined with the key ingredient, namely plastic resins, to serve as input materials in the manufacturing of plastic products. Our calcium carbonate products are sold to plastic masterbatch manufacturers, which accounted for our largest revenue contribution for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, to be combined with other input materials for plastic product manufacturers.

As at LPD, we are in the process of manufacturing bioplastic compounds for manufacturers of compostable packaging film. Please refer to Section 7.18.2 of this Prospectus for further details on our bioplastic compounding business.

### 7.4.2 Production of GCC

#### 7.4.2.1 Overview

Our main business is in the production of GCC including coated and uncoated GCC. We produce uncoated GCC by crushing and dry-grinding limestone rocks into various particle sizes. Coated GCC is produced using uncoated GCC with an additional chemical surface treatment process.

## 7. BUSINESS OVERVIEW (Cont'd)

The revenue generated from the production of GCC is set out below:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
GCC								
- Coated GCC	78,779	73.5	88,117	73.8	83,735	74.1	70,079	76.9
- Uncoated GCC	9,717	9.1	10,678	8.9	10,618	9.4	9,157	10.1
<b>Total revenue from the production of GCC</b>	<b>88,496</b>	<b>82.6</b>	<b>98,795</b>	<b>82.7</b>	<b>94,353</b>	<b>83.5</b>	<b>79,236</b>	<b>87.0</b>

### 7.4.2.2 Properties of our GCC

The GCC that we produce has the following properties:

#### (a) High purity

The GCC that we produce has high-purity calcium carbonate content (up to 97% or more by weight). This is because we source limestone with the required calcium carbonate purity specification to produce our calcium carbonate products. We source these limestones directly from our limestone reserve as well as from third-party limestone quarries nearby. In FYE 2020, FYE 2021, FYE 2022 and FPE 2023, approximately 29%, 32%, 30% and 26% of the limestone rocks and chips were sourced internally from our limestone reserves while 71%, 68%, 70% and 74% were purchased from external parties, respectively.

#### Sample of the calcium carbonate that we use in our production of GCC



#### (b) Diverse range of particle size and particle size distribution

GCC consist of numerous particles and their sizes can vary significantly. Particle size distribution refers to the range of particle sizes present in the given sample.

We produce GCC across a range of particle sizes from an average particle size of as low as 1.5 microns up to 25 microns.

For GCC, particle-size distribution is used to indicate the particles' range of sizes in a sample measured. The most widely used method of describing particle size distribution is the "D" value. Average particle size (D50) and top cut (D97) are commonly used to represent the midpoint and the upper limit of particle sizes respectively in a given sample. For example, D50 of 1.5 microns means that in a GCC sample, 50% of the particles have sizes smaller than 1.5 microns.

For GCC, particle size is an essential characteristic that affects various properties and performance of the material as brightness, dispersibility and other physical properties are closely related to fineness of the GCC powder.

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

**(c) High brightness or whiteness**

GCC is naturally white. The finer the GCC, the brighter or whiter the GCC becomes. Manufacturers using GCC as fillers or pigments would prefer the GCC to be as bright or white as possible.

Brightness or whiteness is measured using an index developed by the France-base Commission Internationale de l'Eclairage (International Commission on Illumination) called the CIE or Whiteness Index. The CIE Index measures the rate of reflection of a specific wavelength of blue light, ranging from a scale of 0 to 100. The higher the CIE Index, the higher the rate of reflection or whiteness of the product. Our GCC has a high brightness or whiteness CIE Index ranging from 93 to 98.

**(d) Low oil absorption**

GCC has low oil absorption properties. Generally, low oil absorption is an important property for many manufacturing processes including plastics, paints and coatings. Oil absorption relates to how much of the resin used in plastics, paints and coatings will be absorbed by the calcium carbonate. A higher oil absorption value of the filler means that the product formulation will require more lubricants and adhesives to produce an acceptable quality product thereby increasing the cost of production. Filler such as GCC which has a low oil absorption value can replace a higher proportion of the more expensive materials, thus reducing production costs.

**(e) Filler grade used in the manufacturing of many industrial products**

Our GCC is filler grade mainly used in the manufacturing of plastics, rubber gloves, other rubber products, paints and coatings, paper, and adhesives. A filler is a material added to bulk up the volume or replace some of the more expensive input materials, thus lowering the overall cost of materials while maintaining or improving the properties of the final product. However, the term "filler grade" is used to denote the suitability of the grade of GCC to be used as fillers, additives and pigments in industrial applications, and not for use in food or pharmaceutical products.

Specifications for GCC used in paper, plastics, paints and coatings typically require closely controlled particle-size distribution and high brightness values, together with a good ability to flow and low oil absorption.

**7.4.2.3 Differences between uncoated and coated GCC**

GCC in its natural form, which is also known as uncoated GCC, mixes well or dissolves easily in water. However, when uncoated GCC is exposed to moisture, it becomes sticky and clumps up easily. This is not a good property when applied in the manufacturing of certain products such as plastics. For the manufacturing of such products, coated GCC is used as it repels water and hence allowing it to be evenly distributed when used as a filler in the manufacturing of products such as plastics.

The following are some of the different characteristics between uncoated and coated GCC:

<u>Preferred characteristics</u>	<u>Coated GCC compared to uncoated GCC</u>
Repels or does not mix well with water	Coated GCC repels water or does not mix with water while uncoated GCC mixes well with water
High flowability (ability for a substance to flow freely)	Coated GCC has higher flowability compared to uncoated GCC

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

**Preferred characteristics**

High dispersibility (less clumps forming)

Low oil absorption

**Coated GCC compared to uncoated GCC**

Coated GCC has higher dispersibility compared to uncoated GCC

Coated GCC has lower oil absorption compared to uncoated GCC

Please refer to Section 7.6.1 of this Prospectus for detailed information on our GCC production process.

**7.4.2.4 Our product range, branding and packaging of GCC**

Our current portfolio of GCC comprises coated and uncoated GCC in 3 grades, namely coarse-grade GCC, fine-grade GCC and ultrafine-grade GCC, as follows:

<b>Size Grade</b>	<b>Average Particle Size (D50)</b>
Coarse to medium	greater than 4 microns
Fine	greater than 2 and up to 4 microns
Ultrafine	less than or equal to 2 microns

- Coarse-grade GCC does not have any branding and is mainly used as fillers for the manufacturing of plaster and paper board.
- Fine-grade GCC is mostly packed and sold under our "Zancarb" brand and is mainly used as fillers for the manufacturing of plastic masterbatch, PVC pipes and paints.
- Ultrafine-grade GCC is mostly packed and sold under our "Zanelite" brand and is mainly used as an additive to provide desired characteristics such as opacity and glossiness for the manufacturing of breathable films, paints and plastic products.

Our GCC are sold in a variety of packaging sizes comprising 25 kg paper bags, 50 kg PP bags (typically coarse-grade GCC for domestic market), as well as 500 kg, 1 tonne, 1.25 and 1.30 tonne jumbo bags.

The following are some of the types of packaging for our GCC:

**25-kg paper bags**



**50-kg PP bags**



**1.25-tonne jumbo bags**



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.4.2.5 Usage of our GCC in industrial applications

The following are some of the main industrial applications of our GCC.

#### (a) Plastics products

GCC is used as fillers in plastics mainly to reduce manufacturing costs. For some plastics, GCC can also improve properties such as impact strength and surface gloss.

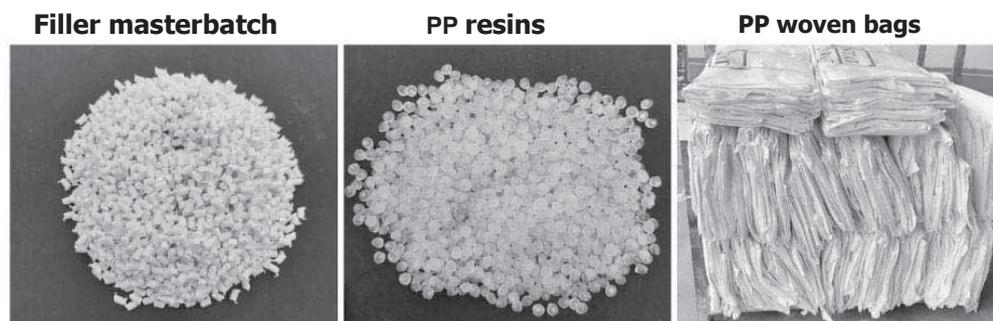
GCC is commonly used as fillers in plastic products because it is widely available, easy to grind, economical, non-toxic, odourless, tasteless and conforms to food regulations in plastic packaging. Furthermore, because of its high whiteness, it can replace expensive pigments such as titanium dioxide in plastics. Additionally, it has high thermal conductivity providing it with a good ability to melt when compounded with plastic resins. This improves manufacturing productivity as raw materials blend faster during the extrusion process and the output plastic product cools quicker.

Our GCC products are commonly used as fillers in the manufacturing of the following types of plastics:

<b>Plastic types</b>	<b>Examples of applications of our GCC products</b>
Low-density polyethylene (LDPE)	Film packaging such as plastic shopping bags, shrink wrap and clean films
High-density polyethylene (HDPE)	Blow and injection moulding into bottles, containers, toys and utensils
Polypropylene (PP)	Film for packaging, fibres for carpets and clothing, rigid packaging, consumer products and technical parts
Rigid PVC	Pipes and profiles
Plasticised PVC	Wires and cables, films and sheets, coated fabrics and leathercloth

We mainly supply our GCC products to:

- masterbatch manufacturers for the plastics industry; and
- PVC pipes and cable manufacturers.



Our GCC is mainly for filler masterbatch used in the manufacturing of plastics products, such as PP woven bags. For example, filler masterbatch is used to replace some of the more expensive PP resin in the manufacturing of PP woven bags.

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

In some situations, GCC is used directly in the manufacturing of some plastic products such as PVC plastic products. This is because PVC resin is processed and sold in powder form and can blend with calcium carbonate powder during the manufacturing process.

The filler content in plastics varies between 2% and 30% depending on the properties that the manufacturer wants to achieve. Among all types of plastics, PVC contains the highest filler content. Generally, the finer the powder's particle size, the greater the reinforcing properties. Therefore, to produce a plastic that requires more strength, finer particle size is usually chosen.

### **(b) Paints and coatings**

Our GCC is used in the manufacturing of paints and coatings as fillers to reduce production costs. It is preferred in paints and coatings mainly because of its high degree of whiteness, and it is non-toxic, weather resistance, anti-corrosion and low density. There are many varieties of paints and coatings such as emulsion paints, primers, industrial paints, textured paints, powder coatings, printing inks and plasters. Particle size and particle size distribution of the calcium carbonate are the main difference between the various grades of calcium carbonate used in the manufacturing of these different types of paints and coatings. For example, printing inks require ultrafine grade (that is, D50 less than 1.5 microns) compared to plasters which use coarse-grade (that is, D50 above 10 microns).

#### **7.4.2.6 Our production of GCC**

The production of GCC is currently undertaken by our subsidiaries, Zantat and Calrock, where Zantat focuses on producing coated GCC and Calrock focuses on producing uncoated GCC.

As at LPD, our GCC production operations are supported by the following facilities:

##### **Coarse-grade GCC – Calrock Perak Plant**

- 5 GCC production lines using vertical roller mills and 1 raw material feeding and preparation system at our Calrock Perak Plant mainly for the production of uncoated coarse-grade GCC; and
- In-house quality control and testing facilities to monitor and control our processes and products.

##### **Fine-grade GCC – Zantat Perak Plant 1**

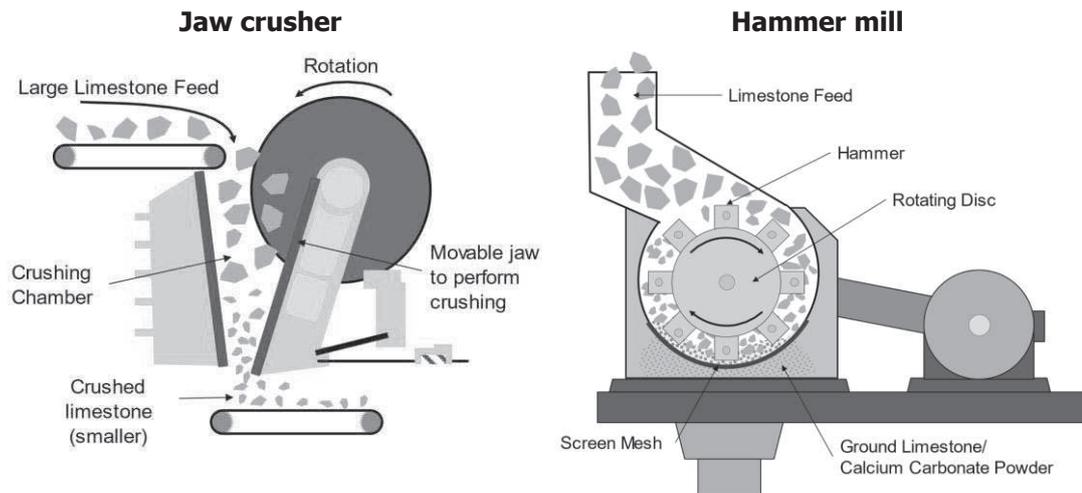
- 8 GCC production lines using vertical roller mills and coating machines, as well as 2 raw material feeding and preparation systems mainly for the production of coated and uncoated fine grade GCC; and
- In-house quality control and testing facilities to monitor and control our processes and products.

## 7. BUSINESS OVERVIEW (Cont'd)

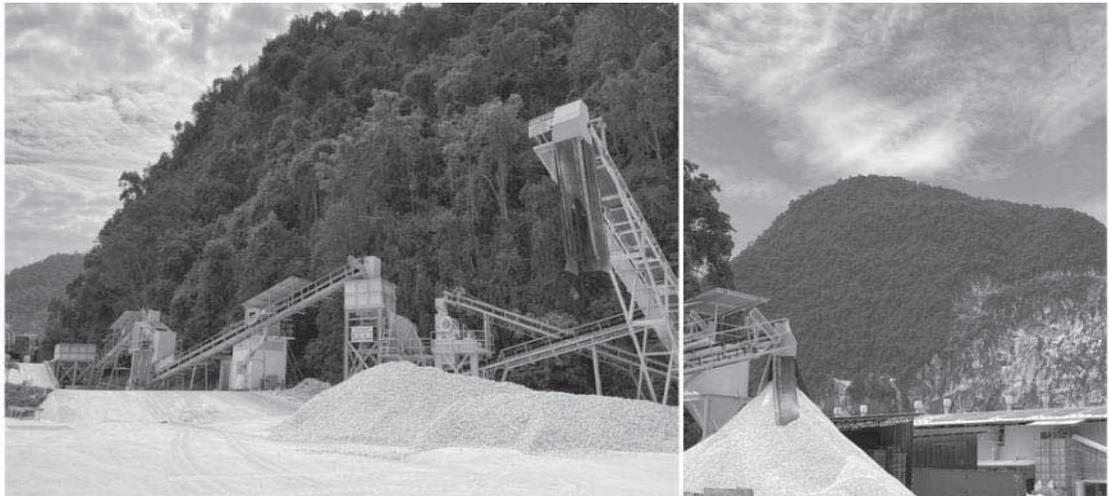
### Ultrafine-grade GCC – Zantat Perak Plant 2

- 1 crushing plant used for secondary crushing;
- 1 GCC production line using a ball mill and coating machine, as well as 1 raw material feeding and preparation system mainly for the production of coated and uncoated ultrafine grade GCC; and
- In-house quality control and testing facilities to monitor and control our processes and products.

Our crushing plant and GCC production lines are equipped with crushers such as jaw crushers and hammer mills to reduce the size of the limestone rocks.

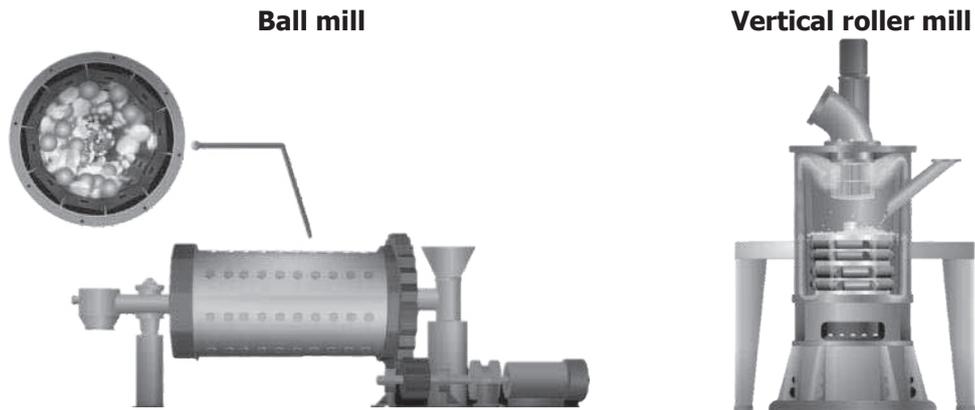


### Our crushing plant at Zantat Perak Plant 2



After the crushing process, these limestones will undergo a dry grinding process to reduce them into various particle sizes ranging from coarse, medium, fine and ultrafine. Our plants are equipped with a ball mill and vertical roller mill for the dry grinding process.

## 7. BUSINESS OVERVIEW (Cont'd)



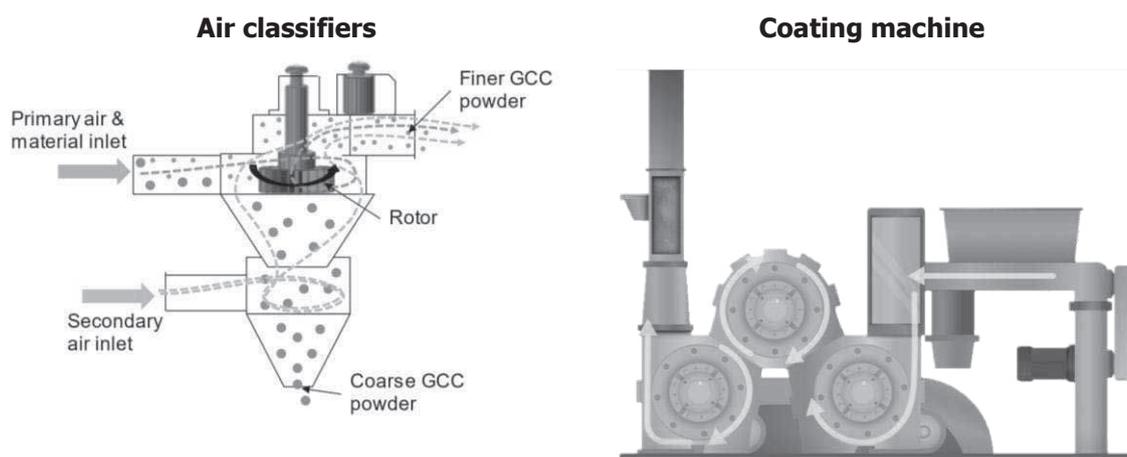
**Our ball milling system at Zantat Perak Plant 2**



Our GCC production lines are equipped with air classifiers to separate the GCC into different size classes. The air classifier uses an air cyclone and gravitational force within the machine to separate light weight ultrafine particles and heavy coarser particles.

The output from the air classifier is our uncoated GCC product in various sizes. Meanwhile, for our coated GCC product, the classified uncoated GCC will undergo an additional surface treatment process in a coating machine where stearic acid is sprayed onto the surface of the GCC particle, creating a water-repellent layer.

## 7. BUSINESS OVERVIEW (Cont'd)



### 7.4.3 Production of CC dispersions

#### 7.4.3.1 Overview

We produce CC dispersion which is a calcium carbonate that has gone through a wet grinding process and the final product is in slurry form. We produce 2 types of CC dispersions, namely GCC dispersions and PCC dispersions.

The revenue contribution of our CC dispersions is set out below:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
CC dispersion								
- GCC dispersion	6,736	6.3	7,480	6.3	7,550	6.7	5,229	5.7
- PCC dispersion	8,084	7.5	7,429	6.2	5,837	5.1	2,949	3.2
<b>Total revenue of CC dispersions</b>	<b>14,820</b>	<b>13.8</b>	<b>14,909</b>	<b>12.5</b>	<b>13,387</b>	<b>11.8</b>	<b>8,178</b>	<b>9.0</b>

#### 7.4.3.2 Our product range, branding and packaging of CC dispersion

Our GCC dispersion is packed and sold under our brand "Zancarb" while we use our "Superlite" brand for PCC dispersion. As at LPD, we have 3 types of GCC dispersions and 2 types of PCC dispersions.

Our PCC dispersions are mainly used as fillers in the manufacturing of powder-free natural rubber examination and surgical gloves. Generally, PCC dispersions are the preferred choice for manufacturing surgical or higher-quality examination gloves because of their higher purity compared to GCC dispersions.

## 7. BUSINESS OVERVIEW (Cont'd)

Our CC dispersions products are sold in a variety of packaging sizes comprising 275 kg and 300 kg metal drums, 1.1-tonne and 1.2-tonne intermediate bulk containers (IBC), as well as 6.5-tonne tankers, as follows:



### 7.4.3.3 Usage of our CC dispersions in industrial applications

Our CC dispersions are mainly used as fillers in the production of rubber gloves to reduce the production cost in terms of replacing the more expensive liquid rubber (latex) and pigments such as titanium dioxide. Besides being used as a filler, it also acts as an anti-tack agent to prevent the rubber glove from sticking to the surface of the former (a mould in the shape of a hand), thus making it easier to strip the glove from the former.

Typically, GCC dispersions are used for the production of natural rubber gloves, as opposed to GCC in powder form, so they could be mixed and added into the dipping tank with the liquid rubber.

Within the rubber glove industry, there are several types of rubber gloves including natural and synthetic rubber examination gloves and surgical gloves, as well as industrial gloves and household gloves. The properties of fillers used in the manufacturing of different types of rubber gloves may differ as it needs to meet certain regulatory requirements and standards. For example, fillers with finer particle size are used for the manufacturing of surgical gloves as it needs to meet stricter requirements compared to examination gloves.

### 7.4.3.4 Our production of CC dispersions

The production of CC dispersions is currently undertaken by our subsidiary, Zantat at our KL Plant. As at LPD, we have 4 GCC dispersion production lines and 2 PCC dispersion production lines at our KL Plant.

Our CC dispersions are produced using the wet grinding process. This process can achieve a much finer particle size compared to dry grinding. Our CC dispersions are ground down to a D50 of less than 1.2 microns.

We use uncoated coarse-grade GCC powder from our Calrock Perak Plant to produce GCC dispersion and we use PCC powder imported from China to produce PCC dispersion.

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

The following are some of the production lines at our KL Plant:

**Our GCC dispersion wet grinding line**



**Our PCC dispersion wet grinding line**



During the wet grinding process, we add several types of chemicals such as dispersing and binding agents into the mixture based on our formulation. These chemicals are added to ensure that the calcium carbonate particles remain dispersed for a certain time in the liquid mixture. Our CC dispersions have a shelf life of 4 months before the particles start to settle down and coagulate.

Please refer to Section 7.6.2 of this Prospectus for detailed information on our CC dispersions production process.

### **7.4.4 Production of kaolin dispersions**

#### **7.4.4.1 Overview**

We produce kaolin dispersions which are kaolin that has gone through a wet grinding process and the final products are in slurry form. Kaolin is a hydrated aluminium silicate, and it occurs naturally as clay.

We commenced the production of kaolin dispersions in 2020. Revenue from the production of kaolin dispersions amounted to RM1.1 million (1.0%), RM2.4 million (2.0%), RM1.6 million (1.4%) and RM1.0 million (1.1%) of our total revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

#### **7.4.4.2 Our product range, branding and packaging of kaolin dispersion**

Our kaolin dispersion is packed and sold under our "Zanatech" brand where they are mainly used as fillers for the manufacture of synthetic rubber gloves.

Our kaolin dispersions are sold in a variety of packaging sizes comprising 1.1-tonne and 1.2-tonne IBC, as well as 6.5-tonne tankers.

#### **7.4.4.3 Usage of our kaolin dispersions in industrial applications**

Our kaolin dispersions are mainly used as a filler in the production of synthetic rubber gloves to reduce the production cost in terms of replacing the more expensive synthetic rubber and pigments.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.4.4.4 Our production of kaolin dispersions

The production of kaolin dispersions is undertaken by our subsidiary, Zantat, at our KL Plant. As at LPD, we have 2 kaolin dispersion production lines at our KL Plant.

Our kaolin dispersions are produced using the wet grinding process, where it is ground down to a D50 of less than 4 microns. We purchase kaolin in powder and cake from China, Indonesia and Malaysia to produce the kaolin dispersion.

#### Our kaolin dispersion wet grinding line



During the wet grinding process, we add several types of chemicals such as dispersing and binding agents into the mixture based on our formulation. These chemicals are added to ensure that the kaolin particles remain dispersed for a certain time in the liquid mixture. Our kaolin dispersions have a shelf life of 4 months before the particles start to settle down and coagulate.

### 7.4.5 Other business activities

Our other business activities are complementary to our main business as follows:

- (a) processing of ultrafine PCC powder;
- (b) trading of other industrial minerals; and
- (c) sales of limestone quarry products.

These business activities are complementary either from the perspective that the activities involve calcium carbonate products or we sell these products to customers in the same or related sectors to our main business activities.

#### 7.4.5.1 Processing of ultrafine PCC powder

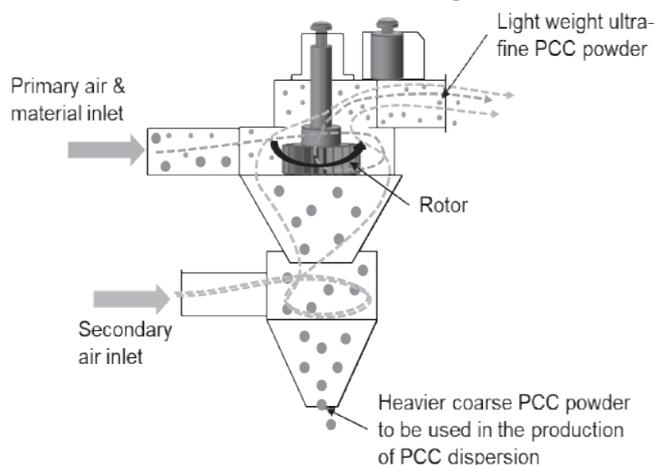
For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, revenue contributed from the processing of ultrafine PCC powder amounted to RM1.6 million (1.5%), RM1.7 million (1.5%), RM2.3 million (2.0%) and RM1.7 million (1.8%) of our total revenue, respectively.

We process ultrafine PCC powder which is packed and sold under our "Superlite" brand. We purchase PCC powder from China and process it through an air classifier to obtain ultrafine PCC powder. We sell ultrafine PCC powder in 25 kg paper bags. The majority of our ultrafine PCC powder is sold to rubber glove manufacturers.

## 7. BUSINESS OVERVIEW (Cont'd)

Our processing of ultrafine PCC is through the use of air classifiers to separate light weight ultrafine particles and the heavier particles. The following is a diagram depicting the classification process using an air classifier:

### An air classifier used in obtaining ultrafine PCC



### Our air classifier



#### 7.4.5.2 Trading of other industrial minerals

Revenue contribution from trading of other industrial minerals amounted to RM0.8 million (0.8%), RM1.2 million (1.0%), RM1.2 million (1.1%) and RM0.6 million (0.6%) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

To capitalise on our existing customer base, we supply other industrial minerals such as talcum powder, limestone chips and others. These are also raw or input materials which are commonly used in the manufacturing of gloves, paints and coatings, plastics and paper.

#### 7.4.5.3 Sales of limestone quarry products

Revenue contributed from sales of quarry products amounted to RM0.4 million (0.3%), RM0.5 million (0.3%), RM0.2 million (0.2%) and RM0.4 million (0.4%) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

We produce limestone quarry products in our quarry in Keramat Pulai, Perak. As at LPD, we operate only 1 limestone quarry namely Perak Quarry 1. We appoint a contractor to carry out the quarrying and primary crushing process. Our contractor set up a primary crushing plant at Perak Quarry 1 comprising their own machinery and equipment such as drilling machines, hydraulic breakers, excavators, wheel loaders, dump trucks, and a crushing and screening plant to carry out the extraction and crushing of limestones.

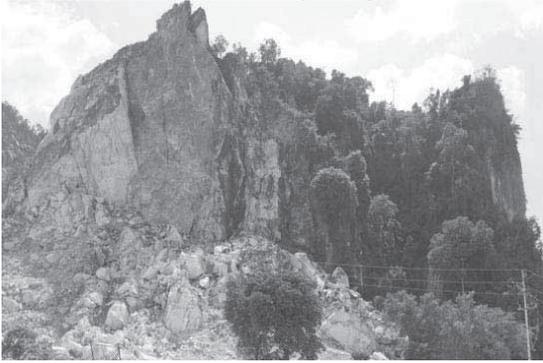
Our main output is 6-inch by 9-inch (6" x 9") limestone rocks. In FYE 2020, FYE 2021, FYE 2022 and FPE 2023, approximately 68%, 64%, 77% and 62% of the limestone extracted from our quarry were used internally as raw materials for the production of GCC. The remaining quarry products were sold to external customers. The quarry products that we sell include 6" x 9" limestone rocks as well as lower-quality limestones which are mainly used for construction purposes.

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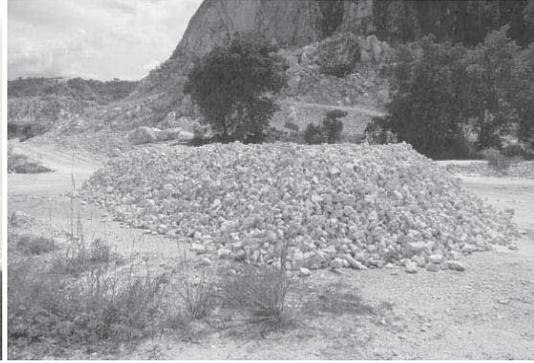
**7. BUSINESS OVERVIEW (Cont'd)**

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**Our Perak Quarry 1**



**6" x 9" limestone rocks**



**Our contractor's primary crushing plant at Perak Quarry 1**



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

**7.5 OPERATIONAL FACILITIES**

As at LPD, we have 4 production plants of which 3 are located in Perak (Zantat Perak Plant 1 and 2, and Calrock Perak Plant) and 1 is located in Kuala Lumpur (KL Plant).

**Zantat Perak Plant 1 and 2**



<b>Main function</b>	:	Head office, warehouse and production of GCC
<b>Approximate built-up area (sq ft)</b>	:	225,000
<b>Location</b>	:	PT 24571 & PT 21289 (Lot 35978), Kaw. Industri Batu Kapur Keramat Pulai 31300 Kampung Kepayang, Perak

## 7. BUSINESS OVERVIEW (Cont'd)

### Calrock Perak Plant



**Main function** : Office, warehouse and production of GCC  
**Approximate built-up area (sq ft)** : 54,240  
**Location** : 60, Persiaran Portland,  
Kawasan Perindustrian Tasek,  
31400 Ipoh, Perak

### KL Plant



**Main function** : Office, warehouse, production of calcium carbonate and kaolin dispersions, and processing of ultrafine PCC powder  
**Approximate built-up area (sq ft)** : 36,332  
**Location** : Lot 12-A1, 1013-A & A1 and Lot 1013-B & B1,  
Jalan 2/32A, 6 ½ Miles,  
Off Jalan Kepong,  
52100 Kuala Lumpur

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

As at LPD, we leased 2 pieces of leasehold lands with limestone reserves in Malaysia:

<b>Description</b>	<b>Approximate land area (acre)</b>	<b>Location of quarry</b>
Perak Quarry 1	10	PT 22565, Kaw. Industri Batu Kapur, Keramat Pulai, 31300 Kampung Kepayang, Perak
Perak Quarry 2 <sup>(1)</sup>	14.8	PT 21294 (Lot 335983), Kaw. Industri Batu Kapur, Keramat Pulai, 31300 Kampung Kepayang, Perak

**Note:**

<sup>(1)</sup> Perak Quarry 2 has yet to commence its quarrying operations.

**Perak Quarry 1 as at LPD**

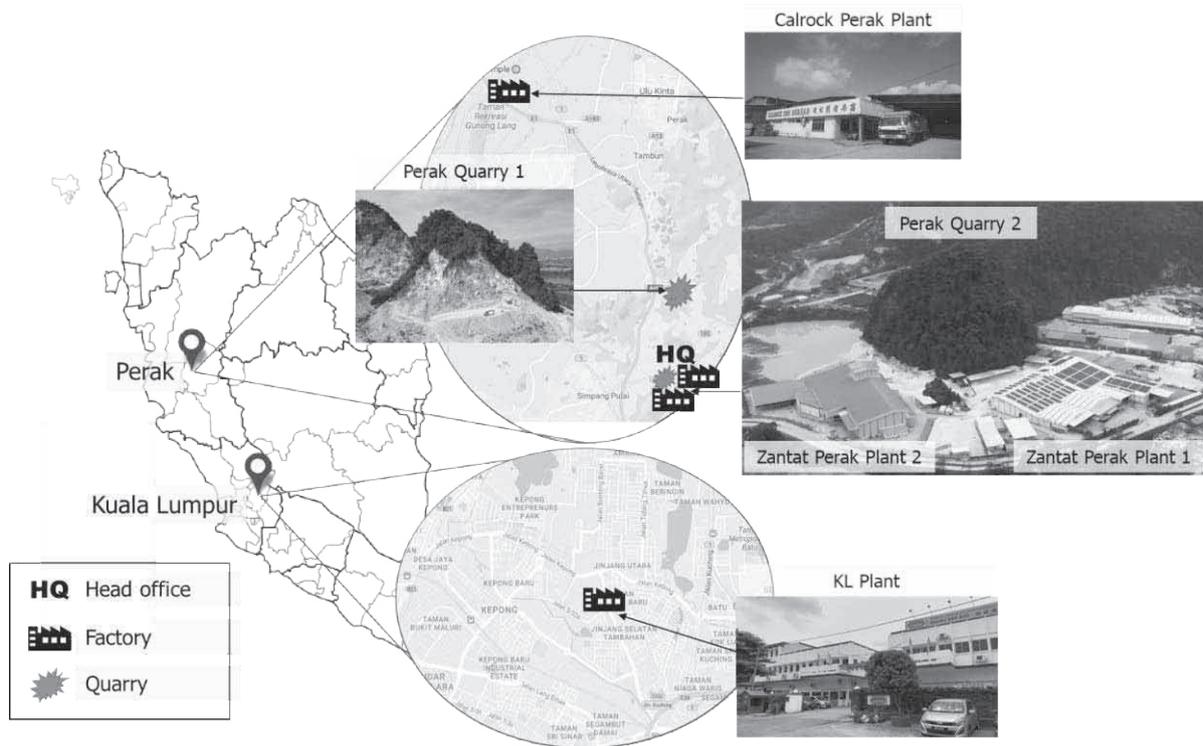


**Perak Quarry 2 as at LPD**



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

The following is a map diagram displaying our operational facilities in Malaysia, as at LPD:



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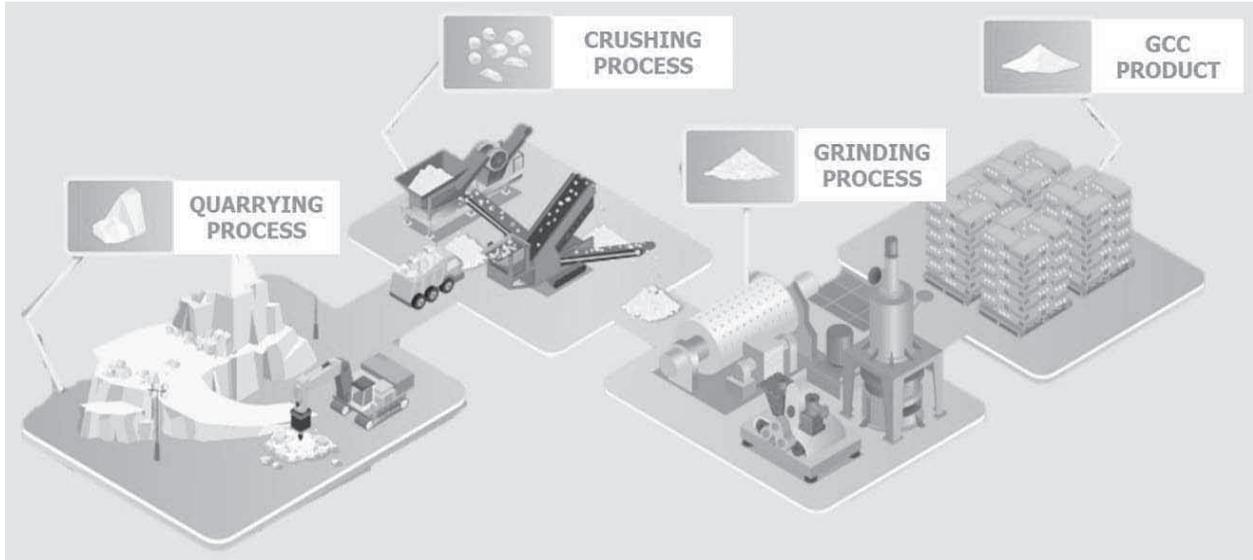
## 7. BUSINESS OVERVIEW (Cont'd)

### 7.6 BUSINESS PROCESSES

The diagram below represents our main business processes:

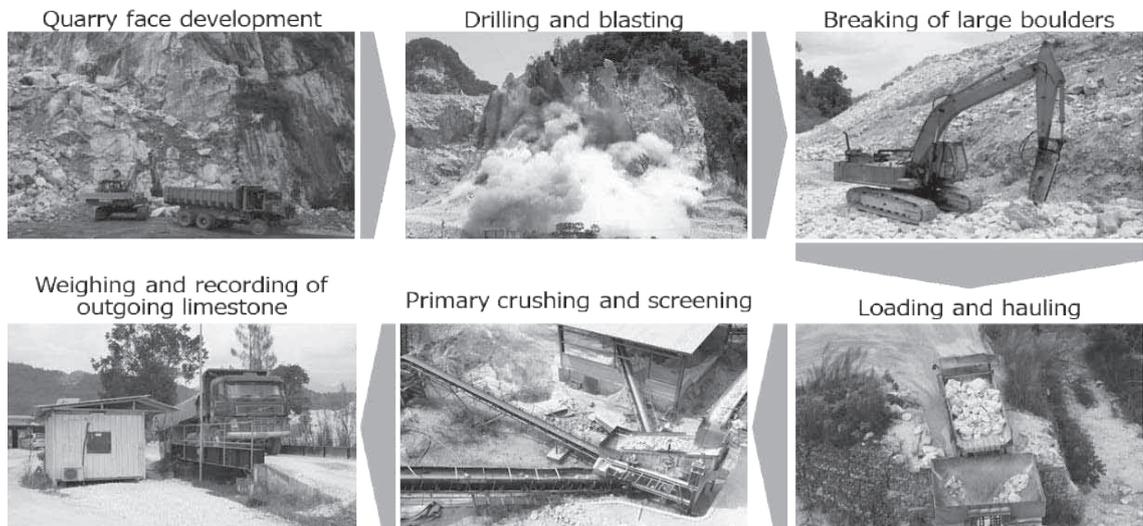
#### 7.6.1 Production of GCC

Our production of GCC involves three main processes namely quarrying process, crushing process and grinding process, as depicted below:



##### 7.6.1.1 Quarrying and primary crushing process

The quarrying and primary crushing of limestone reserves are undertaken by a third-party contractor, namely Britestone. We pay Britestone an agreed rate for the limestone rocks extracted, and all extracted limestone is for our use only, while Britestone is responsible for its own plant's maintenance. For avoidance of doubt, we do not charge Britestone any rent for occupying the land on which it carries out the quarrying activities. We also engage a third-party licensed shot firer whenever blasting of the limestone reserves is required. The following diagram depicts the process flow of quarrying and primary crushing limestone that is undertaken by Britestone at Perak Quarry 1:



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

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### **(a) Quarry face development**

Quarry operations begin with the removal of any plants or soils (overburden) from the surface area to expose the underlying bedrock for quarrying. Overburden removal is usually carried out at the same time as the quarry face development. Quarry face development involves creating adequate working platforms or benches in the bedrock as well as access to the proposed quarrying activities. It requires careful planning and subsequent execution to ensure that a suitable working area is created for the operation of heavy quarrying machinery and equipment, such as drilling machines, excavators and dump trucks. The productivity of the drilling, blasting and loading activities could be adversely affected by restrictive working areas.

### **(b) Drilling and blasting**

Upon completion of the quarry face development, drilling machines are then used to drill holes into the bedrock. The nature and type of rock have to be taken into consideration. The spacing, depth and size of the drill holes must be in accordance with the specifications. The angle of the holes is also important to ensure effective blasting.

Once the drill holes are ready, explosives are placed into these holes and detonated by a licensed shot-firer. The blasting produces rocks of various sizes. The type of explosives and detonators used by the shot-firer and the sequence of the initiation is critical to the success of the blasting exercise. Major blasting is usually undertaken once a year under strict safety measures with the authorities supervising and an alarm notification informing the surrounding areas of the blast. Meanwhile, minor blasting is done every month.

### **(c) Breaking of large boulders**

The blasted rock which is too big for crushing, is either blasted again or broken down into smaller sizes with a hydraulic breaker. All these are carried out at the quarry site.

### **(d) Loading and hauling**

The blasted and broken stones are then loaded by hydraulic excavators or wheel loaders into dump trucks and fed into Britestone's primary crushing plant located at the quarry site.

### **(e) Primary crushing and screening**

The primary crusher crushes the blasted rocks and the crushed rocks are then screened twice through a primary and secondary screener to produce final products of mainly 6" x 9" limestone rocks. The remaining products include 1" and 2" limestone chips, and quarry dust, which we sell off as by-products.

The primary crushing process involves the following stages:

- Rocks from the quarry site are unloaded at the crusher plant into a vibrating feeder;
- The vibrating feeder then conveys the rocks to the primary crusher (jaw crusher) for crushing;
- Crushed blocks are then transferred by a conveyor belt to a primary screener (vibrating screen);

## 7. BUSINESS OVERVIEW (Cont'd)

- The primary screener will screen out the crushed stones to 6" x 9" size as final products. The remaining sizes are fed onto another conveyor belt which transports the rocks to a secondary screener; and
- The secondary screener will screen the remaining stones into 1" to 2" sizes and quarry dust as by-products.

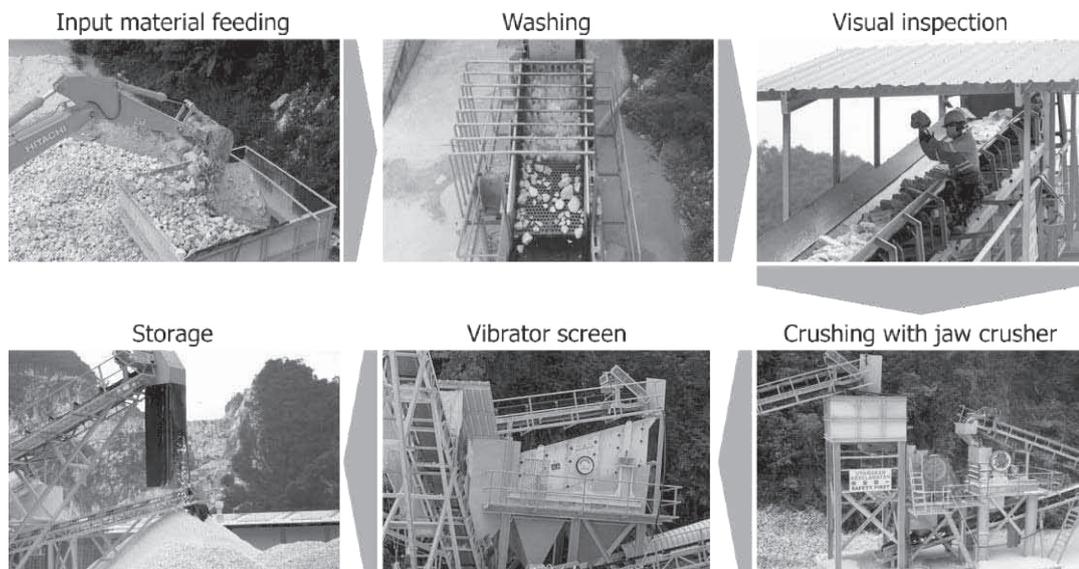
### (f) Weighing and recording of outgoing limestones

The final stage involves the loading of the crushed limestones onto lorries for weighing and recording of outgoing limestones from the quarry site. A weighbridge is used to accurately weigh the outgoing limestone. An e-docket system is provided by the state's Land and Mines Department where every transaction is recorded and uploaded online to their system for monthly payment of royalties.

The 6" x 9" limestones are then delivered to Zantat Perak Plant 1 and 2 for secondary crushing as well as Calrock Perak Plant for the production of coarse-grade GCC, while the by-products are sold to external customers. We hire external parties to carry out the delivery of crushed limestones.

#### 7.6.1.2 Secondary crushing process

The secondary crushing process reduces 6" x 9" limestones down to 20mm to 70mm, 10mm to 20mm and less than 10mm sizes. The following diagram depicts the secondary crushing that is undertaken by us at Zantat Perak Plant 2:



### (a) Input material feeding

The 6" x 9" limestones stored at our raw material holding area are transported using wheel loaders and fed into a hopper feeder. The 6" x 9" limestone rocks are sourced from our Perak Quarry 1 as well as purchased from external parties. The limestones are fed into a hopper with a vibrating feeder which will be sprayed with water for the first washing to wash out impurities.

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

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**(b) Washing and inspection**

The limestones are carried on a conveyor belt to a vibrator screen and washed a second time with water sprays supervised by our workers who will visually inspect the rocks and remove those that are impure. Impure rocks can be identified as darker in colour as it is usually embedded with foreign minerals such as iron oxide.

**(c) Crushing with jaw crusher**

The limestone then passes through a second hopper and vibrating feeder where they are fed into a jaw crusher to be crushed down into smaller sizes.

**(d) Vibrator screening**

The limestone is screened by a second vibrator screen for filtering according to size. Those that are too big to be filtered through will be conveyed to another jaw crusher to be crushed again until the limestone can be passed through the screen and separated according to size.

**(e) Storage**

Limestones that are less than 10mm will be conveyed into a powder silo, while those that are between 10mm to 20mm and 20mm to 70mm will be conveyed and separated into two different piles. The 10mm to 20mm limestone chips and aggregates below 10mm are then transported to Calrock Perak Plant to produce coarse-grade uncoated GCC, while the 20mm to 70mm limestone chips are used to produce GCC in our Zantat Perak Plant 1 and 2.

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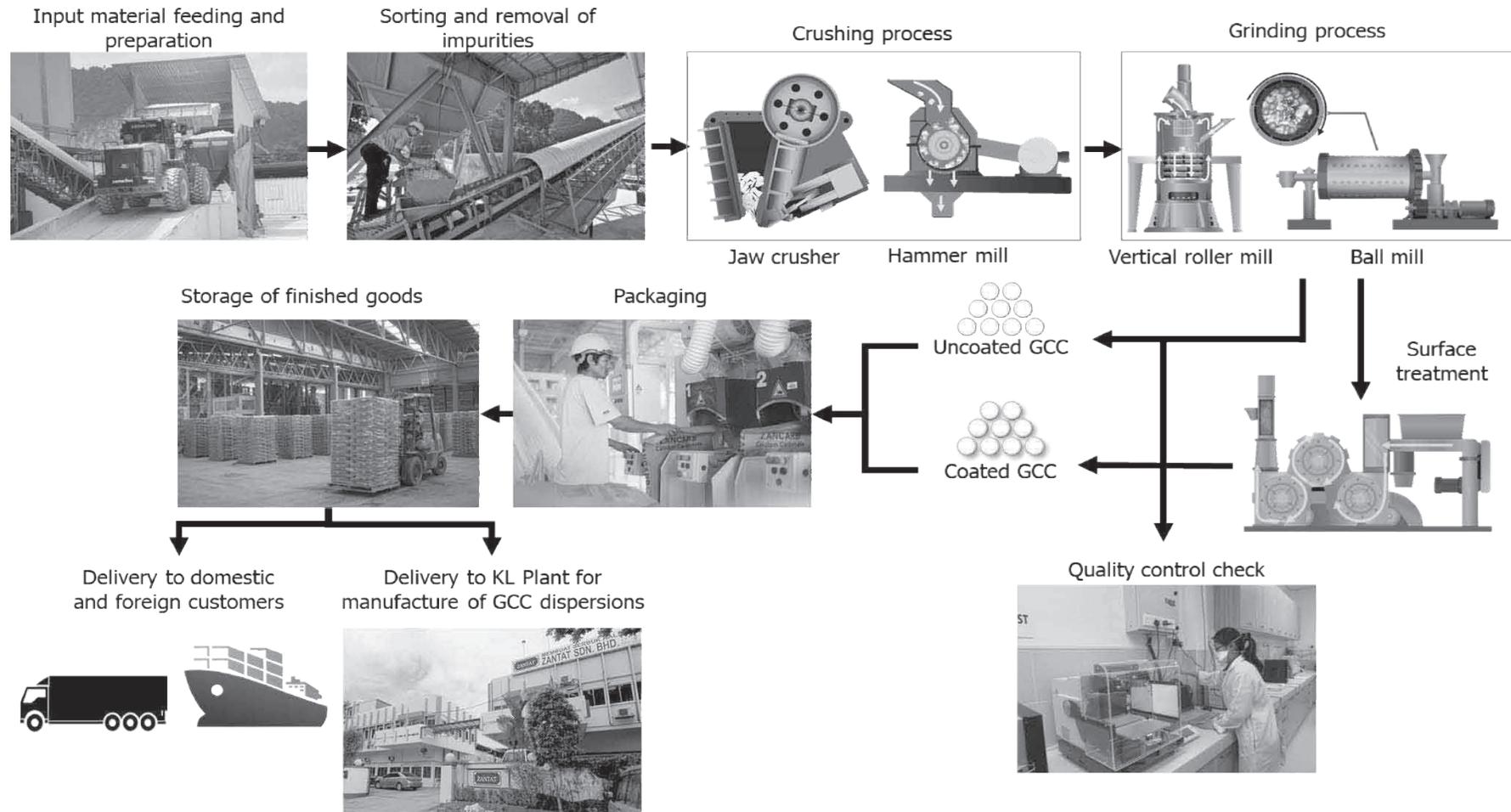
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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.6.1.3 Grinding process

The following diagram depicts the process flow of the grinding process to produce GCC at our Perak Plants:



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

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**(a) Input material feeding and preparation**

Crushed limestones stored at our raw material holding area are transported using wheel loaders and fed into a hopper feeder. For the production of coarse-grade GCC at Calrock Perak Plant, we would use limestones in the size range of 6" x 9", 10mm to 20mm and below 10mm (limestone chips) as input materials to produce uncoated GCC ranging from 200 mesh to 1000 mesh. Meanwhile, for the production of fine to ultrafine grade GCC at Zantat Perak Plants 1 and 2, we would use 20mm to 70mm limestone chips as input materials to produce coated and uncoated GCC. These limestone rocks and chips are sourced from our Group's Perak Quarry 1, as well as purchased from external suppliers.

**(b) Sorting and removal of impurities**

These limestones are transferred onto a conveyor belt for the first round of visual inspection where our workers will remove the rocks or chips that are impure and not suitable for the production of our GCC. These impure rocks are usually embedded with foreign minerals such as iron oxide and can be identified as it is usually darker in colour. The inspected limestones are then conveyed into a 300-tonne storage hopper. These limestones are then fed onto another conveyor for the second round of visual inspection and removal of impurities.

**(c) Crushing process**

The 6" x 9" limestone rocks will be fed into a jaw crusher to be crushed down into smaller 2" to 3" limestone chips before it is fed into the hammer mill to be crushed down further. On the other hand, limestone chips of 20 mm to 70 mm are directly fed into a hammer mill to be crushed into aggregates of less than 10 mm in size.

**(d) Grinding process**

The aggregates are then fed into individual milling machines where they are ground down and classified to the desired fine particle sizes. For this process, we use a vertical roller mill and a ball mill.

**(e) Surface treatment**

For the production of coated GCC, the powder is blown into a powder surface treatment machine. At the same time, melted and filtered stearic acid is sprayed onto the powder as the powder passes through the machine.

**(f) Holding storage and quality check**

The final GCC products (coated GCC and uncoated GCC) are then conveyed into a silo to be prepared for packaging. Every 2 hours we will take a sample of the final product from each production line for testing and quality check. We perform various quality checks on our final products including particle size distribution analysis, brightness test, moisture content test, oil absorption test, chemical composition analysis and others. At the same time, machine parameters are also recorded. Each lot is labelled according to the sample taken for future reference. If the sample does not meet our quality check, the respective lot will be labelled, set aside and sold as lower grade product. Once that happens, our factory plant operator will immediately undertake remedial actions that may include readjusting controls of the affected production line. Each pallet is marked with a lot number with samples retained in our quality control department for at least 6 months.

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

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**(g) Packaging and storage of finished goods**

GCC powder is packed into various packaging, palletised and stored at our warehousing area. We maintain an inventory level of 1 month for our GCC products.

**(h) Delivery of goods**

Upon receiving purchase orders from our customers, we will arrange for the delivery of goods. For domestic customers, they will be transported by trucks and delivered to customers within 7 days. For foreign customers, they will be transported to Port Klang, Selangor for export which would take approximately 2 weeks to 4 weeks to be delivered to customers. Additionally, Calrock Perak Plant delivers the 700-mesh uncoated GCC to KL Plant for the production of GCC dispersions.

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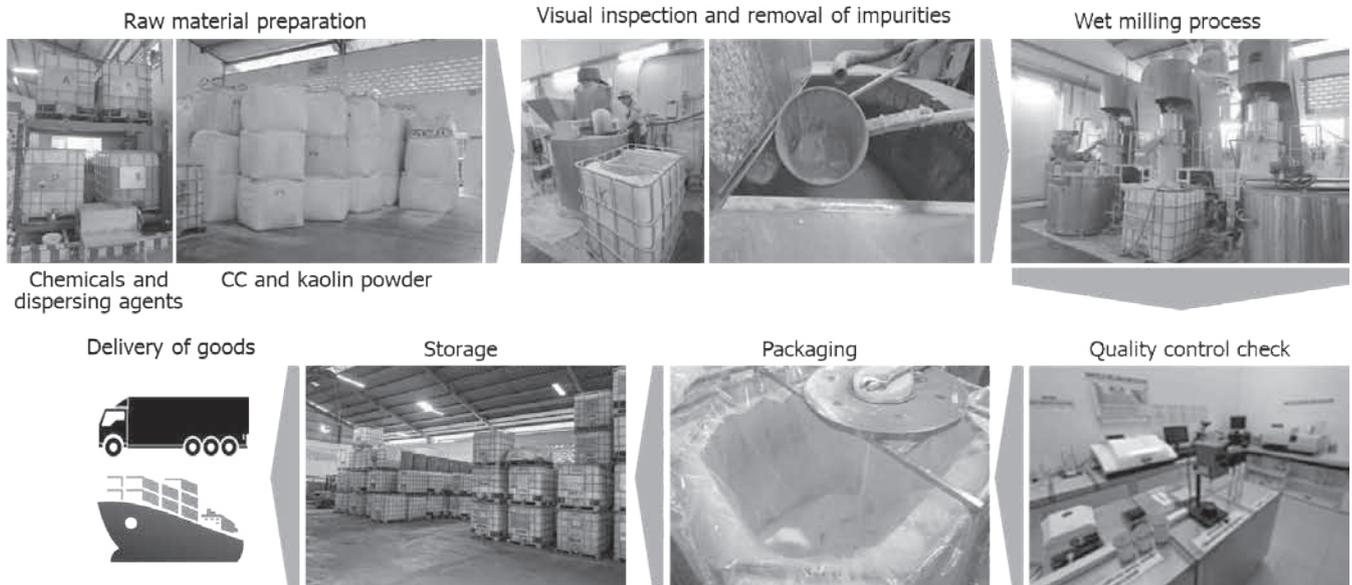
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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.6.2 Production of CC and kaolin dispersions

The following diagram depicts the process flow of our production of CC and kaolin dispersions at our KL Plant:



**(a) Raw material preparation**

Raw materials such as uncoated GCC, PCC or kaolin powder along with various chemical additives, dispersing agents and water are poured into a pre-mixing tank based on our in-house developed formulation.

**(b) Visual inspection and removal of impurities**

While the mixture is being stirred in the tank, one of our factory workers will visually inspect the tank and remove any impurities. These impurities, such as iron oxide, are treated through our wastewater treatment system.

**(c) Wet milling process**

After approximately 1 hour of mixing, the mixture is then pumped into the wet milling system. The mixture will go through 2 to 3 rounds of the grinding process where the average particle size will be reduced accordingly. We use a vertical bead mill for the wet milling process.

**(d) Holding storage and quality check**

The final GCC, PCC and kaolin dispersions are then pumped into a storage tank to be prepared for packaging. Every 2 hours, we will take a sample of the final product from each production line for testing and quality check. At the same time, machine parameters are also recorded. Each lot is labelled according to the sample taken for future reference. If the sample does not meet our quality check, the respective lot will be labelled, set aside and reworked. Once that happens, our factory plant operator will immediately undertake remedial actions including readjusting controls of the affected production line.

## 7. BUSINESS OVERVIEW (Cont'd)

### (e) Packaging and storage of finished goods

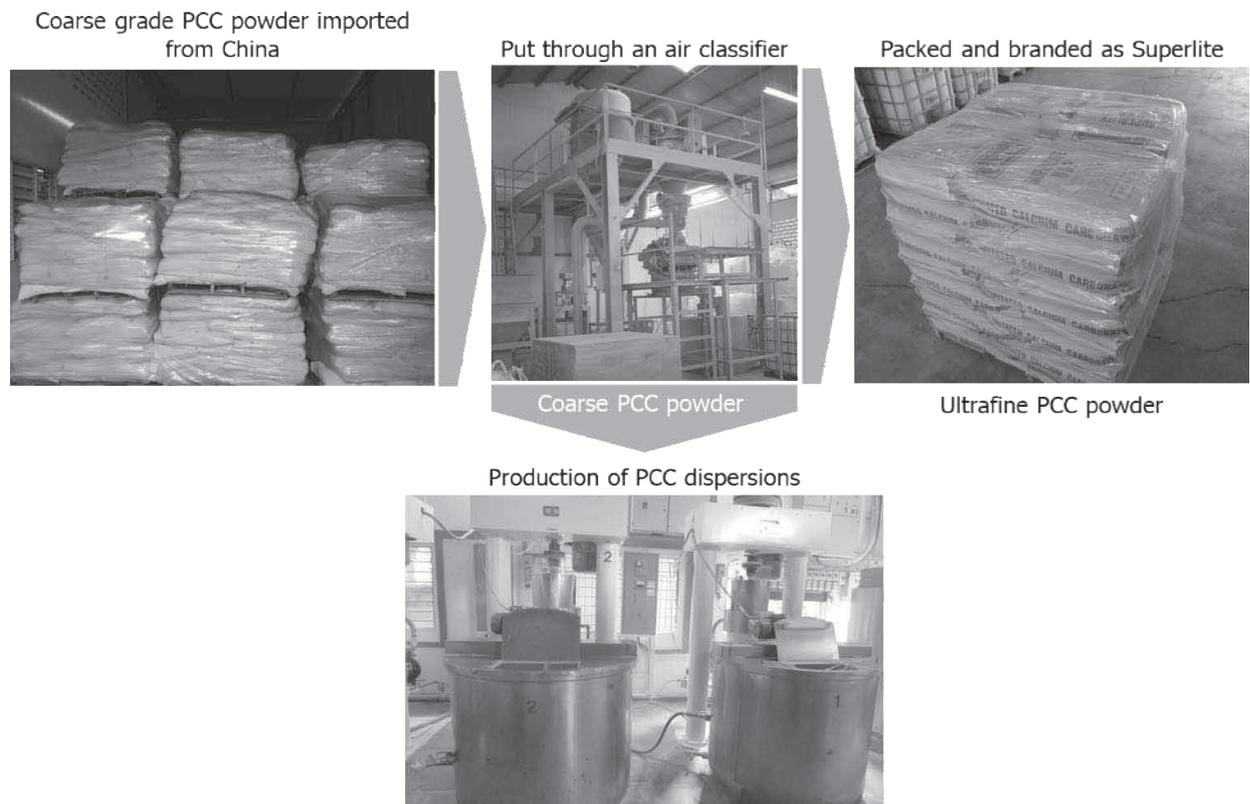
The CC and kaolin dispersions will be pumped into their respective packaging and stored in our warehousing area.

### (f) Delivery of goods

Upon receiving purchase orders from our customers, we will arrange for the delivery of goods. For domestic customers in Malaysia as well as neighbouring countries such as Thailand, it will be transported by trucks. For other foreign customers, it will be transported to Port Klang, Selangor for export.

### 7.6.3 Processing of ultrafine PCC powder

The following diagram depicts the process flow of our processing of ultrafine PCC powder at our Zantat KL Plant:



We purchase PCC powder from China and process it through an air classifier to obtain ultrafine PCC powder. The imported PCC powder that we use has an average particle size of 3 microns. A classification system is a machine that separates the light weight finer particles and heavy coarser particles. The light weight PCC powder or ultrafine PCC powder is then pumped into a silo to be prepared for packaging. The ultrafine PCC powder that is separated will have an average particle size of 2.5 microns. We will take a sample of the final product for testing and quality check to ensure that the desired particle size distribution is achieved. The ultrafine PCC powder is then packaged and sold under the brand "Superlite".

Meanwhile, the heavy coarser PCC powder will be pumped into another silo where we will use it for the production of PCC dispersions.

**7. BUSINESS OVERVIEW (Cont'd)****7.7 BUSINESS SEGMENTS AND PRINCIPAL MARKETS**

The breakdown of our revenue by business segments for the FYE 2020, FYE 2021 and FYE 2022 and FPE 2023 is as follows:

<b>Business segment</b>	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Production of calcium carbonate and kaolin</b>	<b>104,405</b>	<b>97.4</b>	<b>116,099</b>	<b>97.2</b>	<b>109,344</b>	<b>96.7</b>	<b>88,431</b>	<b>97.1</b>
- GCC	88,496	82.6	98,795	82.7	94,353	83.5	79,236	87.0
- CC dispersion	14,820	13.8	14,909	12.5	13,387	11.8	8,178	9.0
- Kaolin dispersion	1,089	1.0	2,395	2.0	1,604	1.4	1,017	1.1
<b>Other business activities</b>	<b>2,804</b>	<b>2.6</b>	<b>3,365</b>	<b>2.8</b>	<b>3,679</b>	<b>3.3</b>	<b>2,658</b>	<b>2.9</b>
- Processing of ultrafine PCC powder	1,568	1.5	1,741	1.5	2,274	2.0	1,678	1.8
- Trading of other industrial minerals	817	0.8	1,170	1.0	1,232	1.1	586	0.6
- Sales of limestone quarry product	419	0.3	454	0.3	173	0.2	394	0.4
<b>Total revenue</b>	<b>107,209</b>	<b>100.0</b>	<b>119,464</b>	<b>100.0</b>	<b>113,023</b>	<b>100.0</b>	<b>91,089</b>	<b>100.0</b>

The breakdown of our revenue by geographical locations for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 is as follows:

<b>Geographical location</b>	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Local</b>								
Malaysia	30,763	28.7	32,867	27.5	35,130	31.1	29,043	31.9
<b>Foreign</b>								
India	67,053	62.5	75,489	63.2	67,395	59.6	54,228	59.5
Other countries	9,393 <sup>(1)</sup>	8.8	11,108 <sup>(2)</sup>	9.3	10,498 <sup>(3)</sup>	9.3	7,818 <sup>(4)</sup>	8.6
<b>Total revenue</b>	<b>107,209</b>	<b>100.0</b>	<b>119,464</b>	<b>100.0</b>	<b>113,023</b>	<b>100.0</b>	<b>91,089</b>	<b>100.0</b>

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

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**Notes:**

- (1) Includes Australia, Thailand, Indonesia, Philippines, Sri Lanka, Greater China, Papua New Guinea, Singapore, Vietnam, Oman, Nepal, and South Korea.
- (2) Includes Thailand, Indonesia, Philippines, Australia, Sri Lanka, Nepal, Greater China, Singapore, Papua New Guinea, Vietnam, Oman and Fiji.
- (3) Includes Indonesia, Philippines, Australia, Sri Lanka, Thailand, Nepal, Vietnam, Cambodia, Singapore, Papua New Guinea, Fiji, Egypt, Hong Kong, Taiwan and Brunei.
- (4) Includes Philippines, Vietnam, Sri Lanka, Indonesia, Thailand, Australia, Nepal, Singapore, Egypt, Cambodia, Papua New Guinea, Fiji, and Greater China.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.8 SALES AND MARKETING STRATEGIES

#### 7.8.1 Marketing strategy

Our sales and marketing team adopts the following marketing approaches to sustain and expand our business:

- Position ourselves as an established producer of calcium carbonate products namely GCC and CC dispersions;
- Work closely with existing and potential customers to ensure their requirements are satisfactorily met, to strengthen and develop a continuing business relationship with customers;
- Continually providing the highest quality of products to establish our reliability as a producer of GCC and CC dispersions, thus creating customer loyalty and dependency; and
- Keeping up-to-date with new machinery, production methods and technologies to stay ahead of the competition as well as to better meet the needs and requirements of existing and potential customers.

Some of the marketing activities that we have undertaken include:

- Proactive sales visit to existing and potential customers;
- Organising site visits to our production plants and limestone reserves;
- Updating our social media and website which is a platform for potential customers to obtain information about our products and services; and
- Participate and attend industry exhibitions and conventions to cultivate new customers and foster relationships with existing customers.

As at LPD, we have a team of 4 sales and marketing personnel focusing on sales, marketing and business development functions. The team is led by our Managing Director / Chief Executive Officer, Chan Bin Iuan.

In addition, we also engage third parties to assist in sales and marketing, and facilitating sales in foreign markets including India and the Philippines, as follows:

<b>Markets covered</b>	<b>Agent / Sales facilitators</b>	<b>Products covered</b>	<b>Responsibilities</b>	<b>Start date</b>
India	Nishant Choradia and Naveen Bohra	Zancarb and Zanelite series	Identifying, introducing and recommending prospective customers, negotiation on sales value and coordination of logistics and handling of our products <sup>(1)</sup>	January 2017
The Philippines	Glycoflex Marketing Incorporated	All products	Marketing, promoting and soliciting sales of our products <sup>(2)</sup>	May 2021

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

- (1) Our sales facilitators are compensated with handling charges as well as share of the difference between the agreed minimum sales value and the actual sales value negotiated.
- (2) Our agent is compensated with a commission fee based on an agreed percentage of sales initiated.

For the financial years / period under review and up to LPD, we only engaged 2 sales facilitators in India, namely Nishant Choradia and Naveen Bohra. Our sales and marketing agreement is between us and both of them collectively. As such, they are collectively responsible to service all of our customers in India, and we are dependent on them to service all our customers in India. In the event of termination of the facilitators' services, we could either set-up our own sales and support team in India or engage another alternative sales facilitator to represent us in India. Nevertheless, it would require time for our new sales and support team or new sales facilitators to efficiently perform the services provided by the previous sales facilitators. This transition period may temporarily disrupt our businesses in India. It should be noted that our current sales facilitators are not involved in the invoicing and payment collections as we deal with our customers directly. The engagement of sales facilitators in India is not a market norm to conduct business in India. It is our business decision to engage the sales facilitators to provide local representation for our business in India. This enables us to leverage on their network to market our products and provide support and customer services. Potential and existing customers in India will either approach us directly or through our sales facilitators. If the potential or existing customers approach us directly, we will inform our sales facilitators to liaise with them. Our sales facilitators are compensated with handling charges as well as share of the difference between the agreed minimum sales value and the actual sales value negotiated. We have been dealing with our sales facilitators since 2012 and we formalised our arrangements via an agreement with them in January 2017.

Together with our agent and sales facilitators, we will discuss with customers to understand their specifications and requirement of our products before securing the purchase orders. Our agent and sales facilitators are not involved in invoicing and payment collection as we will deal with the customers directly.

As part of our marketing strategy to raise our profile, particularly in foreign markets, we have participated in exhibitions in related areas. Some of these events that we have participated since 2020 and up to LPD are listed below:

<b>Year</b>	<b>Name of event</b>	<b>Location</b>	<b>Nature of participation</b>
2020	Plastivision 2020	Mumbai, India	Exhibitor
2023	Plastindia 2023	New Delhi, India	Exhibitor
2023	Malaysia International Machinery Fair (MIMF) 2023	Kuala Lumpur, Malaysia	Exhibitor
2023	T-Plas 2023	Bangkok, Thailand	Exhibitor
2023	Plastics & Rubber Indonesia 2023	Jakarta, Indonesia	Exhibitor

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

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### **7.9 TECHNOLOGY USED OR TO BE USED**

#### **7.9.1 Policy on R&D**

Our R&D policies are as follows:

- (a) For our calcium carbonate products (coated and uncoated GCC, and GCC and PCC dispersions) our R&D is to focus on improving existing and developing new products to meet the technical requirements and formulation of end-user industries.

The focus of our research will be on new applications combined with processes and equipment to achieve the technical specification requirements of end-user industries.

Technical requirements will focus on working with potential customers on their requirements for particle size, purity as well as formulation when using our calcium carbonate products.

Technical requirements for dispersions such as GCC dispersion and PCC dispersion, we would require to carry research on the type of liquid used, either water or solvents, to serve as the suspension medium for the GCC or PCC particles as well as required additives to achieve certain characteristic such as dispersing agent to ensure homogenisation of the particles in the solution.

For PCC dispersions, research will also include requirements for specific particle shapes (morphologies) such as triangular, hexagonal and needle shapes. While we do not produce PCC, we would still require to provide the technical specifications relevant to the specific industry to our PCC supplier.

Research on processes will include, among others, grinding techniques for GCC and for dispersions, storing time, particle concentration and stirring speed to achieve optimum effect.

- (b) For our kaolin dispersion, our R&D is currently focused on meeting the technical requirements as well as helping in the formulation of synthetic rubber glove manufacturers. Moving forward, R&D will be focused on increasing the filler percentage in synthetic rubber glove applications.
- (c) Our research is focused on:
- (i) materials in terms of particle size and purity level;
  - (ii) sources for these materials including our own leased limestone reserves as well as external suppliers;
  - (iii) requirements for different applications and industries;
  - (iv) specialised equipment required to achieve certain technical specifications such as GCC particle size; and
  - (v) working with end-users in determining technical specifications as well as the end-users' product formulation using our calcium carbonate and kaolin products.
- (d) The development will be for new or enhanced products for existing or new applications across different industries.
- (e) As at LPD, our R&D also involves bioplastic compounding. This is part of our venture into the value-adding of our calcium carbonate products for downstream activities where our calcium carbonate is used in the formulation of a biodegradable plastic compound.

## 7. BUSINESS OVERVIEW (Cont'd)

The R&D involved will include new machinery and equipment, formulation of biodegradable polymer with calcium carbonate, as well as additives and pigments.

Although we carry out R&D, we did not recognise nor capture any expenditure for R&D activities for FYE 2020 and FYE 2021. We have begun capturing R&D expenses in FYE 2022 totalling RM0.2 million and FPE 2023 totalling RM0.2 million, particularly materials for bioplastic compounding activities.

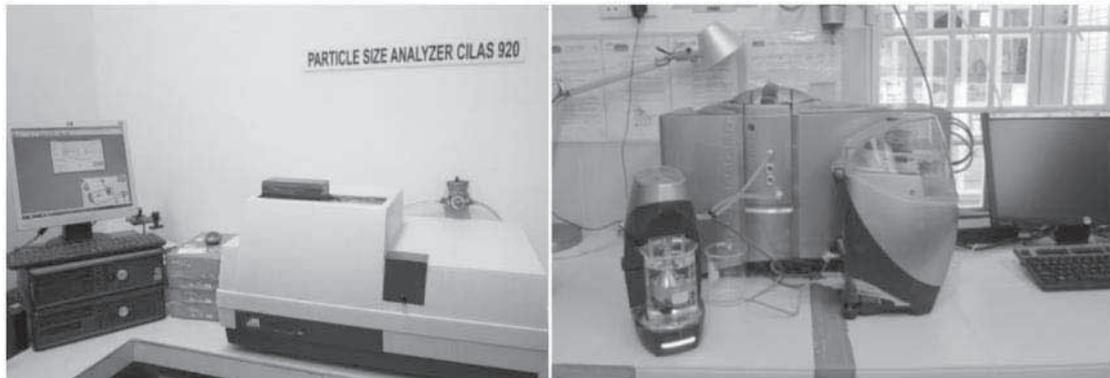
### 7.9.2 Technology used

Our Group relies on the technology embedded in our machinery as set out in Section 6.9.4 of this Prospectus for the production of GCC, CC dispersions and kaolin dispersions as well as the processing of ultrafine PCC powder.

Our Group relies on some of the following testing equipment in our **quality control process** to ensure our calcium carbonate products meet quality standards and expectations:

#### Particle size analyser

To analyse particle size distribution for our calcium carbonate products



#### Chamber furnace

To measure coating percentage of our coated GCC



#### Gloss meter

To measure whiteness



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

**Moisture analyser**

To measure moisture content and ratio of moisture to total solid content our CC dispersions



**Particle image processor**

To analyse and observe the particle shape and status of dispersion of our CC dispersions



**pH meter**

To measure pH value of our CC dispersions



**Drying oven**

To measure total solid content



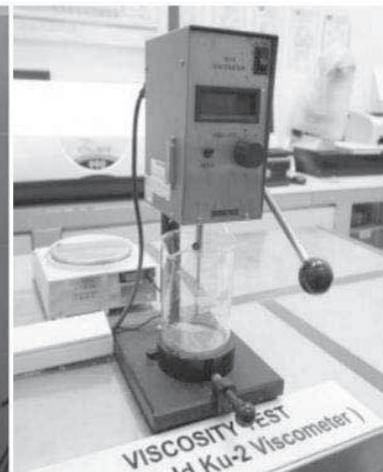
**X-ray spectrometer**

To analyse the chemical composition of calcium carbonate products



**Viscometer**

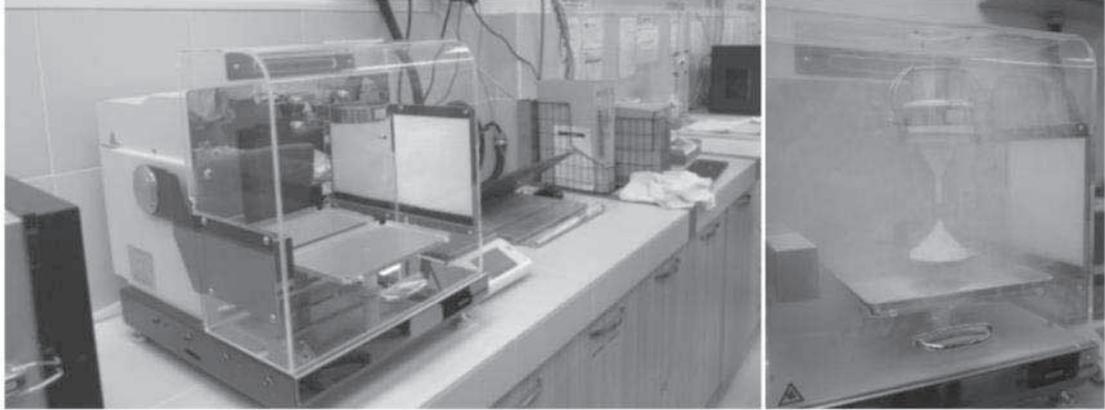
To measure viscosity



## 7. BUSINESS OVERVIEW (Cont'd)

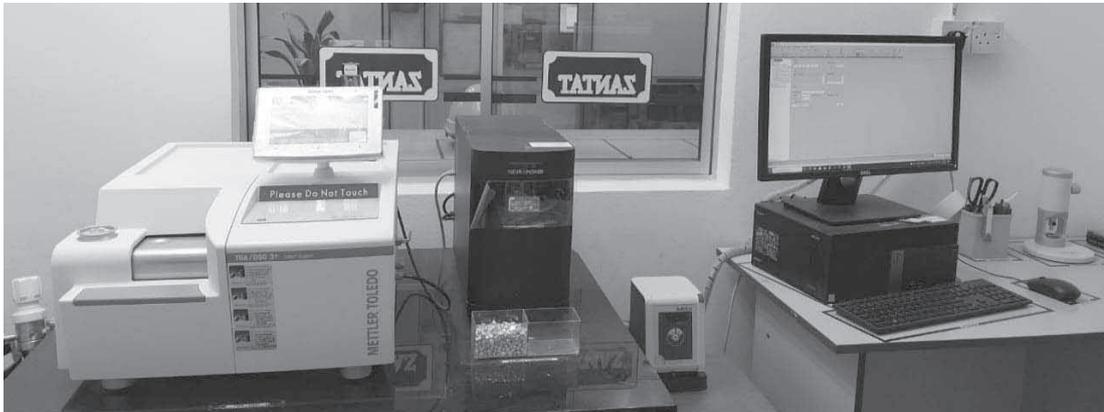
### Powder characteristic tester

To analyse flowability and floodability of our calcium carbonate powder



### DSC-TGA Thermal analysis system

To measure heat flow and weight changes in a material as a function of temperature or time under controlled atmosphere



Our Group also relies on some of the following equipment for the **development and commercialisation** of new GCC products and bioplastic compounds:

### Twin screw extruder with pelletiser

To produce plastic masterbatch and compounds



### Filter pressure value tester

To measure filter pressure value of plastic masterbatch and compounds



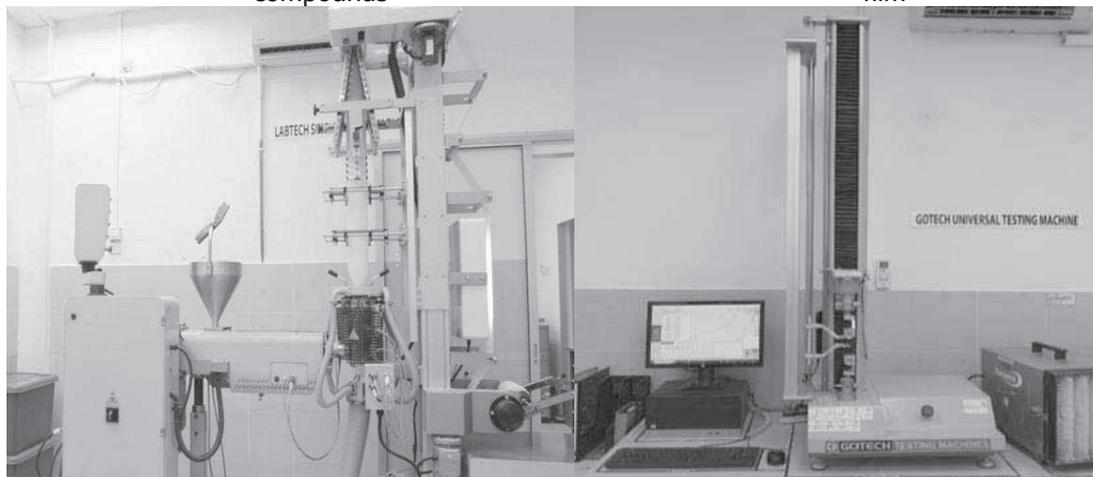
## 7. BUSINESS OVERVIEW (Cont'd)

### Single layer blown film machine

To produce single layer blown film from bioplastic compounds

### Tensile strength testing machine

To test the tensile strength of blown film



The twin screw extruder with pelletiser enables us to produce samples of plastic masterbatch and compounds using our GCC products to conduct testing and proof-of-concept for our customers. Currently, we have a filter pressure value tester to measure the filter pressure value ("**FPV**") and a melt flow index tester to measure the viscosity of plastic masterbatch and compounds. For other tests required by customers such as screen mesh failure, fatty acid purity and odour analysis, we would send the samples to external laboratories or to our customers' laboratories for testing. We also utilise this twin-screw extruder with pelletiser for the development of our bioplastic compounds.

The single layer blown film machine enables us to produce samples using our bioplastic compounds to conduct testing and proof-of-concept for our customers. Currently, we have a tensile strength testing machine to measure the tensile strength and tear resistance of blown film. For other tests required by potential customers such as dart drop impact test, tear test and contaminant analysis, we would send the samples to external laboratories for testing.

For existing customers, these tests are typically required to enable them to standardise quality control to improve product quality, while for potential customers, these tests are required to provide proof-of-concept which meets their desired specifications and requirements.

Moving forward, we intend to purchase additional testing equipment to conduct some of the testing internally for the development and commercialisation of ultrafine-grade GCC products under our "Zanelite" series, and 3 bioplastic compounds. Please refer to Section 7.18 of this Prospectus for further details on our plans.

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

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### **7.10 INTERRUPTIONS IN BUSINESS**

Save for the impact of COVID-19 on our business, we did not experience any material interruptions in our business activities, which had a significant effect on our operations, during the FYE 2020 to 2022, FPE 2023 and up to LPD.

#### **7.10.1 Impact of COVID-19**

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of COVID-19 in the country, commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities. As a result, we have experienced interruptions to our business due to the various imposition of MCO by the Government.

##### **(a) Various MCO measures in 2020**

###### **MCO 1.0**

The first MCO (MCO 1.0) was implemented from 18 March 2020 to 3 May 2020 which saw the closure of all businesses except for those classified as "essential services" during that period, or those that have received written approval from the MITI.

During the MCO 1 period, our business operations were temporarily suspended. All our management and administrative staff worked from home following constraints imposed for MCO 1. We also notified our customers about the temporary suspension of our business operations and the delay in the delivery of orders due to the constraints during the period. We noted that this was a temporary situation and took steps to submit applications to MITI for the resumption of our business operations.

We received the MITI approval letters on 31 March 2020, 16 April 2020 and 21 April 2020 for KL Plant, Zantat Perak Plant 1 and 2 and Calrock Perak Plant, respectively, and resumed our operations with 50% workforce capacity. On 29 April 2020, we received approval from MITI to increase our workforce capacity to 70% for all four plants.

###### **Conditional MCO (CMCO) and Recovery MCO (RMCO)**

Subsequently, as the number of daily and active COVID-19 cases came down, the Government relaxed the country's restrictions and allowed the nation's economy to reopen in a controlled manner. From 4 May 2020 up to 12 January 2021, the MCO went through various phases throughout the country including CMCO and RMCO where restrictions were either relaxed and/or tightened for certain states, districts and/or locations based on the number of daily and active COVID-19 cases in the respective areas.

Throughout the CMCO and RMCO period, we were allowed to continue our business operations with 70% and from 1 July 2020 onwards, up to 100% workforce capacity according to specified guidelines and SOP. We continued our operations with a workforce capacity of 60% to 90% during this period.

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

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**(b) Various MCO measures in 2021****Reimposition of the MCO (MCO 2.0 and MCO 3.0), CMCO and RMCO**

As the number of daily COVID-19 cases started to rise towards the end of 2020, the Government re-imposed the MCO, namely MCO 2.0, in several states. The MCO 2.0 was implemented on 13 January 2021 and subsequently, transitioned to CMCO or RMCO depending on the state. We decreased our workforce capacity from 60% to 87% for our three plants.

Subsequently, following increases in the number of new COVID-19 cases, the third MCO (MCO 3.0) was re-imposed in Kelantan from 16 April 2021, followed by 6 districts in Selangor which started from 6 May 2021 as well as Kuala Lumpur and several districts and mukim in Terengganu, Johor and Perak from 7 May 2021. On 10 May 2021, the Government announced a nationwide MCO 3.0 from 12 May 2021 until 7 June 2021. During this period, all businesses were allowed to operate, however with workforce quota restrictions where only 30% of employees in the top management group are allowed to be in the office.

Our business operations were not affected as we were allowed to operate during these periods. Our subsidiaries received written approval to operate from the MITI and continued to operate according to specified guidelines and SOP.

**MCO measures under the NRP in 2021**

On 28 May 2021, the Government announced the imposition of a nationwide full MCO commencing from 1 June 2021 throughout Malaysia. All sectors were not allowed to operate during this period except for those in the essential economic and service sectors, including manufacturers of packaging and printing materials. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural, and recreational activities.

Subsequently, on 15 June 2021, the Government announced the National Recovery Plan (NRP), a phased exit strategy from the COVID-19 crisis and the MCO which will be enacted from June to December 2021. The NRP consists of 4 phases including Phase 1 FMCO which commenced on 1 June 2021 as mentioned above.

All our plants obtained their MITI approval letters on 31 May 2021 and continued to operate during these periods however with a 60% workforce capacity.

**Capacity based on vaccination rate**

Effective 16 August 2021, the Government allowed all manufacturing sector companies that are listed as essential services in the NRP Phase 1 to increase their capacity of workers on-site based on the rate of fully vaccinated workers. Companies are also required to conduct swab tests every 2 weeks. Zantat Perak Plant 1 and 2, Calrock Perak Plant, and KL Plant began operating fully by 30 August 2021, 1 September 2021, and 18 October 2021, respectively, upon achieving a more than 80% rate of vaccinated employees.

**(c) Transition into the endemic phase in 2022**

On 1 April 2022, Malaysia began its transition into the endemic phase, and we continued to operate at full workforce capacity according to Government SOP and guidelines.

**7. BUSINESS OVERVIEW (Cont'd)****7.10.2 Impact on our business and financial performance****(a) FYE 2020**

As a result of the implementation of MCO by the Government, our business operations were temporarily suspended from 18 March 2020 up to 21 April 2020 which resulted in delays in the fulfilment of orders to our customers. Our financial performance was impacted due to the closure of our business operations in March 2020 and partial closure in April 2020.

As such, the financial impact resulting from the MCO was reflected in the second quarter of FYE 2020 as summarised in the table below:

	<b>Quarter 1 FYE 2020</b>	<b>Quarter 2 FYE 2020</b>	<b>Quarter 3 FYE 2020</b>	<b>Quarter 4 FYE 2020</b>
	<i>(January 2020 to March 2020)</i>	<i>(April 2020 to June 2020)</i>	<i>(July 2020 to September 2020)</i>	<i>(October 2020 to December 2020)</i>
Revenue (RM'000)	28,732	19,055	30,251	29,171
Quarter-on-quarter change (%)	19.0%	-33.7%	58.8%	-3.6%

Our Group's revenue declined by 33.7% in the second quarter of FYE 2020 compared to the previous quarter due to the closure of our business operations from 18 March 2020 up to 21 April 2020. Our revenue declined from RM11.4 million in February 2020 to RM6.5 million in March 2020 and RM4.6 million in April 2020.

Upon resumption of business operations on 22 April 2020, we received an increase in orders from our customers to make up for lost time which increased revenue. This is reflected in the improvement in our Group's revenue in the third quarter of FYE 2020 by 58.8% compared to the previous quarter.

**(b) FYE 2021**

Despite the implementation of phase 1 under the NRP, as an "essential services" provider, we continued our business operations from 1 June 2021. Although we were able to continue our operations, our sales volume was impacted due to the COVID-19 outbreak in India coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

As such, the financial impact was reflected in the second quarter of FYE 2021 as summarised in the table below:

	<b>Quarter 1 FYE 2021</b>	<b>Quarter 2 FYE 2021</b>	<b>Quarter 3 FYE 2021</b>	<b>Quarter 4 FYE 2021</b>
	<i>(January 2021 to March 2021)</i>	<i>(April 2021 to June 2021)</i>	<i>(July 2021 to September 2021)</i>	<i>(October 2021 to December 2021)</i>
Revenue (RM'000)	37,987	26,481	26,506	28,490
Quarter-on-quarter change (%)	30.2%	-30.3%	0.1%	7.5%

Our Group's revenue declined by 30.3% mainly due to a decrease in sales to India as there was a lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021.

**7. BUSINESS OVERVIEW (Cont'd)****(c) FYE 2022**

In FYE 2022, our business continued to operate at full workforce capacity according to Government's guidelines. Although we were able to continue our operations, however, our sales volume was impacted due to the increased sea freight rates which deterred some of our customers in India from importing from Malaysia. As such, the financial impact was reflected in the second quarter of FYE 2022 as summarised in the table below: The changes in our revenue are summarised below:

	<b>Quarter 1 FYE 2022</b>	<b>Quarter 2 FYE 2022</b>	<b>Quarter 3 FYE 2022</b>	<b>Quarter 4 FYE 2022</b>
	<i>(January 2022 to March 2022)</i>	<i>(April 2022 to June 2022)</i>	<i>(July 2022 to September 2022)</i>	<i>(October 2022 to December 2022)</i>
Revenue (RM'000)	29,982	23,678	29,741	29,622
Quarter-on-quarter change (%)	5.2	-21.0	25.6	-0.4

Our Group's revenue declined by 21.0% due to lower sales orders for coated GCC from our customers in India mainly due to the increased sea freight rates in the first half of 2022 which deterred some of our customers in India from importing from Malaysia. Nevertheless, our revenue recovered and increased by 25.6% in the third quarter of 2022 attributed mainly to the increase in sales volume to India as demand from customers increased as sea freight rates was decreasing in the second half of 2022.

**(d) FPE 2023**

In FPE 2023, our business continued to operate at full workforce capacity according to Government's guidelines and there was no impact due to COVID-19. Our Group's revenue increased by 9.8% or RM8.1 million from RM83.0 million in FPE 2022 to RM91.1 million in FPE 2023 mainly due to the increase in demand and sales volume for our GCC products.

**7.10.3 Impact on our supply chain**

During the MCO, FMCO, EMCO and NRP periods, our supply chain was, to a certain extent, affected due to the containment measures imposed by the Government. Nevertheless, the impact was not material as we typically keep an estimated monthly stock of our input materials for our manufacturing operations.

**7.10.4 Impact on our business and earnings prospects**

We are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run, taking into consideration the gradual recovery of the economy in Malaysia and India. In 2023, the Malaysian economy achieved a real GDP growth of 3.7% while the real GDP of the Indian economy is projected to grow by 7.3% in 2023/24. (*Source: IMR Report*)

**7.11 SEASONALITY**

We do not experience any material seasonality in our business operations.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.12 MAJOR CUSTOMERS

Our Group's revenue from customers varies from year to year depending on the units of products sold to its customers. Our top 5 major customers for each FYE 2020 to FYE 2022 and FPE 2023 are as follows:

#### FYE 2020

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution		(1)Length of relationship
					RM'000	%	Years
1.	Alok Group <sup>(2)</sup>	India	Manufacture plastic masterbatch	Coated GCC	19,372	18.1	7
2.	Sonali Group <sup>(3)</sup>	India	Manufacture plastic masterbatch	Coated GCC	6,986	6.5	8
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	5,778	5.4	8
4.	Plastiblends India Ltd <sup>(4)</sup>	India	Manufacture plastic masterbatch	Coated GCC	4,363	4.1	8
5.	Linachem Sdn Bhd	Malaysia	Trading of chemical and chemical additives	GCC, PCC and kaolin dispersion	3,595	3.4	17
					<b>40,094</b>	<b>37.4</b>	

#### FYE 2021

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution		(1)Length of relationship
					RM'000	%	Years
1.	Alok Group <sup>(2)</sup>	India	Manufacture plastic masterbatch	Coated GCC	24,884	20.8	8
2.	Sonali Group <sup>(3)</sup>	India	Manufacture plastic masterbatch	Coated GCC	11,586	9.7	9
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	6,671	5.6	9
4.	Plastiblends India Ltd <sup>(4)</sup>	India	Manufacture plastic masterbatch	Coated GCC	5,585	4.7	9
5.	Linachem Sdn Bhd	Malaysia	Trading of chemical and chemical additives	GCC, PCC and kaolin dispersion	3,616	3.0	18
					<b>52,342</b>	<b>43.8</b>	

## 7. BUSINESS OVERVIEW (Cont'd)

### FYE 2022

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution		(1)Length of relationship
					RM'000	%	Years
1.	Alok Group <sup>(2)</sup>	India	Manufacture plastic masterbatch	Coated GCC	22,770	20.1	9
2.	Sonali Group <sup>(3)</sup>	India	Manufacture plastic masterbatch	Coated GCC	13,932	12.3	10
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	7,113	6.3	10
4.	Plastiblends India Ltd <sup>(4)</sup>	India	Manufacture plastic masterbatch	Coated GCC	5,490	4.9	10
5.	Linachem Sdn Bhd	Malaysia	Trading of chemical and chemical additives	GCC, PCC and kaolin dispersion	3,691	3.3	19
					<b>52,996</b>	<b>46.9</b>	

### FPE 2023

No.	Major customers	Country of export	Principal activities	Categories of products sold	Revenue contribution		(1)Length of relationship
					RM'000	%	Years
1.	Alok Group <sup>(2)</sup>	India	Manufacture plastic masterbatch	Coated GCC	19,533	21.4	10
2.	Sonali Group <sup>(3)</sup>	India	Manufacture plastic masterbatch	Coated GCC	10,980	12.1	11
3.	Konkan Speciality Polyproducts Pvt Ltd	India	Manufacture plastic masterbatch	Coated GCC	6,857	7.5	11
4.	Plastiblends India Ltd <sup>(4)</sup>	India	Manufacture plastic masterbatch	Coated GCC	2,589	2.8	11
5.	Petrotech Products India Pvt Ltd	India	Manufacture and trading of plastic granules and chemicals	Coated GCC	1,685	1.8	11
					<b>41,644</b>	<b>45.7</b>	

## 7. BUSINESS OVERVIEW (Cont'd)

### Notes:

- (1) The length of the business relationship is determined at each respective FYE / FPE.
- (2) Alok Group consists of Alok Master Batches Private Limited and Alok Industries (a partnership). Alok Industries is related to Alok Master Batches Private Limited by virtue of the fact that the partners of Alok Industries, namely Krishan Lal Puri and Chandrapal Singh Bhadauria, are directors of Alok Master Batches Private Limited and one of the partners of Alok Industries, namely Chandrapal Singh Bhadauria holds more than 5% of the equity shares in Alok Master Batches Private Limited. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our revenue contributed by Alok Group comprised the following:

<b>Alok Group</b>	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Alok Master Batches Private Limited	13,421	12.5	17,087	14.3	16,076	14.2	13,466	14.8
Alok Industries	5,951	5.6	7,797	6.5	6,694	5.9	6,067	6.7
<b>Total</b>	<b>19,372</b>	<b>18.1</b>	<b>24,884</b>	<b>20.8</b>	<b>22,770</b>	<b>20.1</b>	<b>19,533</b>	<b>21.4</b>

- (3) Sonali Group consists of Sonali Polyplast Pvt Ltd and its holding company, Sonali Polymers Pvt Ltd. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our revenue contributed by Sonali Group comprised the following:

<b>Sonali Group</b>	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Sonali Polyplast Pvt Ltd	4,322	4.0	9,455	7.9	10,728	9.5	7,466	8.2
Sonali Polymers Pvt Ltd	2,664	2.5	2,131	1.8	3,204	2.8	3,514	3.9
<b>Total</b>	<b>6,986</b>	<b>6.5</b>	<b>11,586</b>	<b>9.7</b>	<b>13,932</b>	<b>12.3</b>	<b>10,980</b>	<b>12.1</b>

- (4) Plastiblends India Ltd is a listed company on the National Stock Exchange of India Limited and India BSE Limited.

We are dependent on Alok Group and Sonali Group due to their contribution to our revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 which collectively accounted for 24.6%, 30.5%, 32.4% and 33.5%, respectively.

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

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Revenue generated from Alok Group accounted for 18.1%, 20.8%, 20.1% and 21.4% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. As at LPD, Alok Group has been our customer for 11 years. Alok Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Alok Group for the manufacture of plastic masterbatch.

Revenue contributed by Sonali Group accounted for 6.5%, 9.7%, 12.3% and 12.1% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. As at LPD, Sonali Group has been our customer for 12 years. Sonali Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Sonali Group for the manufacture of plastic masterbatch.

To reduce customer dependency, we aim to diversify our portfolio of products with the commencement of bioplastic compounding activities as well as conduct R&D to develop new product applications for our calcium carbonate products. This would enable us to enlarge our target market and customer base, thus reducing customer dependency. Additionally, as India is Malaysia's largest export market for calcium carbonate (Source: IMR Report) and there is acceptable demand from other customers in India for our GCC products, we expect to be able to replace the loss of business in the event of termination of our business relationship with either of them.

Our customer base comprises approximately 350, 340, 320 and 315 customers in FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. The decrease in customer base was mainly due to the loss of some export customers during the period when sea freight rates were at their peak. Despite the decrease in customer base, our average revenue per customer increased by 14.7% from approximately RM0.3 million per customer in FYE 2020 to RM0.4 million in FYE 2021 and FYE 2022, respectively. In FPE 2023, our average revenue per customer decreased to RM0.3 million.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.13 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

#### 7.13.1 Purchases and sources of materials

The following are the major types of input materials that we purchased for our business operations for FYE 2020 to FYE 2022 and FPE 2023:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Production and processing operations</b>	<b>30,571</b>	<b>98.0</b>	<b>32,032</b>	<b>97.8</b>	<b>33,399</b>	<b>97.9</b>	<b>28,015</b>	<b>99.2</b>
Input materials	20,621	66.1	22,439	68.5	22,692	66.5	17,095	60.5
- Minerals <sup>(1)</sup>	11,280	36.2	11,880	36.3	11,526	33.8	7,883	27.9
- Chemicals	9,341	29.9	10,559	32.2	10,909	32.0	9,212	32.6
- Resin	-	-	-	-	257	0.7	-	-
Packaging materials	8,437	27.0	8,385	25.6	9,593	28.1	10,356	36.7
Consumables and spare parts <sup>(2)</sup>	1,513	4.9	1,208	3.7	1,114	3.3	564	2.0
<b>Trading operations</b>	<b>611</b>	<b>2.0</b>	<b>705</b>	<b>2.2</b>	<b>723</b>	<b>2.1</b>	<b>229</b>	<b>0.8</b>
Materials <sup>(3)</sup>	611	2.0	705	2.2	723	2.1	229	0.8
<b>Total purchases</b>	<b>31,182</b>	<b>100.0</b>	<b>32,737</b>	<b>100.0</b>	<b>34,122</b>	<b>100.0</b>	<b>28,244</b>	<b>100.0</b>

#### Notes:

- (1) Include limestone rocks and chips, as well as PCC and kaolin powder.
- (2) Include machinery spare parts, and grinding aids.
- (3) Mainly talcum powder.

## 7. BUSINESS OVERVIEW (Cont'd)

The following is the breakdown of our materials and services based on local and foreign purchases for the FYE 2020 to FYE 2022 and FPE 2023:

	Main source country	FYE 2020			FYE 2021			FYE 2022		
		Purchases	Local	Imported	Purchases	Local	Imported	Purchases	Local	Imported
		RM'000	%	%	RM'000	%	%	RM'000	%	%
<b>Production and processing operations</b>		<b>30,571</b>	<b>82.4</b>	<b>17.6</b>	<b>32,032</b>	<b>81.5</b>	<b>18.5</b>	<b>33,399</b>	<b>80.5</b>	<b>19.5</b>
Input materials		20,621	80.5	19.5	22,439	77.6	22.4	22,692	75.5	24.5
- Minerals	Malaysia and China	11,280	65.6	34.4	11,880	57.7	42.3	11,526	54.0	46.0
- Chemicals	Malaysia and China	9,341	98.4	1.6	10,559	100.0	0.0	10,909	100.0	0.0
- Resin	China	-	-	-	-	-	-	257	-	100.0
Packaging materials	Malaysia	8,437	100.0	0.0	8,385	100.0	0.0	9,593	99.9	0.1
Consumables and spare parts	China	1,513	9.8	90.2	1,208	24.5	75.5	1,114	15.3	84.7
<b>Trading operations</b>		<b>611</b>	<b>89.9</b>	<b>10.1</b>	<b>705</b>	<b>17.7</b>	<b>82.3</b>	<b>723</b>	<b>15.5</b>	<b>84.5</b>
Materials	Malaysia and China	611	89.9	10.1	705	17.7	82.3	723	15.5	84.5
<b>Total purchases</b>		<b>31,182</b>	<b>82.5</b>	<b>17.5</b>	<b>32,737</b>	<b>80.1</b>	<b>19.9</b>	<b>34,122</b>	<b>79.1</b>	<b>20.9</b>

	Main source country	FPE 2023		
		Purchases	Local	Imported
		RM'000	%	%
<b>Production and processing operations</b>		<b>28,015</b>	<b>95.6</b>	<b>4.4</b>
Input materials		17,095	94.5	5.5
- Minerals	Malaysia and China	7,883	88.0	12.0
- Chemicals	Malaysia and China	9,212	100.0	0.0
- Resin	China	-	-	-
Packaging materials	Malaysia	10,356	100.0	0.0
Consumables and spare parts	China	564	49.6	50.4
<b>Trading operations</b>		<b>229</b>	<b>58.1</b>	<b>41.9</b>
Materials	Malaysia and China	229	58.1	41.9
<b>Total purchases</b>		<b>28,244</b>	<b>95.3</b>	<b>4.7</b>

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

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We source the following materials and services for our business operations:

- **Minerals:** The key raw materials for our production and processing of calcium carbonate products are limestone rocks and chips and PCC powder, and kaolin powder for our kaolin dispersions. The purchase of minerals accounted for 36.2%, 36.3%, 33.8% and 27.9% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023. We mainly source minerals such as limestone rocks and chips from local suppliers in Malaysia which accounted for 65.6%, 57.7%, 54.0% and 88.0% of our purchases of minerals for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We also import minerals such as PCC and kaolin powder from China which accounted for 34.4%, 42.3%, 46.0% and 12.0% of our total purchases of minerals for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. In FYE 2022, we have a supplier base of approximately 9 suppliers for limestone rocks and chips, 1 supplier for PCC powder, and 1 supplier for kaolin powder. In FPE 2023, we have a supplier base of approximately 9 suppliers for limestone rocks and chips, 1 supplier for PCC powder, and 2 suppliers for kaolin powder.
- **Chemicals:** The chemicals used for our operations include stearic acid, dispersing agents and adhesives, which are used in the production of coated GCC and GCC dispersions. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, chemicals accounted for 29.9%, 32.2%, 32.0% and 32.6% of our total purchases respectively. We mainly sourced the chemicals domestically, which accounted for 98.4% of our total purchases of chemicals in FYE 2020. The remaining purchases of chemicals in FYE 2020 were sourced from China. In FYE 2021 and FYE 2022, all of our chemicals were sourced domestically. In FYE 2022, we have a supplier base of approximately 14 suppliers for chemicals. In FPE 2023, we have a supplier base of approximately 13 suppliers for chemicals.
- **Packaging materials:** This includes the packaging materials used for GCC, calcium carbonate and kaolin dispersions, comprising paper bags, PP bags and metal drums. The packaging materials used for our production and processing operations accounted for 27.0%, 25.6%, 28.1% and 36.7% of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. We sourced all the packaging materials from domestic suppliers in Malaysia. In FYE 2022 and FPE 2023, we have a supplier base of approximately 40 suppliers for packaging materials.
- **Consumables and spare parts:** This includes consumables and spare parts such as machinery spare parts and grinding aids. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, consumables and spare parts accounted for 4.9%, 3.7%, 3.3% and 2.0% of our total purchases respectively. We mainly sourced the consumables and spare parts from China, which accounted for 90.2%, 75.5%, 84.7% and 50.4% of our total purchases of consumables and spare parts in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The remaining purchases of consumables and spare parts are sourced domestically. In FYE 2022 and FPE 2023, we have a supplier base of approximately 15 suppliers for consumables and spare parts.

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

- **Materials for trading operation:** This mainly comprises talcum powder which we purchase for resale. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, materials for trading operations accounted for 2.0%, 2.2%, 2.1% and 0.8% of our total purchases respectively. In FYE 2020, we mainly sourced the materials for trading operations domestically, which accounted for 89.9% of our total purchases of materials for trading operations. In FYE 2021 and FYE 2022, purchases of materials for the trading operation were mainly imported from China which accounted for 82.3% and 84.5% of our total purchases for FYE 2021 and FYE 2022, respectively. In FPE 2023, approximately 58.1% of materials for the trading operations were purchased from local suppliers while 41.9% were imported from China. In FYE 2022, we have a supplier base of approximately 3 suppliers for materials for trading operations. In FPE 2023, we have a supplier base of approximately 4 suppliers for materials for trading operations.

### **7.13.2 Volatility of prices of raw / input materials**

Limestone rocks and chips are our major raw materials to produce GCC and GCC dispersions. In FYE 2022 and FPE 2023, approximately 70% and 74% of limestone rocks and chips purchased for the production of our calcium carbonate products were sourced from external suppliers, respectively. As these raw materials are sourced domestically and Malaysia has an abundant source of limestone reserves, we do not experience material volatility in limestone prices. Furthermore, it is not a globally traded commodity. In addition, we have our leased limestone reserves which we can rely on when the prices of limestone rocks and chips are high.

Chemicals are a major raw material for the production of coated GCC as well as CC and kaolin dispersions. For the FYE 2020, FYE 2021 and FYE 2022, we experienced an increase in chemical prices, particularly stearic acid which used in the production of coated GCC. Our average purchase price of stearic acid increased by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021 and further increase by 27.5% to RM6.26/kg in FYE 2022. Subsequently, the average purchase price of stearic acid decreased to RM4.99/kg in FPE 2023. The increase in stearic acid price since 2020 was due to the increase in crude palm oil (CPO) prices attributed to factors such as supply disruptions caused by the COVID-19 pandemic coupled with the increase in the demand for palm oil as it served as a substitute for sunflower oil amidst the supply chain disruption due to the Russia-Ukraine war.

Please refer to Section 9.1.4 and Section 12.2.2 (b) of this Prospectus for further details on the volatility of raw material prices.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.14 MAJOR SUPPLIERS

Our Group's purchase from its customers varies from year to year depending on the amount of materials purchased from them. Our top 5 major suppliers for each of FYE 2020 to FYE 2022 and FPE 2023 are as follows:

#### FYE 2020

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases		(1)Length of relationship
				RM'000	%	Years
1.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	5,562	17.8	9
2.	Shanghai Multi-Med Union Co. Ltd	China	PCC powder	5,010	16.1	11
3.	Federal Packages Sdn Bhd <sup>(2)</sup>	Malaysia	Packaging materials	2,919	9.4	9
4.	Chung Chemicals Sdn Bhd	Malaysia	Stearic acid	2,010	6.4	20
5.	CI Limestone Marketing Sdn Bhd	Malaysia	Limestone rocks and chips	1,813	5.8	2
				<b>17,314</b>	<b>55.5</b>	

#### FYE 2021

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases		(1)Length of relationship
				RM'000	%	Years
1.	Shanghai Multi-Med Union Co. Ltd	China	PCC powder	5,687	17.4	12
2.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	5,223	15.9	10
3.	Federal Packages Sdn Bhd <sup>(2)</sup>	Malaysia	Packaging materials	3,070	9.4	10
4.	Evyap Sabun Malaysia Sdn Bhd	Malaysia	Stearic acid	2,160	6.6	<1
5.	Zillion Freight Sdn Bhd	Malaysia	Limestone rocks and chips	2,105	6.4	8
				<b>18,245</b>	<b>55.7</b>	

## 7. BUSINESS OVERVIEW (Cont'd)

### FYE 2022

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases		(1)Length of relationship
				RM'000	%	Years
1.	Shanghai Multi-Med Union Co. Ltd	China	PCC powder	5,930	17.4	13
2.	Evyap Sabun Malaysia Sdn Bhd	Malaysia	Stearic acid	4,394	12.9	1
3.	Federal Packages Sdn Bhd <sup>(2)</sup>	Malaysia	Packaging materials	3,039	8.9	11
4.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	2,682	7.8	11
5.	Zillion Freight Sdn Bhd	Malaysia	Limestone rocks and chips	2,376	7.0	9
				<b>18,421</b>	<b>54.0</b>	

### FPE 2023

No.	Major suppliers	Country of origin	Main products purchased	Value of purchases		(1)Length of relationship
				RM'000	%	Years
1.	Evyap Sabun Malaysia Sdn Bhd	Malaysia	Stearic acid	4,152	14.7	2
2.	Zillion Freight Sdn Bhd	Malaysia	Limestone rocks and chips	3,979	14.1	10
3.	Federal Packages Sdn Bhd <sup>(2)</sup>	Malaysia	Packaging materials	3,201	11.3	12
4.	Hwee Nik (M) Sdn Bhd	Malaysia	Stearic acid	2,003	7.1	12
5.	Chung Chemicals Sdn Bhd	Malaysia	Stearic acid	1,265	4.5	23
				<b>14,600</b>	<b>51.7</b>	

#### Notes:

- (1) The length of the business relationship is determined at each respective FYE / FPE.
- (2) Federal Packages Sdn Bhd is a wholly-owned subsidiary of Muda Holdings Berhad, a company listed on Bursa Securities.

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

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Although our purchases from Shanghai Multi-Med represented 16.1%, 17.4% and 17.4% of our total purchases for the FYE 2020, FYE 2021 and FYE 2022, respectively, we are not dependent on Shanghai Multi-Med Union Co. Ltd ("**Shanghai Multi-Med**") as the PCC powder which we are purchasing from them are readily available from other suppliers. We have been purchasing PCC powder from Shanghai Multi-Med due to its quality and consistent supply over the past 14 years. In FPE 2023, the business of Shanghai Multi-Med has been transferred to a new company namely, Shanghai Wilpower Industrial Co. Ltd. However, our purchases of PCC powder from Shanghai Wilpower Industrial Co. Ltd in FPE 2023 has reduced to 4.3% of our total purchases for the FPE 2023. This was due to the decrease in orders for our PCC dispersion and ultrafine PCC powder attributed by lower orders from customers who are latex glove manufacturers.

As for the remaining top suppliers, we are not dependent on any individual supplier for our business operations as the types of materials and services that we purchase from these suppliers, such as limestone rocks and chips, chemicals and packaging materials, can be sourced from other suppliers.

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## 7. BUSINESS OVERVIEW (Cont'd)

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### 7.15 COMPETITIVE STRENGTHS

Our competitive advantages and key strengths will provide us with the platform to sustain and grow our business. They are as follows:

**(a) The diverse functions and uses of our calcium carbonate provide us with a potentially wide addressable market to sustain and grow our business**

Calcium carbonate has diverse industrial applications. Our calcium carbonate has been used for the following functions:

- fillers or extenders to replace some of the more expensive raw or input materials, such as plastics, liquid and solid rubber, and wood pulp, to reduce the overall cost of raw materials;
- additives to provide desired properties such as improved tensile and impact strength, elongation and increased rigidity;
- additives to provide desired characteristics such as opacity, whiteness or brightness, as well as replace some of the more expensive white pigments such as titanium dioxide to reduce the overall cost of materials;
- purification agent in the treatment of raw water that combines with impurities such as iron or manganese for separation and subsequent removal; and
- neutralising acidity or increasing the alkalinity of potable water.

Some of the industries that use our calcium carbonate include plastics, pulp and paper, paintings and coatings, rubber, latex, glass, water treatment, soap and detergent, oil and gas, and chemicals. (Source: IMR Report)

The diverse function and usage of our calcium carbonate products across a large number of industries provide us with a potentially wide addressable market to sustain and grow our business. In addition, management has observed that manufacturers worldwide, especially those in plastic manufacturing, are gradually moving towards a more environmentally responsible approach to production due to increasing pressures of sustainability requirements, and thus these manufacturers have been adopting calcium carbonate fillers in their formulations to partly replace plastic and also to reduce greenhouse gas emissions. Our Group has a diversified range of calcium carbonate product range, and is well positioned to capitalise on this global movement, as we have commercialised several types of GCC products that are suitable for use as fillers used to reduce the composition of plastic, making it more environmentally friendly.

**(b) We have an established track record of approximately 38 years in the production and export of calcium carbonate products to serve as a platform for business sustainability and growth**

We have an established track record that spans approximately 38 years since the commencement of our business operation in the production of calcium carbonate products in 1986. Throughout the years, we have managed to establish our presence and build market awareness of our products and brands.

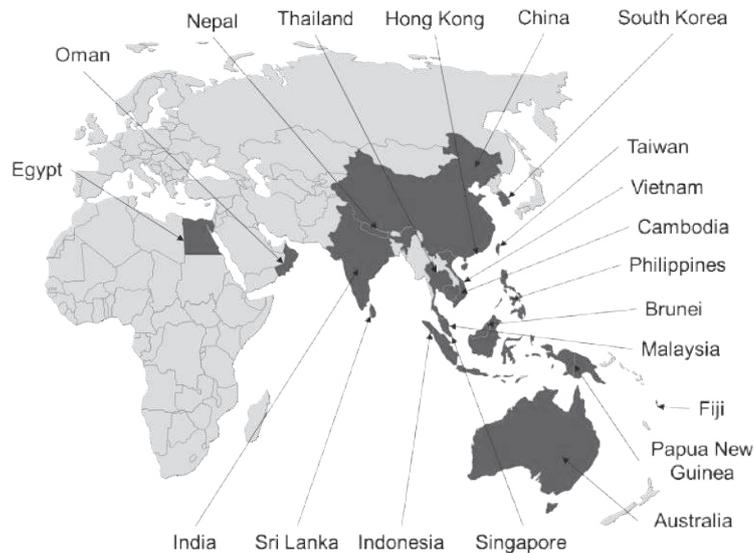
Similarly, we have a track record of approximately 37 years in selling our products in foreign countries since we began exports in 1987 to Singapore. We also have a track record of approximately 12 years exporting our products to India since 2012, which for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 is our largest export country representing 62.5% (RM67.0 million), 63.2% (RM75.5 million), 59.6% (RM67.4 million) and 59.5% (RM54.2 million) of our total revenue, respectively.

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

Throughout our 38 years of operations, we have developed and established long-term relationships with our customers where our top 5 major customers for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 have been dealing with us between 11 years and 21 years, as at LPD.

In this respect, the strengths of our track record and established market presence for the production of calcium carbonate products serve as an important reference and testament to help our Group secure new business including our plan to venture into bioplastic compounding.

**(c) Our geographical coverage includes 19 foreign markets which provide us with the platform to address export market opportunities**



For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we serve customers across 19 foreign markets in Asia Pacific and the Middle East. Revenue derived from foreign markets collectively accounted for 71.3% (RM76.4 million), 72.5% (RM86.6 million), 68.9% (RM77.9 million) and 68.1% (RM62.0 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. In FYE 2022, revenue from foreign markets was contributed mainly by India (59.6% or RM67.4 million) as well as Indonesia, the Philippines, Australia, Sri Lanka and Thailand (cumulatively 7.4% or RM8.3 million). In FPE 2023, revenue from foreign markets was contributed mainly by India (59.5% or RM54.2 million) as well as the Philippines, Vietnam, Sri Lanka, Indonesia, Thailand and Australia (cumulatively 7.7% or RM7.0 million).

This demonstrates our ability to tap into various foreign markets which indicates the acceptance of our products in these countries to increase our potential addressable market.

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


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**(d) We have experienced Directors and key management to lead, manage and grow our business**

The continuing success, future growth and expansion of our Group are, to a significant extent, dependent on the knowledge, experience, skills and continued services of our Directors and key management. Our Group was co-founded and helmed by 3 experienced individuals, Chan Hup Ooi (Promoter, Non-Independent Non-Executive Deputy Chairman and substantial shareholder), Teh Ah Soon @ Teh Soon Tick (Promoter and substantial shareholder) and Chan Eng Hue (Promoter, Chief Operating Officer (KL Plant) and substantial shareholder), all of whom, have approximately 38 years of experience in the calcium carbonate industry.

As part of our Group's succession plans, our Group is now being led by our Managing Director / Chief Executive Officer, Chan Bin Iuan, who brings with him 17 years of experience in the calcium carbonate industry. He has been instrumental in the growth and development of our Group including his initiative to drive export sales of our GCC products to India in 2012.

He is supported by our key senior management team as follows:

- Chan Eng Hue, our Chief Operating Officer of Zantat KL Plant, brings with him approximately 38 years of experience in the calcium carbonate industry. He is responsible for overseeing the production, sales and marketing of CC dispersions at the KL Plant.
- Chan Jee Chet, our Executive Director / Chief Operating Officer (Perak Plants), brings with him approximately 12 years of experience in the calcium carbonate industry. He is responsible for overseeing the production, sales and marketing of calcium carbonate products at the Perak Plants.
- Aw Ee Ling, our Chief Financial Officer, brings with her approximately 12 years of experience in accounting and finance. She is responsible for overseeing our Group's overall accounting and financial matters.

Having an experienced management team will provide stability and serve as a platform for business sustainability and growth.

**(e) We have quality control facilities to help ensure consistent product quality**

We place importance on manufacturing quality products that meet product performance as well as customers' specifications and requirements. As such, we have received ISO 9001:2015 quality management system certification for our calcium carbonate manufacturing operations in Kuala Lumpur and Perak to facilitate a consistent standard of product quality. We also have Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practice (GMP) and Halal certifications for the production of calcium carbonate for our GCC operations. Some of our calcium carbonate products are used in the manufacturing of plastics used for food packaging.

These certifications provide customers with the assurance that we adhere to recognised quality standards, processes and management systems for our calcium carbonate products.

In addition, all our production plants are equipped with their respective quality control and testing facility to ensure consistent product quality. We conduct in-process and final product quality control tests on all the products that we produce.

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

Our quality management system and quality control procedures help to maintain customers' trust and loyalty by ensuring that our products consistently meet the required specifications.

**(f) We have 2 pieces of leasehold lands with limestone reserves for approximately 50 years**

We have 2 pieces of leasehold lands with limestone reserves in Keramat Pulai, Perak that respectively expire in 2068 and 2070. The combined size of the 2 limestone reserves covers a land area of approximately 25 acres with a total volume of the above-ground limestone estimated at 19 million tonnes based on geological reports conducted in 2022.

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we extracted approximately 0.07 million tonnes, 0.10 million tonnes, 0.06 million tonnes and 0.06 million tonnes, respectively. Based on the average extraction rate of FYE 2020, FYE 2021, FYE 2022 and FPE 2023, the 2 limestone reserves will last us through the remaining tenure of the leasehold lands. In addition, there are limestones beneath the ground level, which have not been assessed yet.

Our ready access to our limestone reserve will ensure a ready supply of limestone which is not subjected to cost of material fluctuation.

**7.16 PRODUCTION CAPACITY AND OUTPUT**

Our production capacity, output and utilisation rate for the production of GCC, GCC dispersions, PCC dispersions, and kaolin dispersions for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 are as follows:

**(a) Production of GCC**

<b>GCC</b>	<b>No. of production lines</b>	<b>Production capacity<sup>(1)</sup> (<sup>'000</sup> tonnes)</b>	<b>Production output<sup>(2)</sup> (<sup>'000</sup> tonnes)</b>	<b>Utilisation rate (%)</b>
<b>FYE 2020</b>				
Zantat Perak Plant 1	8 lines	208.0	163.1	78
Zantat Perak Plant 2	1 line	45.0	14.2	32
Calrock Perak Plant	5 lines	58.5	36.7	63
		<b>311.5</b>	<b>214.0</b>	<b>69</b>
<b>FYE 2021</b>				
Zantat Perak Plant 1	8 lines	208.0	152.2	73
Zantat Perak Plant 2	1 line	45.0	10.7	24
Calrock Perak Plant	5 lines	58.5	33.7	58
		<b>311.5</b>	<b>196.6</b>	<b>63<sup>(3)</sup></b>
<b>FYE 2022</b>				
Zantat Perak Plant 1	8 lines	208.0	142.2	68
Zantat Perak Plant 2	1 line	45.0	6.0	13
Calrock Perak Plant	5 lines	58.5	32.8	56
		<b>311.5</b>	<b>181.0</b>	<b>58<sup>(4)</sup></b>

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

<b>GCC</b>	<b>No. of production lines</b>	<b>Production capacity<sup>(1)</sup> (‘000 tonnes)</b>	<b>Production output<sup>(2)</sup> (‘000 tonnes)</b>	<b>Utilisation rate (%)</b>
<b>FPE 2023</b>				
Zantat Perak Plant 1	8 lines	156.0 <sup>(5)</sup>	145.9	94
Zantat Perak Plant 2	1 line	33.8 <sup>(5)</sup>	9.6	28
Calrock Perak Plant	5 lines	43.9 <sup>(5)</sup>	22.8	52
		<b>233.7</b>	<b>178.3</b>	<b>76</b>

**Notes:**

- (1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime, running two 12-hour shifts per day. Zantat Perak Plant 1 has 8 GCC production lines using vertical roller mills and coating machines mainly for the production of coated fine grade GCC, Zantat Perak Plant 2 has 1 GCC production line using a ball mill with a coating system mainly for the production of coated ultrafine grade GCC, and Calrock Perak Plant has 5 GCC production lines using vertical roller mills mainly for the production of uncoated GCC.
- (2) We are currently running on two 12-hour shifts per day.
- (3) The decline in the utilisation rate in FYE 2021 was mainly due to the decrease in sales orders from export customers particularly customers in India which was affected by lockdown due to the COVID-19 Delta variant outbreak, as well as an increase in sea freight rates which deterred some export customers from importing from us.
- (4) The decline in the utilisation rate in FYE 2022 was mainly due to the decrease in sales orders from customers attributed to the increased sea freight rates in the first half of 2022 which deterred some export customers from importing from us.
- (5) The production capacity for FPE 2023 is pro-rated to 9 months.

**(b) Production of GCC dispersions**

<b>GCC dispersions</b>	<b>No. of production lines</b>	<b>Production capacity<sup>(1)</sup> (‘000 tonnes)</b>	<b>Production output<sup>(2)</sup> (‘000 tonnes)</b>	<b>Utilisation rate (%)</b>
FYE 2020	4 lines	52.7	11.4	22
FYE 2021	4 lines	52.7	10.5	20 <sup>(3)</sup>
FYE 2022	4 lines	52.7	12.7	24
FPE 2023	4 lines	39.5 <sup>(4)</sup>	8.5	22

**Notes:**

- (1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime running two 12-hour shifts per day.
- (2) We are currently running on two 12-hour shifts per day.

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

(3) Despite the slight increase in sales volume of GCC dispersion in FYE 2021 by 2.3%, the decline in production output and utilisation rate in FYE 2021 was mainly due to the sales of our existing stocks during the financial year coupled with the cautious production rate amidst the COVID-19 pandemic situation.

(4) The production capacity for FPE 2023 is pro-rated to 9 months.

**(c) Production of PCC dispersions**

<b>PCC dispersions</b>	<b>No. of production lines</b>	<b>Production capacity<sup>(1)</sup> (‘000 tonnes)</b>	<b>Production output<sup>(2)</sup> (‘000 tonnes)</b>	<b>Utilisation rate (%)</b>
FYE 2020	2 lines	18.7	8.1	43
FYE 2021	2 lines	18.7	6.2	33 <sup>(3)</sup>
FYE 2022	2 lines	18.7	5.1	27 <sup>(3)</sup>
FPE 2023	2 lines	14.0 <sup>(4)</sup>	2.6	19 <sup>(3)</sup>

**Notes:**

(1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime running two 12-hour shifts per day.

(2) We are currently running on two 12-hour shifts per day.

(3) The decline in the production output and utilisation rate in FYE 2021, FYE 2022 and FPE 2023 was mainly due to lower orders from rubber glove manufacturers amidst the lower demand for medical gloves in FYE 2022 and FPE 2023 as COVID-19 pandemic conditions started to improve.

(4) The production capacity for FPE 2023 is pro-rated to 9 months.

**(d) Production of kaolin dispersions**

<b>Kaolin dispersions</b>	<b>No. of production lines</b>	<b>Production capacity<sup>(1)</sup> (‘000 tonnes)</b>	<b>Production output<sup>(2)</sup> (‘000 tonnes)</b>	<b>Utilisation rate (%)</b>
FYE 2020	2 lines	13.8	0.8	6
FYE 2021	2 lines	13.8	1.5	11
FYE 2022	2 lines	13.8	1.1	8 <sup>(3)</sup>
FPE 2023	2 lines	10.4 <sup>(4)</sup>	0.6	6 <sup>(3)</sup>

**Notes:**

(1) Production capacity for FYE 2020, FYE 2021 and FYE 2022 is calculated based on 365 days per year less 5.0% which is assumed for repair and maintenance downtime running two 12-hour shifts per day.

(2) We are currently running on two 12-hour shifts per day.

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

- (3) The decline in the utilisation rate in FYE 2022 and FPE 2023 was mainly due to lower sales orders from rubber glove manufacturers amidst lower demand for synthetic rubber gloves in FYE 2022 and FPE 2023 as COVID-19 pandemic conditions started to improve.
- (4) The production capacity for FPE 2023 is pro-rated to 9 months.

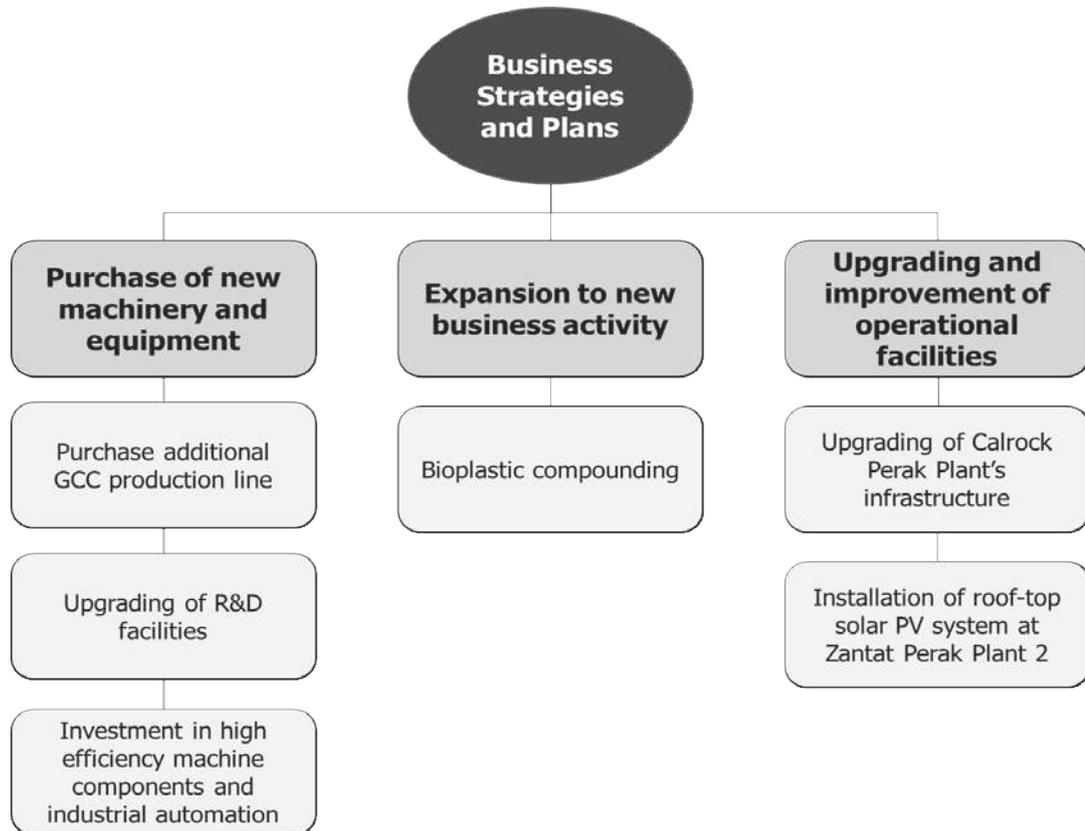
**7.17 DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS**

Our Group is not materially dependent on any contracts, agreements or other arrangements that could materially affect our business and profitability as at LPD.

**7.18 BUSINESS STRATEGIES AND PROSPECTS**

Moving forward, our strategy is to leverage our core competency and strengths as a producer of calcium carbonate products to serve as a platform to address business opportunities and growth.

Our business strategies and plans are summarised in the following diagram:



We aim to implement the above business strategies and plans in 2024.

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

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**7.18.1 Purchase of new machinery and equipment****(a) Purchase additional GCC production line**

We plan to purchase an additional GCC production line for the production of fine-grade coated GCC namely our "Zancarb" series.

Our Zantat Perak Plant 1 is equipped with 8 GCC production lines using vertical roller mills and coating machines mainly to produce fine-grade coated GCC sold under our brands "Zancarb 1T", "Zancarb 2T" and "Zancarb 2TS" which are our core selling products. The revenue contributed from sales of these products accounted for 72.3% (RM77.5 million), 71.3% (RM85.2 million), 71.4% (RM80.7 million) and 72.5% (RM66.0 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

For FPE 2023, we produced approximately 146,000 tonnes of GCC at our Zantat Perak Plant 1, utilising almost the full production capacity of the said plant. Please refer to Section 7.16 (a) of this Prospectus for details of our production capacity and output for our GCC production.

Further to the above, we expect the demand for our "Zancarb" series to continue increasing in the near future. As such, we plan to purchase 1 GCC production line with a vertical roller milling system comprising vertical roller mill, coating machine, classifier, dust collector, conveyor belts and silo and install it at Calrock Perak Plant by the end of 2024. This is expected to increase our production capacity of GCC by another 26,000 tonnes which can cater to the expected increase in demand for our "Zancarb" series.

The vertical roller mill system is expected to cost approximately RM1.5 million which will be funded via internally generated funds and/or bank borrowings. For avoidance of doubt, the installation of the new GCC production line will not be affected by our plans to upgrade the Calrock Perak Plant, as described under Section 7.18.3(a) of this Prospectus below as they do not affect the production area in the Calrock Perak Plant.

**(b) Upgrading of R&D facilities**

We plan to upgrade our existing R&D centre at Zantat Perak Plant 1 as well as purchase additional test and product development equipment by 2024.

Currently, our R&D centre mainly functions as a testing and quality control centre to conduct daily routine testing and quality control checks on incoming raw materials, in-process products, and finished products to ensure our input materials and finished products are safe and of the specified quality.

Our calcium carbonate products are used as raw materials for the production of plastic masterbatch and compounds, which are then used to produce various types of plastic products such as packaging films and injection moulded plastic parts and products. Previously, whenever we develop a new calcium carbonate product, the process of commercialising and marketing the said product is lengthy as customers would require various product testing and proof-of-concept. These potential customers would require additional product testing on the resultant plastic masterbatch and compounds to determine if our calcium carbonate products, after it is utilised as their raw material, meets their desired specification and requirements.

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

Our R&D centre mainly have equipment to test our calcium carbonate products. We only have certain equipment to test our customers' products, namely a tensile strength testing machine to test the tensile strength and tear resistance of packaging films, as well as a melt flow index tester to test the viscosity (melt flow index) and a filter pressure value tester to test the filter pressure value of plastic masterbatch. As such, we are unable to conduct other product testing and proof-of-concept in-house for our customers.

We currently own a 16mm lab-scale twin screw extruder with a capacity to 2kg to 3kg of pellets per hour to produce plastic masterbatch and compounds in small batches where we would send these samples to external laboratories or to our customers' laboratories for testing. This process can take between 3 to 6 months before achieving the customer's acceptance.

In addition, for the production of our bioplastic compostable packaging film compound, we currently own a single layer blown film machine to produce single layer blown film in small batches to perform testing. Typically, potential customers would require additional product testing on the packaging film to determine if our bioplastic compounds, after being used as their input material, would meet their desired specification and requirements.

As such, we plan to purchase additional test and product development equipment to conduct this additional testing in-house to shorten our product trials to under a month. The following sets out the testing and product development equipment that we plan to purchase, which will be fully funded through the proceeds of our Public Issue:

<b>No.</b>	<b>Equipment</b>	<b>Function</b>	<b>No. of unit(s)</b>	<b>Estimated cost (RM'000)</b>
1	3-layer co-extrusion compact blown film machine	To produce multilayer blown film	1	990
2	26mm twin screw extruder with capacity of 20kg to 80kg of pellets per hour	To produce plastic compounds for R&D and customer sampling trial, test and refine new technology or processes, as well as to troubleshoot any potential problems or issues that may arise during production of bioplastic compounds	1	868
3	Various test and measurement equipment	To test the various properties of chemical compounds and functions, such as particle size, accelerated aging, colour, moisture content, tear strength, viscosity, acidity, density and weight. Also includes any related equipment that supports such testing	22	1,972
				<b>3,830</b>

## 7. BUSINESS OVERVIEW (Cont'd)

To accommodate the new equipment, we are undergoing a renovation to expand the size of our current R&D centre at Zantat Perak Plant 1 from approximately 1,500 sq ft to approximately 5,400 sq ft. The renovation is ongoing as at LPD. The renovation of the analytical lab was completed in August 2023. Meanwhile, the renovation for the processing lab is expected to complete by second quarter of 2024. As at LPD, the building plan for this renovation has been submitted to the local district council and it is pending approval. This renovation will be funded through bank borrowings and internally generated funds.

Additionally, as part of our strategy to expand our product range, we intend to develop the following products:

- 3 new bioplastic compounds such as compostable stretch film compound, compostable mulch film compound and marine-degradable film compound; and
- enhance our ultrafine-grade GCC namely "Zanelite" series and produce more varieties such as different coating applications and particle size distributions, for the manufacture of breathable films for use such as diapers which need better breathability, and bi-axially oriented polypropylene (BOPP) films for stronger packaging and labelling materials.

### (c) Investment in higher efficiency machine components and industrial automation

We plan to purchase and install automated packaging machines and high-efficiency motors for our production lines in Zantat Perak Plant 1 by 2024.

As such, we intend to purchase the following:

- A robotic arm palletising system which will reduce manual labour during the packaging process; and
- 49 units of high-efficiency motors for our production lines in the Zantat Perak Plant 1 to reduce electricity consumption.

As at LPD, at our Zantat Perak Plant 1, we have 8 GCC production lines where 4 lines are equipped with 2 robotic arm palletising machines. The robotic arm palletising machine stacks the filled bags one by one directly onto the pallet in accordance with a specified stacking arrangement. We plan to purchase another robotic arm palletising system to equip another 2 GCC production lines. This will allow us to reduce our dependency on human labour resources.

Meanwhile, the proposed high-efficiency motors consume less electricity than our existing motors. Hence, this would allow us to consume less energy and save on electricity costs.

**Our existing robotic arm palletising machine**



## 7. BUSINESS OVERVIEW (Cont'd)

The total estimated cost for the purchase of automated packaging machines and high-efficiency motors is RM1.3 million which will be fully funded by proceeds from Public Issue as follows:

<b>Purchase of automated packaging machines and high-efficiency motors</b>	<b>Estimated cost RM'000</b>
1 set of fully integrated automatic robotic arm palletising system	580
49 units of high-efficiency motors	770
	<b>1,350</b>

### 7.18.2 Bioplastic compounding

#### Overview

Currently, plastics are largely made from petrochemicals which are derived from fossil fuels such as crude oil and natural gas, which are non-renewable. In addition, such plastics take a very long time to degrade thus harming the environment and the ecosystem. As such, most of the current plastics pose problems in their proper disposal resulting in, among others, filling up landfills, polluting waterways and negatively affecting the ecosystem on land and water.

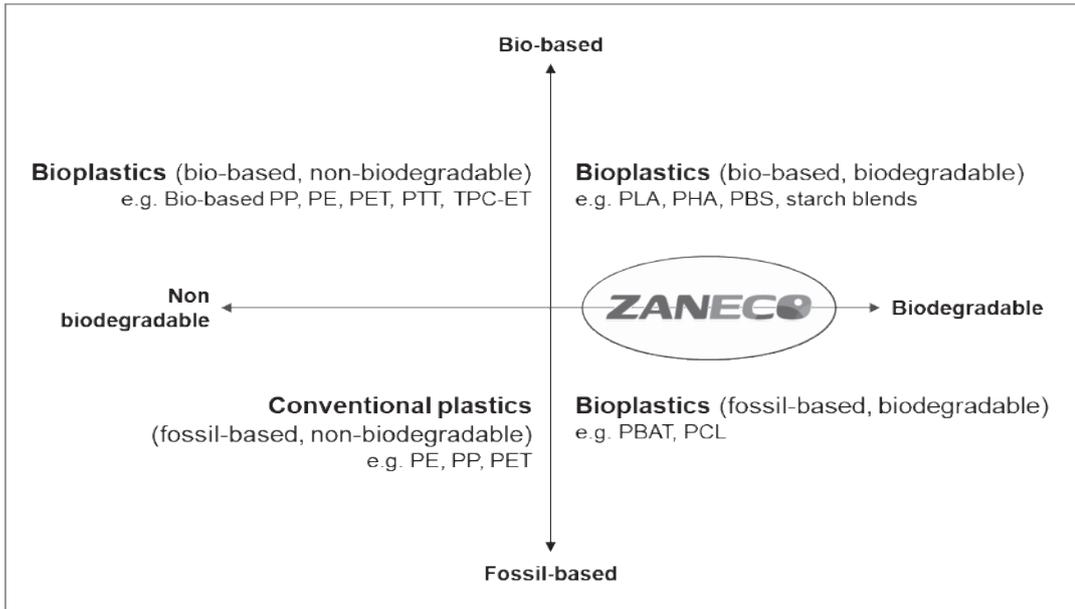
There is another type of plastic known as bioplastics. Bioplastics may be made entirely from renewable resources (bio-based) such as corn, sugarcane and cellulose, or combined with non-renewable resources (fossil-based) that are biodegradable. Bioplastics may also be made from renewable resources that are non-biodegradable.

Biodegradable bioplastics would resolve some of the problems faced by conventional plastics. Biodegradable plastics can be decomposed or broken down through natural means into materials such as carbon dioxide, water and compost materials, that do not harm or are less harmful to the environment compared to non-biodegradable plastics. The decomposition process for biodegradable materials commonly comprises one or a combination of factors including the actions of bacteria or other microorganisms, and/or exposure to ambient heat, sunlight and water.

Bioplastics are divided into three main groups, as follows:

- (a) Bio-based and non-biodegradable plastics such as bio-based polypropylene (PP), polyethylene (PE), polyethylene terephthalate (PET), polytrimethylene terephthalate (PTT), and thermoplastic polyester elastomers (TPC-ET);
- (b) Bio-based and biodegradable plastics such as polylactic acid (PLA), polyhydroxyalkanoates (PHA), polybutylene succinate (PBS) and starch blends; and
- (c) Fossil-based and biodegradable plastics such as polybutylene adipate terephthalate (PBAT) and polycaprolactone (PCL).

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



We will be producing bioplastic compounds by mixing PLA (bio-based, biodegradable plastic) and PBAT (fossil-based biodegradable plastic) with minerals (including our GCC) and additives to achieve the balance between performance and cost-effectiveness. As our bioplastics are fully biodegradable, it will resolve some of the major concerns regarding the polluting nature of conventional plastics.

Our bioplastic compounds will be packed and sold in pellet form. As at LPD, we have produced our first bioplastic compound namely a compostable packaging film compound which we have obtained the "OK compost INDUSTRIAL" certification. In August 2023, we received the MyHIJAU certification for our compostable packaging film compound from the Malaysian Green Technology and Climate Change Corporation. In September 2023, we have started providing samples to customers for testing. Upon completion of testing, the customers' orders are expected to commenced by the first quarter of 2024.

We intend to sell our bioplastic compounds to manufacturers of plastic products that produce biodegradable plastic products including, among others, single-use plastic items such as plastic bags and films.

As at LPD, we have commenced sales and marketing of the bioplastic compounds and have identified some potential customers from Malaysia, India, Indonesia and Singapore. Some of these potential customers include:

- (a) plastic packaging manufacturers to manufacture bioplastic packaging products;
- (b) bioplastic compound manufacturers intending to engage a contract manufacturer to develop and manufacture bioplastic compounds; and
- (c) trading companies that intend to resell our bioplastic compounds to their customers.

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

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Our expansion into bioplastic compounding is supported by the Malaysian government's commitment to a circular economy and sustainability. According to the IMR Report, in 2018, the Malaysian government launched the Roadmap Towards Zero Single-Use Plastics 2018-2030 to phase out single-use plastics including drinking straws and plastic bags in Malaysia by 2030. Some of the strategies that were put in place were as follows:

- (a) encourage the uptake of biodegradable bags between 2022 and 2025;
- (b) imposition of a pollution levy on manufacturers of plastic bags between 2022 and 2025;
- (c) increase the production volume for local biodegradable and compostable alternative products for local consumption between 2026 and 2030;
- (d) implement the Extended Producer Responsibility (EPR) scheme for plastic products

*(Source: IMR Report)*

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## 7. BUSINESS OVERVIEW (Cont'd)

### Our processes and equipment

The bioplastic compounding will be undertaken by Zaneco at Zantat Perak Plant 2.

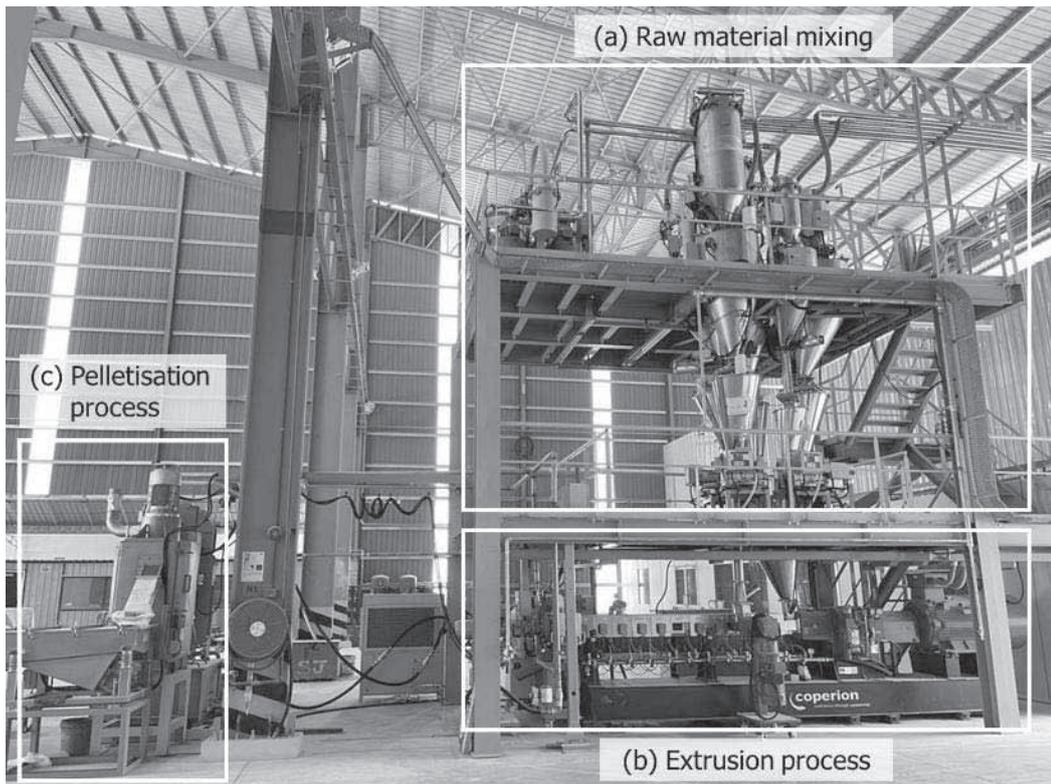
Since 2022, our R&D team has been carrying out product development using our existing lab-scale twin-screw extruder with a pelletiser to produce bioplastic compounds in small batches.

In 2022, we purchased a bioplastic compounding production line comprising 5 units of feeding systems, 1 unit of twin-screw extruder and 1 unit of pelletising system with a capacity of producing 300kg to 600kg pellets per hour, depending on the product formulation. The total capital expenditure was RM5.0 million, funded through bank borrowings and internally generated funds.

As at LPD, the production line has been installed at Zantat Perak Plant 2 and is undergoing the product testing phase and is expected to commercialise by the first quarter of 2024.

The following is our equipment layout and the key process flow for bioplastic compounding:

**Our lab-scale twin screw extruder with pelletiser used for product development of bioplastic compounds**



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


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**(a) Raw material mixing**

Based on our in-house developed formulation, raw materials including polylactic acid (PLA), polybutylene adipate terephthalate (PBAT), GCC, and other minerals and additives are fed into the feeders to be mixed homogeneously. The GCC will be produced internally, while other materials will be sourced from external parties. We will import the PLA and PBAT from China, Thailand and Taiwan.

**(b) Extrusion process**

The mixture is then conveyed into the twin-screw extruder via a hopper. In the extruder, the mixture is heated to 160°C to 180°C to make it soft and pliable, where the rotating screw will push the soft material through a die to form a long cylindrical bioplastic material. The long cylindrical bioplastic material is then pulled towards the pelletising machine and along the way is cooled before reaching the pelletising machine.

**(c) Pelletisation process**

The pelletising machine will cut the long cylindrical bioplastic material into small pellets typically with a diameter of 3mm to 5mm. The pellets are then conveyed to the centrifugal dryer through a vacuum pipe. In the centrifugal dryer, water is separated from the pellets and the dry pellets are discharged as complete bioplastic compounds.

Samples of the pellets will be taken for testing and quality check to ensure that the technical and optical characteristics of the pellets are achieved. The pellets are then packed and stored ready for delivery.

We will require additional working capital to support the bioplastic business venture once it commercialises, which are expected to be funded from the proceeds of our Public Issue, detailed as follows:

<b>Description</b>	<b>Estimated cost RM'000</b>
Hiring of 1 assistant lab manager, 1 R&D executive and 1 quality assurance executive (being salaries for a year)	210
Purchase of bioplastic resins for production trial and product sample distribution	1,070
Application of OK certification for 3 new bioplastic compounds	150
	<b>1,430</b>

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

**7.18.3 Upgrading and improvement of operational facilities**

**(a) Upgrading of Calrock Perak Plant's infrastructure**

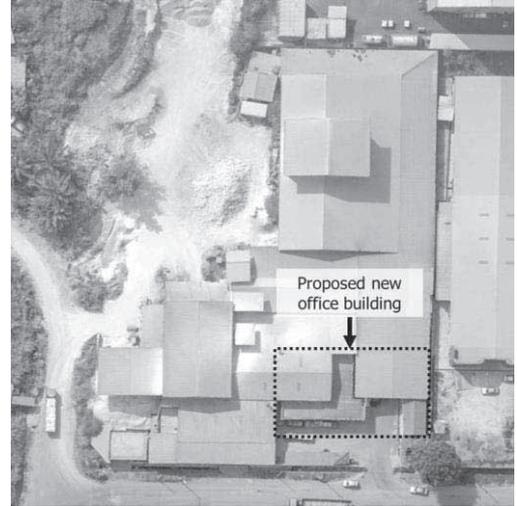
Calrock Perak Plant was established in 1971 and its previous major renovation works were undertaken in 2000. As it has been 24 years since its previous major renovation, we plan to upgrade and improve the building structures at Calrock Perak Plant by 2024. We plan to undertake renovation and upgrading works to demolish the existing office building and construct a new 3,000 sq ft office building and warehouse (including electrical works, fixtures and fittings, and professional fees).

The total estimated cost to upgrade Calrock Perak Plant is RM1.0 million which will be fully funded by proceeds from Public Issue.

The indicative timeline of the upgrading of Calrock Perak Plant is as follows:

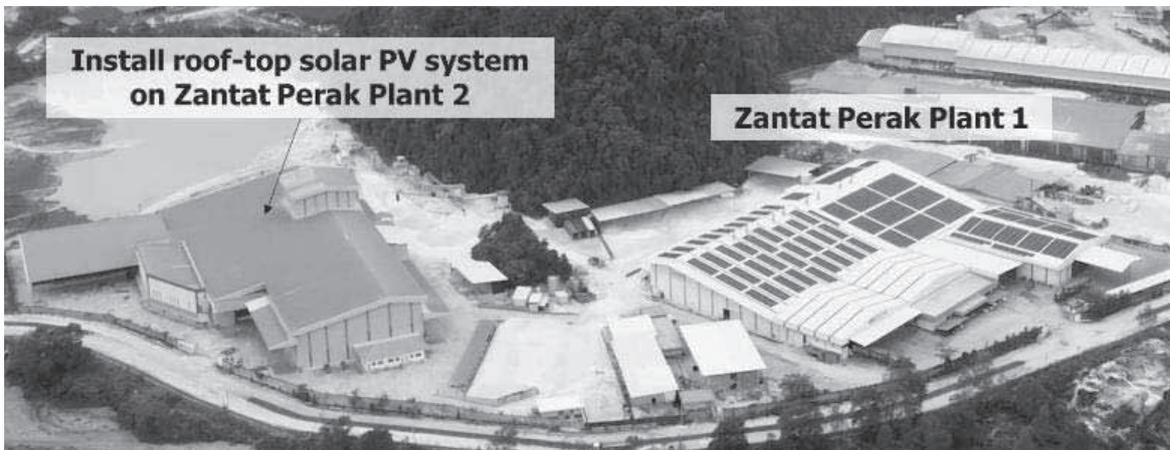
<b>Milestones</b>	<b>Timeframe</b>
Submit plans for authorities' approval	1st quarter of 2024
Commencement of construction	2nd quarter of 2024
Completion of construction	4th quarter of 2024
CCC by local government authorities obtained	1st quarter of 2025

**Calrock Perak Plant**



**(b) Installation of roof-top solar PV system for Zantat Perak Plant 2**

As part of our Group's initiative to support clean energy and protect us from energy rising costs, we intend to invest and install a 1.3 MW roof-top solar PV system on Zantat Perak Plant 2.



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

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In 2022, we installed a 1MW roof-top solar PV system on Zantat Perak Plant 1 based on an arrangement with a third-party solar PV investor, namely TotalEnergies Renewable Malaysia Sdn Bhd, where the investor funds the purchase and installation of the solar PV system and is the owner of the roof-top solar PV system. We entered into a solar power purchase agreement with the said investor for the purchase of the electricity generated from the solar PV system at a fixed rate of RM0.29 per kWh for 15 years from the operational commencement date. We have the option to purchase the solar PV system from the owner of the roof-top solar PV system. The roof-top solar PV system commenced operations in April 2022 and it is operated under the Net Energy Metering ("**NEM**") Programme. Under the NEM programme, the energy produced from the solar PV system is consumed by our operations first, and any excess is exported back to the power grid on a "one on one" offset basis.

In FYE 2022 and FPE 2023, we consumed all the energy produced from the solar PV system and were able to save on average 2.0% and 3.0% on electricity cost as well as reduce 950 MT and 800 MT of greenhouse emissions gas, respectively.

Moving forward, with the investment and installation of a solar PV system at Zantat Perak Plant 2, we anticipate additional savings in monthly electricity costs of approximately RM65,000 to RM70,000.

The total estimated cost to install a 1.3MW roof-top solar PV system for Zantat Perak Plant 2 is RM2.9 million which will be funded by internally generated funds and/or bank borrowings.

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## 8. IMR REPORT



**Vital Factor Consulting Sdn Bhd**

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Website: [www.vitalfactor.com](http://www.vitalfactor.com)

16 February 2024

The Board of Directors  
Zantat Holdings Berhad  
PT 24571 & PT 21289 (Lot 35978)  
Kaw. Industri Batu Kapur Keramat Pulai  
31300 Kampung Kepayang  
Perak

Dear Sirs and Madams

### Independent Assessment of the Calcium Carbonate Industry

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of Zantat Holdings Berhad for the listing of its shares on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan  
Managing Director

Wooi Tan has a degree in Bachelor of Science from the University of New South Wales, Australia and a degree in Master of Business Administration from the New South Wales Institute of Technology (now known as the University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and the Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

**8. IMR REPORT (Cont'd)**

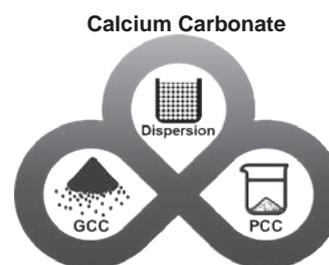
Date of Report: 16 February 2024

**INDEPENDENT ASSESSMENT OF THE CALCIUM CARBONATE INDUSTRY****1. INTRODUCTION**

- Zantat Holdings Berhad together with its subsidiaries, (herein referred to as Zantat Group) is mainly involved in the production of ground calcium carbonate (GCC) and calcium carbonate dispersions using GCC and precipitated calcium carbonate (PCC). Its products are used for industrial applications and are sold mainly in India and Malaysia, which will form the focus of this report.
- Calcium carbonate is a naturally formed material found in limestone. Limestone is widely used in construction and non-construction-related applications. For construction applications, limestone can be cut and polished to become marble slabs and tiles, and are used for flooring, walling and surfaces of furniture and structures. When limestone is crushed into aggregates, they are used for road construction and manufacturing of concrete and building materials. Limestone aggregates are also used to manufacture cement.
- For non-construction-related applications, limestone is commonly crushed and ground into powder, known as GCC which has fewer impurities and is whiter in colour compared to those used for construction applications. In this report, reference to calcium carbonate refers to GCC and/or PCC, and gross domestic product (GDP) refers to nominal GDP unless stated otherwise.

**2. THE CALCIUM CARBONATE INDUSTRY****2.1 Structure of the industry**

- Calcium carbonate is a compound comprising the elements of calcium, carbon and oxygen represented by the chemical formula,  $\text{CaCO}_3$ . It is derived from naturally formed limestone comprising fossilised marine organisms that have been subjected to high pressure over millions of years.
- Generally, the calcium carbonate industry in Malaysia can be segmented as follows:
  - **GCC** is limestone that has undergone a grinding process to produce calcium carbonate in powder.
  - **PCC**, also referred to as purified, refined or synthetic calcium carbonate, is manufactured through a series of chemical processes. Therefore, PCC is of high purity and typically has a uniform narrow particle size distribution compared to GCC.
  - **Calcium carbonate dispersion**, is either GCC or PCC mixed with water or solvents to be in a slurry form.
- Calcium carbonate when exposed to moisture becomes sticky and clumps up easily, which may be undesirable in certain manufacturing applications such as the plastics industry. In such cases, the calcium carbonate will need to undergo surface treatment to coat it with a surface treatment agent such as stearic acid to avoid clumping and improve its properties and performance.



*Zantat Group is involved in all of the above.*

## 8. IMR REPORT (Cont'd)



### 2.2 Applications of calcium carbonate

- GCC and PCC are widely used in many industries as input materials. Generally, calcium carbonate is categorised into three grades, namely, pharmaceutical, food and industrial grade. The key differentiations among the three grades are purity level as well as the presence of the types and quantity of elemental impurities such as heavy metals. Elemental impurities are categorised into various classes. For example, Class 1 elements comprise heavy metals such as arsenic, cadmium, mercury and lead.
- As calcium carbonate is obtained naturally from limestone reserves, the presence of impurities is inherent or already present in the limestone reserves. As such, without purification processing, certain limestone reserves are only suitable for industrial-grade calcium carbonate. Industrial-grade calcium carbonate is used in many industries including, among many others, plastics, pulp and paper, paints and coatings, rubber, latex, glass, water treatment, soap and detergent, oil and gas, and chemicals. Zantat Group's calcium carbonate is industrial grade and is not suitable for inclusion or used in food or pharmaceutical products, although it can be used for food-contact applications such as food packaging materials and containers.
- Calcium carbonate is commonly used as filler, additive, pigment or a combination of these three applications. The common functions of calcium carbonate are as specified below:
  - **Filler**, used to replace some of the main input materials in a manufacturing process. This is done to lower the overall cost of the manufactured product as calcium carbonate is often cheaper than many of the main input materials.
  - **Additive**, also referred to as functional filler, is used to change the chemical and/or physical properties such as acidity/alkalinity (pH) level, viscosity, mechanical strengths, opacity, texture and finishing of a manufactured product.
  - **Pigment**, used to provide colour, brightness and/or opacity of materials. Due to its white colour properties, calcium carbonate is sometimes used as a white pigment and is commonly used in paints and coatings to replace a small proportion of the relatively more expensive titanium dioxide commonly used as white pigments.

## 3. PERFORMANCE OF THE CALCIUM CARBONATE INDUSTRY IN MALAYSIA

- The performance of the calcium carbonate industry in Malaysia depends on various factors, including economic conditions as well as demand for calcium carbonate in Malaysia and India. India is a major export market accounting for the largest proportion of Malaysia's calcium carbonate export volume in 2022. Zantat Group mainly serves customers in India and Malaysia.

### 3.1 Related economic activity performances

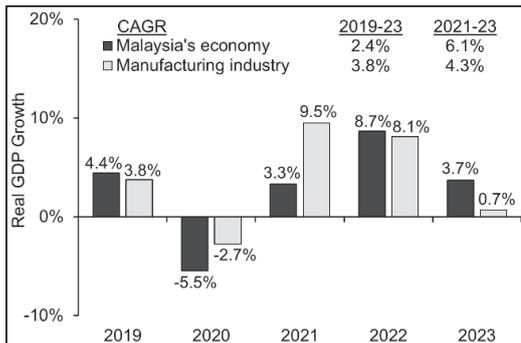
- GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP measures the "real" changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices.
- The performance of the calcium carbonate industry is dependent on the overall health of the economy and the manufacturing industry as a major user industry to drive demand, as well as the non-metallic mineral product industry in which calcium carbonate is one of the subsegments.

**8. IMR REPORT (Cont'd)**



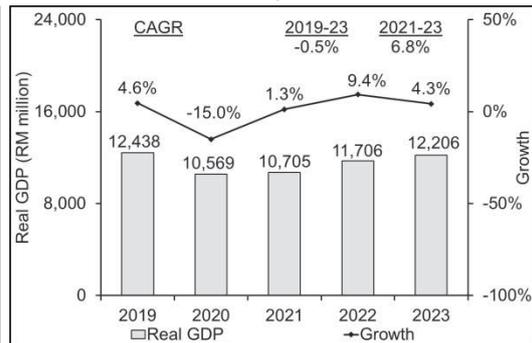
- In 2023, the real GDP of Malaysia moderated to 3.7% amid a challenging external environment. This was mainly due to slower global trade, the global technology downcycle, geopolitical tensions and tighter monetary policies. As for the manufacturing industry, real GDP moderated to 0.7% in 2023 mainly attributed to the weaker electrical and electronics product (E&E) segment. (Source: Bank Negara Malaysia (BNM))

**Real GDP of Malaysia's Economy and the Manufacturing Industry**



(Source: Department of Statistics, Malaysia (DOSM))

**Real GDP of Non-metallic Mineral Products in Malaysia**



- In 2023, the manufacturing industry accounted for 23.4% of Malaysia's real GDP, while the manufacture of non-metallic mineral products contributed 3.3% to the real GDP of the manufacturing industry (Source: DOSM). In 2023, the real GDP of non-metallic mineral products grew by 4.3%.

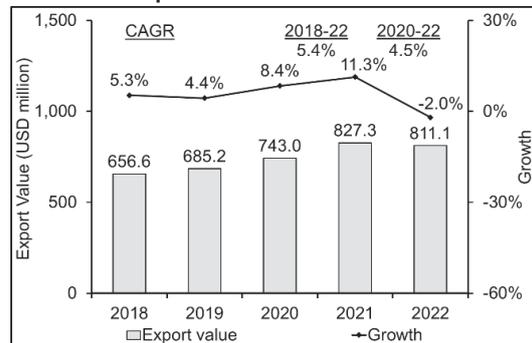
**3.2 Demand conditions**

- The following section provides an overview of the demand conditions of calcium carbonate globally, as well as in Malaysia and India as they are Zantat Group's main markets. Calcium carbonate in this section includes calcium carbonate of industrial, food and pharmaceutical grades. There is no available breakdown for the three different subsegments.

**3.2.1 Global demand for calcium carbonate**

- The global demand for calcium carbonate is represented by the global total export. The global export value of calcium carbonate grew at a CAGR of 4.5% between 2020 and 2022. In 2022, the global export market size of calcium carbonate declined by 2.0% to USD811.1 million.
- In 2022, Malaysia's export of calcium carbonate amounted to RM182.8 million, which represented 5.1% of the total global export value of USD811.1 million (RM3,569.6 million) (Source: DOSM and Vital Factor analysis).

**Global Export Value of Calcium Carbonate**



Latest available data. USD= United States Dollar. (Source: Vital Factor analysis)

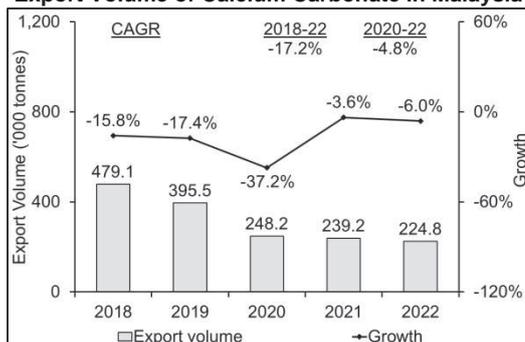
## 8. IMR REPORT (Cont'd)



### 3.2.2 Demand for calcium carbonate in Malaysia

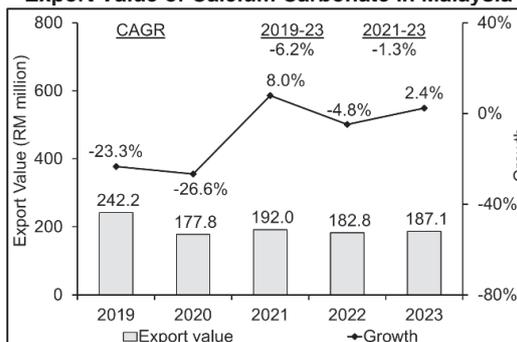
- The demand for calcium carbonate in Malaysia is represented by export and domestic consumption.

**Export Volume of Calcium Carbonate in Malaysia**



Latest available data. (Source: Vital Factor analysis)

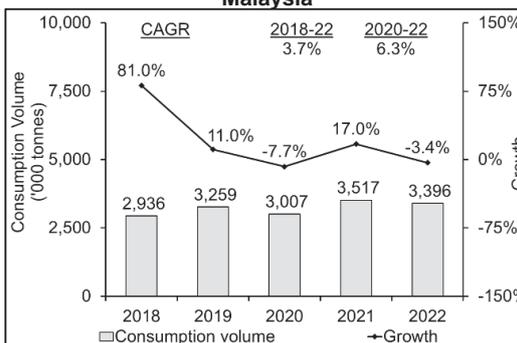
**Export Value of Calcium Carbonate in Malaysia**



(Source: DOSM)

- Between 2020 and 2022, the export volume of calcium carbonate declined at an average annual rate of 4.8%, mainly attributed to lower export volume to India. In 2022, India accounted for the largest proportion of Malaysia's calcium carbonate export with 40.9% of the total export volume, followed by Indonesia (14.4%) and Bangladesh (9.0%). The remaining 35.7% include several other countries with each country representing less than 9.0% of the total export volume of calcium carbonate in Malaysia (Source: Vital Factor analysis).

**Consumption Volume of Calcium Carbonate in Malaysia**



Latest available data. Consumption = Production + Import – Export. (Source: Vital Factor analysis)

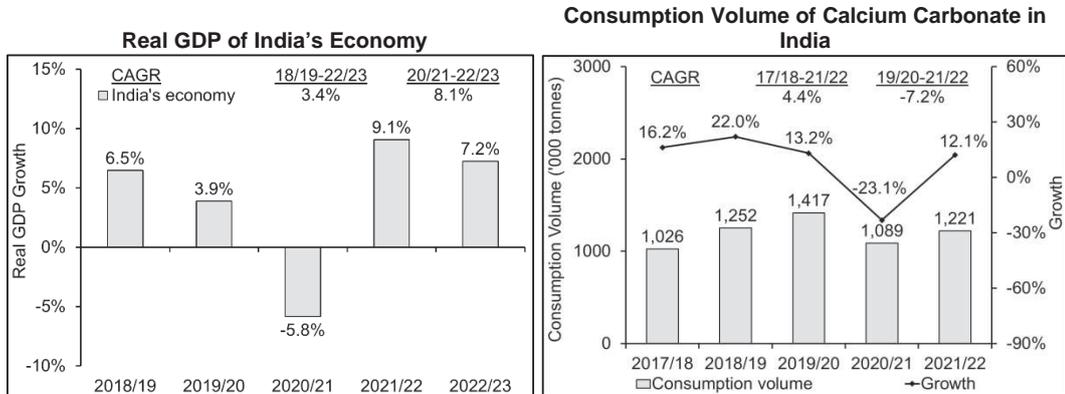
Between 2020 and 2022, the export value of calcium carbonate in Malaysia grew at a CAGR of 1.4%. As for domestic consumption, the volume declined by 3.4% in 2022.

- In 2023, the export value of calcium carbonate in Malaysia grew by 2.4% compared to a decline of 4.8% in 2022.

### 3.2.3 Demand for calcium carbonate in India

- India is one of the main importers of Malaysia's calcium carbonate. Similarly, for Zantat Group, India is a major export market for its calcium carbonate products. As such, the demand for calcium carbonate in India has an impact on Malaysia as well as Zantat Group. In India, statistics are commonly reported based on the government's fiscal year, which is the period between 1 April and 31 March.
- The real GDP of India grew by 7.2% in 2022/23 and is estimated to grow by 7.3% in 2023/24 (Source: Ministry of Statistics and Programme Implementation (MOSPI), India).
- In 2021/22, being the latest available information, the consumption volume of calcium carbonate in India grew by 12.1% following a decline of 23.1% in 2020/21, indicating a recovery from the COVID-19 pandemic. Nevertheless, it has not reached its pre-COVID-19 level in 2019/20.

**8. IMR REPORT (Cont'd)**

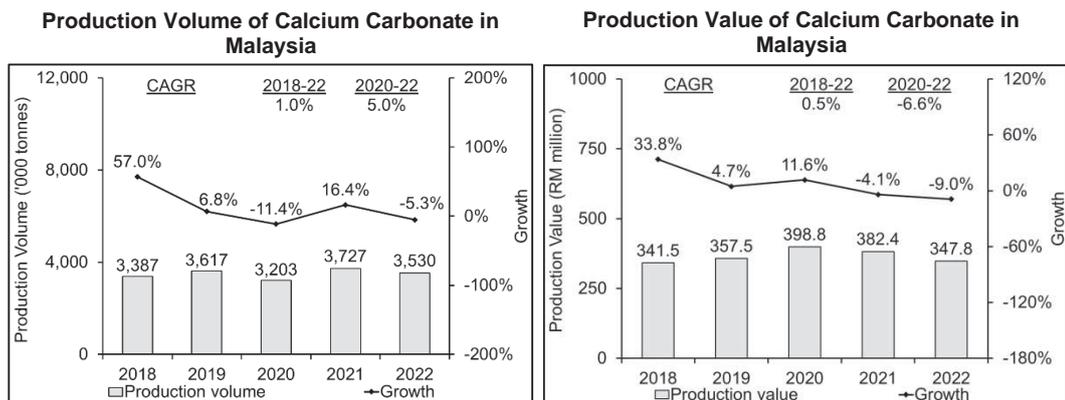


Note: India's data is reported based on fiscal year 1 April to 31 March where fiscal year ending March 2023 (2022/23) is the latest available data. (Source: MOSPI, India) Latest available information. (Source: Ministry of Chemicals and Fertilisers, India)

- In 2021/22, domestically produced calcium carbonate represented 20.2% of India's consumption of calcium carbonate in terms of volume. As such, India relies on the import of calcium carbonate from overseas to meet the demand for calcium carbonate. This augurs well for operators involved in the manufacture of calcium carbonate in Malaysia that exports to India. In 2022/23, the import of calcium carbonate from Malaysia represented 26.1% of the total import volume of calcium carbonate in India. (Source: Ministry of Commerce and Industry, India)

**4. SUPPLY CONDITIONS**

- In 2022, the production volume of calcium carbonate in Malaysia declined by 5.3% attributed to lower production of PCC. Meanwhile, the production value of calcium carbonate in Malaysia declined by 9.0%, as reflected in the decline in production volume. In 2022, GCC represented 73.3% of the total production volume of calcium carbonate in Malaysia, while the remainder was PCC (Source: Department of Mineral and Geoscience Malaysia (DOMG)).



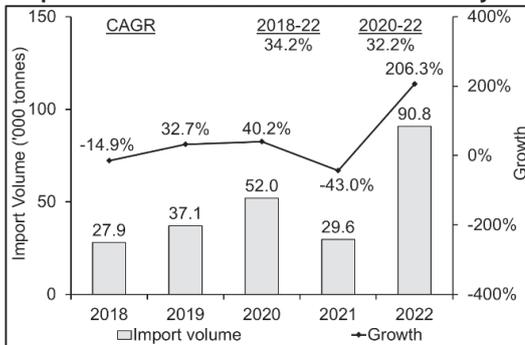
Latest available data. Calcium carbonate comprises GCC and PCC. (Source: DOMG)

- The import volume of calcium carbonate grew by 206.3% to 90.8 thousand tonnes in 2022, which represented 2.6% of the 2022 production volume in Malaysia. The growth in the import volume of calcium carbonate was reflected by the decrease in local production volume. In terms of import value, there was a CAGR of 10.6% between 2020 and 2022, and a decline of 6.6% in 2023.

**8. IMR REPORT (Cont'd)**



**Import Volume of Calcium Carbonate in Malaysia**



Latest available data. (Source: Vital Factor analysis)

**Import Value of Calcium Carbonate in Malaysia**



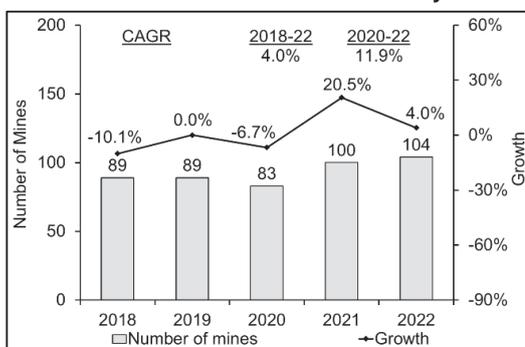
(Source: DOSM)

**5. SUPPLY DEPENDENCIES**

**5.1 Availability of limestone reserves**

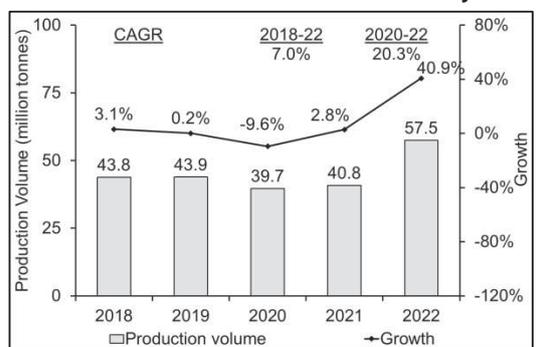
- The supply of calcium carbonate is dependent on the availability of its raw material, namely limestone especially high calcium limestone, that is limestone with a relatively low percentage of impurities. Any shortage of high calcium limestone would invariably affect the production of calcium carbonate for industrial applications. The supply of limestone in Malaysia can be indicated by the number of mines and production volume.

**Number of Limestone Mines in Malaysia**



Latest available data. (Source: DOMG)

**Production Volume of Limestone in Malaysia**



- In 2022, the number of limestone mines in Malaysia grew by 4.0% to 104 mines, mainly attributed to the state of Perak which saw an increase of 4 mines. In 2022, 59 limestone mines are located in Perak. As for the production volume of limestone, there was a strong growth of 40.9% in 2022. This indicated higher limestone production activity, which was in line with the higher number of limestone mines and was mainly contributed by the states of Perak and Sarawak. As the largest limestone-producing state in Malaysia, Perak contributed 54.5% of the total production volume of limestone in Malaysia in 2022. (Source: DOMG)
- Zantat Group owns 2 leasehold lands with limestone reserves in Perak and currently operates one limestone quarry.

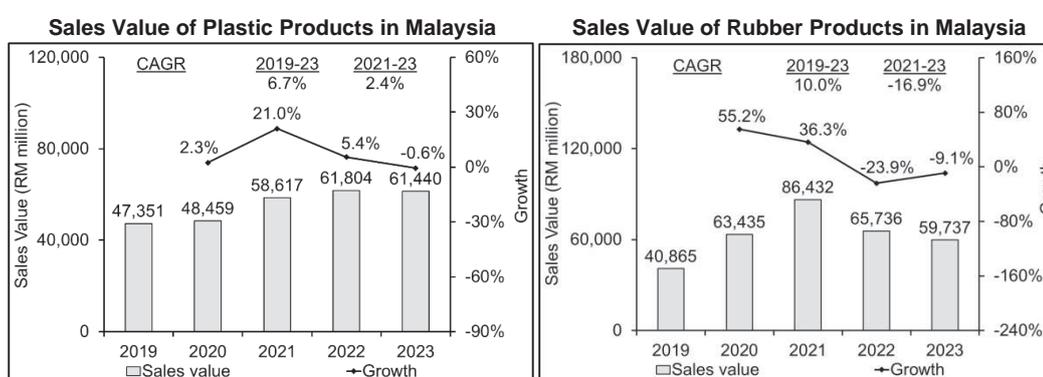
## 8. IMR REPORT (Cont'd)



### 6. DEMAND DEPENDENCIES

- Calcium carbonate is commonly used as a filler material in the manufacture of plastic and rubber products, among many others, to enhance product properties and reduce the overall cost of production. As such, growth in the manufacture of plastic and rubber products will provide opportunities for operators involved in the calcium carbonate industry, such as Zantat Group. The following section will assess the performance of the plastics and rubber industries in Malaysia and India as user industries of calcium carbonate.

#### 6.1 Performance of the plastic and rubber product industries in Malaysia



(Source: DOSM)

- In 2023, the sales value of the manufacture of plastic products in Malaysia declined slightly by 0.6%. As for the sales value of the manufacture of rubber products, there was a decline of 9.1% in 2023, mainly contributed by the decline in rubber gloves amid the reduced global demand following the easing of the COVID-19 pandemic across many countries, as well as the decline in rubber tyres for vehicles. (Source: DOSM)
- As part of the Malaysian government's efforts in promoting a circular economy and sustainability, the Roadmap Towards Zero Single-Use Plastics 2018-2030 was launched in 2018 to phase out single-use plastics including drinking straws and plastic bags in Malaysia by 2030. In addition, the Malaysia Plastics Sustainability Roadmap 2021-2030 was introduced in 2021, outlining strategies and action plans to achieve greater levels of plastic circularity.
- Some of the strategies to be undertaken by the Malaysian government include encouraging the uptake of biodegradable bags and the imposition of a pollution levy on manufacturers of plastic bags between 2022 and 2025, as well as increasing the volume of production for local biodegradable and compostable alternative products between 2026 and 2030. In addition, the implementation of the Extended Producer Responsibility (EPR) scheme for plastic products will begin with a voluntary scheme between 2023 and 2025 before transitioning into a mandatory scheme in 2026. Moving forward, the Malaysian government aims to phase out the use of non-degradable plastic bags across all business sectors by 2025 (Source: Ministry of Natural Resources, Environment and Climate Change).
- The promotion of local production of local biodegradable and compostable alternative products will provide opportunities for operators such as Zantat Group which plans to be involved in bioplastics.

**8. IMR REPORT (Cont'd)**

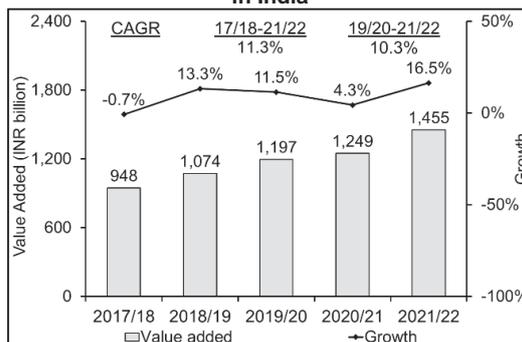


**6.2 Performance of plastic and rubber product industries in India**

- Meanwhile, in India, the value added of plastic and rubber products grew by 16.5% in 2021/22, based on the latest available information.

- In India, several policy measures have also been undertaken by the Indian government to phase out single-use plastics. This includes prohibiting a list of single-use plastic items identified as having low utility and high littering potential from July 2022 onwards, increasing the thickness of plastic bags from 50 microns to 75 microns by September 2021 and to 120 microns by December 2022, as well as introducing the Extended Producer Responsibility guidelines for plastic packaging waste (Source: Ministry of Environment, Forest and Climate Change, India).

**Value Added of Plastic and Rubber Products in India**



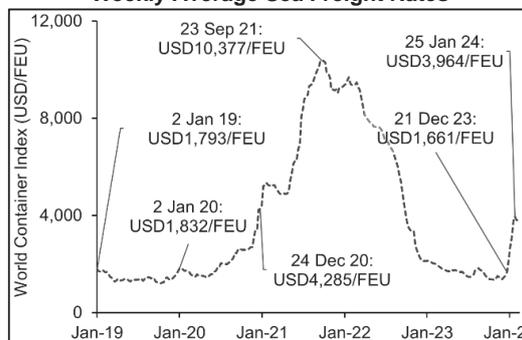
Latest available information. INR = Indian Rupee. (Source: MOSPI, India)

**7. SEA FREIGHT RATE AND CRUDE PALM OIL PRICES**

- A large proportion of Zantat Group's products are exported overseas. As such, sea freight rates have an impact on the overall cost of doing business in foreign countries.

- In 2020, the weekly average sea freight rate increased by 133.9% from USD1,832/FEU on 2 January 2020 to USD4,285/FEU on 24 December 2020. The upward trend in sea freight rate continued in 2021 and peaked at USD10,377/FEU on 23 September 2021. The increasing sea freight rate

**Weekly Average Sea Freight Rates**



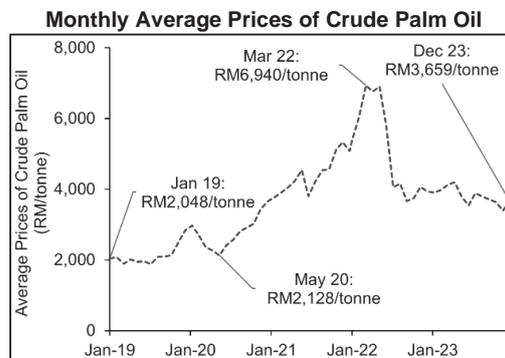
(Source: Vital Factor analysis)

- was mainly driven by factors such as the supply chain disruptions brought on by the COVID-19 pandemic, operational challenges at ports including delays and congestion, as well as the US-China trade war. The increase in sea freight rate affects consignors or consignees as they are required to pay for the higher sea freight rate for the transportation of goods.

- Since the end of September 2021, the sea freight rate has declined amid improvements in supply chains following the relaxation of containment measures globally, slower demand mainly attributed to rising inflationary pressure, as well as greater availability of freight capacity. This was reflected by the decline of 84.0% in the weekly average sea freight rate from USD10,377/FEU on 23 September 2021 to USD1,661/FEU on 21 December 2023. Since then, the weekly average sea freight rate spiked by 138.7% to USD3,964/FEU on 25 January 2024 before moderating to USD3,733 on 15 February 2024. The surge in sea freight rate was mainly due to the disruption in the Red Sea route following ship attacks.

**8. IMR REPORT (Cont'd)**

- Calcium carbonate is commonly coated with a surfactant, mainly stearic acid, to prevent clumping and improve its properties and performance. As a result, stearic acid prices will impact the price of coated calcium carbonate. Stearic acid is derived from vegetable oils, mainly crude palm oil (CPO). Thus, the price of CPO will impact the price of stearic acid, affecting the price of coated calcium carbonate.
- Between May 2020 and March 2022, the average prices of CPO increased by 226.1%. The upward trend was attributed to factors such as supply disruptions caused by the COVID-19 pandemic, which resulted in labour shortages and subsequently reduced palm oil output. Additionally, the demand for palm oil increased as it served as a substitute for sunflower oil amidst the disruption in the supply chain of sunflower oil due to the Russia-Ukraine war. Since March 2022, the average prices of CPO have declined by 47.3% to RM3,659/tonne in December 2023. Zantat Group's revenue from stearic acid-coated calcium carbonate accounted for 73.5%, 73.8% and 74.1% of its total revenue for the financial year ended 31 December (FYE) 2020, FYE 2021 and FYE 2022.



(Source: BNM)

**8. COMPETITIVE LANDSCAPE**

- The calcium carbonate industry in Malaysia is mainly concentrated in states with rich limestone resources and quarries, comprising sole proprietors, family-owned businesses and international operators with manufacturing and sales activities in Malaysia. The selection criterion for companies in the table below includes those involved in the manufacture of GCC in Malaysia, and they are sorted in descending order of revenue. It is not an exhaustive list to indicate the performance of some companies competing with Zantat Group.

Company Name	FYE <sup>(1)</sup>	Rev <sup>(2)</sup> (RM mil)	GP/(GL) <sup>(2)</sup> (2) (RM mil)	GP/(GL) <sup>(2)</sup> (2) Margin	NP/(NL) <sup>(2)</sup> (RM mil)	NP/(NL) Margin
Omya Malaysia S/B <sup>(3)</sup>	Dec-22	325.2	-33.7	-10.4%	-73.8	-22.7%
Imerys Minerals Malaysia S/B <sup>(4)</sup>	Dec-22	203.1	34.6	17.1%	7.1	3.5%
<b>Zantat Group</b>	<b>Dec-22</b>	<b>113.0</b>	<b>52.1</b>	<b>46.1%</b>	<b>5.4</b>	<b>4.8%</b>
Pulai Rock Inds. S/B <sup>(5)</sup>	Dec-22	39.0	16.2	41.5%	-0.7	-1.7%
TKN Calcium Inds. (M) S/B <sup>(6)</sup>	Dec-22	28.2	1.0	3.5%	^	-0.1%
ICB Carbonate Technologies S/B <sup>(7)</sup>	Dec-22	23.6	5.2	22.0%	0.7	3.0%
Pulai Calcium Carbonate Inds. S/B <sup>(8)</sup>	Dec-22	16.7	6.0	35.9%	^	-0.1%
CAO Minerals S/B <sup>(9)</sup>	Dec-22	15.6	1.6	10.5%	-0.9	-6.0%
Zillion Freight S/B <sup>(10)</sup>	Dec-22	14.1	6.0	42.4%	0.2	1.7%
Weng Fatt Calcium Industry S/B <sup>(11)</sup>	Jun-22	13.0	2.6	20.2%	0.9	6.8%
Syarikat Cheng Sun Quarry S/B <sup>(12)</sup>	Dec-22	9.9	0.3	3.2%	-0.2	-2.4%
GCCP Resources Ltd <sup>(13)</sup>	Dec-22	8.4	1.4	17.1%	-6.4	-75.9%

^ net loss less than RM100,000; Inds.= Industries; FYE = Financial year ended; Rev = Revenue; mil = million; GP = Gross profit; GL = Gross loss; NP = Net profit after tax; NL = Net loss after tax; S/B = Sendirian Berhad; Ltd = Limited.

(1) Latest available financial information from the annual report, Companies Commission of Malaysia and Zantat Group.

(2) At Group or company level, which may include other business activities, products or services.

(3) Involved in operating a quarry, manufacturing and selling ultrafine calcium carbonate powder and investment holding. A subsidiary of Omya AG.

(4) Involved in the manufacturing and distribution of limestone powder, slurry and marble chips, and trading of industrial minerals. A subsidiary of Imerys S.A., an entity listed on the New York Stock Exchange Euronext Paris.

**8. IMR REPORT (Cont'd)**

- (5) Involved in manufacturing and trading of calcium carbonate chippings, powder and related products.
- (6) Involved in dealing of calcium minerals and manufacturing of calcium carbonate and limestone powder.
- (7) Involved in manufacturing and sale of all kinds of limestone-based products and handling of limestone products.
- (8) Involved in manufacturing and trading of refined limestone powder and its related products.
- (9) Involved in manufacturing and trading of limestone and quarry products.
- (10) Involved in manufacturing, processing and trading of all types of minerals and ores.
- (11) Involved in trading of limestone, property holding, quarry operations as well as provision of transportation services to its customers for goods sold.
- (12) Involved in the quarrying of limestone and production of fine calcium carbonate powder. A subsidiary of Mega First Corporation Berhad, an entity listed on the Bursa Malaysia Securities Berhad.
- (13) Involved in quarrying and processing of calcium carbonate and marble. Listed on the Singapore Exchange Limited.

**9. BARRIERS TO ENTRY**

- The barriers to entry for new entrants to the calcium carbonate industry mainly include capital investment required for machinery and equipment, working capital for input materials, holding cost of finished products, and specialised technical skills. There are no onerous licences, regulations or restrictions governing the entry of new players. As an indication of the level of barriers to entry, there are 29 manufacturers of GCC in Malaysia as of 2022 (Source: Department of Mineral and Geoscience Malaysia).

**10. MARKET SIZE AND SHARE**

- The market size of calcium carbonate and the share of Zantat Group are estimated below:

2022	Malaysia	Zantat Group	
	Market Size <sup>(1)</sup>	Production Volume	Market share
<b>GCC ('000 tonnes)</b>	2,586	181	7%

(1) Based on the production volume of GCC in Malaysia (Source: DOMG).

(2) Computed by dividing Zantat Group's production volume by the market size. (Source: Zantat Group and Vital Factor analysis)

**11. INDUSTRY CONSIDERATION FACTORS**

- Calcium carbonate is widely used in many industries as an input material, which serves as a driver of growth. As such, the consideration factors for the calcium carbonate industry include the general well-being of the domestic and global economies, which in turn will stimulate the consumption of goods as well as promote growth in the manufacturing industry. In 2023, the Malaysian economy achieved a real GDP growth of 3.7%, while the manufacturing industry grew by 0.7%. In 2024, the real GDP of the Malaysian economy is forecasted to grow between 4.0% and 5.0%, while the real GDP of the manufacturing industry is forecasted to grow by 4.2% (Source: Ministry of Finance).
- In 2022, India accounted for the largest proportion of Malaysia's calcium carbonate export with 40.9% of the total export volume (Source: Vital Factor analysis). Therefore, the performance of its economy and key manufacturing sectors will affect the calcium carbonate industry in Malaysia. The real GDP of the Indian economy is estimated to grow by 7.3% in 2023/24 (Source: MOSPI, India). Meanwhile, the value-added of plastic and rubber products in India grew by 16.5% in 2021/22, based on the latest available information. Continued growth in India's economy as well as key manufacturing sectors will bode well for calcium carbonate manufacturers in Malaysia.
- In addition, factors such as high sea freight rates which affect exports, and high CPO prices which affect the cost of producing coated GCC may increase the price of calcium carbonate thus affecting its demand.

## 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 are dependent on our customers from India

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, India was our largest export market which amounted to RM67.1 million (62.5%), RM75.5 million (63.2%), RM67.4 million (59.6%) and RM54.2 million (59.5%) of our total revenue, respectively. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, we had 58, 43, 43, and 41 customers from India. As India is our largest export market, our business is dependent on the performance of our customers' industry, namely plastic masterbatch manufacturing, its general economy, laws and regulations, political stability as well as social environment such as diseases outbreak in India.

For the FYE 2020 to FYE 2022, the sales volume for our GCC products to customers in India has been declining from approximately 139,000 tonnes in FYE 2020 to approximately 126,000 tonnes in FYE 2021 and to approximately 101,000 tonnes in FYE 2022. This was mainly due to the COVID-19 outbreak in India in 2020 and 2021 which disrupted our customer's business operations coupled with the increase in sea freight rates in 2021 and first half of 2022 which deterred some of our customers in India from importing from Malaysia. Our average sea freight rates to India increased from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021 and our average monthly sea freight rate was USD51/tonne in the first half of 2022. Nevertheless, in the second half of 2022, the sales volume for our GCC products to customers in India grew by 43.4% from approximately 41,500 tonnes in the first half of FYE 2022 to approximately 59,500 tonnes in the second half of FYE 2022. This was mainly due to the decreasing sea freight rates towards the end of 2022 which attracted returning sales from our Indian customers. In FPE 2023, the sales volume for our GCC products to customers in India increased by 39.7% from approximately 68,000 tonnes in FPE 2022 to 95,000 tonnes.

As such, any unfavourable changes in the plastic masterbatch manufacturing industry, as well as the economy, political, laws and regulation, and social environment in India may adversely impact on our business operations and financial performance to the extent that such changes affects our customers in India and their demand for our products. For the FYE 2020 to 2022, we experienced a drop in our revenue from India amounting to RM8.1 million representing 10.7% of our total revenue in FYE 2022 due to sea freight rate fluctuations. In addition, in FYE 2017 our revenue from India were also marginally affected due to the implementation of GST in India.

#### 9.1.2 We are dependent on our top 2 major customers

Our 2 major customers, namely Alok Group (Alok Master Batches Private Limited and Alok Industries) and Sonali Group (Sonali Polyplast Pvt Ltd and Sonali Polymers Pvt Ltd), had contributed significantly to our revenue from FYE 2020 to FYE 2022 and FPE 2023 as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Alok Group<sup>(1)</sup></b>								
Alok Master Batches Private Limited	13,421	12.5	17,087	14.3	16,076	14.2	13,466	14.8
Alok Industries	5,951	5.6	7,797	6.5	6,694	5.9	6,067	6.7
<b>Total</b>	<b>19,372</b>	<b>18.1</b>	<b>24,884</b>	<b>20.8</b>	<b>22,770</b>	<b>20.1</b>	<b>19,533</b>	<b>21.4</b>

**9. RISK FACTORS (Cont'd)**

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sonali Polyplast Pvt Ltd	4,322	4.0	9,455	7.9	10,728	9.5	7,466	8.2
Sonali Polymers Pvt Ltd	2,664	2.5	2,131	1.8	3,204	2.8	3,514	3.9
<b>Total</b>	<b>6,986</b>	<b>6.5</b>	<b>11,586</b>	<b>9.7</b>	<b>13,932</b>	<b>12.3</b>	<b>10,980</b>	<b>12.1</b>

**Notes:**

- (1) Alok Group consists of Alok Master Batches Private Limited and Alok Industries (a partnership). Alok Industries is related to Alok Master Batches Private Limited by virtue of the fact that the partners of Alok Industries, namely Krishan Lal Puri and Chandrapal Singh Bhadauria, are directors of Alok Master Batches Private Limited and one of the partners of Alok Industries, namely Chandrapal Singh Bhadauria holds more than 5% of the equity shares in Alok Master Batches Private Limited.

As at LPD, Alok Group has been our customer for 11 years. Alok Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Alok Group for the manufacture of plastic masterbatch.

- (2) Sonali Group consists of Sonali Polyplast Pvt Ltd and its holding company, Sonali Polymers Pvt Ltd.

As at LPD, Sonali Group has been our customer for 12 years. Sonali Group is involved in the manufacture of plastic masterbatches which are used as input materials for the manufacture of plastic products. We supply coated GCC to Sonali Group for the manufacture of plastic masterbatch.

Collectively, the abovementioned major customers contributed approximately 24.6%, 30.5% 32.4% and 33.5% to our Group's revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We expect that these major customers will continue to contribute to our Group's revenue in the future and as such, we are dependent on these 2 major customers.

Our Group has not historically entered into and presently does not have any long-term agreements with these major customers or any of our other major customers. Hence, we may be materially and adversely affected if we were to lose one or both of these 2 major customers without securing new customers in a timely manner to replace the loss of business, or if we were to encounter difficulties in collecting payment from these major customers.

**9.1.3 Our operations are subject to the validity of our licences, permits or approvals**

Our Group is required to obtain certain licences, permits and approvals such as business licence, manufacturing licence and permit for quarry scheme to operate our business. Save for the pending issuance of the water abstraction license for Zantat Light which has been approved and the pending approval of the renewal application of the TOL, as disclosed in Section 6.7 of this Prospectus, we have obtained all the required licences, permits and approvals. Nonetheless, our business operations are subject to continuous review by the relevant regulatory authorities and we are required to comply with the terms and conditions as well as applicable laws and regulations under which the licences, permits and approvals were issued. Please refer to Section 6.7 of this Prospectus for further information for details of our major approvals and licences.

## 9. RISK FACTORS *(Cont'd)*

In addition, some of our major licences are subject to periodic renewals. Failure to fulfil all conditions imposed by the relevant regulatory authorities or to comply with any relevant laws and regulations may result in non-renewal or revocation of our major licences. Further, the regulatory authorities may vary, modify or impose further conditions upon renewal of our existing licences and approvals or application of new licences and approvals in the future. As mentioned in Section 6.7, our Group does not expect any material adverse impact to the operations or financial performance of our Group in the unlikely event of non-renewal or absence of the water abstraction licence and the TOL. Save for the foregoing, if we are unable to obtain, renew or maintain our licences, permits or approvals, our business operations may be disrupted and this could have a material adverse impact on our financial condition, results of operations and prospects.

### 9.1.4 We are exposed to the increases in logistic and raw material costs

We may face risks of increases in logistic and raw material costs which may affect our profitability and financial performance. This may be affected by numerous factors such as macroeconomic and microeconomic factors, global shortage of freight containers and increasing sea freight rates, disasters, riots, war, terrorist attacks or outbreak of epidemics or pandemics.

For the FYE 2020, FYE 2021 and FYE 2022, our logistic costs increased from RM24.4 million in FYE 2020 to RM37.7 million in FYE 2021 before it subsequently decreased to RM33.3 million in FYE 2022. In FPE 2023, logistic costs decreased to RM18.7 million compared to RM25.8 million in FPE 2022. We experienced an increase in sea freight charges where our average sea freight rates to India increased from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021 and USD51/tonne in the first half of FYE 2022, and subsequently decreased to USD30/tonne in the second half of FYE 2022 and USD14/tonne in FPE 2023. According to the IMR Report, in 2020, the weekly average sea freight rate increased by 133.9% from USD1,832/forty-foot equivalent unit ("**FEU**") on 2 January 2020 to USD4,285/FEU on 24 December 2020, and continued to increase in 2021 and peaked at USD10,377/FEU on 23 September 2021. This was mainly driven by factors such as the supply chain disruptions brought on by the COVID-19 pandemic, operational challenges at ports including delays and congestions, as well as the US-China trade war. Since the end of September 2021, weekly average sea freight rate declined by 84.0% to USD 1,661/FEU on 21 December 2023 amid improvements in supply chains following the relaxation of containment measures globally, slower demand mainly attributed to rising inflationary pressure, as well as greater availability of freight capacity. (Source: IMR Report).

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our export revenue amounted to RM76.4 million (71.3%), RM86.6 million (72.5%), RM77.9 million (68.9%) and RM62.0 million (68.1%) of our total revenue, respectively. These exported products are priced CIF, therefore this resulted in an increase or decrease in the selling prices of our exported products to reflect the increase or decrease in freight rates for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Due to substantial increase in sea freight rates at the end of 2020, consequently, we had to absorb some of the freight cost between November 2020 and February 2021. There is a risk that our customers may seek more cost competitive sources of imports and this would adversely affect our financial performance.

Additionally, for the FYE 2020, FYE 2021 and FYE 2022, our purchases of chemicals grew from RM9.3 million in FYE 2020 to RM10.6 million in FYE 2021 and RM10.9 million in FYE 2022 which was mainly due to the increase in purchases of stearic acid caused by the increase in its average price. In FPE 2023, our purchases of chemicals increased from RM8.3 million in FPE 2022 to RM9.2 million due to increase in purchase volume. We experienced an increase in the average purchase price of stearic acid, a chemical used in the production of our coated GCC product, which increased by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021 and further increase by 27.5% to RM6.26/kg in FYE 2022. Subsequently, the average purchase price of stearic acid decreased to RM4.99/kg in FPE 2023.

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**9. RISK FACTORS (Cont'd)**

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The increase in stearic acid price since 2020 was due to the increase in crude palm oil (CPO) prices by 226.1% between May 2020 and March 2022 attributed to factors such as supply disruptions caused by the COVID-19 pandemic, which resulted in labour shortages and subsequently reduced palm oil output. CPO prices were also affected by the increase in the demand for palm oil as it served as a substitute for sunflower oil amidst the supply chain disruption due to the Russia-Ukraine war. Since March 2022, the average prices of CPO have declined by 47.3% to RM3,659/tonne in December 2023 (Source: IMR Report).

Consequently, we had to absorb the increase in chemical cost in FYE 2020 and FYE 2021. In FYE 2022, we managed to pass on some of the increase in chemical cost to customers by increasing the selling prices of coated GCC products for export customers as well as implemented a surcharge for Malaysian customers for any increment of crude palm oil prices.

Any increases in our cost will eventually require us to increase our selling prices, which may reduce our competitiveness. This would affect our ability to retain customers and/or secure new orders and if we are unable to remain competitive, this would adversely affect our revenue and financial performance. Alternatively, if we were to absorb some of these costs to stay competitive, it may reduce our profit margins.

Furthermore, we may be exposed to price increases in the cost of materials due to the unavoidable time lag between the time of our commitment to our customers and our subsequent purchases of such materials. We adopt a periodic review for the pricing of our products where GCC products and exported products are reviewed monthly while local CC dispersions pricing are reviewed quarterly.

While we seek to minimise our exposure to price increases by closely monitoring the price of our raw materials and logistic costs, there can be no assurance that we would be able to pass on any increases in costs to our customers. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the costs and this would adversely affect our profitability and financial performance.

**9.1.5 We are dependent on our experienced management team for the continuing success of our Group**

The continuing success, future growth and expansion of our Group are, to a significant extent, dependent on the knowledge, experience, skills and continued services of our Directors and key management. Our Managing Director / Chief Executive Officer, Chan Bin Iuan, brings with him 17 years of experience in the calcium carbonate industry. He has been instrumental in the growth and development of our Group including his initiative to drive export sales of our GCC products to India in 2012. Our Executive Director / Chief Operating Officer (Perak Plants), Chan Jee Chet, brings with him approximately 12 years of experience in the calcium carbonate industry. He is responsible for overseeing the production, sales and marketing of calcium carbonate products at the Perak Plants.

They are supported by a key senior management team, Chan Eng Hue (our Chief Operating Officer of Zantat KL Plant) and Aw Ee Ling (our Chief Financial Officer), all of whom have approximately 38 years and 12 years of working experience in their respective fields. Our continued success will depend on our ability to retain the service of our Managing Director, Executive Director and key management personnel. As such, the loss of our experienced Managing Director, Executive Director and key management personnel without suitable and timely replacements, may have an adverse impact on our Group's business and ability to compete effectively.

## 9. RISK FACTORS *(Cont'd)*

### 9.1.6 We may face a shortage of labour for our production operations

We are dependent on a broad range of human capital as we require semi-skilled operators to operate our plants. Hence, a stable work force is crucial to ensure that our operations is not interrupted, particularly in periods of high demand. Our direct labour costs comprising costs of employees who are involved in the production operations of our Group accounted for approximately 11.8% (RM7.1 million), 11.7% (RM6.9 million), 11.9% (RM7.2 million) and 11.2% (RM6.2 million) of our cost of goods sold for the FYE 2020 to 2022 and FPE 2023, respectively.

As at LPD, we have a workforce of 220 employees, of which 50.0% are foreign workers employed as production workers, machine operators and packers at our production plants. Our production operations rely on foreign workers and any substantial shortage in the supply of foreign labour may disrupt our operations resulting in delay or failure to meet our production schedules and demand for our products.

The supply of foreign workers in Malaysia is subject to the labour and immigration policies and regulations imposed by the Government from time to time. Any changes in the labour and immigration policies and regulations and/or visa restrictions on foreign workers will lead to disruption to our business operations. Accordingly, we may face the risk of shortage of foreign workers to meet the manpower requirements needed for our production and business activities in the future due to such changes.

In addition, any changes in policies relating to the employment of foreign workers such as, further increase to the minimum wages and/or any other additional costs arising due to the initiatives of the Government in relation to employment of foreign workers as well as efforts made by the Government to attract both local and foreign workers in the future may also result in an increase in our costs and overheads.

### 9.1.7 We are subject to impact of foreign exchange

Our revenue is predominantly based in foreign currencies mainly USD which accounted for 71.3% (RM76.4 million), 72.5% (RM86.6 million), 68.9% (RM77.9 million) and 68.1% (RM62.0 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, 17.5% (RM5.5 million), 19.9% (RM6.5 million), 20.8% (RM7.1 million) and 4.7% (RM1.3 million) of our total purchases were also transacted in foreign currencies mainly CNY for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In this respect, we are exposed to fluctuations in foreign exchange rates, especially between USD and RM, and CNY and RM. Any adverse movements in the foreign exchange rates against the RM may have a negative impact on our business operations and financial performance.

Details on our foreign exchange gains and losses are as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised gain on foreign exchange	145	639	1,332	280
Unrealised gain on foreign exchange	-	219	-	1,028
Unrealised loss on foreign exchange	(93)	-	(427)	-
<b>Net gain on foreign exchange</b>	<b>52</b>	<b>858</b>	<b>905</b>	<b>1,308</b>

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**9. RISK FACTORS (Cont'd)**

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We maintain bank accounts mainly in RM and USD, such that collections can be used to settle payments of the same currency where possible. This, to a certain extent, provides a natural hedge against fluctuations in the foreign exchange and our exposure to foreign exchange risks.

As at LPD, we have foreign currency forward hedging facilities amounting to RM18.0 million.

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 September 2023 indicates that, in the event of a 5.0% fluctuation of USD against RM, our PAT for FPE 2023 would fluctuate by RM0.4 million, while the effects of fluctuations in CNY, SGD and EUR are negligible.

Nevertheless, our business is subject to risks relating to any unfavourable foreign exchange rate fluctuations against the RM which may materially affect our financial performance.

**9.1.8 Our business is exposed to interruptions or delays caused by outbreak of pandemic, sudden and unexpected machinery failures as well as environmental factors (including natural disasters such as floods and landslide)**

The prolonged outbreak and spread of the COVID-19 pandemic had and will continue to affect our business operations. In association with the COVID-19 pandemic, there were various containment measures implemented such as lockdowns, movement restrictions and temporary suspension of our business operations as well as our customers' operations. The interruptions in our operations as well as our customers' operations will also affect the demand for our products and subsequently, adversely affect our financial performance. This was demonstrated by the fact that our revenue performance for the second quarter of FYE 2020 declined by 33.7% compared to the first quarter of FYE 2020 due to the temporary interruptions in our business operations as well as closure of our customer's business operations. Additionally, our revenue for the second quarter of FYE 2021 declined by 30.3% compared to the first quarter of FYE 2021. This was mainly due to lower sales volume from our customers in India mainly due to the lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021 coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

There can be no assurance that there will not be another severe spike in COVID-19 cases or that another pandemic of a similar nature will not happen in the future. Should there be a severe spike in COVID-19 cases or an outbreak of another pandemic of a similar nature, local and global economic conditions may be negatively affected, thus leading to an adverse effect on our business, financial condition and future prospects.

In addition to outbreaks or pandemics of infectious diseases, our Group is exposed to sudden and unexpected equipment failures as well as natural disasters such as flood and landslide. Our Group utilises various machineries such as hammer mill, vertical roller mill and robotic arm palletising machine for our operations. In the event of any disruption or unplanned shutdown of our facilities and equipment due to factors such as power failure, breakdown of machinery, fires or accidents, the delivery of our products and services may be adversely affected. We are also exposed to natural disasters such as floods and landslide, which may lead to a shutdown of our facilities including the quarry operations, or damage to or loss of our stock of raw materials and products. This may lead to a negative impact on our business, financial condition and future prospects.

## 9. RISK FACTORS *(Cont'd)*

### 9.1.9 We are subject to operational risks which may cause interruptions to our business operations

Operational risks including, but not limited to, fire outbreaks and disruption of electricity supply at our manufacturing plant may cause interruptions to our business operations.

We have taken precautionary steps through the installation of fire-resistant walls, fire hydrants and fire extinguishers at our office and factory premises. Factory employees are also trained on the use of firefighting equipment as well as basic firefighting techniques. Fire drills are conducted at regular intervals to ensure that employees are well prepared in the event a fire outbreak occurs.

In addition, our production process undertaken is highly automated and is therefore dependent on a consistent supply of electricity for smooth operations. The power supply to our manufacturing plant is provided by TNB. As such, in the event of a disruption in the power supply from either TNB, the necessary backup power supply will be provided by the other party.

Although we have not previously experienced any major disruptions to our manufacturing plant, any prolonged disruptions will affect our production schedules and will affect the timely delivery of our products to our customers, which may consequently affect our results of operations, financial condition and reputation.

### 9.1.10 We may not have adequate insurance coverage to cover the risks related to our operations

We maintain insurance coverage including on our material assets and business operations. Our Group has taken insurance to cover, among others, public liability, fire and burglary.

As at LPD, our Group has taken up the following insurance policies:

Type of insurance policies	Total sum insured RM'000
Fire	32,339
Public liability	3,000
Burglary	100
Goods-in-transit (per trip)	15
All risk (stainless steel tanker, for damage)	500
	<b>35,954</b>

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events and may not necessarily cover all members of our Group, we are still exposed to the risk that the insurance coverage would be inadequate to cover the losses, damages or liabilities which we may incur in the course of our business operations or that it may not cover a particular member of our Group. Therefore, there can be no assurance that all liabilities incurred will be adequately covered by insurance and as such, claims for damages arising from our operations which cannot be sufficiently covered by our insurance policies may have an adverse effect on our financial condition or results of operations.

Further, there is no assurance that we are sufficiently insured to cover any losses, damages or liabilities that may arise. For instance, we do not have insurance coverage for certain risks such as political risks, terrorism or war. Hence, our business may be adversely and materially affected in the event of such an occurrence where our losses and liabilities are not covered by insurance.

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**9. RISK FACTORS (Cont'd)**

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**9.2 RISKS RELATING TO OUR INDUSTRY****9.2.1 We are subject to the demand and performance of the user-industries**

As a producer of calcium carbonate products, we are dependent on the demand and performance of the users of our calcium carbonate products. For the FYE 2020 to FYE 2022 and FPE 2023, we are dependent on the operators in the plastic masterbatch manufacturing industry, as well as the glove manufacturing industry as our major source of revenue, as demonstrated by our revenue contribution from these types of customers. Our revenue contribution from plastic masterbatch manufacturers accounted for 67.6% (RM72.5 million), 67.0% (RM80.1 million), 68.8% (RM77.7 million) and 70.3% (RM64.1 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively, while our revenue contribution from glove manufacturers accounted for 10.6% (RM11.4 million), 9.7% (RM11.6 million), 11.1% (RM12.5 million) and 8.5% (RM7.7 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

As we have no control over the prospects and success of our customers' business, our financial performance may be adversely affected if they lose market share, experience financial difficulties or if they face economic downturn affecting the demand for their products.

Any downturn in the performance of the plastic masterbatch and glove manufacturing industries or any development in the political, economic and regulatory environment, where our customers operate in or serve will have a negative impact on the demand for our calcium carbonate products. Any loss or reduction of orders from operators in this industry, if not replaced, may adversely affect our business operations and financial performance.

**9.2.2 We face competition from other suppliers of calcium carbonate products**

We operate in a competitive industry and we expect to face competition from existing industry players and potential new market entrants, in terms of product pricing, range and quality of products, service offerings, ability to deliver in a timely manner and availability of stock, among others. The calcium carbonate industry in Malaysia is mainly concentrated in states with rich limestone resources and quarries, comprising sole proprietors and family-owned businesses as well as large international operators with manufacturing and sales activities in Malaysia. Additionally, as the majority of our revenue were contributed by export sales, we also face competition from foreign suppliers.

The competition we face from existing industry players and new market entrants domestically and from foreign countries may impact our revenue and profitability as we are required to be more price competitive in order to secure purchase orders. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have material and adverse effects on our business and financial performance.

Although we have our strengths and advantages as a producer of calcium carbonate products, there is no assurance that we will be able to compete effectively against our peers. If we are unable to remain competitive, this may result in a reduction in our profit margins and/or reductions in orders or loss of business from customers, all of which would adversely affect our financial performance.

## **9. RISK FACTORS (Cont'd)**

### **9.2.3 We are exposed to the government, political, social, economic, fiscal or monetary policies and regulatory risk, as well as occurrence of force majeure events**

Our business prospects and financial position may be materially and unfavourably affected by adverse developments in political, social, economic and regulatory conditions in Malaysia and other countries where our Group sources our supplies and exports our products. Such developments may include, amongst others, changes in political leadership, geopolitical events, acts of terrorism, risk of war, riots, sanctions, and commotions, increase in sea freight rates, changes in interest rates, epidemics, pandemics, methods of taxation, fluctuations in foreign exchange rates and interest rates, foreign exchange control and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

Any slowdown in the global or local economy may also reduce economic activities and consumer spending, resulting in a decrease in the purchases of calcium carbonate by user industries. This may in turn affect our business operations, financial performance and prospects.

## **9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES**

### **9.3.1 There is no prior market for our Shares**

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop or continue to be developed upon or subsequent to our Listing.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

### **9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed**

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

- (a) the selected investors fail to subscribe for their portion of our IPO Shares;
- (b) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

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

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

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**9. RISK FACTORS (Cont'd)**

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There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

**9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile**

The trading price and volume of our Shares may fluctuate due to various factors, some of 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.

**9.4 OTHER RISKS**

**9.4.1 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after our IPO**

Our Promoters will collectively hold approximately 63.1% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will likely have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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## 10. RELATED PARTY TRANSACTIONS

### 10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of Zantat and as disclosed below, there were 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 FYE 2020 to 2022 and FPE 2023 and up to LPD:

Related party	Transacting company in our Group	Interested person(s) and	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 October 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Windfore Enterprise	Calrock	Leong Thun Ngai, the sole proprietor of Windfore Enterprise, is the brother-in-law of Chan Hup Ooi and Chan Eng Hue.	Chan Hup Ooi is our Promoter, substantial shareholder and Non-Independent Non-Executive Deputy Chairman whilst Chan Eng Hue is our Promoter, substantial shareholder and Chief Operating Officer (KL Plant).	Provision of transportation service <sup>(2)</sup>	100	<sup>(1)</sup> 1.6	79	<sup>(1)</sup> 1.2	83	<sup>(1)</sup> 1.5	59	<sup>(1)</sup> 1.0	27	<sup>(1)</sup> 0.8
				As at LPD, Chan Hup Ooi and Chan Eng Hue are the directors of Calrock.										

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Related party	Transacting company in our Group	Interested person(s) and	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 October 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Windfore Enterprise	Zantat	Leong Thun Ngai, the sole proprietor of Windfore Enterprise, is the brother-in-law of Chan Hup Ooi and Chan Eng Hue.	Chan Hup Ooi is our Promoter, substantial shareholder and Non-Independent Non-Executive Deputy Chairman whilst Chan Eng Hue is our Promoter, substantial shareholder and Chief Operating Officer (KL Plant).	Provision of transportation service <sup>(2)</sup>	424	(1)6.8	360	(1)5.5	422	(1)7.8	232	(1)4.1	97	(1)2.8
			As at LPD, Chan Hup Ooi and Chan Eng Hue are the directors and shareholders of Zantat.											

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Related party	Transacting company in our Group	Interested person(s) and	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 October 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Lee Mooi Fern	Zantat	Lee Mooi Fern is the sister of Lee Mei Choon.	Lee Mei Choon is our Promoter.  As at LPD, Lee Mei Choon is a director and shareholder of Zantat.	Provision of transportation service <sup>(2)</sup>	195	(1)3.1	166	(1)2.6	28	(1)0.5	-	-	-	-
Lee Mooi Fern Enterprise	Zantat	Lee Mooi Fern and Kong Chee Seng, the partners of Lee Mooi Fern Enterprise, are respectively the sister and brother-in-law of Lee Mei Choon.	Lee Mei Choon is our Promoter.  As at LPD, Lee Mei Choon is a director and shareholder of Zantat.	Provision of transportation service <sup>(2)</sup>	-	-	43	(1)0.7	293	(1)5.4	317	(1)5.6	37	(1)1.1
Lee Mooi Fern	Zantat Light	Lee Mooi Fern is the sister of Lee Mei Choon.	Lee Mei Choon is our Promoter.  As at LPD, Lee Mei Choon is a director of Zantat Light.	Provision of transportation service <sup>(2)</sup>	-	-	10	(1)0.2	1	(1)<0.1	-	-	-	-

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Related party	Transacting company in our Group	Interested person(s) and	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 October 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Lee Mooi Fern Enterprise	Zantat Light	Lee Mooi Fern and Kong Chee Seng, the partners of Lee Mooi Fern Enterprise, are respectively the sister and brother-in-law of Lee Mei Choon.	Lee Mei Choon is our Promoter.  As at LPD, Lee Mei Choon is a director of Zantat Light.	Provision of transportation service <sup>(2)</sup>	-	-	4	<sup>(1)</sup> <0.1	1	<sup>(1)</sup> <0.1	-	-	-	-

**Notes:**

- (1) Computed over our Group's PAT for the respective financial years / period.
- (2) Being recurrent transactions that may recur after our IPO. The services are provided on a purchase / service order basis, and are quoted based on comparable transportation rates.

Our Directors have also confirmed that there are no material related party transactions that we had entered into with related parties but not yet effected up to the LPD.

Our Directors are of the view that all our related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties than those generally available to third parties and accordingly were not detrimental or unfavourable to our non-interested shareholders.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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Moving forward, in order to ensure that related party transactions 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 if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other 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 a general meeting. 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 the 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 the 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 transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, 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 transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. The relevant Directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

**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. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

**10.2 OTHER TRANSACTIONS****10.2.1 Transactions entered into that are unusual in their nature or conditions**

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 FYE 2020 to 2022 and FPE 2023 and up to LPD.

**10.2.2 Outstanding loans (including guarantees of any kind)****(a) Outstanding loans and/or balances**

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

**(b) Guarantees**

Our Promoters, substantial shareholders and Directors, namely Teh Ah Soon @ Teh Soon Tick, Chan Eng Hue, Chan Hup Ooi, Chan Bin Iuan and Chan Jee Chet have jointly and severally provided personal guarantees for the banking facilities extended by Hong Leong Bank Berhad, HSBC Bank Malaysia Berhad and HSBC Amanah Malaysia Berhad (collectively, "**Financiers**") to our Group:

<b>Financiers / Borrower</b>	<b>Type of facilities</b>	<b>Outstanding balance as at LPD RM'000</b>	<b>Guaranteed sum RM'000</b>	<b>Guarantors</b>
Hong Leong Bank Berhad / Zantat	<ul style="list-style-type: none"> <li>• Term loan</li> <li>• Bank Overdraft</li> <li>• Combined trade financing</li> </ul>	6,093	37,600	<ul style="list-style-type: none"> <li>• Chan Hup Ooi</li> <li>• Chan Eng Hue</li> <li>• Teh Ah Soon @ Teh Soon Tick</li> </ul>
HSBC Bank Malaysia Berhad / Zantat	Receivables finance facilities	-	2,600	Personal guarantee (RM1,400,000): <ul style="list-style-type: none"> <li>• Chan Hup Ooi</li> </ul> Joint and several liability guarantee (RM1,200,000): <ul style="list-style-type: none"> <li>• Chan Hup Ooi</li> <li>• Chan Bin Iuan</li> <li>• Chan Jee Chet</li> </ul>

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Financiers / Borrower	Type of facilities	Outstanding balance as at LPD RM'000	Guaranteed sum RM'000	Guarantors
HSBC Bank Malaysia Berhad / Zantat	<ul style="list-style-type: none"> <li>• Bank overdraft</li> <li>• Term loan</li> <li>• Combined Trade Financing (Trade and revolving loan)</li> </ul>	3,461	9,000	<ul style="list-style-type: none"> <li>• Chan Hup Ooi</li> <li>• Chan Bin Iuan</li> <li>• Chan Jee Chet</li> </ul>
HSBC Bank Malaysia Berhad / Calrock	<ul style="list-style-type: none"> <li>• Bank overdraft</li> <li>• Reducing balance loan</li> <li>• Bank guarantee</li> </ul>	515	3,440	<ul style="list-style-type: none"> <li>• Chan Hup Ooi</li> </ul>
HSBC Bank Malaysia Berhad / Zaneco	Reducing balance loan	2,250	4,000	<ul style="list-style-type: none"> <li>• Chan Bin Iuan</li> <li>• Chan Jee Chet</li> </ul>
HSBC Amanah Malaysia Berhad / Zantat	<ul style="list-style-type: none"> <li>• Amanah Industrial Hire Purchase i- financing</li> <li>• Trade financing</li> </ul>	890	9,600	<ul style="list-style-type: none"> <li>• Chan Hup Ooi</li> <li>• Chan Bin Iuan</li> <li>• Chan Jee Chet</li> </ul>
		<b>13,209</b>	<b>66,240</b>	

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the above personal guarantees by substituting the same with a corporate guarantee from our Company. Until such release and/or discharge are obtained from the respective Financiers, the aforesaid persons will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received approvals from all of the Financiers to discharge the existing bank guarantees executed by Chan Hup Ooi, Teh Ah Soon @ Teh Soon Tick, Chan Eng Hue, Chan Bin Iuan and Chan Jee Chet respectively as stated above subject to the fulfilment of, among others, the following:

- (a) completion of the Listing; and
- (b) receipt of the corporate guarantee from our Company by the Financiers.

Our Group expects the discharge of the abovementioned guarantees to be completed within 6 months upon the Listing.

**(c) Financial assistance provided for the benefit of a related party**

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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**10.2.3 Transactions entered into with M & A Securities**

Save as disclosed below, we have not entered into any transactions with M & A Securities who is the Adviser, Sponsor, Placement Agent and Underwriter for our Listing:

- (a) Agreement dated 12 November 2021 between our Company and M & A Securities for the appointment of M & A Securities as Adviser, Sponsor, Placement Agent and Underwriter for our Listing; and
- (b) Underwriting Agreement dated 19 February 2024 entered into between our Company and M & A Securities for the underwriting of 25,200,000 Issue Shares.

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## **11. CONFLICT OF INTEREST**

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### **11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS**

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in any businesses or corporations:

- (a) which is carrying on a similar trade as our Group; or
- (b) which is a customer or supplier of our Group.

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 interest situation in the future, our Directors will declare to our Nominating 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 Nominating Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest situation, our Nominating Committee will then:

- (a) Immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;
- (b) After deliberation with our Audit and Risk Management Committee, to 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 interest situation (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 the conflict of interest situation.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the matter that has given rise to the conflict of interest situation and the conflicted Director and persons connected to him (if applicable) 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 our Board, be present at our Board meeting to answer any questions relating to the matter that has given rise to the conflict of interest situation.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 of this Prospectus for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

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**11. CONFLICT OF INTEREST (Cont'd)**

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**11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS**

- (a) M & A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Placement Agent and Underwriter for our Listing;
- (b) Cheang & Ariff has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;
- (c) Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) Vital Factor Consulting Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

We were incorporated in Malaysia on 30 November 2021. Our historical financial information throughout FYE 2020 to FYE 2022 and FPE 2023 was prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. Our audited combined and consolidated financial statements for FYE 2020 to FYE 2022 and FPE 2023 were not subject to any audit qualifications.

Our historical financial information presented in this section should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.2 of this Prospectus and the Group's audited combined and consolidated financial statements and the accompanying notes set out in the Accountants' Report included in Section 13 of this Prospectus.

#### 12.1.1 Combined and consolidated statements of comprehensive income

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	107,209	119,464	113,023	82,977	91,089
Cost of sales	(60,048)	(59,293)	(60,944)	(44,094)	(55,200)
<b>GP</b>	<b>47,161</b>	<b>60,171</b>	<b>52,079</b>	<b>38,883</b>	<b>35,889</b>
Other income	667	1,163	1,707	2,160	1,660
Selling and distribution expenses	(25,559)	(38,439)	(33,931)	(26,154)	(19,473)
Administrative expenses	(10,840)	(11,481)	(9,560)	(7,163)	(8,347)
Other expenses	(1,220)	(911)	(1,386)	(709)	(903)
Finance cost	(1,676)	(1,392)	(1,568)	(1,167)	(992)
<b>PBT</b>	<b>8,533</b>	<b>9,111</b>	<b>7,341</b>	<b>5,850</b>	<b>7,834</b>
Income tax expense	(2,298)	(2,607)	(1,922)	(1,430)	(2,163)
<b>PAT / Total comprehensive income</b>	<b>6,235</b>	<b>6,504</b>	<b>5,419</b>	<b>4,420</b>	<b>5,671</b>
EBIT <sup>(1)</sup>	10,029	10,406	8,843	6,969	8,741
EBITDA <sup>(1)</sup>	16,168	16,386	14,664	11,348	13,197
GP margin (%) <sup>(2)</sup>	44.0	50.4	46.1	46.9	39.4
PBT margin (%) <sup>(3)</sup>	8.0	7.6	6.5	7.1	8.6
PAT margin (%) <sup>(3)</sup>	5.8	5.4	4.8	5.3	6.2
Effective tax rate (%)	26.9	28.6	26.2	24.4	27.6
EPS (sen) <sup>(5)</sup>	2.2	2.3	1.9	1.6	2.0

**12. FINANCIAL INFORMATION (Cont'd)**

**Notes:**

(1) EBIT and EBITDA are computed as follows:

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>PAT</b>	<b>6,235</b>	<b>6,504</b>	<b>5,419</b>	<b>4,420</b>	<b>5,671</b>
Adjusted for:					
- Finance costs	1,676	1,392	1,568	1,167	992
- Interest income	(180)	(97)	(66)	(48)	(85)
- Income tax expense	2,298	2,607	1,922	1,430	2,163
<b>EBIT</b>	<b>10,029</b>	<b>10,406</b>	<b>8,843</b>	<b>6,969</b>	<b>8,741</b>
Adjusted for:					
- Depreciation	6,139	5,980	5,821	4,379	4,456
<b>EBITDA</b>	<b>16,168</b>	<b>16,386</b>	<b>14,664</b>	<b>11,348</b>	<b>13,197</b>

(2) GP margin is computed based on GP divided by revenue.

(3) PBT or PAT margin is computed based on PBT or PAT divided by revenue.

(4) Effective tax rate is computed based on income tax expense divided by PBT.

(5) Calculated based on PAT and enlarged share capital of 280,000,000 Shares after our IPO.

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**12. FINANCIAL INFORMATION (Cont'd)****12.1.2 Combined and consolidated statements of financial position**

The following table sets out our combined and consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 September 2023 which have been extracted from the Accountants' Report.

	Audited			
	As at 31 December			As at 30
	2020	2021	2022	September
	RM'000	RM'000	RM'000	2023
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	53,049	49,917	51,375	48,880
Right-of-use assets	7,279	7,195	7,430	7,066
<b>Total non-current assets</b>	<b>60,328</b>	<b>57,112</b>	<b>58,805</b>	<b>55,946</b>
<b>Current assets</b>				
Inventories	6,866	8,198	8,595	7,843
Trade receivables	18,112	21,999	21,250	22,593
Other receivables, deposits and prepayments	836	2,604	1,086	1,225
Current tax assets	294	849	1,503	145
Fixed deposit with licensed banks	5,673	5,061	3,442	4,018
Cash and bank balances	5,311	2,058	4,531	4,500
<b>Total current assets</b>	<b>37,092</b>	<b>40,769</b>	<b>40,407</b>	<b>40,324</b>
<b>TOTAL ASSETS</b>	<b>97,420</b>	<b>97,881</b>	<b>99,212</b>	<b>96,270</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners</b>				
Share capital	5,000	3,000	6,000	6,000
Merger deficit	(1,500)	(4,100)	(4,100)	(4,100)
Retained profits	53,307	56,088	55,507	61,178
<b>TOTAL EQUITY</b>	<b>56,807</b>	<b>54,988</b>	<b>57,407</b>	<b>63,078</b>
<b>Non-current liabilities</b>				
Long-term borrowings	13,999	10,653	8,034	5,276
Deferred tax liabilities	2,389	2,389	3,024	3,412
Lease liabilities	34	11	413	131
<b>Total non-current liabilities</b>	<b>16,422</b>	<b>13,053</b>	<b>11,471</b>	<b>8,819</b>
<b>Current liabilities</b>				
Trade payable	9,303	8,519	8,039	8,298
Other payables and accruals	3,400	5,503	6,368	8,472
Lease liabilities	351	418	392	430
Short-term borrowings	11,137	15,371	15,535	6,707
Current tax liabilities	-	29	-	466
<b>Total current liabilities</b>	<b>24,191</b>	<b>29,840</b>	<b>30,334</b>	<b>24,373</b>
<b>TOTAL LIABILITIES</b>	<b>40,613</b>	<b>42,893</b>	<b>41,805</b>	<b>33,192</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>97,420</b>	<b>97,881</b>	<b>99,212</b>	<b>96,270</b>

**12. FINANCIAL INFORMATION (Cont'd)****12.1.3 Combined and consolidated statements of cash flows**

The following table sets out our combined and consolidated statements of cash flows for FYE 2020 to 2022 and FPE 2023 which have been extracted from the Accountants' Report.

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>				
PBT	8,533	9,111	7,341	7,834
Adjustments for:				
Depreciation of property, plant and equipment	5,629	5,461	5,262	4,036
Depreciation of right-of-use assets	510	519	559	420
Interest expense on lease liabilities	34	16	11	29
Interest expenses	1,191	956	1,251	703
Property, plant and equipment written off	9	2	33	23
Bad debt written off	-	-	-	2
Unrealised loss / (gain) on foreign exchange	93	(219)	427	(1,028)
Gain on disposal of property, plant and equipment	(32)	(124)	(180)	(161)
Interest income	(180)	(97)	(66)	(85)
<b>Operating profit before working capital changes</b>	<b>15,787</b>	<b>15,625</b>	<b>14,638</b>	<b>11,773</b>
(Increase) / Decrease in trade and other receivables	(2,161)	(4,223)	676	(505)
Increase in trade and other payables	2,528	1,319	186	2,363
Decrease / (Increase) in inventories	79	(1,332)	(397)	752
<b>Cash from operations</b>	<b>16,233</b>	<b>11,389</b>	<b>15,103</b>	<b>14,383</b>
Income tax (paid) / refund	(2,280)	(3,133)	(1,970)	49
Interest paid	(1,225)	(972)	(1,070)	(736)
<b>Net cash from operating activities</b>	<b>12,728</b>	<b>7,284</b>	<b>12,063</b>	<b>13,696</b>
<b>Cash flows for investing activities</b>				
Acquisition of subsidiaries	(2,000)	(4,600)	-	-
Purchase of property, plant and equipment	(2,345)	(3,544)	(5,397)	(1,515)
Proceeds from disposal of property, plant and equipment	32	124	187	161
Interest income received	180	97	66	85
(Addition) / Withdrawal of fixed deposits pledged with licensed banks	(73)	(28)	34	-
<b>Net cash used in investing activities</b>	<b>(4,206)</b>	<b>(7,951)</b>	<b>(5,110)</b>	<b>(1,269)</b>
<b>Cash flows for financing activities</b>				
Repayment of lease liabilities	(364)	(391)	(418)	(300)
Net (repayment) / drawdown in term loans	(1,040)	(1,681)	614	(1,847)
Net (repayment) / drawdown in post shipment buyer loan	(777)	878	238	(840)
Net (repayment) / drawdown in revolving credit	(450)	2,200	(1,000)	(1,400)
Net repayment in hire purchase payables	(1,485)	(1,657)	(2,495)	(1,605)
Net drawdown / (repayment) in invoice financing	-	-	350	(350)

**12. FINANCIAL INFORMATION (Cont'd)**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (repayment) / drawdown in bankers' acceptances	(272)	1,148	1,157	(5,540)
Proceeds from issuance of ordinary share	-	-	3,000	-
Dividend paid	(4,500)	(3,723)	(6,000)	-
<b>Net cash used in financing activities</b>	<b>(8,888)</b>	<b>(3,226)</b>	<b>(4,554)</b>	<b>(11,882)</b>
Net (decrease) / increase in cash and cash equivalents	(366)	(3,893)	2,399	545
Cash and cash equivalents at beginning of financial year / period	9,833	9,467	5,574	7,973
<b>Cash and cash equivalents at end of financial year / period</b>	<b>9,467</b>	<b>5,574</b>	<b>7,973</b>	<b>8,518</b>

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**12. FINANCIAL INFORMATION (Cont'd)**

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

The following discussion and analysis of our combined and consolidated financial information for FYE 2020 to FYE 2022 and FPE 2023 should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

**12.2.1 Overview of our operations****(a) Principal activities**

We are primarily involved in the production of calcium carbonate namely GCC and calcium carbonate dispersions. We are also involved in the production of kaolin dispersion, processing of ultrafine PCC powder, trading of industrial minerals and sales of limestone quarry products.

These industrial minerals are used for various industrial applications including manufacturing of plastics, gloves, paints and coatings, and rubber products.

Please refer to Section 7 of this Prospectus of this Prospectus for further details on our business activities and products.

**(b) Revenue**

Our revenue is derived from 4 business segments, namely: production of GCC, production of CC dispersion, production of kaolin dispersion, and other business activities which are complementary to our main business, which includes the processing of ultrafine PCC powder, trading of other industrial minerals, and sale of limestone quarry products.

Our revenue is recognised when goods have been delivered to and accepted by our customers.

**(c) Cost of sales**

Our cost of sales comprises the following components:

**(i) Material costs**

Material costs comprises the purchases and usage of limestone chips, kaolin powder, PCC powder, stearic acid and dispersing agent for the production of calcium carbonate products and kaolin dispersion. It also includes purchases of finished goods such as talcum powder for trading purposes, as well as packaging material costs.

**(ii) Factory overheads**

Factory overheads mainly comprised electricity costs, depreciation of property, plant and equipment, depreciation of rights-of-use assets, upkeep of plant and machinery, subcontractor cost for limestone extraction and royalties to land office for limestone extraction.

**(iii) Direct labour**

Direct labour costs consist of salaries, bonus, allowances and employee contribution plans for factory operational employees.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**(d) Other income**

Other income largely comprises interest income, rental income, realised and unrealised gain on foreign exchange, and gain on disposal of property, plant and equipment.

**(e) Selling and distribution expenses**

Selling and distribution expenses mainly comprise logistic costs, SST expenses, sales commission, travelling and entertainment expenses, and advertisement and exhibition expenses.

**(f) Administrative expenses**

Administrative expenses comprise directors' fees and remuneration, staff related costs, consultancy fee, professional fees including IPO related expenses, office and upkeep expenses, license, certification, insurance and quit rent expenses, travelling and entertainment expenses, training fee, R&D expenses and other general and administrative expenses.

**(g) Other expenses**

Other expenses comprise depreciation of property, plant and equipment and right-of-use assets, as well as write-offs of the same, and unrealised loss on foreign exchange.

**(h) Finance costs**

Finance costs comprise term loan interest, hire purchase payables interest, lease liabilities interest, bank charges and trade facilities interest.

**(i) Recent developments**

Save for the Acquisition of Zantat, and the disruption to our operation arising from COVID-19 (details as set out in Section 7.10 of this Prospectus), there were no other significant events subsequent to our Group's audited combined and consolidated financial statements for FPE 2023.

**(j) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during FYE 2020 to FYE 2022 and FPE 2023. In addition, our audited combined and consolidated financial statements for FYE 2020 to FYE 2022 and FPE 2023 were not subjected to any audit qualifications.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**12.2.2 SIGNIFICANT FACTORS AFFECTING OUR REVENUE**

Please refer to Section 9 of this Prospectus for the details of the risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our revenue and financial performance. The significant factors affecting our revenue include, but are not limited to, the following:

**(a) Customers' demand for our calcium carbonate products**

Our business performance is dependent on customers' demand for calcium carbonate products which is based on purchase orders. As such, any reduction in our customer's purchase orders may adversely affect our business, financial conditions and results of operations. This was evident by the lower orders in terms of volume for our GCC products which decreased by approximately 10,000 tonnes and approximately 20,000 tonnes in FYE 2021 and FYE 2022, respectively. The lower orders from customers were partly due to higher logistic costs in FYE 2021 and FYE 2022 which deterred some of our export customers from purchasing calcium carbonate products from us. The increased logistic costs were attributed to the increase in sea freight rates as a result of the COVID-19 pandemic. Although the total sales volume of GCC products for the FYE 2022 decreased, the sales volume of GCC products in the second half of 2022 recovered where the sales volume grew by approximately 17,000 tonnes or 21.4% in the second half of 2022 compared to the first half of 2022. Furthermore, in FPE 2023, the sales volume of GCC products grew by approximately 41,700 tonnes or 33.5% compared to FPE 2022.

Please refer to Section 12.2.3(a) of this Prospectus for year-on-year analysis for our revenue.

**(b) Increases in logistic and raw material costs**

We may face risks of increases in logistic and raw material costs which may affect our profitability and financial performance. This may be affected by numerous factors such as macroeconomic and microeconomic factors, global shortage of freight containers and increasing sea freight rates, disasters, riots, war, terrorist attacks or outbreak of epidemics or pandemics.

For the FYE 2020, FYE 2021 and FYE 2022, our logistic costs increased from RM24.4 million in FYE 2020 to RM37.7 million in FYE 2021 before it subsequently decreased to RM33.3 million in FYE 2022. In FPE 2023, logistic costs decreased to RM18.7 million compared to RM25.8 million in FPE 2022. We experienced an increase in sea freight charges where our average sea freight rates to India increased from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021 and USD51/tonne in the first half of FYE 2022, and subsequently decreased to USD30/tonne in the second half of FYE 2022 and USD14/tonne in FPE 2023. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our export revenue amounted to RM76.4 million (71.3%), RM86.6 million (72.5%), RM77.9 million (68.9%) and RM62.0 million (68.1%) of our total revenue, respectively. These exported products are priced CIF which includes insurance and freight cost, therefore this resulted in an increase or decrease in the selling prices of our exported products to reflect the increase or decrease in freight rates for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Due to substantial increase in sea freight rates at the end of 2020, consequently, we had to absorb some of the freight cost between November 2020 and February 2021. There is a risk that our customers may seek more cost competitive sources of imports and this would adversely affect our financial performance.

**12. FINANCIAL INFORMATION (Cont'd)**

Additionally, for the FYE 2020, FYE 2021 and FYE 2022, our purchases of chemicals grew from RM9.3 million in FYE 2020 to RM10.6 million in FYE 2021 and RM10.9 million in FYE 2022 which was mainly due to the increase in purchases of stearic acid caused by the increase in its average price. In FPE 2023, our purchases of chemicals increased from RM8.3 million in FPE 2022 to RM9.2 million due to increase in purchase volume. We experienced an increase in the average purchase price of stearic acid, a chemical used in the production of our coated GCC product, which increased by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021 and further increase by 27.5% to RM6.26/kg in FYE 2022. In FPE 2023, it decreased to RM4.99/kg. Consequently, we had to absorb the increase in chemical cost in FYE 2020 and FYE 2021. In FYE 2022, we managed to pass on some of the increase in chemical cost to customers by increasing the selling prices of coated GCC products for export customers as well as implemented a surcharge for Malaysian customers for any increment of crude palm oil prices.

Any increases in our cost will eventually require us to increase our selling prices, which may reduce our competitiveness. This would affect our ability to retain customers and/or secure new orders and if we are unable to remain competitive, this would adversely affect our revenue and financial performance.

Furthermore, we may be exposed to price increases in the cost of materials due to the unavoidable time lag between the time of our commitment to our customers and our subsequent purchases of such materials. We adopt a periodic review for the pricing of our products where GCC products and exported products are reviewed monthly while local CC dispersions pricing are reviewed quarterly.

While we seek to minimise our exposure to price increases by closely monitoring the price of our raw materials and logistic costs, there can be no assurance that we would be able to pass on any increases in costs to our customers. In the event we are unable to pass on any of the cost increases to our customers or if we are unable to do so in a timely manner, we would have to absorb the increases in the costs and this would adversely affect our profitability and financial performance.

Please refer to Section 9.1.4 of this Prospectus for further details on this risk.

**(c) Dependency on customers from India**

For the FYE 2020, FYE 2021, 2022 and FPE 2023, India was our largest export market which amounted to RM67.1 million (62.5%), RM75.5 million (63.2%), RM67.4 million (59.6%) and RM54.2 million (59.5%) of our total revenue, respectively.

As India is our largest export market, our business is dependent on the performance of our customer's industry, namely plastic masterbatch manufacturing, general economy, laws and regulation, political stability as well as social environment including diseases outbreak in India.

For the FYE 2020 to FYE 2022, the sales volume for our GCC products to customers in India has been declining from approximately 139,000 tonnes in FYE 2020 to approximately 126,000 tonnes in FYE 2021 and to approximately 101,000 tonnes in FYE 2022. This was mainly due to the COVID-19 outbreak in India in 2020 and 2021 which disrupted our customer's business operations coupled with the increase in sea freight rates in 2021 and first half of 2022 which deterred some of our customers in India from importing from Malaysia.

**12. FINANCIAL INFORMATION (Cont'd)**

Nevertheless, in the second half of 2022, the sales volume for our GCC products to customers in India grew by 43.4% from approximately 41,500 tonnes in the first half of FYE 2022 to approximately 59,500 tonnes in the second half of FYE 2022. This was mainly due to the decreasing sea freight rates towards the end of 2022 which attracted sales from our Indian customers. In FPE 2023, the sales volume for our GCC products to customers in India increased by 39.7% from approximately 68,000 tonnes in FPE 2022 to 95,000 tonnes in FPE 2023.

As such, any unfavourable changes in the plastic masterbatch manufacturing industry, economy, political, laws and regulation, and social environment in India would adversely impact on our business operations and financial performance.

Please refer to Section 9.1.1 of this Prospectus for further details on the risk factor on our dependency of our customers, particularly from India, and Section 9.1.2 of this Prospectus for our dependency on our top 2 major customers.

**(d) Impact of foreign exchange**

Our revenue is predominantly based in foreign currencies mainly USD which accounted for 71.3% (RM76.4 million), 72.5% (RM86.6 million), 68.9% (RM77.9 million) and 68.1% (RM62.0 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, 17.5% (RM5.5 million), 19.9% (RM6.5 million), 20.8% (RM7.1 million) and 4.7% (RM1.3 million) of our total purchases were also transacted in foreign currencies mainly CNY for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In this respect, we are exposed to fluctuations in foreign exchange rates, especially between USD and RM; and CNY and RM. Any adverse movements in the foreign exchange rates against the RM may have a negative impact on our business operations and financial performance.

We maintain bank accounts mainly in RM and USD, such that collections can be used to settle payments of the same currency where possible. This, to a certain extent, provides a natural hedge against fluctuations in the foreign exchange and our exposure to foreign exchange risks. As at LPD, we have foreign currency forward hedging facilities amounting to RM18.0 million for USD, being our largest foreign currency exposure.

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 September 2023 indicates that, in the event of a 5.0% fluctuation of USD against RM, our PAT for FPE 2023 would fluctuate by RM0.4 million, while the effects of fluctuations in CNY, SGD and EUR are negligible.

Nevertheless, our business is subject to risks relating to any unfavourable foreign exchange rate fluctuations against the RM which may materially affect our financial performance. Please refer to Section 9.1.7 of this Prospectus for further details on risks relating to foreign exchanges fluctuations.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**(e) Disruptions in business operations due to COVID-19 pandemic**

The prolonged outbreak and spread of the COVID-19 pandemic had and will continue to affect our business operations. In association with the COVID-19 pandemic, there were various containment measures implemented such as lockdowns, movement restrictions and temporary suspension of our business operations as well as our customers' operations. The interruptions in our operations as well as our customers' operations will also affect the demand for our products and subsequently, adversely affect our financial performance. This was demonstrated by the fact that our revenue performance for the second quarter of FYE 2020 declined by 33.7% compared to the first quarter of FYE 2020 due to the temporary interruptions in our business operations as well as closure of our customer's business operations.

Additionally, our revenue for the second quarter of FYE 2021 declined by 30.3% compared to the first quarter of FYE 2021. This was mainly due lower sales order from our customers in India mainly due to the lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021 coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

Please refer to Section 9.1.8 of this Prospectus for further details on the risk relating to the impact of the COVID-19 pandemic.

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.2.3 Review of our results of operations

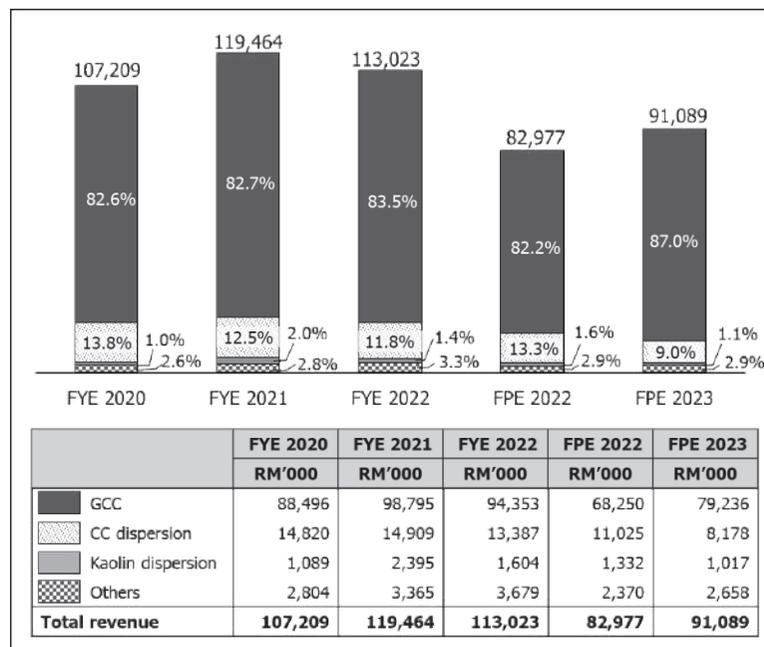
#### (a) Revenue

##### Segmental analysis by product

Our revenue stream is derived from the following product segments:

- Production of GCC;
- Production of CC dispersions;
- Production of kaolin dispersions;
- Other business activities include the processing of ultrafine PCC powder, trading of other industrial minerals and sales of limestone quarry products ("Others").

Revenue by business activities



Our Group's total revenue increased from RM107.2 million in FYE 2020 to RM119.5 million in FYE 2021, representing a growth of 11.4% before it subsequently decreased by 5.4% to RM113.0 million in FYE 2022. This was contributed by the fluctuations in revenue from the production of GCC, CC dispersions and kaolin dispersions. In FPE 2023, our Group's total revenue increased by 9.8% to RM91.1 million compared to FPE 2022.

Production of GCC constituted our largest revenue contributor having accounted for 83.5% or RM94.4 million and 87.0% or RM79.2 million of our total revenue for the FYE 2022 and FPE 2023, respectively.

The revenue from this segment increased in FYE 2021 to RM98.8 million before it subsequently decreased to RM94.4 million in FYE 2022. The decrease in revenue in FYE 2022 was mainly due to the decrease in sales volume and demand from export customers, particularly from India caused by an increase in sea freight rates. In FPE 2023, revenue from this segment increased by 16.1% to RM79.2 million compared to FPE 2022 mainly attributed to an increase in sales volume and demand.

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**12. FINANCIAL INFORMATION (Cont'd)**

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This is followed by the revenue contribution from the production of CC dispersion and kaolin dispersion which accounted for 11.8% or RM13.4 million, and 1.4% or RM1.6 million in FYE 2022, respectively. The revenue from CC dispersion and kaolin dispersion segments recorded growth in FYE 2021 by 0.6% and 119.9% respectively, driven mainly by an increase in demand from the glove sector. However, in FYE 2022, revenue from these segments decreased, mainly attributed by lower orders from rubber glove manufacturers amidst the lower demand for synthetic and medical gloves in FYE 2022 as COVID-19 pandemic conditions started to improve. In FPE 2023, revenue contribution from the production of CC dispersion and kaolin dispersion accounted for 9.0% (RM8.2 million) and 1.1% (RM1.0 million) respectively. The revenue from CC dispersion and kaolin dispersion decreased by 25.8% and 23.6% compared to FPE 2022 respectively, mainly attributed to lower orders from customers who are latex glove manufacturers.

The remaining revenue was contributed by other business activities including processing of ultrafine PCC powder, trading of other industrial minerals and sales of limestone quarry products which accounted for 3.3% or RM3.7 million in FYE 2022, and 2.9% or RM2.7 million in FPE 2023.

We principally operate in Malaysia with our products mainly being sold to countries in the Asia Pacific region. Our largest market is India which accounted for 62.5% (RM67.1 million), 63.2% (RM75.5 million), 59.6% (RM67.4 million) and 59.5% (RM54.2 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

This is followed by Malaysia which accounted for 28.7% (RM30.8 million), 27.5% (RM32.9 million), 31.1% (RM35.1 million) and 31.9% (RM29.0 million) of our total revenue for FYE 2020, FYE 2021 and FYE 2022 and FPE 2023 respectively. The remaining revenue was contributed by exports to customers in other foreign countries namely Thailand, Indonesia, Philippines, Australia, Sri Lanka, Nepal, Greater China, Singapore, Papua New Guinea, Vietnam, Oman, Fiji, South Korea, Brunei, Egypt and Cambodia where each country does not represent more than 3.1% of total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023.

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## 12. FINANCIAL INFORMATION (Cont'd)

### Revenue by business activities and products

The table below sets out the breakdown of our total revenue by business activities and products:

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Production of:										
GCC	88,496	82.6	98,795	82.7	94,353	83.5	68,250	82.2	79,236	87.0
CC dispersion	14,820	13.8	14,909	12.5	13,387	11.8	11,025	13.3	8,178	9.0
Kaolin dispersion	1,089	1.0	2,395	2.0	1,604	1.4	1,332	1.6	1,017	1.1
Others <sup>(1)</sup>	2,804	2.6	3,365	2.8	3,679	3.3	2,370	2.9	2,658	2.9
<b>Total</b>	<b>107,209</b>	<b>100.0</b>	<b>119,464</b>	<b>100.0</b>	<b>113,023</b>	<b>100.0</b>	<b>82,977</b>	<b>100.0</b>	<b>91,089</b>	<b>100.0</b>

**Note:**

(1) Includes processing of ultrafine PCC powder, trading of other industrial minerals and sales of limestone quarry products.

The table below sets out the sales volume and average selling price per tonne for our GCC, CC dispersion and kaolin dispersion:

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	Sales volume (tonne)	Average selling price (RM/tonne)	Sales volume (tonne)	Average selling price (RM/tonne)	Sales volume (tonne)	Average selling price (RM/tonne)	Sales volume (tonne)	Average selling price (RM/tonne)	Sales volume (tonne)	Average selling price (RM/tonne)
Production of:										
GCC	206,067	429	196,503	503	176,588	534	124,684	547	166,424	476
CC dispersion	19,420	763	18,310	814	17,622	760	14,285	772	11,230	728
Kaolin dispersion	666	1,636	1,507	1,589	1,073	1,495	890	1,497	632	1,609

**12. FINANCIAL INFORMATION (Cont'd)****Revenue by geographical markets**

The table below sets out the breakdown of our total revenue by geographical markets:

	<b>Audited</b>						<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FPE 2022</b>		<b>FPE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Malaysia	30,763	28.7	32,867	27.5	35,130	31.1	27,006	32.5	29,043	31.9
<b>Foreign countries</b>										
India	67,053	62.5	75,489	63.2	67,395	59.6	47,921	57.8	54,228	59.5
Other foreign countries	9,393 <sup>(1)</sup>	8.8	11,108 <sup>(2)</sup>	9.3	10,498 <sup>(3)</sup>	9.3	8,050 <sup>(4)</sup>	9.7	7,818 <sup>(5)</sup>	8.6
<b>Total</b>	<b>107,209</b>	<b>100.0</b>	<b>119,464</b>	<b>100.0</b>	<b>113,023</b>	<b>100.0</b>	<b>82,977</b>	<b>100.0</b>	<b>91,089</b>	<b>100.0</b>

**Notes:**

- (1) Includes Australia, Thailand, Indonesia, Philippines, Sri Lanka, Greater China, Papua New Guinea, Singapore, Vietnam, Oman, Nepal, and South Korea.
- (2) Includes Thailand, Indonesia, Philippines, Australia, Sri Lanka, Nepal, Greater China, Singapore, Papua New Guinea, Vietnam, Oman and Fiji.
- (3) Includes Indonesia, Philippines, Australia, Sri Lanka, Thailand, Nepal, Vietnam, Cambodia, Singapore, Papua New Guinea, Fiji, Egypt, Hong Kong, Taiwan and Brunei.
- (4) Includes Philippines, Indonesia, Australia, Sri Lanka, Thailand, Nepal, Cambodia, Vietnam, Singapore, Papua New Guinea, Fiji, Egypt, Hong Kong, Taiwan and Brunei.
- (5) Includes Philippines, Vietnam, Sri Lanka, Indonesia, Thailand, Australia, Nepal, Singapore, Egypt, Cambodia, Papua New Guinea, Fiji, and Greater China.

## 12. FINANCIAL INFORMATION (Cont'd)

### Comparison between FYE 2020 and FYE 2021

Our revenue increased by 11.4% or RM12.3 million from RM107.2 million in FYE 2020 to RM119.5 million in FYE 2021. This was mainly due to the increase in revenue from all of our business segments as follows:

- (i) Increase in revenue from production of GCC by 11.6% or RM10.3 million from RM88.5 million in FYE 2020 to RM98.8 million in FYE 2021. This was mainly contributed by the increase in the average selling price of GCC products by 17.2% from RM429/tonne in FYE 2020 to RM503/tonne in FYE 2021 mainly attributed to the increased selling price of our exported GCC powder due to increased sea freight rates. As the selling prices for most of our exported products are based on CIF pricing, the increased sea freight rates are reflected in the pricing of the products. Our average sea freight rates to India increased by 258.3% from USD12/tonne in FYE 2020 to USD43/tonne in FYE 2021.

Despite the increase in average selling price, the revenue from production of GCC was offset by the decrease in sales volume of our GCC powder by 4.6% from 206,067 tonnes in FYE 2020 to 196,503 tonnes in FYE 2021. This was mainly due to lower sales volume from our customers in India mainly due to the lockdown in India from April to June 2021 amidst the COVID-19 Delta variant outbreak in early 2021 coupled with the increased sea freight rates which deterred some of our customers in India from importing from Malaysia.

- (ii) Increase in revenue from production of kaolin dispersion by 119.9% or RM1.3 million from RM1.1 million in FYE 2020 to RM2.4 million in FYE 2021. This was mainly due to the increase in demand for synthetic rubber gloves due to COVID-19 in FYE 2021.
- (iii) Increase in revenue from other business activities by 20.0% or RM0.6 million from RM2.8 million in FYE 2020 to RM3.4 million in FYE 2021. This was mainly due to the increase in revenue from talcum powder and PCC powder, which are used in the production of paints and coatings, and rubber gloves, respectively.
- (iv) Increase in revenue from production of CC dispersion by 0.6% or RM0.1 million from RM14.8 million in FYE 2020 to RM14.9 million in FYE 2021. This was mainly attributed to the increase in revenue by 11.1% from GCC dispersion arising from increase in demand from our customers namely rubber glove manufacturers, coupled with an increase in the selling price resulting from the increase in cost of raw materials such as chemicals.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2021 and FYE 2022**

Our revenue decreased by 5.4% or RM6.4 million from RM119.5 million in FYE 2021 to RM113.0 million in FYE 2022. This was mainly due to the decrease in revenue from the production of GCC, CC dispersion and kaolin dispersion as follows:

- (i) Decrease in revenue from production of GCC by 4.5% or RM4.4 million from RM98.8 million in FYE 2021 to RM94.4 million in FYE 2022. This was mainly contributed by the decrease in sales volume of our GCC products by 10.1% or approximately 20,000 tonnes from 196,503 tonnes in FYE 2021 to 176,588 tonnes in FYE 2022, largely attributed by lower sales volume from export customers, particularly India, in the first half of 2022. The decrease in sales volume was mainly due to the increase in selling prices of our GCC product attributed by higher sea freight rates and chemical costs, particularly in the first half of 2022. In the first half of 2022, our average monthly sea freight rate was USD51/tonne which deterred some export customers from importing from us. As such, our sales volume of GCC in the first half of 2022 decreased by approximately 30,000 tonnes compared to the first half of 2021.

However, this was partially offset by the increase in sales volume of GCC products in the second half of 2022 where it recovered and grew by approximately 10,000 tonnes compared to the second half of 2021 attributed mainly by the lower average monthly sea freight rates in the second half of 2022 of USD30/tonne which attracted back sales from export customers.

- (ii) Decrease in revenue from production of CC dispersion by 10.2% or RM1.5 million from RM14.9 million in FYE 2021 to RM13.4 million in FYE 2022. This was mainly contributed by the decrease in revenue by 21.4% from PCC dispersion attributed to lower sales volume from rubber glove manufacturers amidst the lower demand for medical gloves in FYE 2022 as COVID-19 pandemic conditions started to improve. In addition, our average selling price of PCC dispersion was about 91.0% higher than GCC dispersion. The decrease in sales from PCC dispersion was partially moderated by higher sales volume of the GCC dispersion that increased by 8.4% in FYE 2022 driven by higher demand from rubber glove manufacturers.
- (iii) Decrease in revenue from production of kaolin dispersion by 33.0% or RM0.8 million from RM2.4 million in FYE 2021 to RM1.6 million in FYE 2022. This was mainly due to the decrease in sales volume from rubber glove manufacturers amidst lower demand for synthetic rubber gloves in FYE 2022 as COVID-19 pandemic conditions started to improve.

The overall decrease in revenue in FYE 2022 was partially offset by an increase in revenue from other business activities by 9.3% or RM0.3 million from RM3.4 million in FYE 2021 to RM3.7 million in FYE 2022. This was mainly due to the increase in revenue from PCC powder by 30.6% mainly due to the increase in sales volume by 13.7% in FYE 2022 attributed to increase in demand from existing export customers in the second half of 2022 following the decline in sea freight rates amidst recovery from COVID-19.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**Comparison between FPE 2022 and FPE 2023**

Our revenue increased by 9.8% or RM8.1 million from RM83.0 million in FPE 2022 to RM91.1 million in FPE 2023. This was mainly due to the increase in revenue from the production of GCC. The revenue from production of GCC increased by 16.1% or RM11.0 million from RM68.3 million in FPE 2022 to RM79.3 million in FPE 2023. This was mainly contributed by the increase in sales volume of our GCC products by 33.5% or approximately 41,700 tonnes from 124,684 tonnes in FPE 2022 to 166,424 tonnes in FPE 2023, largely attributed to higher sales volume from customers in India. Despite the increase in sales volume, the average selling prices of GCC decreased by 13.0% from RM547/tonne in FPE 2022 to RM476/tonne in FPE 2023, mainly arising from the decline in sea freight rates during the FPE 2023. In this respect, this had an impact on the average selling prices as the export sales are based on CIF pricing which takes into account the sea freight rates. In the first 9 months of 2023, our average monthly sea freight rate was USD14/tonne which was lower compared to USD48/tonne for the corresponding period.

The overall increase in revenue in FPE 2023 was partially offset by the decrease in revenue from production of CC dispersion and kaolin dispersion by 25.8% or RM2.8 million, and by 23.6% or RM0.3 million, respectively. This was mainly attributed to the decrease in sales volume from rubber glove manufacturers amidst lower demand for rubber gloves in FPE 2023.

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## 12. FINANCIAL INFORMATION (Cont'd)

### (b) Cost of sales, GP and GP margin

#### Analysis of cost of sales by cost component

The breakdown of our Group's cost of sales by cost component are as follows:

Cost of sales	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%								
Material costs	30,495	50.8	31,054	52.4	33,689	55.3	24,104	54.7	28,160	51.0
Factory overheads	22,496	37.5	21,319	35.9	20,023	32.8	14,882	33.8	20,870	37.8
Direct labour costs	7,057	11.8	6,920	11.7	7,232	11.9	5,108	11.6	6,170	11.2
<b>Total</b>	<b>60,048</b>	<b>100.0</b>	<b>59,293</b>	<b>100.0</b>	<b>60,944</b>	<b>100.0</b>	<b>44,094</b>	<b>100.0</b>	<b>55,200</b>	<b>100.0</b>

#### Analysis of cost of sales by business activities

The breakdown of our Group's cost of sales by business activities are as follows:

Cost of sales	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%								
Production of:										
- GCC	48,684	81.1	46,387	78.2	49,185	80.7	34,849	79.0	47,037	85.2
- CC dispersion	9,071	15.1	9,663	16.3	8,753	14.4	7,071	16.0	5,969	10.8
- Kaolin dispersion	452	0.7	973	1.6	550	0.9	476	1.1	388	0.7
Others	1,841	3.1	2,270	3.8	2,456	4.0	1,698	3.9	1,806	3.3
<b>Total</b>	<b>60,048</b>	<b>100.0</b>	<b>59,293</b>	<b>100.0</b>	<b>60,944</b>	<b>100.0</b>	<b>44,094</b>	<b>100.0</b>	<b>55,200</b>	<b>100.0</b>

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## 12. FINANCIAL INFORMATION *(Cont'd)*

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### (i) Material costs

Material costs include cost of input materials such as limestone rocks and chips, PCC, kaolin powder, stearic acid and dispersing agents, as well as packaging materials and consumables.

Material costs constituted the largest component of our cost of sales which accounted for 50.8%, 52.4%, 55.3% and 51.0% of total cost of sales for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

For FYE 2021, our material costs increased by 1.8% or RM0.6 million from RM30.5 million in FYE 2020 to RM31.1 million in FYE 2021 mainly due to the increase in chemicals cost particularly stearic acid used in the production of coated GCC. We experienced an increase in the average purchase price of stearic acid by 28.2% from RM3.83/kg in FYE 2020 to RM4.91/kg in FYE 2021. This was mainly attributed to the shortage of palm oil feedstock supply amidst labour shortage during the COVID-19 period in FYE 2021.

For FYE 2022, our material costs increased by 8.5% or RM2.6 million from RM31.1 million in FYE 2021 to RM33.7 million in FYE 2022 mainly due to the increase in chemical costs particularly stearic acid used in the production of coated GCC. We experienced a further increase in average purchase price of stearic acid by 27.5% from RM4.91/kg in FYE 2021 to RM6.26/kg in FYE 2022. This was mainly attributed to the increase in demand for palm oil when the supply chain of sunflower oil was hampered by the ongoing conflict between Russia and Ukraine in the early of 2022.

For FPE 2023, our material costs increased by 16.8% or RM4.1 million from RM24.1 million in FPE 2022 to RM28.2 million in FPE 2023 mainly due to the increase in input materials consumed for our GCC production to meet the higher orders of our GCC products. This was also reflected in the revenue and sales volume growth from our production of GCC in FPE 2023.

### (ii) Factory overheads

Factory overheads mainly consists of electricity cost, depreciation of property, plant and equipment and rights-of-use assets, upkeep of property, plant and equipment, subcontractor cost for extraction of limestone from our quarry and royalties paid to land office.

For FYE 2021, our factory overheads decreased by 5.2% or RM1.2 million mainly due to the decrease in electricity cost by RM1.5 million arising from electricity bill rebates given by TNB and decrease in upkeep of property, plant and equipment by RM0.6 million due to lower utilisation of our plant and machinery in FYE 2021. This was partially offset by the increase in our subcontractor cost for limestone extraction by RM0.3 million and royalties paid to land office by RM0.4 million as we extracted more limestone in FYE 2021 compared to FYE 2020 due to interruptions caused by lockdown measures in FYE 2020.

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**12. FINANCIAL INFORMATION (Cont'd)**

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For FYE 2022, our factory overheads decreased by 6.1% or RM1.3 million mainly due to the decrease in subcontractor cost for limestone extraction by RM0.4 million and royalties paid to land office by RM0.1 million as we extracted less limestone in FYE 2022 mainly due to a temporary shutdown instruction by authorities in March 2022 issued to all quarries in the vicinity due to a landslide incident at another quarry. The decrease in factory overheads was also due to the decrease in upkeep of property, plant and equipment by RM0.3 million due to lower utilisation of our plant and machinery in FYE 2022.

For FPE 2023, our factory overheads increased by 40.2% or RM6.0 million from RM14.9 million in FPE 2022 to RM20.9 million in FPE 2023 mainly attributed to higher electricity costs from GCC production to meet the higher orders in FPE 2023. This was also reflected in the increase in sales volume of the GCC products by 33.7% in FPE 2023 compared to the corresponding period. Furthermore, the higher electricity costs were partly attributed to an increase in electricity tariff during the FPE 2023.

**(iii) Direct labour costs**

Direct labour costs consist of salaries, bonus and allowances, and employee contribution plans for employees who were involved in the production operations of our Group.

For FYE 2021, our direct labour costs decreased by 1.9% or RM0.1 million mainly due to the decrease in production floor workers mainly in Zantat Perak Plant from 142 employees as at 31 December 2020 to 129 employees as at 31 December 2021 arising from the expiry of foreign worker working permit between January and December 2021. This was partially offset by the increment of salaries of our other production floor workers.

For FYE 2022, our direct labour costs increased by 4.5% or RM0.3 million mainly due to the increase in the minimum wage from May 2022. This was partially offset by the decrease in production floor workers mainly in Calrock Perak Plant from 129 employees as at 31 December 2021 to 125 employees as at 31 December 2022.

For FPE 2023, our direct labor costs increased by 20.8% or RM1.1 million from RM5.1 million in FPE 2022 to RM6.2 million mainly due to the increase in production floor workers from 114 employees as at 30 September 2022 to 127 employees as at 30 September 2023.

**12. FINANCIAL INFORMATION (Cont'd)**

**Analysis of GP and GP margin by business activities and products**

	<b>Audited</b>								
	<b>FYE 2020</b>			<b>FYE 2021</b>			<b>FYE 2022</b>		
	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>
Production of:									
- GCC	39,812	84.4	45.0	52,408	87.1	53.1	45,168	86.7	47.9
- CC dispersion	5,749	12.2	38.8	5,246	8.7	35.2	4,634	8.9	34.6
- Kaolin dispersion	637	1.4	58.5	1,422	2.4	59.4	1,054	2.0	65.7
Others	963	2.0	34.3	1,095	1.8	32.5	1,223	2.4	33.2
<b>Total</b>	<b>47,161</b>	<b>100.0</b>	<b>44.0</b>	<b>60,171</b>	<b>100.0</b>	<b>50.4</b>	<b>52,079</b>	<b>100.0</b>	<b>46.1</b>

	<b>Unaudited</b>			<b>Audited</b>		
	<b>FPE 2022</b>			<b>FPE 2023</b>		
	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>
Production of:						
- GCC	33,401	85.9	48.9	32,199	89.7	40.6
- CC dispersion	3,954	10.2	35.9	2,209	6.2	27.0
- Kaolin dispersion	856	2.2	64.3	629	1.8	61.8
Others	672	1.7	28.4	852	2.4	32.1
<b>Total</b>	<b>38,883</b>	<b>100.0</b>	<b>46.9</b>	<b>35,889</b>	<b>100.0</b>	<b>39.4</b>

**12. FINANCIAL INFORMATION (Cont'd)**

**Analysis of GP and GP margin by geographical markets**

	<b>Audited</b>								
	<b>FYE 2020</b>			<b>FYE 2021</b>			<b>FYE 2022</b>		
	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>
Malaysia	10,200	21.6	33.2	9,910	16.5	30.2	6,848	13.1	19.5
<b>Foreign countries</b>									
India	31,318	66.4	46.7	42,908	71.3	56.8	37,653	72.3	55.9
Other foreign countries	5,643	12.0	60.1	7,353	12.2	66.2	7,578	14.6	72.2
<b>Total</b>	<b>47,161</b>	<b>100.0</b>	<b>44.0</b>	<b>60,171</b>	<b>100.0</b>	<b>50.4</b>	<b>52,079</b>	<b>100.0</b>	<b>46.1</b>
	<b>Unaudited</b>			<b>Audited</b>					
	<b>FPE 2022</b>			<b>FPE 2023</b>					
	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>	<b>GP RM'000</b>	<b>%</b>	<b>% GP margin</b>			
Malaysia	6,762	17.4	25.0	6,816	19.0	23.5			
<b>Foreign countries</b>									
India	27,027	69.5	56.4	24,554	68.4	45.3			
Other foreign countries	5,094	13.1	63.6	4,519	12.6	57.8			
<b>Total</b>	<b>38,883</b>	<b>100.0</b>	<b>46.9</b>	<b>35,889</b>	<b>100.0</b>	<b>39.4</b>			

## 12. FINANCIAL INFORMATION (Cont'd)

### Comparison between FYE 2020 and FYE 2021

Our GP increased by 27.6% or RM13.0 million from RM47.2 million in FYE 2020 to RM60.2 million in FYE 2021 while our GP margin improved from 44.0% in FYE 2020 to 50.4% in FYE 2021. This was mainly due to the following:

- (i) Increase in GP and GP margin from the production of GCC where its GP grew by 31.6% or RM12.6 million in FYE 2021 and GP margin improved from 45.0% in FYE 2020 to 53.1% in FYE 2021. The increase in GP and GP margin was due to the increase in its revenue by 11.6% and average selling prices caused by the increased sea freight rates. As the majority of our GCC products are exported and priced CIF, the increased sea freight rates is reflected in the pricing of the product. Meanwhile, the logistic costs (including freight charges) are reflected in our selling and distribution expenses, which is below GP. The improvement in GP margin was also partly due to the different product mix where there were higher sales of GCC products which command a higher margin.
- (ii) Increase in GP from the production of kaolin dispersion which grew by 123.2% or RM0.8 million in FYE 2021. Its GP margin remained relatively consistent from 58.5% in FYE 2020 to 59.4% in FYE 2021.
- (iii) Increase in GP from other business activities by 13.7% or RM0.1 million in FYE 2021 mainly due to the increase in GP of the trading of talcum powder in line with the increase in its revenue in FYE 2021. Meanwhile, the GP margin from other business activities decreased from 34.3% in FYE 2020 to 32.5% in FYE 2021 mainly due to the decrease in GP margin from processing of PCC powder attributed to the increase in average purchase price of PCC powder imported from China. In FYE 2021, our average purchase price of the PCC powder increased by 22.6%.

The increase in our overall GP and GP margin in FYE 2021 was partially offset by the decrease in GP from the production of CC dispersion. Our GP from CC dispersion decreased by 8.7% or RM0.5 million mainly due to decrease in GP from PCC dispersion by 26.1% or RM0.7 million. This was in line with the decrease in revenue of PCC dispersion by 8.1% or RM0.7 million caused by lower sales volume from rubber glove manufacturers. This was partially offset by the increase in GP from GCC dispersion by 8.4% attributed to the increase in its revenue by 11.1% as the demand for this product increased from rubber glove manufacturers. Its GP margin remained relatively consistent from 34.3% in FYE 2020 to 32.5% in FYE 2021.

## 12. FINANCIAL INFORMATION (Cont'd)

### Comparison between FYE 2021 and FYE 2022

Our GP decreased by 13.4% or RM8.1 million from RM60.2 million in FYE 2021 to RM52.1 million in FYE 2022 while our GP margin decreased from 50.4% in FYE 2021 to 46.1% in FYE 2022. This was mainly due to the following:

- (i) Decrease in GP and GP margin from the production of GCC where its GP decreased by 13.8% or RM7.2 million in FYE 2022 and GP margin decreased from 53.1% in FYE 2021 to 47.9% in FYE 2022. The decrease in GP was mainly due to the decrease in GP of coated GCC by 15.5% attributed to the decrease in its revenue by 5.0% caused by lower sales volume coupled with an increase in its cost of sales by 6.5% mainly due to increase in chemical costs particularly stearic acid, a main input material used in the production of coated GCC.

Meanwhile, the decrease in GP margin for GCC was mainly due to the increase in chemical costs particularly stearic acid. Our average purchase price of stearic acid grew by 27.5% from RM4.91/kg in FYE 2021 to RM6.26/kg in FYE 2022. Please refer to Section 12.2.2 (b) of this Prospectus for further details on the increases in raw material costs. Despite the increased selling prices of coated GCC in March 2022, the higher product costs with lower sales volume in FYE 2022 had contributed to the decline in GP margin of GCC.

- (ii) Decrease in GP from the production of CC dispersion by 11.7% or RM0.6 million in FYE 2022 while GP margin was relatively consistent from 35.2% in FYE 2021 to 34.6% in FYE 2022. The decrease in GP was mainly due to the decrease in GP from PCC dispersions by 29.6% or RM0.6 million in line with the decrease in its revenue attributed to lower sales volume from rubber glove manufacturers.
- (iii) Decrease in GP from the production of kaolin dispersion where its GP decreased by 26.0% or RM0.4 million in FYE 2022 while GP margin increased from 59.4% in FYE 2021 to 65.7% in FYE 2022. The decrease in GP was mainly due to the decrease in revenue by 33.0% or RM0.8 million attributed to lower sales volume from rubber glove manufacturers in Malaysia. Meanwhile, the improvement of GP margin was mainly due to the decrease in purchase price of kaolin raw material.

The decrease in overall GP was partially offset by the increase in GP from other business activities which increased by 11.7% or RM0.1 million in FYE 2022, while GP margin remains relatively consistent from 32.5% in FYE 2021 to 33.2% in FYE 2022. The increase in GP from other business activities was mainly due to the increase in GP from the processing of ultrafine PCC powder by 57.0% or RM0.2 million, in line with the increase in its revenue by 30.6% or RM0.5 million driven by increased sales from existing customers.

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## 12. FINANCIAL INFORMATION *(Cont'd)*

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### Comparison between FPE 2022 and FPE 2023

Our GP decreased by 7.7% or RM3.0 million from RM38.9 million in FPE 2022 to RM35.9 million in FPE 2023 while our GP margin decreased from 46.9% in FPE 2022 to 39.4% in FPE 2023. This was mainly due to the following:

- (i) Decrease in GP and GP margin from the production of GCC where its GP decreased by 3.6% or RM1.2 million in FPE 2023 and GP margin decreased from 48.9% in FPE 2022 to 40.6% in FPE 2023. The decrease in GP was mainly due to the increase in cost of sales for the production of GCC by 35.0% as reflected in the sales volume of GCC which increased by 33.5% in FPE 2023. Meanwhile, the decline in GP margin was mainly due to the lower average selling prices of GCC which decreased by 13.0% in FPE 2023 attributed to the impact of lower sea freight rates that was factored into the product pricing for those export sales.
- (ii) Decrease in GP from the production of CC dispersion by 43.3% or RM1.7 million in FPE 2023 while GP margin decreased from 35.9% in FPE 2022 to 27.0% in FPE 2023. The decrease in GP was mainly due to the decrease in revenue from CC dispersions by 25.8% or RM2.8 million attributed to lower sales volume from rubber glove manufacturers. Meanwhile, the decrease in GP margin was mainly due to the higher cost per tonne which increased by 7.4% in FPE 2023 attributed to a decline in sales volume of 21.4% in FPE 2023. The decrease in GP margin also partly attributed to lower average selling prices of CC dispersion which decreased by 5.7% in FPE 2023.
- (iii) Decrease in GP from the production of kaolin dispersion where its GP decreased by 26.5% or RM0.2 million in FPE 2023 while GP margin decreased from 64.3% in FPE 2022 to 61.8% in FPE 2023. The decrease in GP was mainly due to the decrease in revenue by 23.6% or RM0.3 million attributed to lower sales volume from rubber glove manufacturers in Malaysia. Meanwhile, the decrease in GP margin was mainly due to the higher cost per tonne which increased by 14.8% in FPE 2023 attributed to a decline in sales volume of 29.0% in FPE 2023.

**12. FINANCIAL INFORMATION (Cont'd)****(c) Other income**

Other income	FYE 2020		Audited FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Realised gain on foreign exchange	145	21.7	639	55.0	1,332	78.0	1,276	59.1	280
Unrealised gain on foreign exchange	-	-	219	18.8	-	-	550	25.5	1,028	61.9
Gain on disposal of property, plant and equipment	32	4.8	124	10.7	180	10.5	155	7.2	184	11.1
Interest income on fixed deposits	180	27.0	97	8.3	66	3.9	48	2.2	85	5.1
Wage subsidy	272	40.8	-	-	-	-	-	-	-	-
Others <sup>(1)</sup>	38	5.7	84	7.2	129	7.6	131	6.1	83	5.0
<b>Total</b>	<b>667</b>	<b>100.0</b>	<b>1,163</b>	<b>100.0</b>	<b>1,707</b>	<b>100.0</b>	<b>2,160</b>	<b>100.0</b>	<b>1,660</b>	<b>100.0</b>

**Note:**

(1) Includes sales of scrap namely used machinery spare parts and packaging materials, insurance claims on damaged container and sundry income.

**Comparison between FYE 2020 and FYE 2021**

Our other income increased by 74.4% or RM0.5 million in FYE 2021 mainly due to an increase in realised and unrealised gains on foreign exchange by RM0.5 million and RM0.2 million, respectively, arising from the strengthening of USD against RM in FYE 2021. In addition, in FYE 2021, there was also an increase in gains on disposal of property, plant and equipment by RM0.1 million relating to the disposal of 1 unit of wheel loader, 1 unit of motor vehicle and 2 units of forklifts.

**12. FINANCIAL INFORMATION (Cont'd)**

The increase in other income was partially offset by the decrease in wage subsidy in FYE 2021. We did not receive any wage subsidy in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our other income increased by 46.8% or RM0.5 million in FYE 2022 mainly due to the increase in realised gains on foreign exchange by RM0.7 million arising from the strengthening of USD against RM in FYE 2022. Additionally, in FYE 2022, there was an increase in gains on disposal of property, plant and equipment by RM0.1 million relating to the disposal of 1 unit of forklift, 1 unit of wheel loader and 2 units of motor vehicles.

The increase in other income was partially offset by the decrease in unrealised gains on foreign exchange of RM0.2 million.

**Comparison between FPE 2022 and FPE 2023**

Our other income decreased by 23.1% or RM0.5 million in FPE 2023 mainly due to the realised gains on foreign exchange attributed to the movement of the foreign exchange arising from the export sales that were mainly transacted in USD.

**(d) Selling and distribution expenses**

Selling and distribution expenses	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%								
Logistic costs	24,392	95.4	37,660	98.0	33,324	98.2	25,755	98.5	18,687	96.0
SST expenses <sup>(1)</sup>	358	1.4	390	1.0	-	-	-	-	-	-
Sales commission	285	1.1	266	0.7	249	0.7	169	0.6	250	1.3
Travelling and entertainment expenses	122	0.5	101	0.3	228	0.7	153	0.6	223	1.1
Advertisement and exhibition expenses	390	1.5	13	#	110	0.3	61	0.2	283	1.5
Others <sup>(2)</sup>	12	0.1	9	#	20	0.1	16	0.1	30	0.2
<b>Total</b>	<b>25,559</b>	<b>100.0</b>	<b>38,439</b>	<b>100.0</b>	<b>33,931</b>	<b>100.0</b>	<b>26,154</b>	<b>100.0</b>	<b>19,473</b>	<b>100.0</b>

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## 12. FINANCIAL INFORMATION *(Cont'd)*

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### Notes:

# Less than 0.1%

- (1) Refers to the provision of SST expenses for the erroneous claim on SST exemption on packaging materials. The said SST expenses was paid off in FYE 2022.
- (2) Comprising mobile phone expenses and samples for customers.

### Comparison between FYE 2020 and FYE 2021

Our selling and distribution expenses grew by 50.4% or RM12.9 million from RM25.6 million in FYE 2020 to RM38.4 million in FYE 2021 mainly due to the increase in logistic costs by 54.4% or RM13.3 million in line with the increase in our export sales coupled with an increase in average sea freight rates in FYE 2021.

The increase was partially offset by the decrease in advertisement and exhibition expenses by RM0.4 million as we did not participate in any exhibitions in FYE 2021.

### Comparison between FYE 2021 and FYE 2022

Our selling and distribution expenses decreased by 11.7% or RM4.5 million from RM38.4 million in FYE 2021 to RM33.9 million in FYE 2022, mainly due to the decrease in logistic costs by 11.5% or RM4.3 million. The decrease in logistic costs was in line with the decrease in our export sales coupled with the decrease in average sea freight rates in FYE 2022. Additionally, in FYE 2022, there was no further provision of erroneous claim for SST expenses.

The decrease was partially offset by the increase in travelling and entertainment expenses, and advertisement and exhibition expenses by RM0.1 million and RM0.1 million in FYE 2022, respectively. This was mainly due to an increase in travelling and exhibition activities in FYE 2022 as the global COVID-19 travel restrictions were lifted.

## 12. FINANCIAL INFORMATION (Cont'd)

### Comparison between FPE 2022 and FPE 2023

Our selling and distribution expenses decreased by 25.5% or RM6.7 million from RM26.2 million in FPE 2022 to RM19.5 million in FPE 2023, mainly due to the decrease in logistic costs by 27.4% or RM7.1 million. The decrease in logistic costs was largely due to the decrease in sea freight rates during the FPE 2023.

The decrease was partially offset by the increase in advertisement and exhibition expenses by RM0.2 million due to increase in exhibition activities during the FPE 2023.

#### (e) Administrative expenses

The table below presents the breakdown of our administrative expenses:

Administrative expenses	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff related costs	4,039	37.3	4,211	36.7	3,971	41.5	2,779	38.8	3,222	38.6
Directors' fees and remunerations	5,266	48.6	5,265	45.9	2,832	29.6	2,262	31.6	2,564	30.7
Professional fees <sup>(1)</sup>	93	0.9	196	1.7	625	6.5	580	8.1	1,035	12.4
Office and upkeep expenses <sup>(2)</sup>	512	4.7	570	5.0	582	6.1	433	6.0	492	5.9
Consultancy fee <sup>(3)</sup>	295	2.7	641	5.6	569	6.0	452	6.3	182	2.2
License, certification, insurance and quit rent expenses	389	3.6	430	3.7	447	4.7	359	5.0	370	4.4
Others <sup>(4)</sup>	246	2.3	168	1.5	534	5.6	298	4.2	482	5.8
<b>Total</b>	<b>10,840</b>	<b>100.0</b>	<b>11,481</b>	<b>100.0</b>	<b>9,560</b>	<b>100.0</b>	<b>7,163</b>	<b>100.0</b>	<b>8,347</b>	<b>100.0</b>

## 12. FINANCIAL INFORMATION (Cont'd)

### Notes:

- (1) Mainly includes audit, tax consultant, secretary, legal and filing fees. In FYE 2022, FPE 2022 and FPE 2023, it includes IPO related expenses of RM0.4 million, RM0.4 million and RM0.9 million, respectively.
- (2) Mainly includes upkeep of office equipment and motor vehicles, postage, printing and stationery, phone and landscaping expenses.
- (3) Mainly being consultancy services by a company mainly for the business development of new products such as our ultrafine-grade GCC and bioplastic compounds including providing advice on R&D results, potential markets and product applications. The consultancy services provided include sharing research findings for our product development, practical applications and provide insights and advice on emerging technologies to our R&D team. The services were completed in August 2022.
- (4) Mainly includes travelling and entertainment expenses, training fees, membership fees, donation and corporate social responsibility expenses and bank charges. In FYE 2022, FPE 2022 and FPE 2023, it includes R&D expenses of RM0.2 million, approximately RM19,800, and RM0.2 million, respectively.

### Comparison between FYE 2020 and FYE 2021

Our administrative expenses grew by 5.9% or RM0.6 million from RM10.8 million in FYE 2020 to RM11.5 million in FYE 2021. This was mainly due to the increase in consultancy fee by RM0.4 million mainly for the business development of our ultrafine grade GCC, as well as an increase in staff related costs by RM0.2 million arising from increment of staff salaries.

### Comparison between FYE 2021 and FYE 2022

Our administrative expenses decreased by 16.7% or RM1.9 million from RM11.5 million in FYE 2021 to RM9.6 million in FYE 2022. This was mainly due to the decrease in directors' remuneration by RM2.4 million attributed to the decrease in salaries by RM0.8 million, director fees by RM0.7 million, and bonus by RM0.8 million including for Teh Ah Soon @ Teh Soon Tick, Chan Hup Ooi and Lee Mei Choon, all of who became non-executive directors in FYE 2022 in line with their retirement. The decrease in administrative expenses was also due to the decrease in staff costs by RM0.2 million attributed to the decrease in staff bonus.

The decrease in administrative expenses was partially offset by the increase in professional fees by RM0.4 million mainly from IPO related expenses of RM0.4 million that was recognised in FYE 2022, as well as an increase in other administrative expenses by RM0.4 million mainly attributed to the recognition of R&D expenses in FYE 2022 of RM0.2 million, and increase in training fees by RM0.1 million mainly for fees to attend training courses and conferences.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FPE 2022 and FPE 2023**

Our administrative expenses increased by 16.5% or RM1.2 million from RM7.1 million in FPE 2022 to RM8.3 million in FPE 2023. This was mainly due to the increase in professional fees by RM0.5 million largely contributed by the increase in IPO related expenses, as well as an increase in staff related costs by RM0.4 million arising from the increase in number of employees and increment of staff salaries. The increase was also contributed by the increase in directors' fees and remunerations by RM0.3 million mainly due to the increase in bonus by RM0.2 million.

**(f) Other expenses**

The table below presents the breakdown of our other expenses:

Other expenses	FYE 2020		Audited FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Depreciation of property, plant and equipment	754	61.8	535	58.7	522	37.7	393	55.4	514
Depreciation of right-of use assets	365	29.9	374	41.1	414	29.9	311	43.9	311	34.5
Unrealised loss on foreign exchange	92	7.6	-	-	429	30.9	-	-	-	-
Others <sup>(1)</sup>	9	0.7	2	0.2	21	1.5	5	0.7	78	8.6
<b>Total</b>	<b>1,220</b>	<b>100.0</b>	<b>911</b>	<b>100.0</b>	<b>1,386</b>	<b>100.0</b>	<b>709</b>	<b>100.0</b>	<b>903</b>	<b>100.0</b>

**Note:**

- (1) Includes property, plant and equipment written off and loss on disposal of property, plant and equipment. In FPE 2023, it includes the expenses for the commissioning of bioplastic compounding machines.

## 12. FINANCIAL INFORMATION (Cont'd)

### Comparison between FYE 2020 and FYE 2021

Our other expenses decreased by 25.3% or RM0.3 million from RM1.2 million in FYE 2020 to RM0.9 million in FYE 2021. This was mainly due to the decrease in depreciation of property, plant and equipment by RM0.2 million where several units of motor vehicles were fully depreciated in 2020. Additionally, the decrease in other expenses was also due to the decrease in unrealised loss on foreign exchange by RM0.1 million.

### Comparison between FYE 2021 and FYE 2022

Our other expenses increased by 52.1% or RM0.5 million from RM0.9 million in FYE 2021 to RM1.4 million in FYE 2022. This was mainly due to the increase in unrealised losses on foreign exchange by RM0.4 million which arose due to weakening of USD against RM at the end of FYE 2022.

### Comparison between FPE 2022 and FPE 2023

Our other expenses increased by 27.4% or RM0.2 million from RM0.7 million in FPE 2022 to RM0.9 million in FPE 2023. This was mainly due to the increase in depreciation of property, plant and equipment by RM0.1 million, as well as increase in expenses for the commissioning of bioplastic compounding machines and loss on disposal of property, plant and equipment.

### (g) Finance costs

The table below presents the breakdown of our finance costs:

Finance costs	FYE 2020		Audited FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Term loan interest	711	42.4	514	36.9	505	32.2	372	31.9	377
Hire purchase interest	225	13.4	228	16.4	365	23.3	311	26.6	100	10.1
Bank charges	451	27.0	420	30.2	306	19.5	224	19.2	260	26.2
Trade facilities interest <sup>(1)</sup>	255	15.2	214	15.4	381	24.3	250	21.4	226	22.8
Lease liabilities interest	34	2.0	16	1.1	11	0.7	10	0.9	29	2.9
<b>Total</b>	<b>1,676</b>	<b>100.0</b>	<b>1,392</b>	<b>100.0</b>	<b>1,568</b>	<b>100.0</b>	<b>1,167</b>	<b>100.0</b>	<b>992</b>	<b>100.0</b>

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## 12. FINANCIAL INFORMATION (Cont'd)

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### Note:

- (1) Includes interest expenses on bankers' acceptances, revolving credit, post shipment buyer loan and discounting charges.

### Comparison between FYE 2020 and FYE 2021

Our finance costs decreased by 16.9% or RM0.3 million from RM1.7 million in FYE 2020 to RM1.4 million in FYE 2021. This was mainly due to the decrease in interest expense on term loans due to the reducing balance of our borrowings following our scheduled repayment of loans. Furthermore, our effective interest rates for term loans were lower in FYE 2021 compared to the previous financial year, being the full year's effect of the reduced overnight policy rate by BNM since FYE 2020.

### Comparison between FYE 2021 and FYE 2022

Our finance costs increased by 12.6% or RM0.2 million from RM1.4 million in FYE 2021 to RM1.6 million in FYE 2022. This was mainly due to the increase in trade facilities interest expense by RM0.2 million due to the higher effective interest rates in FYE 2022 amidst the increase in overnight policy rate by BNM during the financial year.

Additionally, there was an increase in interest expense on hire purchase payables by RM0.1 million attributed to additional expense accrued in FYE 2022 for the deferment of hire purchase instalment between July 2021 and January 2022 resulting from the loan moratorium provided by BNM.

### Comparison between FPE 2022 and FPE 2023

Our finance costs decreased by 15.0% or RM0.2 million from RM1.2 million in FPE 2022 to RM1.0 million in FPE 2023. This was mainly due to the decrease in interest expense on hire purchase payables by RM0.2 million due to lower outstanding hire purchase payables arising from full settlement of two hire purchases as well as scheduled repayment of hire purchase payables.

**12. FINANCIAL INFORMATION (Cont'd)****(h) PBT, taxation and PAT**

The table below presents our PBT, effective tax rate and PAT:

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
PBT (RM'000)	8,533	9,111	7,341	5,850	7,834
PBT margin (%)	8.0	7.6	6.5	7.1	8.6
Tax expense (RM'000)	2,298	2,607	1,922	1,430	2,163
Effective tax rate (%)	26.9	28.6	26.2	24.4	27.6
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0
PAT (RM'000)	6,235	6,504	5,419	4,420	5,671
PAT margin (%)	5.8	5.4	4.8	5.3	6.2

**Comparison between FYE 2020 and FYE 2021**

Our PBT grew by 6.8% or RM0.6 million from RM8.5 million in FYE 2020 to RM9.1 million in FYE 2021. This was mainly due to the increase in GP by 27.6% or RM13.0 million and revenue by 11.4% driven mainly by the increase in the average selling prices of our exported GCC products caused by increased logistic costs. However, this was partially offset by the increase in selling and distribution expenses by RM12.9 million attributed to the increase in the abovementioned logistic costs.

Additionally, the increase in our PBT was due to the increase in other income by 74.4% or RM0.5 million, mainly from an increase in realised and unrealised gains on foreign exchange by RM0.7 million coupled with the decrease in other expenses and finance costs by RM0.3 million and RM0.3 million respectively as explained above.

Following the improvement in our PBT, our total PAT had also improved by 4.3% or RM0.3 million from RM6.2 million in FYE 2020 to RM6.5 million in FYE 2021.

Our PBT margin decreased from 8.0% in FYE 2020 to 7.6% in FYE 2021. Although our GP margin grew from 44.0% in FYE 2020 to 50.4% in FYE 2021, however in FYE 2021, we experienced higher logistic costs caused by the increase in sea freight rates amidst the COVID-19 pandemic. As such, this contributed to the lower PBT margin in FYE 2021. Correspondingly, our PAT margin decreased from 5.8% in FYE 2020 to 5.4% in FYE 2021.

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**12. FINANCIAL INFORMATION (Cont'd)**

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For the FYE 2021, our tax expenses increased from RM2.3 million in FYE 2020 to RM2.6 million in FYE 2021 due to the increase in our overall PBT. The effective tax rate in FYE 2021 was 28.6% which was higher than the statutory tax rate of 24.0%. This was mainly due to non-deductible expenses of RM0.4 million mainly depreciation of non-qualifying assets and sales tax returned.

**Comparison between FYE 2021 and FYE 2022**

Our PBT decreased by 19.4% or RM1.8 million from RM9.1 million in FYE 2021 to RM7.3 million in FYE 2022. This was mainly due to the decrease in GP by 13.4% or RM8.1 million attributed to the decrease in revenue by 5.4% or RM6.4 million coupled with an increase in the cost of sales by 2.8% or RM1.6 million. The decrease in revenue was largely due to the decrease in sales volume for our GCC from customers in India, as well as CC and kaolin dispersion from customers in Malaysia. Meanwhile, the increase in cost of sales was mainly due to the increase in stearic acid costs in FYE 2022.

Following the decrease in our PBT, our total PAT had also decreased by 16.7% or RM1.1 million from RM6.5 million in FYE 2021 to RM5.4 million in FYE 2022.

Our PBT margin decreased from 7.6% in FYE 2021 to 6.5% in FYE 2022. This was attributed to the decrease in our GP margin from 50.4% in FYE 2021 to 46.1% in FYE 2022 mainly due to the increase in average purchase price of stearic acid used in the production of coated GCC in FYE 2022. Although we had increased the selling prices of coated GCC in March 2022, the higher product costs with lower sales volume in FYE 2022 had contributed to the decline in GP margin of GCC. Correspondingly, our PAT margin decreased from 5.4% in FYE 2021 to 4.8% in FYE 2022.

For the FYE 2022, our tax expenses decreased from RM2.6 million in FYE 2021 to RM1.9 million in FYE 2022 due to the decrease in our overall PBT. The effective tax rate in FYE 2022 was 26.2% which was higher than the statutory tax rate of 24.0%. This was mainly due to the tax effects of the under provision of deferred tax liability of RM0.4 million coupled with non-deductible expenses of RM0.2 million in FYE 2022 mainly IPO related expenses and depreciation of non-qualifying assets. This was partially offset by the overprovision of current tax for the previous year of assessment by RM0.5 million.

**Comparison between FPE 2022 and FPE 2023**

Our PBT increased by 33.9% or RM2.0 million from RM5.8 million in FPE 2022 to RM7.8 million in FPE 2023. This was mainly due to the lower selling and distribution expenses which decreased by 25.5%. This was attributed to the lower logistic costs arising from the declining sea freight rates during the FPE 2023.

Following the increase in our PBT, our total PAT has also increased by 28.3% or RM1.3 million from RM4.4 million in FPE 2022 to RM5.7 million in FPE 2023.

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**12. FINANCIAL INFORMATION (Cont'd)**

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Our PBT margin improved from 7.1% in FPE 2022 to 8.6% in FPE 2023 mainly attributed to the lower selling and distribution expenses as mentioned above. This was also reflected in the lower proportion of selling and distribution expenses against revenue which decreased from 31.5% in FPE 2022 to 21.4% in FPE 2023. Correspondingly, our PAT margin improved from 5.3% in FPE 2022 to 6.2% in FPE 2023.

For the FPE 2023, our tax expenses increased from RM1.4 million in FPE 2022 to RM2.2 million in FPE 2023 due to the increase in our overall PBT. The effective tax rate in FPE 2022 was 24.4% which was relatively similar to the statutory tax rate of 24.0%. Meanwhile, the effective tax rate in FPE 2023 was 27.6% which was higher than the statutory tax rate of 24.0% mainly due to the tax effects of the non-deductible expenses of RM0.4 million in FPE 2023 mainly IPO related expenses, and under provision of deferred tax liability of RM0.2 million. This was partially offset by the overprovision of current tax for the previous year of assessment by RM0.3 million.

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**12. FINANCIAL INFORMATION (Cont'd)****12.2.4 Review of financial position****(a) Assets**

	<b>Audited</b>			
	<b>As at 31 December</b>			<b>As at 30 September</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	53,049	49,917	51,375	48,880
Right-of-use assets	7,279	7,195	7,430	7,066
<b>Total non-current assets</b>	<b>60,328</b>	<b>57,112</b>	<b>58,805</b>	<b>55,946</b>
<b>Current assets</b>				
Inventories	6,866	8,198	8,595	7,843
Trade receivables	18,112	21,999	21,250	22,593
Other receivables, deposits and prepayments	836	2,604	1,086	1,225
Current tax assets	294	849	1,503	145
Fixed deposit with licensed banks	5,673	5,061	3,442	4,018
Cash and bank balances	5,311	2,058	4,531	4,500
<b>Total current assets</b>	<b>37,092</b>	<b>40,769</b>	<b>40,407</b>	<b>40,324</b>
<b>TOTAL ASSETS</b>	<b>97,420</b>	<b>97,881</b>	<b>99,212</b>	<b>96,270</b>

**Comparison between 31 December 2020 and 31 December 2021*****Non-current assets***

Our non-current assets decreased by RM3.2 million from RM60.3 million as at 31 December 2020 to RM57.1 million as at 31 December 2021. This was mainly due to the decrease in our property, plant and equipment by RM3.1 million arising mainly from the depreciation charges of RM5.5 million in FYE 2021, offset by additional purchases of property, plant and equipment of RM2.3 million. This includes the following:

- Plant and machinery amounting to RM0.5 million comprising mainly 1 unit of wheel loader, 1 unit of jaw crusher, 1 unit of rotary arm pallet wrapper, and 1 unit of furnace with dryer;
- Plant and machinery under installation amounting to RM0.3 million comprising 1 unit of compact film blowing machine, 1 unit of rotary arm pallet wrapper, 1 unit of automatic robotic palletising system, and 1 unit of humidity chamber;
- Building amounting to RM0.4 million comprising the purchase a double-storey house for workers' accommodation at Tasek, Ipoh, Perak;
- Building-in-progress amounting to RM0.6 million comprising the construction of a workers' hostel building at our Zantat Perak Plant 1;
- Forklifts and lorries amounting to RM0.3 million comprising 1 unit of lorry and 2 units of forklifts; and

**12. FINANCIAL INFORMATION (Cont'd)**

- The remaining RM0.3 million includes factory tools and equipment, electrical equipment and fittings, office equipment, furniture and fittings and air-conditioners.

Additionally, our right-of-use assets also decreased by RM0.1 million mainly due to depreciation charges of RM0.5 million during the financial year and offset by the increase in lease liabilities of RM0.4 million due to the renewal of our tenancy agreements.

***Current assets***

Our current assets increased by RM3.7 million from RM37.1 million as at 31 December 2020 to RM40.8 million as at 31 December 2021, mainly due to the increase in trade receivable balances by RM3.9 million arising from slower collections from some of our customers due to the effects of the COVID-19 pandemic, as well as increase in other receivables, deposits and prepayments by RM1.8 million mainly from increases in prepayments paid for 3 units of bioplastic compounding machines and IPO related expenses.

**Comparison between 31 December 2021 and 31 December 2022*****Non-current assets***

Our non-current assets increased by RM1.7 million from RM57.1 million as at 31 December 2021 to RM58.8 million as at 31 December 2022. This was mainly due to the increase in our property, plant and equipment by RM1.5 million arising mainly from the purchases of property, plant and equipment of RM6.8 million, offset by depreciation charges of RM5.3 million in FYE 2022. This includes the following:

- Plant and machinery under installation amounting to RM5.2 million comprising mainly machinery and equipment for our bioplastic compounding activity;
- Factory tools and equipment amounting to RM0.3 million comprising mainly infrastructure works for our crusher plant;
- Electrical equipment and fittings amounting to RM0.1 million comprising electrical system for the workers' hostel building at our Zantat Perak Plant 1;
- Building amounting to RM0.2 million comprising renovation of storage area for Calrock Perak Plant;
- Forklifts and lorries amounting to RM0.2 million comprising mainly 2 units of lorries; and
- The remaining RM0.8 million includes motor vehicles, plant and machinery, office equipment, building in progress and air-conditioners.

Additionally, our right-of-use assets also increased by RM0.2 million mainly due to the increase in lease liabilities of RM0.8 million due to the renewal of tenancy agreements in FYE 2022 and offset by the depreciation charges of RM0.6 million during the financial year.

**12. FINANCIAL INFORMATION (Cont'd)*****Current assets***

Our current assets decreased by RM0.4 million from RM40.8 million as at 31 December 2021 to RM40.4 million as at 31 December 2022, mainly due to the decrease in other receivables, deposits and prepayments by RM1.5 million. This was mainly from decreases in prepayments of RM1.5 million due to the recognition of prepayments for the purchases of 3 units of bioplastic compounding machines of RM1.2 million and IPO related expenses of RM0.4 million during the FYE 2022.

The decrease in current assets was also contributed by the decrease in trade receivable balances by RM0.7 million attributed to higher collections from customers during the last quarter of FYE 2022.

**Comparison between 31 December 2022 and 30 September 2023*****Non-current assets***

Our non-current assets decreased by RM2.9 million from RM58.8 million as at 31 December 2022 to RM55.9 million as at 30 September 2023. This was mainly due to the decrease in our property, plant and equipment by RM2.5 million arising mainly from depreciation charges of RM4.0 million in FPE 2023, and offset by additions of property, plant and equipment of RM1.5 million, as follows:

- Plant and machinery under installation amounting to RM0.8 million comprising mainly machinery and equipment for our bioplastic compounding activity;
- Forklifts and lorries amounting to RM0.4 million comprising 4 units of forklifts;
- Factory tools and equipment amounting to RM0.2 million comprising mainly testing equipment; and
- The remaining RM0.2 million includes office equipment, plant and machinery, furniture and fittings, building-in-progress, air conditioners, and renovation.

Additionally, our right-of-use assets also decreased by RM0.3 million mainly due depreciation charges of RM0.4 million during the financial year.

***Current assets***

Our current assets decreased by RM0.1 million from RM40.4 million as at 31 December 2022 to RM40.3 million as at 30 September 2023, mainly due to the decrease in current tax assets by RM1.4 million and inventories by RM0.8 million.

This was partially offset by the increase in trade receivables by RM1.3 million mainly due to higher billings in FPE 2023 attributed to higher sales during the financial period, coupled with the revaluation of trade receivable balances in USD as at the end of 30 September 2023. There was also an increase in fixed deposit balances by RM0.6 million.

**12. FINANCIAL INFORMATION (Cont'd)****(b) Liabilities**

	<b>Audited</b>			
	<b>As at 31 December</b>			<b>As at 30</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>September</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>				
Long-term borrowings	13,999	10,653	8,034	5,276
Deferred tax liabilities	2,389	2,389	3,024	3,412
Lease liabilities	34	11	413	131
<b>Total non-current liabilities</b>	<b>16,422</b>	<b>13,053</b>	<b>11,471</b>	<b>8,819</b>
<b>Current liabilities</b>				
Trade payable	9,303	8,519	8,039	8,298
Other payables and accruals	3,400	5,503	6,368	8,472
Lease liabilities	351	418	392	430
Short-term borrowings	11,137	15,371	15,535	6,707
Current tax liabilities	-	29	-	466
<b>Total current liabilities</b>	<b>24,191</b>	<b>29,840</b>	<b>30,334</b>	<b>24,373</b>
<b>TOTAL LIABILITIES</b>	<b>40,613</b>	<b>42,893</b>	<b>41,805</b>	<b>33,192</b>

**Comparison between 31 December 2020 and 31 December 2021*****Non-current liabilities***

Our non-current liabilities decreased by RM3.4 million from RM16.4 million as at 31 December 2020 to RM13.1 million as at 31 December 2021. This was mainly due to the decrease in borrowings by RM3.3 million due to scheduled repayment of term loans and hire purchase payables.

***Current liabilities***

Our current liabilities increased by RM5.6 million from RM24.2 million as at 31 December 2020 to RM29.8 million as at 31 December 2021. This was mainly due to the increase in short-term borrowings by RM4.2 million arising mainly from the increase in revolving credit by RM2.2 million, bankers' acceptances by RM1.2 million, post shipment buyer loan by RM0.9 million and term loans by RM0.2 million.

In addition, our other payables and accruals also increased by RM2.1 million arising from the increase in accruals by RM1.3 million for accrued handling charges in FYE 2021 pending billing from the sales facilitator in India and other payables by RM0.8 million mainly due to amount payable for SST, advance payment received from customers, and non-trade payables for purchase of laboratory equipment.

This was partially offset by the decrease in trade payables by RM0.8 million mainly due to the lower purchases of stearic acid in December 2021 by RM0.6 million compared to December 2020. The decrease in trade payables was also attributed to the lower electricity bill in December 2021 by RM0.6 million as compared to December 2020.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between 31 December 2021 and 31 December 2022*****Non-current liabilities***

Our non-current liabilities decreased by RM1.6 million from RM13.1 million as at 31 December 2021 to RM11.5 million as at 31 December 2022. This was mainly due to the decrease in borrowings by RM2.6 million due to scheduled repayment of term loans and hire purchase payables. This was partially offset by the increase in deferred tax liabilities of RM0.6 million and lease liabilities by RM0.4 million.

***Current liabilities***

Our current liabilities increased by RM0.5 million from RM29.8 million as at 31 December 2021 to RM30.3 million as at 31 December 2022. This was mainly due to the increase in other payables and accruals arising from the increase in accruals by RM1.7 million mainly for the accruals of handling charges in FYE 2022 pending billing from the sales facilitator in India. This was offset by the decrease in other payables of RM0.9 million mainly due to the decrease in sales tax payables.

In addition, our short-term borrowings increased by RM0.2 million arising mainly from the increase in bankers' acceptances by RM1.2 million, invoice financing by RM0.4 million, and post shipment buyer loan by RM0.2 million for working capital financing. However, this was partially offset by the decrease in revolving credit by RM1.0 million and term loans by RM0.6 million.

**Comparison between 31 December 2022 and 30 September 2023*****Non-current liabilities***

Our non-current liabilities decreased by RM2.7 million from RM11.5 million as at 31 December 2022 to RM8.8 million as at 30 September 2023. This was mainly due to the decrease in borrowings by RM2.7 million due to scheduled repayment of term loans and hire purchase payables. This was partially offset by the increase in deferred tax liabilities of RM0.4 million.

***Current liabilities***

Our current liabilities decreased by RM5.9 million from RM30.3 million as at 31 December 2022 to RM24.4 million as at 30 September 2023. This was mainly due to the decrease in short-term borrowings by RM8.8 million arising mainly from the decrease in bankers' acceptances by RM5.5 million, revolving credit by RM1.4 million, invoice financing by RM0.4 million, and post shipment buyer loan by RM0.8 million for working capital financing. In addition, the decrease was also contributed by repayment of term loan and hire purchase by RM0.2 million and RM0.5 million, respectively.

This was partially offset by the increase in other payables and accruals by RM2.1 million mainly due to the increase in accruals by RM1.1 million for accrued handling charges and provision for bonus amounting to RM0.7 million.

**12. FINANCIAL INFORMATION (Cont'd)****12.2.5 Review of cash flows****12.2.5.1 Cash flows summary**

The table below sets out the summary of our combined and consolidated statements of cash flows for the FYE 2020 to FYE 2022 and FPE 2023 and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	12,728	7,284	12,063	13,696
Net cash for investing activities	(4,206)	(7,951)	(5,110)	(1,269)
Net cash for financing activities	(8,888)	(3,226)	(4,554)	(11,882)
Net (decrease) / increase in cash and cash equivalents	(366)	(3,893)	2,399	545
Cash and cash equivalents at beginning of the financial year / period	9,833	9,467	5,574	7,973
<b>Cash and cash equivalents at end of the financial year / period</b>	<b>9,467</b>	<b>5,574</b>	<b>7,973</b>	<b>8,518</b>
<b>Represented by:</b>				
- Cash and bank balances	5,311	2,058	4,531	4,500
- Fixed deposits with licenced bank	5,673	5,061	3,442	4,018
<i>Less:</i>				
- Fixed deposits pledged as securities	(1,517)	(1,545)	-	-
<b>Cash and cash equivalents at the end of financial year / period</b>	<b>9,467</b>	<b>5,574</b>	<b>7,973</b>	<b>8,518</b>

**FYE 2020****Net cash from operating activities**

For the FYE 2020, our net cash generated from operating activities was RM12.7 million after taking into account the following:

- (a) Increase in trade and other receivables of RM2.2 million, mainly due to the increase in trade receivables by RM2.7 million contributed by higher sales and billings in the last quarter of FYE 2020 compared to the corresponding period in FYE 2019. This was offset by a decrease in other receivables, deposits and prepayments by RM0.6 million mainly due to the decrease in goods and services tax recoverables and prepayments.
- (b) Increase in trade and other payables of RM2.5 million, mainly due to the increase in trade payables of RM2.1 million mainly arising from higher freight and forwarding charges by RM1.3 million and higher purchases of stearic acid by RM0.5 million as at the end of December 2020, compared to the previous financial year end, as well as increase in other payables and accruals of RM0.5 million.
- (c) Decrease in inventories by RM0.1 million.

Other payments include income tax payment of RM2.3 million and interest payment of RM1.2 million.

**12. FINANCIAL INFORMATION (Cont'd)****Net cash for investing activities**

For the FYE 2020, our net cash used for investing activities was RM4.2 million. This was mainly attributed to the following:

- (a) RM2.0 million of cash was used to acquire 100% equity interest in Zantat Light from the individual shareholders;
- (b) RM1.5 million of cash was used to fund the purchase of plant and machinery mainly comprising our crushing plant at Zantat Perak Plant 2, 1 unit of automatic robotic palletising system, 1 unit of digital weighbridge system, 1 unit of thermal analyser and 1 unit of humidity chamber;
- (c) RM0.3 million of cash was used to fund the construction of factory building namely the office building at Zantat Perak Plant 2;
- (d) RM0.2 million of cash was used to fund the construction of building-in-progress namely a new worker's accommodation located at Zantat Perak Plant 1; and
- (e) RM0.3 million of cash was mainly used to fund the purchase of factory tools and equipment, furniture, fittings, office equipment, electrical equipment and fittings, air conditioners as well as renovation works for Calrock Perak Plant.

This was partially offset mainly by interest income of RM0.2 million.

**Net cash for financing activities**

For the FYE 2020, our net cash used for financing activities was RM8.9 million. This was mainly attributed to the following:

- (a) Dividend payment of RM4.5 million;
- (b) Repayment of hire purchase payables of RM1.5 million used to finance the purchase of plant, machinery and motor vehicles;
- (c) Repayments of term loans of RM1.0 million which were mainly used to finance the construction of our Zantat Perak Plant 1 and 2, acquisition of land for Zantat Perak Plant 2 and Perak Quarry 2 in 2015 as well as working capital purposes; and
- (d) Net repayments of post shipment buyer loan of RM0.8 million, revolving credit of RM0.5 million and banker's acceptance of RM0.3 million, which were used to finance our working capital for the purchase of raw materials.

**FYE 2021****Net cash from operating activities**

For the FYE 2021, our net cash generated from operating activities was RM7.3 million after taking into account the following:

- (a) Increase in trade and other receivables of RM4.2 million, mainly due to the increase in trade receivables of RM3.9 million resulting from slower collection from some of our customers, as well as increase in other receivables, deposits and prepayments by RM0.3 million from increases in prepayments, mainly for the IPO related expenses.

**12. FINANCIAL INFORMATION (Cont'd)**

- (b) Increase in trade and other payables of RM1.3 million, mainly resulting from an increase in accruals by RM1.3 million for accrued handling charges in FYE 2021 pending billing from the sales facilitator in India and other payables by RM0.8 million mainly due to amount payable for SST, advance payment received from customers, and non-trade payables for purchase of lab equipment. This was partially offset by the decrease in trade payables by RM0.8 million mainly due to the lower purchases of stearic acid in December 2021 by RM0.6 million compared to December 2020. The decrease in trade payables was also attributed to the lower electricity bill in December 2021 by RM0.6 million as compared to December 2020.
- (c) Increase in inventories of RM1.3 million mainly due to the increase in the volume for limestone, PCC powder, chemicals and packaging materials as at 31 December 2021 coupled with an increase in the respective average purchase price in FYE 2021.

Other payments include income tax payment of RM3.1 million and interest payment of RM1.0 million.

**Net cash for investing activities**

For the FYE 2021, our net cash used for investing activities was RM8.0 million. This was mainly attributed to the following:

- (a) RM4.6 million of cash was used to acquire 100% equity interest in Calrock from the individual shareholders;
- (b) RM1.2 million of cash was used to fund the prepayment for 3 units of bioplastic compounding machines;
- (c) RM0.8 million of cash was used to fund the purchase of plant and machinery, and plant and machinery under installation mainly comprising 1 unit of wheel loader, 1 unit of jaw crusher, 1 unit of rotary arm pallet wrapper, 1 unit of furnace with dryer, 1 unit of compact film blowing machine, 1 unit of rotary arm pallet wrapper, 1 unit of automatic robotic palletising system, and 1 unit of humidity chamber;
- (d) RM0.4 million of cash was used to fund the purchase of a new double-storey house for workers' accommodation located in Tasek, Ipoh, Perak;
- (e) RM0.6 million of cash was used to fund the construction of a workers' hostel building at our Zantat Perak Plant 1; and
- (f) RM0.6 million of cash was used to fund the purchase of forklifts, lorries, factory tools and equipment, motor vehicles, electrical equipment and fittings, office equipment, furniture, fittings and air conditioners.

This was partially offset by an interest income of RM0.1 million and sale proceeds from the disposal of property, plant and equipment namely plant and machinery, motor vehicles, forklifts and lorries amounting to RM0.1 million.

**12. FINANCIAL INFORMATION (Cont'd)****Net cash for financing activities**

For the FYE 2021, our net cash used for financing activities was RM3.2 million. This was mainly attributed to the following:

- (a) Payment of dividends of RM3.7 million;
- (b) Repayment of hire purchase payables of RM1.7 million used to finance the purchase of plant, machinery and motor vehicles; and
- (c) Net repayment of term loans of RM1.7 million, which were mainly used to finance the construction of our Zantat Perak Plant 1 and 2, acquisition of land and Perak Quarry 2 in 2015 as well as working capital purposes.

This was partially offset by the net drawdown of revolving credit of RM2.2 million, banker's acceptance of RM1.1 million and post shipment buyer loan of RM0.9 million, which were used to finance our purchase of raw materials.

**FYE 2022****Net cash from operating activities**

For the FYE 2022, our net cash generated from operating activities was RM12.1 million after taking into account the following:

- (a) Decrease in trade and other receivables of RM0.7 million, mainly due to the decrease in trade receivable balances by RM0.7 million attributed to higher collections from customers at the last quarter of FYE 2022, compared to the corresponding last quarter of FYE 2021.
- (b) Increase in inventories of RM0.4 million mainly due to the increase in raw materials balance as the end of FYE 2022 by RM0.4 million mainly attributed to the increase in stock holding of PCC powder by RM1.1 million in anticipation of our Chinese supplier's closure of operations for 2 months during the Chinese New Year season.
- (c) Increase in trade and other payables of RM0.2 million mainly resulting from an increase in accruals by RM1.7 million mainly for accrued handling charges in FYE 2022 pending billing from the sales facilitator in India. This was offset by the decrease in other payables by RM0.9 million mainly due to the decrease in sales tax payables, and decrease in trade payables by RM0.5 million mainly due to shorter credit terms given by forwarders and ship liners in line with increasing sea freight rates. In FYE 2022, our freight suppliers provided us with a cash and 7 days credit terms, as compared to a 15 days credit term in the previous financial year.

Other payments include income tax payment of RM2.0 million and interest payment of RM1.1 million.

**Net cash for investing activities**

For the FYE 2022, our net cash used for investing activities was RM5.1 million. This was mainly attributed to the following:

- (a) RM3.9 million of cash was used to fund the purchase of plant and machinery under installation, and plant and machinery mainly comprising the machinery and equipment for our bioplastic compounding activity;

## **12. FINANCIAL INFORMATION (Cont'd)**

- (b) RM0.3 million of cash was used to fund the purchase of factory tools and equipment comprising mainly infrastructure works for our crusher plant;
- (c) RM0.1 million of cash was used to fund the purchase of electrical equipment and fittings comprising electrical system for the workers' hostel building at our Zantat Perak Plant 1;
- (d) RM0.2 million of cash was used to fund the renovation of storage area for Calrock Perak Plant;
- (e) RM0.2 million of cash was used to fund the purchase of forklifts and lorries comprising mainly 2 units of lorries; and
- (f) RM0.7 million of cash was used to fund the purchase of motor vehicles, plant and machinery, office equipment, building in progress, air-conditioners and furniture and fittings.

This was partially offset by sale proceeds from the disposal of property, plant and equipment namely plant and machinery, motor vehicles, forklifts and lorries amounting to RM0.2 million, and interest income received of RM0.1 million.

### **Net cash for financing activities**

For the FYE 2022, our net cash used for financing activities was RM4.6 million. This was mainly attributed to the following:

- (a) Payment of dividends of RM6.0 million;
- (b) Repayment of hire purchase payables of RM2.5 million which were used to finance the purchase of plant, machinery and motor vehicles; and
- (c) Net repayment of revolving credit of RM1.0 million, which were mainly used to finance working capital.

This was partially offset by the following:

- (a) Proceeds from issuance of ordinary shares of RM3.0 million;
- (b) Net drawdown of banker's acceptance of RM1.2 million, invoice financing of RM0.4 million and post shipment buyer loan of RM0.2 million, which were used to finance our working capital for the purchase of raw materials; and
- (c) Net drawdown of term loans of RM0.6 million, which were used to finance the purchase of bioplastic compounding machines.

### **FPE 2023**

#### **Net cash from operating activities**

For the FPE 2023, our net cash generated from operating activities was RM13.7 million after taking into account the following:

- (a) Increase in trade and other receivables of RM0.5 million mainly due to the higher in trade receivable contributed largely by the higher billings in FPE 2023 attributed to higher sales during the financial period.

## **12. FINANCIAL INFORMATION (Cont'd)**

- (b) Decrease in inventories of RM0.7 million mainly due to the lower inventory of raw materials mainly PCC powder for CC dispersion operations which declined during the financial period.
- (c) Increase in trade and other payables of RM2.4 million mainly resulting from an increase in accruals by RM1.1 million mainly for accrued handling charges in FPE 2023 pending billing from the sales facilitator in India, as well as provision for bonus of RM0.7 million.

Other payments include mainly interest payment of RM0.7 million.

### **Net cash for investing activities**

For the FPE 2023, our net cash used for investing activities was RM1.3 million. This was mainly attributed to cash used of RM1.5 million to purchase of property, plant and equipment, as follows:

- (a) RM0.7 million of cash was used to fund the purchase of plant and machinery mainly comprising the machinery and equipment for our bioplastic compounding activity;
- (b) RM0.4 million of cash was used to fund the purchase of forklift and lorries comprising 4 units of forklifts;
- (c) RM0.2 million of cash was used to fund the purchase of factory tools and equipment comprising mainly testing equipment; and
- (d) RM0.2 million of cash was used to fund the purchase of office equipment, plant and machinery under installation, furniture and fittings, building-in-progress, air conditioners, and renovation.

This was partially offset by sale proceeds from the disposal of property, plant and equipment namely 2 forklifts and 1 motor vehicle amounting to RM0.2 million, and interest income received of RM0.1 million.

### **Net cash for financing activities**

For the FPE 2023, our net cash used for financing activities was RM11.9 million. This was mainly attributed to the following:

- (a) Net repayment of bankers' acceptances of RM5.5 million, revolving credit of RM1.4 million, post shipment buyer loan of RM0.8 million and invoice financing of RM0.3 million, which were used to finance our working capital for the purchase of raw materials;
- (b) Net repayment of term loans of RM1.8 million and hire purchase payables of RM1.6 million; and
- (c) Repayment of lease liabilities of RM0.3 million.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**12.3 LIQUIDITY AND CAPITAL RESOURCES****12.3.1 Working capital**

Our business is financed by both internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations and shareholders' equity, while our external sources were mainly credit facilities from financial institutions. These funds were used for our business operations and growth.

Our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, having taken into consideration the following:

- (a) our cash and bank balances of RM13.1 million as at LPD;
- (b) our banking facilities (excluding hire purchase) of RM46.3 million comprising term loans and trade facilities, of which RM23.9 million has yet to be utilised as at LPD;
- (c) expected future cash flow from operations; and
- (d) our pro forma NA position and gearing level as at 30 September 2023 after the Proposed Acquisition of Zantat, Proposed Public Issue and utilisation of proceeds of RM75.3 million and 0.1 times, respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity.

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**12. FINANCIAL INFORMATION (Cont'd)**
**12.4 BORROWINGS AND INDEBTEDNESS**

We utilise banking facilities such as term loan to finance purchase of land, plant and machinery, construction of factory building and working capital. Hire purchase payables are used to finance the plant and machineries, and motor vehicles. Our total outstanding borrowings as at 30 September 2023 stood at RM12.0 million, details of which are set out below. All our borrowings are secured/guaranteed, interest-bearing and denominated in RM.

	<b>Purpose</b>	<b>Number of borrowing / facility / indebtedness</b>	<b>Tenure of facility</b>	<b>Security</b>	<b>Effective Interest rate % per annum</b>	<b>As at 30 September 2023 RM'000</b>
<b>Current</b>						
Term loans	To part finance the purchase of land, plant and machine, construction of factory building, and working capital	5	5 to 8 years	Land, building, corporate guarantee and personal guarantee by directors <sup>(1)</sup>	4.8 to 6.6	2,272
Post shipment buyer loan	To finance working capital	1	120 days	Land	4.2 to 4.3	1,249
Revolving credit	To finance working capital	1	90 days	Land	4.5	100
Banker's acceptance	To finance working capital	1	120 days	Land and personal guarantee by directors <sup>(1)</sup>	4.1 to 4.2	1,283
Hire purchase payables	To part finance the purchase of plant and machinery, and motor vehicles	3	5 years	Plant and machinery, motor vehicles and personal guarantee by directors <sup>(1)</sup>	4.4 to 5.5	1,803
<b>Total current borrowing</b>						<b>6,707</b>
<b>Non-current</b>						
Term loans	To part finance the purchase of land, construction of factory building, plant and machinery and working capital	5	5 to 8 years	Land, building, corporate guarantee and personal guarantee by directors <sup>(1)</sup>	4.8 to 6.6	5,266
Hire purchase payables	To part finance the purchase of plant and machinery, and motor vehicles	3	5 years	Plant and machinery, motor vehicles and personal guarantee by directors <sup>(1)</sup>	4.4 to 5.5	10

## 12. FINANCIAL INFORMATION *(Cont'd)*

<u>Purpose</u>	<u>Number of borrowing / facility / indebtedness</u>	<u>Tenure of facility</u>	<u>Security</u>	<u>Effective Interest rate % per annum</u>	<u>As at 30 September 2023 RM'000</u>
				<b>Total non-current borrowing</b>	5,276
				<b>Total borrowing</b>	11,983
<b>Pro forma gearing (times)</b>					
Before the Public Issue					0.2
After the Public Issue and utilisation of proceeds					0.1

**Note:**

- <sup>(1)</sup> Personal guarantee by directors will be converted to corporate guarantee by Zantat Holdings upon successful listing. Please refer to Section 10.2.2 (b) of this Prospectus for further details.

As at LPD, we do not have any borrowings which are non-interest bearing. Our Group has not defaulted on payments of principal sums and/or interests concerning any borrowings for the FYE 2020, FYE 2021, FYE 2022, FPE 2023 and up to the LPD. From FYE 2020 to FYE 2022 and FPE 2023, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

As at 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 investments by holders or securities in our Company.

**12. FINANCIAL INFORMATION (Cont'd)****12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

Save as disclosed in Section 12.4 of this Prospectus above and our foreign currency hedging facilities, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used for the purchase of property, plant and equipment and working capital requirements. As at 30 September 2023, save for hire purchase payables which are based on fixed rates, all our other facilities with licensed financial institutions are based on base rate plus or minus a rate which varies depending on the type of facility.

**12.6 MATERIAL CAPITAL COMMITMENTS**

As at LPD, our Group's material capital commitment are as follows:

	<b>To be funded from Public Issue</b>	<b>To be funded internally or via bank borrowings</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for:</b>			
- TNB substation for Calrock Perak Plant, and equipment	-	1,187	1,187
<b>Approved but not contracted for:</b>			
- Purchase additional GCC production line <sup>(1)</sup>	-	1,500	1,500
- Upgrading of R&D facilities <sup>(2)</sup>	3,830	750	4,580
- Investment in higher efficiency machine components and industrial automation <sup>(3)</sup>	1,350	-	1,350
- Upgrading of Calrock Perak Plant's infrastructure <sup>(4)</sup>	1,000	-	1,000
- Installation of roof-top solar PV system <sup>(5)</sup>	-	2,900	2,900
	<b>6,180</b>	<b>6,337</b>	<b>12,517</b>

**Notes:**

- (1) We plan to purchase an additional GCC production line for the production of fine-grade coated GCC namely our "Zancarb" series.
- (2) We plan to upgrade our R&D facilities through the renovation to expand the current size of our current R&D centre at Zantat Perak Plant 1, and through the purchase of testing equipment.
- (3) We plan to purchase 1 set of fully integrated automatic robotic palletising system and 49 units of high-efficiency motors.
- (4) We plan to upgrade and improve Calrock Perak Plant and build a new office building.
- (5) We plan to install roof-top solar PV system on Zantat Perak Plant 2.

**12. FINANCIAL INFORMATION (Cont'd)****12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES****(a) Material litigation**

As at LPD, we have not been engaged in any government, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on the financial position or profitability of our Group.

**(b) Contingent liabilities**

As at LPD, there are no contingent liabilities incurred by us, our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries' financial position.

**12.8 KEY FINANCIAL RATIOS**

Our key financial ratios are as follows:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Average trade receivables turnover period (days) <sup>(1)</sup>	57	61	70	66
Average trade payables turnover period (days) <sup>(2)</sup>	50	55	50	40
Average inventory turnover period (days) <sup>(3)</sup>	42	46	50	41
Current ratio (times) <sup>(4)</sup>	1.5	1.4	1.3	1.7
Gearing ratio (times) <sup>(5)</sup>	0.4	0.5	0.4	0.2

**Notes:**

- (1) Computed based on average trade receivables multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by total revenue:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade receivables	15,416	18,112	21,999	21,250
Closing trade receivables	18,112	21,999	21,250	22,593
Revenue	107,209	119,464	113,023	91,089

- (2) Computed based on average trade payables multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by cost of sales:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade payable	7,221	9,303	8,519	8,039
Closing trade payable	9,303	8,519	8,039	8,298
Cost of sales	60,048	59,293	60,944	55,200

- (3) Computer based on average inventory multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by cost of sales:

**12. FINANCIAL INFORMATION (Cont'd)**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening inventory	6,945	6,866	8,198	8,595
Closing inventory	6,866	8,198	8,595	7,843
Cost of sales	60,048	59,293	60,944	55,200

(4) Computed based on current assets over current liabilities as at the end of the respective financial years / period.

(5) Computed based on the total borrowings over total equity as at the end of the respective financial years / period.

**12.8.1 Trade receivables turnover**

A summary of our trade receivables for the FYE 2020 to FYE 2022 and FPE 2023 are set out as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Trade receivables (RM'000)	18,112	21,999	21,250	22,593
Revenue (RM'000)	107,209	119,464	113,023	91,089
<b>Average trade receivables turnover period (days)<sup>(1)</sup></b>	<b>57</b>	<b>61</b>	<b>70</b>	<b>66</b>

**Note:**

(1) Based on average trade receivables multiplied by 365 days and 273 days for the respective FYE / FPE, and divided by total revenue.

For the FYE 2020, FYE 2021 and FYE 2022, the credit terms granted to our customers range from 30 to 120 days. For the FPE 2023, the credit terms granted to our customers range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The factors that are taken into consideration when determining the credit period granted to customers include their creditworthiness, payment history, quantum of amount owing to us and length of relationship with us.

As part of our credit control process, our finance team closely monitors our ageing report and regularly assess the collectability of trade receivables on an individual customer basis to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

For the FYE 2021, our average trade receivables turnover period increased from 57 days in FYE 2020 to 61 days in FYE 2021. This was mainly attributed to slower collections from some major customers from India in FYE 2021 which were subsequently collected after FYE 2021.

For the FYE 2022, our average trade receivables turnover period increased from 61 days in FYE 2021 to 70 days in FYE 2022. Overall, collection levels have resulted in a consistent balance of trade receivables, notwithstanding the decrease in revenue in FYE 2022. This resulted in a relatively higher trade receivables turnover period.

**12. FINANCIAL INFORMATION (Cont'd)**

For the FPE 2023, our average trade receivables turnover period decreased from 70 days in FYE 2022 to 66 days. Overall, in view of our higher revenue earned for FPE 2023 due to business growth, our trade receivables balance as at FPE 2023 did not increase substantially as our collection levels were marginally better overall. This has resulted in a relatively consistent balance of trade receivables, and in turn, a relatively lower trade receivables turnover period.

The ageing analysis of our trade receivables as at 30 September 2023 and the subsequent collections up to LPD are set out below:

		Within credit period	Exceeding credit period				Total
			1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
Trade receivables (RM'000)	A	13,877	6,422	1,584	458	252	<b>22,593</b>
<i>% of trade receivables (%)</i>		<i>61.4</i>	<i>28.4</i>	<i>7.0</i>	<i>2.0</i>	<i>1.1</i>	<b>100.0</b>
Subsequent collections up to LPD (RM'000)	B	(13,877)	(6,422)	(1,584)	(458)	(75)	(22,416)
<i>% of subsequent collections up to LPD (%)</i>	<i>C = B / A</i>	100.0	100.0	100.0	100.0	29.8	99.2
<b>Outstanding trade receivables (RM'000)</b>	<b>D = A - B</b>	-	-	-	-	<b>177</b>	<b>177</b>

As at LPD, RM22.4 million or 99.2% of our total trade receivables as at 30 September 2023 has been collected. The remaining RM0.2 million or 0.8% of our total trade receivables as at 30 September 2023 is still outstanding as at LPD.

Our management closely monitors the recoverability of the trade receivables on a regular basis, and, when appropriate, provides for specific impairment of these trade receivables. Our Board is of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration our relationship with customers as well as our effort to improve collection with various credit control measures to reduce the potential exposure on credit risk.

**12.8.2 Trade payables turnover**

A summary of our trade payables for the FYE 2020 to FYE 2022 and FPE 2023 are set out as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade payables (RM'000)	9,303	8,519	8,039	8,298
Cost of sales (RM'000)	60,048	59,293	60,944	55,200
<b>Average trade payables turnover period (days)<sup>(1)</sup></b>	<b>50</b>	<b>55</b>	<b>50</b>	<b>40</b>

**12. FINANCIAL INFORMATION (Cont'd)****Note:**

- (1) Based on the average trade payables of the respective financial years / period over total cost of sales of the respective financial years / period and multiplied by 365 days and 273 days.

Our suppliers generally grant us cash terms or credit terms of 90 days.

For FYE 2021, our average trade payables turnover period increased from 50 days in FYE 2020 to 55 days in FYE 2021. This was mainly due to the increase in amount owing to our sea freight suppliers due to the increase in sea freight rates.

For FYE 2022, our average trade payables turnover period decreased from 55 days in FYE 2021 to 50 days in FYE 2022. This was mainly due to the decrease in amount owing to our sea freight suppliers due to the shorter credit terms provided which was in line with the increased sea freight rates in FYE 2022. In FYE 2022, our sea freight suppliers provided us with cash and 7 days credit terms compared to a 15 days credit terms in the previous financial year.

For FPE 2023, our average trade payables turnover period decreased from 50 days in FYE 2022 to 40 days. Overall, despite increasing cost of sales in FPE 2023 in line with our business growth, our trade payable balances as at FPE 2023 did not increase substantially in FPE 2023, as our payment levels were marginally quicker overall. This has resulted in a relatively consistent balance of trade payables vis-à-vis increase in cost of sales in FPE 2023, and has therefore resulted in a relatively lower trade payables turnover period.

The ageing analysis of our trade payables as at 30 September 2023 is as follows:

		<b>Within credit period</b>	<b>Exceeding credit period</b>				<b>Total</b>
			<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>More than 90 days</b>	
Trade payables (RM'000)	A	5,546	2,504	248	-	-	8,298
% of total trade payables (%)		66.8	30.2	3.0	-	-	100.0
Subsequent payments up to LPD (RM'000)	B	5,546	2,504	248	-	-	-
% of subsequent payments up to LPD (%)	C = B / A	100.0	100.0	100.0	-	-	100.0
<b>Outstanding trade payables (RM'000)</b>	<b>D = A - B</b>	-	-	-	-	-	-

As at LPD, all our trade payables as at 30 September 2023 has been paid.

As at LPD, there are no disputes in respect of any trade payables and our Board confirms that there has been no legal action initiated by our suppliers to demand for payment from us in the past and present.

**12. FINANCIAL INFORMATION (Cont'd)****12.8.3 Inventory turnover period**

The breakdown of our inventories for the FYE 2020 to FYE 2022 and FPE 2023 are as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Total inventory (RM'000)	6,866	8,198	8,595	7,843
Consisting of (RM'000):				
- Raw material	3,161	4,496	4,876	3,702
- Finished goods	2,029	1,940	1,853	2,170
- Consumables	1,192	1,382	1,626	1,100
- Goods-in-transit	484	380	240	871
Cost of sales (RM'000)	60,048	59,293	60,944	55,200
Inventories turnover period (days) <sup>(1)</sup>	42	46	50	41

**Note:**

<sup>(1)</sup> Based on average inventory of the respective financial years over total cost of sales of the respective financial years / period and multiplied by 365 days and 273 days, respectively.

Our inventory comprises the following:

- (a) raw materials including limestone rocks and chips, PCC powder, kaolin powder and stearic acid;
- (b) finished goods including GCC, CC dispersions, kaolin dispersion, and ultrafine PCC powder packed and ready for final delivery to customers, as well as other industrial minerals such as talcum powder and titanium dioxide for our trading operations;
- (c) consumables including packaging materials, machinery spare parts and grinding aids; and
- (d) goods-in-transit including our products being in transit to be delivered to our customers locally or overseas.

Our Group's inventory turnover period ranges from 42 days to 50 days over the FYE 2020 to FPE 2023. Our Group's practice is to maintain at least 2 weeks inventory level for the finished products to fulfil any incoming orders and to reduce lead time of delivery of our calcium carbonate products, particularly to our overseas customers.

For FYE 2021, our average inventory turnover period increased from 42 days in FYE 2020 to 46 days in FYE 2021 mainly due to the increase in the balance volume for limestone, PCC powder, chemicals and packaging materials as at 31 December 2021 coupled with an increase in the respective average purchase price in FYE 2021.

For FYE 2022, our average inventory turnover period increased from 46 days in FYE 2021 to 50 days in FYE 2022 mainly due to the increase in raw material balances as at the end of FYE 2022. This was largely attributed to the increase in stock holding of PCC powder by RM1.1 million in anticipation of our Chinese supplier's closure of operations for 2 months during the Chinese New Year season.

**12. FINANCIAL INFORMATION (Cont'd)**

For FPE 2023, our average inventory turnover period decreased from 50 days in FYE 2022 to 41 days mainly due to the decrease in stock holding of PCC powder as at the end of 30 September 2023 in comparison to the stock balance as at the end of 31 December 2022.

**12.8.4 Current ratio**

The summary of our Group's current ratio for the FYE 2020 to FYE 2022 and FPE 2023 are as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Current assets (RM'000)	37,092	40,769	40,407	40,324
Current liabilities (RM'000)	24,191	29,840	30,334	24,373
Current ratio (times) <sup>(1)</sup>	1.5	1.4	1.3	1.7

**Note:**

(1) Based on current assets over current liabilities.

As at 31 December 2021, our current ratio was 1.4 times, which was lower compared to 1.5 times as at 31 December 2020. This was mainly due to the increase in short-term borrowings of RM4.2 million used mainly for working capital financing purposes as well as increases in other payables and accruals of RM2.1 million.

As at 31 December 2022, our current ratio was 1.3 times, which was lower compared to 1.4 times as at 31 December 2021. This was mainly due to the increase in other payables and accruals of RM0.9 million as well as increase in short-term borrowings of RM0.2 million used mainly for working capital financing purposes.

As at 30 September 2023, our current ratio was 1.7 times, which was higher compared to 1.3 times as at 31 December 2022. This was mainly due to the decrease in short-term borrowings by RM8.8 million used mainly for working capital financing purposes.

**12.8.5 Gearing ratio**

The summary of our Group's gearing ratio for the FYE 2020 to FYE 2022 and FPE 2023 are as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Total borrowings (RM'000)	25,136	26,024	23,569	11,983
Shareholders' equity <sup>(1)</sup> (RM'000)	56,807	54,988	57,407	63,078
Gearing ratio <sup>(2)</sup> (times)	0.4	0.5	0.4	0.2

**Notes:**

(1) Includes share capital, merger deficit and retained profits.

(2) Based on total borrowings over total equity.

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**12. FINANCIAL INFORMATION (Cont'd)**

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As at 31 December 2021, our gearing ratio was 0.5 times, which was higher compared to 0.4 times as at 31 December 2020. This was mainly due to an increase in total borrowings by RM0.9 million which were mainly used to finance our working capital, coupled with the decrease in shareholders' equity by RM1.8 million resulting from the RM4.6 million consolidation adjustment arising from the acquisition of Calrock.

As at 31 December 2022, our gearing ratio was 0.4 times, which was lower compared to 0.5 times as at 31 December 2021. This was mainly due to the increase in shareholders' equity by RM2.4 million mainly attributed to the issuance of ordinary shares of RM3.0 million, coupled with a decrease in total borrowings of RM2.5 million, mainly attributed to the schedule repayments of term loans and hire purchase payables.

As at 30 September 2023, our gearing ratio was 0.2 times, which was lower compared to 0.4 times as at 31 December 2022. This was mainly due to the decrease in total borrowings by RM11.6 million mainly attributed to repayment of short-term borrowings and schedule repayments of term loans and hire purchase payables, coupled with the increase in shareholders' equity by RM5.7 million mainly due retention of earnings.

**12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

There were no government, economic, fiscal or monetary policies or factors which materially affected our financial performance for the FYE 2020 to FYE 2022 and FPE 2023 except for the various movement restrictions imposed as detailed in Section 7.7 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. Risks 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.

**12.10 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 operations. However, any significant increase in future inflation may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers.

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**12. FINANCIAL INFORMATION (Cont'd)****12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES****12.11.1 Impact of foreign exchange rates**

We are mainly exposed to transactional currency exposure as our revenue and purchase are denominated in USD, CNY, SGD and EUR. Any significant change in foreign exchange rates may affect our financial results.

For FYE 2020 to FYE 2022 and FPE 2023, our gains from foreign exchange fluctuations are as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised gain on foreign exchange	145	639	1,332	280
Unrealised (loss) / gain on foreign exchange	(93)	219	(427)	1,028
<b>Net gain</b>	<b>52</b>	<b>858</b>	<b>905</b>	<b>1,308</b>

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 September 2023 indicates that, in the event of a 5.0% fluctuation of USD against RM, our PAT for FPE 2023 would fluctuate by RM0.4 million, while the effects of fluctuations in CNY, SGD and EUR are negligible.

We maintain foreign currency accounts to receive sales proceeds in foreign currencies. In addition, we also mitigate foreign exchange risk through natural hedging of our foreign currency accounts used to pay for foreign currency denominated payments for freight charges, and maintain a USD hedging facility of up to RM18 million. Notwithstanding the above, there is no assurance that any fluctuation in foreign exchange rates would not have an impact on our financial performance.

**12.11.2 Impact of interest rates**

Our exposure to changes in interest rate relates primarily to our borrowings from banks. We do not hedge interest rate risk.

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of our Group.

Our Group's financial results for FYE 2020 to FYE 2022 and FPE 2023 were not materially affected by fluctuations in interest rates. However, should we undertake significant bank borrowings, a major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

**12.11.3 Impact of commodity prices**

Some of our input materials such as stearic acid are indirectly impacted by commodity prices including palm oil prices. The increase in stearic acid price since 2020 was due to the increase in crude palm oil (CPO) prices by 226.1% between May 2020 and March 2022 attributed to factors such as supply disruptions caused by the COVID-19 pandemic, which resulted in labour shortages and subsequently reduced palm oil output.

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## **12. FINANCIAL INFORMATION (Cont'd)**

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CPO prices were also affected by the increase in the demand for palm oil as it served as a substitute for sunflower oil amidst the supply chain disruption due to the Russia-Ukraine war. Since March 2022, the average prices of CPO have declined by 47.3% to RM3,659/tonne in December 2023 (Source: IMR Report).

Any significant increase in future commodity prices such as palm oil may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers.

### **12.12 SIGNIFICANT CHANGES**

Save for the COVID-19 pandemic as disclosed in Section 7.10.1 of this Prospectus, there are no other significant changes which may have a material effect on the financial position and results of our Group subsequent to FPE 2023 and up to LPD. Please refer to Section 7.10.2 of this Prospectus for further details on the impact of the COVID-19 pandemic on our Group's business and financial performance.

### **12.13 ORDER BOOK**

We do not maintain an order book as we are involved in the production and trading of industrial minerals mainly calcium carbonate whereby our sales are carried out based on purchase orders received from our customers on an on-going basis.

### **12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE**

Our Board is of the opinion that:

- (a) our Group's revenue will be sustainable with an upward growth trend based on the increased sales volume and revenue of GCC products for the second half of 2022 and in the first 9 months of 2023 as set out in Section 12.2.3 and Section 7.10.2(c) of this Prospectus, as well as the positive outlook of the calcium carbonate industry as set out in the IMR Report in Section 8 of this Prospectus. Our upward growth trend in the second half of 2022 reflects the normalisation of our business operations resulting from the easing of the impact of COVID-19;
- (b) our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our future plans and business strategies as stated in Section 7.18 of this Prospectus; and
- (c) our financial resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

In addition to the above, our Board confirms that there are no known circumstances which would result in a significant decline of our revenue and GP margins, or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

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## **12. FINANCIAL INFORMATION (Cont'd)**

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### **12.15 TREND INFORMATION**

Saved as disclosed in this section and in Sections 7 and 9 of this Prospectus, to the best of our Board's knowledge and belief:

- (a) there are no other known trends, demands, commitments, events, factors 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;
- (b) there are no material commitments for capital expenditure;
- (c) there are no unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;
- (d) there are no known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profits;
- (e) there are no known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position; and
- (f) there are no known trends, demand, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

### **12.16 DIVIDEND POLICY**

We do not have a fixed dividend policy. However, it is the intention of our Board to maintain a stable stream of dividends, and at the same time preserve adequate reserves for our future growth.

As we are an investment holding company, our ability to pay dividends is dependent on our subsidiaries, which in turn will depend on:

- (a) their respective financial performance and condition;
- (b) their respective working capital needs and availability of cash;
- (c) their respective capital expenditure and business expansion plans;
- (d) their respective loan agreements and covenants therein; and
- (e) the general economic and business conditions, and such other relevant factors.

In addition, we may only make a distribution to our shareholders if we comply with the requirements as set out in Sections 131 and 132 of the Act, which require:

- (a) our distribution to be made out of profits available; and
- (b) our Group is solvent and able to pay our debts as and when they become due within 12 months immediately after our distribution.

**12. FINANCIAL INFORMATION (Cont'd)**

Save for certain banking restrictive covenants which our subsidiaries are subject to, there are no legal, financial, or economic restriction on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances as at LPD.

Our future dividends are at our Board's discretion. You should note that the foregoing statement on the payment of dividends merely describes our Company's present intention. This shall not constitute a legally binding obligation or statement on our Company and a guarantee by our Board.

The dividends declared and paid by our Group for FYE 2020 to FYE 2022, FPE 2023 and up to the LPD are as follows:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>	<b>From 1 October 2023 and up to LPD</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividends declared and paid	4,500	3,723	6,000	-	-

The dividends declared and paid in FYE 2020 to FYE 2022 were funded via internally generated funds. Additionally, it should be noted that, of the RM6.0 million dividends declared in FYE 2022, RM3.0 million was utilised to reinvest in Zantat via the issuance of ordinary shares. Please refer to Section 15.2.1 of this Prospectus for further details. Further, we do not intend to declare and pay any dividends from the LPD up to the point of our Listing.

The level of dividends declared in the past should not be treated as an indication of our Group's future dividend payout. Actual dividends proposed and declared may vary depending on our Group's financial performance and cash flows, and may not be proposed and declared if the payment of the dividends would adversely affect our cash flows and operations.

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**12. FINANCIAL INFORMATION (Cont'd)****12.17 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our Group's capitalisation and indebtedness as at 10 January 2024 after taking into consideration the effects of our IPO and utilisation of proceeds from our Public Issue:

	<b>Unaudited as at 10 January 2024</b>	<b>(I) After the Public Issue</b>	<b>(II) After (I) and use of proceeds</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Indebtedness</b>			
<b>Current liabilities</b>			
<i>Secured and guaranteed</i>			
Term loans	2,020	2,020	1,218
Hire purchase payables	1,199	1,199	1,199
Post shipment buyer loan	588	588	588
Bankers' acceptance	2,804	2,804	2,804
<i>Secured and unguaranteed</i>			
Hire purchase payables	61	61	61
<i>Unsecured and unguaranteed</i>			
Lease liabilities	384	384	384
	<b>7,056</b>	<b>7,056</b>	<b>6,254</b>
<b>Non-current liabilities</b>			
<i>Secured and guaranteed</i>			
Term loans	4,768	4,768	2,180
<i>Unsecured and unguaranteed</i>			
Lease liabilities	447	447	447
	<b>5,215</b>	<b>5,215</b>	<b>2,627</b>
<b>Total indebtedness</b>	<b>12,271</b>	<b>12,271</b>	<b>8,881</b>
<b>Capitalisation</b>			
Shareholders' equity	<b>71,301</b>	<b>85,301</b>	<b>83,733</b>
<b>Total capitalisation and indebtedness</b>	<b>83,572</b>	<b>97,572</b>	<b>92,614</b>
Gearing ratio (times) <sup>(1)</sup>	0.2	0.1	0.1

**Note:**

(1) Computed based on total indebtedness over our shareholders' equity.

## 13. ACCOUNTANTS' REPORT



19 FEB 2024

**The Board of Directors**  
**Zantat Holdings Berhad**  
PT 24571 & PT 21289 (Lot 335978)  
Kaw. Industri Batu Kapur Keramat Pulai  
31300 Kampung Kepayang  
Perak

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants  
Level 16, Tower C, Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Malaysia  
Main +6 03 2788 9999  
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[www.crowe.my](http://www.crowe.my)

Dear Sirs

### REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF ZANTAT HOLDINGS BERHAD (THE "COMPANY" OR "ZANTAT HOLDINGS")

#### OPINION

We have audited the combined and consolidated financial information of Zantat Sdn. Bhd., Calrock Sdn. Bhd., Zantat Light C.C. Sdn. Bhd. and Zaneco Sdn. Bhd. (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2020 and consolidated statements of financial position as at 31 December 2021, 31 December 2022 and 30 September 2023 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial year ended ("FYE") 31 December 2020 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the FYEs 31 December 2021, 31 December 2022 and nine months financial period ended ("FPE") 30 September 2023 and notes to the combined and consolidated financial information, including a summary of significant accounting policies as set out on pages 5 to 84.

This historical financial information has been prepared for inclusion in the prospectus of Zantat Holdings in connection with the listing of and quotation for the entire enlarged issued shares of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad ("Prospectus").

In our opinion, the combined and consolidated financial information gives a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 of their financial performance and their cash flows for each of the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and nine months FPE 30 September 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

#### 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 Accountant's Responsibilities for the Audit of the combined and consolidated financial information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**13. ACCOUNTANTS' REPORT (Cont'd)***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 FINANCIAL INFORMATION**

The Directors of the Group are responsible for the preparation of the combined and consolidated financial information the Group that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and 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 and consolidated financial information that are free from material misstatement, whether due to fraud or error.

In preparing the combined and consolidated financial information 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 ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION**

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 and consolidated financial information.

As a 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 and consolidated financial information 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.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)**

As a 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 (Cont'd):-

- 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 report to the related disclosures in the financial information 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 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 financial information of the Group, including the disclosures, and whether the financial information of the Group represents 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 financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**OTHER MATTERS**

The comparative information in respect of the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and related notes to the financial statements of the Group for nine months FPE 30 September 2022 have not been audited.

**13. ACCOUNTANTS' REPORT (Cont'd)**



**RESTRICTION ON DISTRIBUTION AND USE**

Our report has been prepared for inclusion in the Prospectus of Zantat Holdings in connection with the listing of and quotation for the entire enlarged issued shares of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be 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.

A stylized signature consisting of a large, bold letter 'C' followed by a horizontal line.

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, appearing to read "Ho Yen Ling".

**Ho Yen Ling**  
03378/06/2024 J  
Chartered Accountant

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		<-----Audited----->			
		<-----As at----->			
		31	31	31	30
		December	December	December	September
Note	2020	2021	2022	2023	
	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	53,049	49,917	51,375	48,880
Right-of-use assets	5	7,279	7,195	7,430	7,066
		60,328	57,112	58,805	55,946
<b>CURRENT ASSETS</b>					
Inventories	6	6,866	8,198	8,595	7,843
Trade receivables	7	18,112	21,999	21,250	22,593
Other receivables, deposits and prepayments	8	836	2,604	1,086	1,225
Current tax assets		294	849	1,503	145
Fixed deposits with licensed banks	9	5,673	5,061	3,442	4,018
Cash and bank balances		5,311	2,058	4,531	4,500
		37,092	40,769	40,407	40,324
<b>TOTAL ASSETS</b>		97,420	97,881	99,212	96,270
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	10	5,000	3,000	6,000	6,000
Merger deficit	11	(1,500)	(4,100)	(4,100)	(4,100)
Retained profits		53,307	56,088	55,507	61,178
<b>TOTAL EQUITY</b>		56,807	54,988	57,407	63,078
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	12	13,999	10,653	8,034	5,276
Deferred tax liabilities	13	2,389	2,389	3,024	3,412
Lease liabilities	14	34	11	413	131
		16,422	13,053	11,471	8,819

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

<-----Audited----->				
<-----As at----->				
		31 December		30 September
	2020	2021	2022	2023
Note	RM'000	RM'000	RM'000	RM'000
<b>CURRENT LIABILITIES</b>				
Trade payables	15	9,303	8,519	8,039
Other payables and accruals	16	3,400	5,503	6,368
Lease liabilities	14	351	418	392
Short-term borrowings	17	11,137	15,371	15,535
Current tax liabilities		-	29	-
		24,191	29,840	30,334
		40,613	42,893	41,805
<b>TOTAL LIABILITIES</b>				
		97,420	97,881	99,212
<b>TOTAL EQUITY AND LIABILITIES</b>				
		97,420	97,881	99,212
		97,420	97,881	96,270

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<-----Audited----->			Unaudited	Audited
		<-----FYE 31 December----->			Nine Months period	Nine Months period
		2020	2021	2022	<---FPE 30 September--->	<---FPE 30 September--->
	Note	RM'000	RM'000	RM'000	2022	2023
		RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE	18	107,209	119,464	113,023	82,977	91,089
COST OF SALES		(60,048)	(59,293)	(60,944)	(44,094)	(55,200)
GROSS PROFIT		47,161	60,171	52,079	38,883	35,889
OTHER INCOME		667	1,163	1,707	2,160	1,660
		47,828	61,334	53,786	41,043	37,549
SELLING AND DISTRIBUTION EXPENSES		(25,559)	(38,439)	(33,931)	(26,154)	(19,473)
ADMINISTRATIVE EXPENSES		(10,840)	(11,481)	(9,560)	(7,163)	(8,347)
OTHER EXPENSES		(1,220)	(911)	(1,386)	(709)	(903)
FINANCE COSTS		(1,676)	(1,392)	(1,568)	(1,167)	(992)
PROFIT BEFORE TAXATION	19	8,533	9,111	7,341	5,850	7,834
INCOME TAX EXPENSE	20	(2,298)	(2,607)	(1,922)	(1,430)	(2,163)
PROFIT AFTER TAXATION		6,235	6,504	5,419	4,420	5,671
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		6,235	6,504	5,419	4,420	5,671

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

	<----- Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine Months period	FPE 30 September
Note	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>PROFIT AFTER TAXATION ATTRIBUTABLE TO:-</b>					
Owners of the Company	6,235	6,504	5,419	4,420	5,671
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-</b>					
Owners of the Company	6,235	6,504	5,419	4,420	5,671
<b>EARNINGS PER SHARE (RM)</b>					
Basic	21 1.25	2.17	1.17	1.06	0.95
Diluted	1.25	2.17	1.17	1.06	0.95

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Note	Share Capital RM'000	Non- distributable Merger Deficit RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Total Equity RM'000
Balance at 1.1.2020		5,500	-	51,572	57,072	57,072
Profit after taxation/Total comprehensive income for the financial year		-	-	6,235	6,235	6,235
Distributions to owners of the Company:						
- Dividends	22	-	-	(4,500)	(4,500)	(4,500)
- Adjustment on the acquisition of a subsidiary		(500)	(1,500)	-	(2,000)	(2,000)
Balance at 31.12.2020/1.1.2021		5,000	(1,500)	53,307	56,807	56,807
Profit after taxation/Total comprehensive income for the financial year		-	-	6,504	6,504	6,504
Distributions to owners of the Company:						
- Dividends	22	-	-	(3,723)	(3,723)	(3,723)
- Adjustment on the acquisition of a subsidiary		(2,000)	(2,600)	-	(4,600)	(4,600)
Balance at 31.12.2021/1.1.2022		3,000	(4,100)	56,088	54,988	54,988
Profit after taxation/Total comprehensive income for the financial year		-	-	5,419	5,419	5,419
Contributions by and distributions to owners of the Company:						
- Issuance of ordinary shares		3,000	-	-	3,000	3,000
- Dividends	22	-	-	(6,000)	(6,000)	(6,000)
Balance at 31.12.2022/1.1.2023		6,000	(4,100)	55,507	57,407	57,407
Profit after taxation/Total comprehensive income for the financial period		-	-	5,671	5,671	5,671
Balance at 30.9.2023		6,000	(4,100)	61,178	63,078	63,078

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS**

Note	<----- Audited ----->			Unaudited Nine Months period <--FPE 30 September--> 2022	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation	8,533	9,111	7,341	5,850	7,834
Adjustments for:-					
Depreciation of:					
- property, plant and equipment	5,629	5,461	5,262	3,959	4,036
- right-of-use assets	510	519	559	420	420
Property, plant and equipment written off	9	2	33	7	23
Bad debt written off	-	-	-	-	2
Interest expense on lease liabilities	34	16	11	10	29
Interest expenses	1,191	956	1,251	933	703
Unrealised loss/(gain) on foreign exchange	93	(219)	427	(550)	(1,028)
Gain on disposal of property, plant and equipment	(32)	(124)	(180)	(155)	(161)
Interest income	(180)	(97)	(66)	(48)	(85)
Operating profit before working capital changes	15,787	15,625	14,638	10,426	11,773
Decrease/(Increase) in inventories	79	(1,332)	(397)	(687)	752
(Increase)/Decrease in trade and other receivables	(2,161)	(4,223)	676	591	(505)
Increase/(Decrease) in trade and other payables	2,528	1,319	186	(1,146)	2,363
<b>CASH FROM OPERATIONS</b>	<b>16,233</b>	<b>11,389</b>	<b>15,103</b>	<b>9,184</b>	<b>14,383</b>
Net income tax (paid)/refund	(2,280)	(3,133)	(1,970)	(1,941)	49
Interest paid	(1,225)	(972)	(1,070)	(754)	(736)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>12,728</b>	<b>7,284</b>	<b>12,063</b>	<b>6,489</b>	<b>13,696</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>					
Acquisition of subsidiaries	(2,000)	(4,600)	-	-	-
Purchase of property, plant and equipment	23(a) (2,345)	(3,544)	(5,397)	(3,468)	(1,515)
Proceeds from disposal of property, plant and equipment	32	124	187	162	161
Interest income received	180	97	66	48	85
(Addition)/Withdrawal of fixed deposits pledged with licensed banks	(73)	(28)	34	34	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<b>(4,206)</b>	<b>(7,951)</b>	<b>(5,110)</b>	<b>(3,224)</b>	<b>(1,269)</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	<----- Audited ----->			Unaudited	Audited
		<-----FYE 31 December----->			Nine Months period	
		2020	2021	2022	<--FPE 30 September-->	
		RM'000	RM'000	RM'000	2022	2023
					RM'000	RM'000
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>						
Repayment of lease liabilities	23(b)	(364)	(391)	(418)	(313)	(300)
Net (repayment)/drawdown in term loans	23(b)	(1,040)	(1,681)	614	433	(1,847)
Net repayment in hire purchase payables	23(b)	(1,485)	(1,657)	(2,495)	(1,676)	(1,605)
Net (repayment)/drawdown in post shipment buyer loan	23(b)	(777)	878	238	(97)	(840)
Net (repayment)/drawdown in revolving credit	23(b)	(450)	2,200	(1,000)	400	(1,400)
Net drawdown/(repayment) in invoice financing	23(b)	-	-	350	-	(350)
Net (repayment)/drawdown in bankers' acceptances	23(b)	(272)	1,148	1,157	(1,470)	(5,540)
Proceeds from issuance of ordinary shares		-	-	3,000	3,000	-
Dividends paid		(4,500)	(3,723)	(6,000)	(3,000)	-
<b>NET CASH FOR FINANCING ACTIVITIES</b>		<b>(8,888)</b>	<b>(3,226)</b>	<b>(4,554)</b>	<b>(2,723)</b>	<b>(11,882)</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(366)</b>	<b>(3,893)</b>	<b>2,399</b>	<b>542</b>	<b>545</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD</b>		<b>9,833</b>	<b>9,467</b>	<b>5,574</b>	<b>5,574</b>	<b>7,973</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD</b>	23(c)	<b>9,467</b>	<b>5,574</b>	<b>7,973</b>	<b>6,116</b>	<b>8,518</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Zantat Holdings Berhad ("Zantat Holdings") was incorporated in Malaysia under the Companies Act 2016 on 30 November 2021, as a private limited liability company and is principally engaged in the business of investment holding. Zantat Holdings is embarking on the listing of and quotation of its enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Zantat Holdings was incorporated with a total paid-up share capital of RM1 comprising 1 ordinary share.

Zantat Holdings was incorporated for the purpose of acquiring the combining entity, Zantat Sdn. Bhd., Calrock Sdn. Bhd., Zantat Light C.C. Sdn. Bhd. and Zaneco Sdn. Bhd. pursuant to the listing exercise as disclosed in Note 30 to the combined and consolidated financial statements.

On 25 May 2023, the Company converted from a private company to a public company limited by shares and assumed its present name of Zantat Holdings Berhad.

The information of the entities within the combined and consolidated financial statements is as follows:-

- (a) Zantat Sdn. Bhd. ("Zantat") was incorporated on 15 December 1981 in Malaysia, as a private limited liability company and is principally engaged in the production of calcium carbonate, processing and trading of industrial minerals and operations of limestone quarry.
- (b) Calrock Sdn. Bhd. ("Calrock") was incorporated on 17 April 1970 in Malaysia, as a private limited liability company and is principally engaged in the production of calcium carbonate. On 30 November 2021, Calrock became a wholly-owned subsidiary of Zantat.
- (c) Zantat Light C.C. Sdn. Bhd. ("Zantat Light") was incorporated on 25 November 2000 in Malaysia, as a private limited liability company and is principally engaged in the operations of limestone quarry. On 12 October 2020, Zantat Light became a wholly-owned subsidiary of Zantat.
- (d) Zaneco Sdn. Bhd. ("Zaneco") was incorporated on 30 September 2021 in Malaysia, as a private limited liability company and is principally engaged in the manufacturing of bioplastic compound. On 12 November 2021, Zaneco became a wholly-owned subsidiary of Zantat.

The registered office and principal place of business of Zantat Holdings are as follows:-

Registered office	: 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
Principal place of business	: Lot 1013-B, Jalan 2/32A, 6 1/2 Miles, Kepong Industrial Area, Jalan Kepong, 52100 Kuala Lumpur.

Notes:-

Zantat Sdn. Bhd	- Zantat
Calrock Sdn. Bhd.	- Calrock
Zantat Light C.C. Sdn. Bhd.	- Zantat Light
Zaneco Sdn. Bhd.	- Zaneco

(Collectively defined as "the Group")

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION**

- 2.1 Our basis of preparation for the combined and consolidated financial statements for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and FPE 30 September 2023 are prepared based on the separate financial statements of Zantat Holdings, Zantat, Calrock, Zantat Light and Zaneco (collectively known as "the Group").

These combined and consolidated financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the financial statements for the relevant financial years/period as follows:-

<b>Company</b>	<b>Relevant reporting years/period</b>	<b>Accounting standards applied</b>	<b>Auditors</b>
Zantat Sdn. Bhd.	FYE 31 December 2020	MFRSs	Nexia SSY PLT
	FYE 31 December 2021	MFRSs	Crowe Malaysia PLT
	to 31 December 2022 FPE 30 September 2023	MFRSs	Crowe Malaysia PLT
Calrock Sdn. Bhd.	FYE 31 December 2020	MFRSs	Nexia SSY PLT
	FYE 31 December 2021	MFRSs	Crowe Malaysia PLT
	to 31 December 2022 FPE 30 September 2023	MFRSs	Crowe Malaysia PLT
Zantat Light C.C Sdn. Bhd.	FYE 31 December 2020	MFRSs	Nexia SSY PLT
	FYE 31 December 2021	MFRSs	Crowe Malaysia PLT
	to 31 December 2022 FPE 30 September 2023	MFRSs	Crowe Malaysia PLT
Zaneco Sdn. Bhd.	FYE 31 December 2021	MFRSs	Crowe Malaysia PLT
	to 31 December 2022	MFRSs	Crowe Malaysia PLT
	FPE 30 September 2023	MFRSs	Crowe Malaysia PLT

Note:-  
MFRSs - Malaysian Financial Reporting Standards

For the purposes of the combined financial statements for the FYE 31 December 2020, the entities of the Group consist of entities under common control as described in Note 1 to the financial statements. The audited financial statements are not subjected to any audit qualification, modification and disclaimer.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

- 2.1 Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. 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 combining 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 and consolidated financial statements from the day that control commences until the date that control ceases.

The combined financial statements of Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

The combined and consolidated financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRSs and IFRSs.

- 2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year/period:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

**(a) Depreciation of Property, Plant and Equipment and Right-of-use Assets**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Note 4 and Note 5 to the financial statements respectively.

**(b) Impairment of Property, Plant and Equipment and Right-of-use Assets**

The Group determines whether an item of its property, plant and equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. The carrying amounts of property, plant and equipment, and right-of-use assets as at the reporting date are disclosed in Note 4 and Note 5 to the financial statements respectively.

**(c) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 6 to the financial statements.

**(d) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables. The carrying amounts of trade receivables as at the reporting date is disclosed in Note 7 to the financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

## 3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

*Key Sources of Estimation Uncertainty (Cont'd)***(e) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amount of other receivables as at the reporting date is disclosed in Note 8 to the financial statements.

**(f) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets of the Group as at the reporting date are approximately RM145,000 (31 December 2022 - RM1,503,000; 31 December 2021 - RM849,000; 31 December 2020 - RM294,000) and the carrying amount of the Group's current tax liabilities as at the reporting date are approximately RM466,000 (31 December 2022 - Nil; 31 December 2021 - RM29,000; 31 December 2020 - Nil).

**(g) Discount Rates used in Leases**

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

*Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

**Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION**

The combined and consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are combined from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined and consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(b) Merger Accounting for Common Control Business Combination**

Business combinations under common control are accounted using the pooling-of-interests method.

The combined and consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities of business came under the control of the controlling party.

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare combined and consolidated financial statements. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combinations, to the extent of the continuation of the controlling party's interest. The components of equity of the acquired entities are added to the same components within Group equity and any gain or loss arising is recognised directly in equity.

The profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later), regardless of the actual date of the common control combinations.

All significant intercompany transactions and balances between the entities in the Group are eliminated on consolidation.

Transaction costs for the combinations are recognised in profit or loss.

**(c) Non-controlling Interests**

Non-controlling interests are presented within equity in the combined and consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### 13. ACCOUNTANTS' REPORT (Cont'd)

#### ZANTAT HOLDINGS BERHAD

#### NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 BASIS OF CONSOLIDATION (CONT'D)

##### (d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

##### (e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 3.3 FUNCTIONAL AND FOREIGN CURRENCIES

##### (a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

##### (b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

**(a) Financial Assets**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

## 3.4 FINANCIAL INSTRUMENTS (CONT'D)

**(a) Financial Assets (Cont'd)***Debt Instruments (Cont'd)*

## (ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

## (iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

*Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

**(b) Financial Liabilities**

## (i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 FINANCIAL INSTRUMENTS (CONT'D)

**(b) Financial Liabilities (Cont'd)**

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

**(c) Equity Instruments**

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Buildings	2%
Plant and machinery	10%
Factory tools and equipment	10%
Motor vehicles	20%
Forklifts and lorries	10%-20%
Office equipment	10%
Furniture and fittings	10%-20%
Air-conditioners	10%
Electrical equipment and fittings	10%
Renovation	10%-20%
Software	20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

## 3.6 LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the basis as follows:-

Leasehold land	Over the lease period
Factory buildings	33%-50%
Hostels	50%

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.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

## 3.7 IMPAIRMENT

**(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

## 3.7 IMPAIRMENT (CONT'D)

**(b) Impairment of Non-Financial Assets**

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

## 3.8 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

## 3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

## 13. ACCOUNTANTS' REPORT *(Cont'd)*

### ZANTAT HOLDINGS BERHAD

### NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 3.10 EMPLOYEE BENEFITS

###### (a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

###### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

##### 3.11 INCOME TAXES

###### (a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

###### (b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.11 INCOME TAXES (CONT'D)**

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

**3.12 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**3.13 EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the combined and consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined and consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive ordinary shares.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.14 FAIR VALUE MEASUREMENTS**

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. In estimating the fair value of an asset or a liability, the Group take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions (MFRS 16) and measurement that have some similarities to fair value but not are fair value, such as net realisable value (MFRS 102).

**3.15 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

**Sales of Goods**

Revenue is recognised at a point in time when the goods have been delivered to the customer and upon its acceptance, and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the goods sold.

**3.16 OTHER OPERATING INCOME****Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**4. PROPERTY, PLANT AND EQUIPMENT**

	At 1.1.2020 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 31.12.2020 RM'000
<b>Audited</b>							
<b>31.12.2020</b>							
Carrying amount							
Buildings	24,283	294	-	-	96	(535)	24,138
Building-in-progress	-	235	-	-	-	-	235
Plant and machinery	25,914	44	-	-	1,844	(3,853)	23,949
Plant and machinery under installation	997	1,428	-	-	(1,955)	-	470
Factory tools and equipment	972	138	-	(5)	14	(190)	929
Motor vehicles	890	-	-	-	-	(413)	477
Forklifts and lorries	486	-	#	-	-	(161)	325
Office equipment	526	54	-	(2)	-	(93)	485
Furniture and fittings	562	86	-	(1)	-	(75)	572
Air-conditioners	523	8	-	(1)	1	(69)	462
Electrical equipment and fittings	736	23	-	#	-	(129)	630
Renovation	71	35	-	-	-	(15)	91
Software	382	-	-	-	-	(96)	286
	56,342	2,345	-	(9)	-	(5,629)	53,049

Note:

# - Amount less than RM1,000.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2021 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 31.12.2021 RM'000
<b>Audited</b>							
<b>31.12.2021</b>							
Carrying amount							
Buildings	24,138	436	-	-	-	(546)	24,028
Building-in-progress	235	574	-	-	-	-	809
Plant and machinery	23,949	454	#	-	625	(3,891)	21,137
Plant and machinery under installation	470	302	-	-	(625)	-	147
Factory tools and equipment	929	134	-	(1)	-	(186)	876
Motor vehicles	477	85	#	-	-	(194)	368
Forklifts and lorries	325	250	#	-	-	(160)	415
Office equipment	485	34	-	(1)	-	(92)	426
Furniture and fittings	572	5	#	#	-	(81)	496
Air-conditioners	462	5	-	#	-	(68)	399
Electrical equipment and fittings	630	52	-	-	-	(132)	550
Renovation	91	-	-	-	-	(16)	75
Software	286	-	-	-	-	(95)	191
	53,049	2,331	-	(2)	-	(5,461)	49,917

Note:

# - Amount less than RM1,000.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2022 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 31.12.2022 RM'000
<b>Audited</b>							
<b>31.12.2022</b>							
Carrying amount							
Buildings	24,028	203	-	(7)	864	(559)	24,529
Building-in-progress	809	269	-	-	(1,078)	-	-
Plant and machinery	21,137	106	(7)	(22)	286	(3,627)	17,873
Plant and machinery under installation	147	5,152	-	-	(435)	-	4,864
Factory tools and equipment	876	341	-	#	166	(209)	1,174
Motor vehicles	368	135	#	-	-	(193)	310
Forklifts and lorries	415	198	#	-	-	(185)	428
Office equipment	426	84	-	(3)	9	(87)	429
Furniture and fittings	496	160	-	(1)	38	(89)	604
Air-conditioners	399	2	-	#	45	(67)	379
Electrical equipment and fittings	550	110	-	#	105	(139)	626
Renovation	75	-	-	-	-	(12)	63
Software	191	-	-	-	-	(95)	96
	49,917	6,760	(7)	(33)	-	(5,262)	51,375

Note:

# - Amount less than RM1,000.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2023 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 30.9.2023 RM'000
<b>Audited</b>							
<b>30.9.2023</b>							
Carrying amount							
Buildings	24,529	2	-	(23)	-	(426)	24,082
Building-in-progress	-	14	-	-	-	-	14
Plant and machinery	17,873	124	-	-	5,455	(2,805)	20,647
Plant and machinery under installation	4,864	776	-	-	(5,581)	-	59
Factory tools and equipment	1,174	64	-	#	126	(170)	1,194
Motor vehicles	310	-	#	-	-	(131)	179
Forklifts and lorries	428	380	#	-	-	(122)	686
Office equipment	429	108	-	#	-	(68)	469
Furniture and fittings	604	53	-	-	-	(73)	584
Air-conditioners	379	9	-	#	-	(51)	337
Electrical equipment and fittings	626	29	-	-	-	(110)	545
Renovation	63	5	-	-	-	(8)	60
Software	96	-	-	-	-	(72)	24
	51,375	1,564	#	(23)	-	(4,036)	48,880

Note:

# - Amount less than RM1,000.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
<b>Audited</b>			
<b>31.12.2020</b>			
Buildings	26,940	(2,802)	24,138
Building-in-progress	235	-	235
Plant and machinery	47,299	(23,350)	23,949
Plant and machinery under installation	470	-	470
Factory tools and equipment	3,375	(2,446)	929
Motor vehicles	4,386	(3,909)	477
Forklifts and lorries	2,116	(1,791)	325
Office equipment	1,157	(672)	485
Furniture and fittings	863	(291)	572
Air-conditioners	718	(256)	462
Electrical equipment and fittings	2,092	(1,462)	630
Renovation	374	(283)	91
Software	478	(192)	286
	<b>90,503</b>	<b>(37,454)</b>	<b>53,049</b>

<b>Audited</b>			
<b>31.12.2021</b>			
Buildings	27,377	(3,349)	24,028
Building-in-progress	809	-	809
Plant and machinery	48,123	(26,986)	21,137
Plant and machinery under installation	147	-	147
Factory tools and equipment	3,505	(2,629)	876
Motor vehicles	4,371	(4,003)	368
Forklifts and lorries	2,264	(1,849)	415
Office equipment	1,183	(757)	426
Furniture and fittings	867	(371)	496
Air-conditioners	721	(322)	399
Electrical equipment and fittings	2,141	(1,591)	550
Renovation	374	(299)	75
Software	478	(287)	191
	<b>92,360</b>	<b>(42,443)</b>	<b>49,917</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
<b>Audited</b>			
<b>31.12.2022</b>			
Buildings	28,433	(3,904)	24,529
Plant and machinery	46,955	(29,082)	17,873
Plant and machinery under installation	4,864	-	4,864
Factory tools and equipment	4,012	(2,838)	1,174
Motor vehicles	4,110	(3,800)	310
Forklifts and lorries	2,216	(1,788)	428
Office equipment	1,194	(765)	429
Furniture and fittings	1,058	(454)	604
Air-conditioners	761	(382)	379
Electrical equipment and fittings	2,166	(1,540)	626
Renovation	374	(311)	63
Software	478	(382)	96
	96,621	(45,246)	51,375

**Audited**  
**30.9.2023**

Buildings	28,406	(4,324)	24,082
Buildings in progress	14	-	14
Plant and machinery	52,534	(31,887)	20,647
Plant and machinery under installation	59	-	59
Factory tools and equipment	4,161	(2,967)	1,194
Motor vehicles	3,653	(3,474)	179
Forklifts and lorries	2,439	(1,753)	686
Office equipment	1,300	(831)	469
Furniture and fittings	1,112	(528)	584
Air-conditioners	768	(431)	337
Electrical equipment and fittings	2,194	(1,649)	545
Renovation	380	(320)	60
Software	478	(454)	24
	97,498	(48,618)	48,880

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

- (a) The buildings of the Group have been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 12(a) to the financial statements.
- (b) Included in the assets of the Group at the end of reporting period which were acquired under hire purchase terms are as follows:-

	----- Audited ----->			
	----- As at ----->			
	2020	31	2022	30
	RM'000	December	RM'000	September
		2021		2023
		RM'000		RM'000
Plant and machinery	16,180	14,092	10,569	9,190
Motor vehicles	424	272	140	41
	16,604	14,364	10,709	9,231

**5. RIGHT-OF-USE ASSETS**

	At		Modification of	Depreciation	At
	1.1.2020	Additions	Lease	Charges	31.12.2020
	RM'000	RM'000	Liabilities	RM'000	RM'000
			(Note 14)		
			RM'000		
<b>Audited</b>					
<b>31.12.2020</b>					
<i>Carrying Amount</i>					
Leasehold land	7,060	-	-	(145)	6,915
Factory buildings	691	-	14	(356)	349
Hostels	7	17	-	(9)	15
	7,758	17	14	(510)	7,279

	At		Modification of	Depreciation	At
	1.1.2021	Additions	Lease	Charges	31.12.2021
	RM'000	RM'000	Liabilities	RM'000	RM'000
			(Note 14)		
			RM'000		
<b>Audited</b>					
<b>31.12.2021</b>					
<i>Carrying Amount</i>					
Leasehold land	6,915	-	-	(145)	6,770
Factory buildings	349	-	401	(359)	391
Hostels	15	34	-	(15)	34
	7,279	34	401	(519)	7,195

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****5. RIGHT-OF-USE ASSETS (CONT'D)**

	At 1.1.2022 RM'000	Modification of Lease Liabilities (Note 14) RM'000	Depreciation Charges RM'000	At 31.12.2022 RM'000
<b>Audited 31.12.2022</b>				
<i>Carrying Amount</i>				
Leasehold land	6,770	-	(145)	6,625
Factory buildings	391	769	(391)	769
Hostels	34	25	(23)	36
	<b>7,195</b>	<b>794</b>	<b>(559)</b>	<b>7,430</b>
	At 1.1.2023 RM'000	Additions RM'000	Depreciation Charges RM'000	At 30.9.2023 RM'000
<b>Audited 30.9.2023</b>				
<i>Carrying Amount</i>				
Leasehold land	6,625	-	(108)	6,517
Factory buildings	769	-	(288)	481
Hostels	36	56	(24)	68
	<b>7,430</b>	<b>56</b>	<b>(420)</b>	<b>7,066</b>

- (a) The lease contracts for leasehold land, factory buildings and hostels used in its operations. Their lease terms are as below:-

	----- Audited ----->			
	----- As at ----->			
	<----- 2020	31 December 2021	-----> 2022	30 September 2023
Leasehold land	54 to 99 years	54 to 99 years	54 to 99 years	54 to 99 years
Factory buildings	2 to 3 years	2 to 3 years	2 to 3 years	2 to 3 years
Hostels	2 years	2 years	2 years	2 to 3 years

- (b) The Group also has leases with lease terms of 12 months or less and leases of office equipment with low value. The Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.
- (c) The leasehold land of the Group has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 12(a) to the financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****6. INVENTORIES**

	----- Audited ----->			
	----- As at ----->			
	31 December 2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
<b>At cost</b>				
Raw materials	3,161	4,496	4,876	3,702
Finished goods	2,029	1,940	1,853	2,170
Consumables	1,192	1,382	1,626	1,100
Goods-in-transit	484	380	240	871
	6,866	8,198	8,595	7,843
<u>Recognised in profit or loss:-</u>				
Inventories recognised as cost of sales	(60,048)	(59,293)	(60,944)	(55,200)

**7. TRADE RECEIVABLES**

The Group's normal trade terms ranging from 30 to 90 (As at 31 December 2022 - 30 to 120; 31 December 2021 - 30 to 120; 31 December 2020 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

**8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	----- Audited ----->			
	----- As at ----->			
	31 December 2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
Other receivables	13	13	20	54
Deposits	222	224	224	180
Prepayments	601	2,367	842	991
	836	2,604	1,086	1,225

Included in prepayments of the Group were amounts paid in advance for purchases of plant and machinery amounting to approximately Nil (As at 31 December 2022 - RM49,000; 31 December 2021 - RM1,213,000; 31 December 2020 - Nil).

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****9. FIXED DEPOSITS WITH LICENSED BANKS**

- (a) The fixed deposits with licensed banks at the end of the reporting period bore the following effective interest rates per annum:-

	-----Audited----->			
	-----As at----->			
	31 December 2020	31 December 2021	2022	30 September 2023
	%	%	%	%
Effective interest rates	1.30 - 2.75	1.30 - 1.70	1.30 - 1.70	1.70 - 2.95

The fixed deposits have maturity periods of 1 (As at 31 December 2022 - 1; 31 December 2021 - 1 to 12; 31 December 2020 - 1 to 12) months.

- (b) The fixed deposits that have been pledged for banking facilities or placed for more than three months are as follows:-

	-----Audited----->			
	-----As at----->			
	31 December 2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Fixed deposits: - pledged and with tenure of more than 3 months	1,517	1,545	-	-

As at 31 December 2020 and 31 December 2021, the fixed deposits with licensed banks of the Group have been pledged to the licensed bank as security for banking facilities granted to the Group as disclosed in Note 12(a) to the financial statements.

**10. SHARE CAPITAL**

The movements in the authorised and paid-up share capital of the Group are as follows:-

	-----Audited----->			
	-----As at----->			
	31 December 2020	31 December 2021	2022	30 September 2023
	-----Number of Shares '000----->			
<b>Issued and Fully Paid-Up</b>				
At 1 January	5,500	5,000	3,000	6,000
Issuance of new shares for cash	-	-	3,000	-
Effect of acquisition of a common control subsidiaries	(500)	(2,000)	-	-
At 31 December/30 September	5,000	3,000	6,000	6,000

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****10. SHARE CAPITAL (CONT'D)**

	-----Audited----->			
	-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	-----RM'000----->			
<b>Issued and Fully Paid-Up</b>				
At 1 January	5,500	5,000	3,000	6,000
Issuance of new shares for cash	-	-	3,000	-
Effect of acquisition of a common control subsidiaries	(500)	(2,000)	-	-
At 31 December/30 September	<u>5,000</u>	<u>3,000</u>	<u>6,000</u>	<u>6,000</u>

- (a) For the purpose of this report, the total numbers of shares represent the aggregate number of issued and fully paid-up shares of all entities within the Group.
- (b) The holders of ordinary shares are entitled to receive dividends as and when declared by the Group, and are entitled to one vote per ordinary share at meetings of the Group. The ordinary shares have no par value.
- (c) In the FYE 31 December 2022, the Group increased its issued and paid-up share capital from RM3,000,000 to RM6,000,000 by issuance of 3,000,000 new ordinary shares at RM1 each for cash consideration of RM3,000,000.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Group.

**11. MERGER DEFICIT**

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under the merger accounting principles.

**12. LONG-TERM BORROWINGS**

		-----Audited----->			
		-----As at----->			
		2020	31 December 2021	2022	30 September 2023
		-----RM'000----->			
Term loans	(a)	9,018	7,173	6,901	5,266
Hire purchase payables	(b)	4,981	3,480	1,133	10
		<u>13,999</u>	<u>10,653</u>	<u>8,034</u>	<u>5,276</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****12. LONG-TERM BORROWINGS (CONT'D)**

## (a) Term loans

	-----Audited-----			
	-----As at-----			
	31	31	30	30
	December	December	September	September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Current liabilities (Note 17)	2,890	3,054	2,488	2,272
Non-current liabilities	9,018	7,173	6,901	5,266
	<u>11,908</u>	<u>10,227</u>	<u>9,389</u>	<u>7,538</u>

Details of the repayment terms for term loans are as follows:-

Term loans	Number of Monthly Instalments	Monthly Instalment Amount RM	Commence Date of Repayment	-----Audited-----			
				-----As at-----			
				31	31	30	30
				December	December	September	September
				2020	2021	2022	2023
				RM'000	RM'000	RM'000	RM'000
1	96	39,375	March 2015	1,305	1,047	617	261
2	96	72,917	April 2018	5,216	4,803	4,022	3,364
3	60	105,207	May 2018	3,188	2,090	-	-
4	72	Note 1	July 2019	2,199	1,948	1,585	1,253
5	60	6,167	Aug 2021	-	339	265	210
6	60	50,000	Nov 2022	-	-	2,900	2,450
				<u>11,908</u>	<u>10,227</u>	<u>9,389</u>	<u>7,538</u>

Note 1 - Term loan shall be repaid on monthly basis at RM34,722 from year 1 to year 2; RM36,312 in year 3; thereafter in year 4 onwards shall be repaid at RM36,860 on monthly basis.

The term loans of the Group at the end of the reporting period were subjected to the following effective interest rates per annum:-

	-----Audited-----			
	-----As at-----			
	31	31	30	30
	December	December	September	September
	2020	2021	2022	2023
	%	%	%	%
Effective interest rates	3.85 - 6.14	3.59 - 6.12	4.04 - 6.18	4.81 - 6.64

The term loans are secured by:-

- (i) a legal charge over leasehold land and buildings of the Group as disclosed in Notes 4 and 5 to the financial statements;
- (ii) a pledge of the fixed deposits of the Group as disclosed in Note 9 to the financial statements;
- (iii) an assignment of life assurance policy by certain directors of the Group;
- (iv) a personal guarantee by a director of the Group;
- (v) a joint and several guarantee of certain directors of the Group; and
- (vi) a corporate guarantee by Zantat.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**12. LONG-TERM BORROWINGS (CONT'D)**

(b) Hire purchase payables

	-----Audited----->			
	-----As at----->			
	<-----	31 December	----->	30 September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:				
- not later than 1 year	2,790	2,534	2,406	1,843
- later than 1 year but not later than 5 years	5,224	3,595	1,152	10
	8,014	6,129	3,558	1,853
Less: Future finance charges	(577)	(349)	(140)	(40)
At 31 December	<u>7,437</u>	<u>5,780</u>	<u>3,418</u>	<u>1,813</u>
Current liabilities (Note 17)	2,456	2,300	2,285	1,803
Non-current liabilities	4,981	3,480	1,133	10
	<u>7,437</u>	<u>5,780</u>	<u>3,418</u>	<u>1,813</u>

The hire purchase payables of the Group at the end of the reporting period were subjected to the following effective interest rates per annum:-

	-----Audited----->			
	-----As at----->			
	<-----	31 December	----->	30 September
	2020	2021	2022	2023
	%	%	%	%
Effective interest rates	<u>4.35 - 5.46</u>	<u>4.35 - 5.46</u>	<u>4.35 - 5.46</u>	<u>4.35 - 5.46</u>

The hire purchase payables of the Group are secured by plant and machinery and motor vehicles under finance lease as disclosed in Note 4 to the financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****13. DEFERRED TAX LIABILITIES**

	<-----Audited----->			
	<-----As at----->			
	<----->	31 December	----->	30 September
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
At 1 January	2,389	2,389	2,389	3,024
Recognised in profit or loss (Note 20)	-	-	635	388
At 31 December/30 September	<u>2,389</u>	<u>2,389</u>	<u>3,024</u>	<u>3,412</u>

The deferred tax liabilities relates to the accelerated capital allowances over depreciation.

**14. LEASE LIABILITIES**

	<-----Audited----->			
	<-----As at----->			
	<----->	31 December	----->	30 September
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
At 1 January	718	385	429	805
Additions	17	34	-	56
Interest expense recognised in profit or loss	34	16	11	29
Changes due to lease modification (Note 5)	14	401	794	-
Repayment of principal	(364)	(391)	(418)	(300)
Repayment of interest expense	(34)	(16)	(11)	(29)
At 31 December/30 September	<u>385</u>	<u>429</u>	<u>805</u>	<u>561</u>
Analysed by:-				
Current liabilities	351	418	392	430
Non-current liabilities	34	11	413	131
	<u>385</u>	<u>429</u>	<u>805</u>	<u>561</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****15. TRADE PAYABLES**

- (a) The normal trade terms granted to the Group ranging from 30 to 90 (As at 31 December 2022 - 90; 31 December 2021 - 90; 31 December 2020 - 90) days.
- (b) Included in trade payables is an amount owing to related parties amounting to approximately RM65,000 (As at 31 December 2022 - RM70,000; 31 December 2021 - RM62,000; 31 December 2020 - RM90,000). The amount owing is unsecured and interest-free.

**16. OTHER PAYABLES AND ACCRUALS**

	-----Audited----->			
	-----As at----->			
	31	31	30	30
	December	December	September	September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Other payables	1,238	2,021	1,152	1,288
Advances from customers	-	-	-	409
Accruals	2,162	3,482	5,216	6,775
	3,400	5,503	6,368	8,472

Included in the other payables and accruals of the Group are accruals of handling fees amounting to approximately RM5,478,000 (As at 31 December 2022 - RM4,342,000; 31 December 2021 - RM1,445,000; 31 December 2020 - Nil) to sales facilitators for identifying, introducing, recommending prospective customers, negotiating on sales value, coordinating the logistics and handling of the Group's products.

**17. SHORT-TERM BORROWINGS**

	-----Audited----->			
	-----As at----->			
	31	31	30	30
	December	December	September	September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Post shipment buyer loan	973	1,851	2,089	1,249
Revolving credit	300	2,500	1,500	100
Bankers' acceptances	4,518	5,666	6,823	1,283
Invoice financing	-	-	350	-
Term loans (Note 12(a))	2,890	3,054	2,488	2,272
Hire purchase payable (Note 12(b))	2,456	2,300	2,285	1,803
	11,137	15,371	15,535	6,707

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**17. SHORT-TERM BORROWINGS (CONT'D)**

The post shipment buyer loan, revolving credit, bankers' acceptances and invoice financing of the Group are secured in the same manner as the term loans disclosed in Note 12(a) to the financial statements.

At the end of the reporting period, the Group were subjected to the following effective interest rates per annum:-

	-----Audited----->			
	-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	%	%	%	%
Post shipment buyer loan	2.87 - 2.88	2.89 - 2.95	2.83 - 4.01	4.22 - 4.26
Revolving credit	2.97	2.95 - 3.04	3.30 - 4.62	4.54
Bankers' acceptances	3.04 - 3.11	2.99 - 3.05	2.99 - 4.26	4.09 - 4.19
Invoice financing	-	-	4.55 - 5.74	-
Term loans (Note 12(a))	3.85 - 6.14	3.59 - 6.12	4.04 - 6.18	4.81 - 6.64
Hire purchase payables (Note 12(b))	4.35 - 5.46	4.35 - 5.46	4.35 - 5.46	4.35 - 5.46

**18. REVENUE**

The revenue represents sales of goods which was recognised at a point in time.

	-----Audited----->			Unaudited	Audited
	-----FYE 31 December----->			-----Nine months period -----FPE 30 September----->	
	2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
Local sales	30,763	32,867	35,130	27,006	29,043
Overseas sales	76,446	86,597	77,893	55,971	62,046
	107,209	119,464	113,023	82,977	91,089

The information on the disaggregation of revenue by geographical market is disclosed in Note 26.2 to the financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****19. PROFIT BEFORE TAXATION**

	<----- Audited ----->			Unaudited Nine months period <--FPE 30 September-->	Audited 2023
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Profit before taxation is arrived at after charging/(crediting):-					
Audit fees	53	93	100	85	81
Directors' fees	670	690	-	-	75
Directors' non-fee emoluments	4,596	4,575	2,832	2,262	2,489
<b>Material Expenses/(Income):-</b>					
Bad debt written off	-	-	-	-	2
Depreciation:					
- property, plant and equipment	5,629	5,461	5,262	3,959	4,036
- right-of-use assets	510	519	559	420	420
Property, plant and equipment written off	9	2	33	7	23
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- bankers' acceptances	116	136	205	127	108
- discounting charges	#	2	-	-	-
- post shipment buyer loan	71	47	65	46	74
- term loans	711	514	505	372	377
- revolving credit	68	29	70	42	44
- invoice financing	-	-	41	35	-
- hire purchase payables	225	228	365	311	100
Interest expense on lease liabilities	34	16	11	10	29
Lease expenses:					
- short-term leases	3	7	-	-	20
Staff cost:					
- short-term employee benefits	9,670	9,576	9,885	6,845	8,335
- defined contribution benefits	750	773	764	515	553
- others	108	104	110	80	96
Gain on disposal of property, plant and equipment	(32)	(124)	(180)	(155)	(161)
(Gain)/loss on foreign exchange:					
- realised	(145)	(639)	(1,332)	(1,276)	(280)
- unrealised	93	(219)	427	(550)	(1,028)
Interest income on financial assets measured at amortised cost					
- fixed deposits with licensed banks	(180)	(97)	(66)	(48)	(85)
- others	-	#	#	-	-

Note:

# - Amount less than RM1,000.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****20. INCOME TAX EXPENSE**

	<-----Audited----->			Unaudited Nine months period <--FPE 30 September -->	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Current tax:					
- for the financial year/period	2,397	2,550	1,830	1,338	2,076
- (over)/underprovision in previous financial years	(99)	57	(543)	(543)	(301)
	2,298	2,607	1,287	795	1,775
Deferred tax:					
- origination of temporary differences	-	-	196	196	216
- underprovision in previous financial years	-	-	439	439	172
	-	-	635	635	388
	2,298	2,607	1,922	1,430	2,163

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	<-----Audited----->			Unaudited Nine months period <FPE 30 September>	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Profit before taxation	8,533	9,111	7,341	5,850	7,834
Tax at statutory tax rate of 24%	2,048	2,187	1,762	1,404	1,880
Tax effects of:-					
Non-deductible expenses	435	374	193	104	448
Deferred tax assets not recognised during the financial year/period	-	-	90	39	42
Non-taxable gain	-	(11)	(19)	(13)	(78)
Effect of change in corporate income tax	(42)	-	-	-	-
Utilisation of deferred tax assets not recognised in the previous financial year/period	(44)	-	-	-	-
(Over)/Underprovision of current tax in previous financial year	(99)	57	(543)	(543)	(301)
Underprovision of deferred tax liabilities in previous financial year	-	-	439	439	172
	2,298	2,607	1,922	1,430	2,163

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (FYE 31 December 2022 - 24%, 31 December 2021 - 24%; 31 December 2020 - 24%) of the estimated assessable profit for the financial year/period.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****20. INCOME TAX EXPENSE (CONT'D)**

As at 30 September 2023, the Group has unused tax losses of approximately RM42,000 that are available for offset against future taxable profits of a subsidiary in which the losses arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profit of the subsidiary will be available against which the deductible temporary differences can be utilised.

Based on the current legislation, the unused tax losses are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment.

The Group unused tax losses can be carried forward up to YA2033.

**Calrock**

In the FYE 31 December 2020, the corporate tax rate on the first RM600,000 of chargeable income is 17%. The taxable rate applicable to the balance of chargeable income is 24%.

**21. EARNINGS PER SHARE**

	<-----Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	←-FPE 30 September-→
	2020	2021	2022	2022	2023
Profit attributable to owners of the Company (RM'000)	6,235	6,504	5,419	4,420	5,671
Weighted average number of ordinary shares ('000)	5,000	3,000	4,644	4,187	6,000
Basic earnings per share (RM)	1.25	2.17	1.17	1.06	0.95

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**22. DIVIDENDS**

	<----- Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	
	2020	2021	2022	<--FPE 30 September--> 2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Zantat</u></b>					
<b>Ordinary shares:-</b>					
In respect of the financial year ended:-					
31 December 2020:					
- interim single-tier dividend of RM1 per ordinary share	3,000	-	-	-	-
31 December 2021:					
- interim single-tier dividend of RM1 per ordinary share	-	3,000	-	-	-
- final single-tier dividend of RM1 per ordinary share	-	-	3,000	3,000	-
31 December 2022:					
- interim single-tier dividend of RM0.50 per ordinary share	-	-	3,000	-	-
	3,000	3,000	6,000	3,000	-
<b><u>Calrock</u></b>					
<b>Ordinary shares:-</b>					
In respect of the financial year ended:-					
31 December 2020:					
- interim single-tier dividend of RM0.75 per ordinary share	1,500	-	-	-	-
31 December 2021:					
- interim single-tier dividend of RM0.50 per ordinary share	-	723	-	-	-
	1,500	723	-	-	-
	4,500	3,723	6,000	3,000	-

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**23. CASH FLOW INFORMATION**

- (a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	<----- Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	
	2020	2021	2022	←FPE 30 September→ 2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Property, plant and equipment</b>					
Cost of property, plant and equipment purchased (Note 4)	2,345	2,331	6,760	4,681	1,564
Less: Accruals - balance remain unpaid in current financial year	-	-	(199)	-	-
Add: Prepayments made for future purchases	-	1,213	49	-	-
Less: Prepayments made in previous financial year/period	-	-	(1,213)	(1,213)	(49)
	<u>2,345</u>	<u>3,544</u>	<u>5,397</u>	<u>3,468</u>	<u>1,515</u>
<b>Right-of-use assets</b>					
Cost of right-of-use assets acquired (Note 5)	17	34	-	-	56
Less: Addition of new lease liabilities (Note 23(b))	(17)	(34)	-	-	(56)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**23. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Total RM'000
<b>Audited 31.12.2020</b>							
At 1 January	718	12,948	8,922	1,750	750	4,790	29,878
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	-	-	-	7,946	4,250	15,611	27,807
Repayment of principal	(364)	(1,040)	(1,485)	(8,723)	(4,700)	(15,883)	(32,195)
Repayment of interests	(34)	(711)	(225)	(71)	(68)	(116)	(1,225)
	(398)	(1,751)	(1,710)	(848)	(518)	(388)	(5,613)
<u>Other Changes</u>							
Acquisition of new leases	17	-	-	-	-	-	17
Modification of lease	14	-	-	-	-	-	14
Interest expense recognised in profit or loss	34	711	225	71	68	116	1,225
	65	711	225	71	68	116	1,256
At 31 December	385	11,908	7,437	973	300	4,518	25,521

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**23. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Total RM'000
<b>Audited 31.12.2021</b>							
At 1 January	385	11,908	7,437	973	300	4,518	25,521
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	-	370	-	8,490	6,150	19,606	34,616
Repayment of principal	(391)	(2,051)	(1,657)	(7,612)	(3,950)	(18,458)	(34,119)
Repayment of interests	(16)	(514)	(228)	(47)	(29)	(136)	(970)
	(407)	(2,195)	(1,885)	831	2,171	1,012	(473)
<u>Other Changes</u>							
Acquisition of new leases	34	-	-	-	-	-	34
Modification of lease	401	-	-	-	-	-	401
Interest expense recognised in profit or loss	16	514	228	47	29	136	970
	451	514	228	47	29	136	1,405
At 31 December	429	10,227	5,780	1,851	2,500	5,666	26,453

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**23. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Invoice Financing RM'000	Total RM'000
<b>Audited</b>								
<b>31.12.2022</b>								
At 1 January	429	10,227	5,780	1,851	2,500	5,666	-	26,453
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	-	3,000	-	10,421	8,150	28,126	3,091	52,788
Repayment of principal	(418)	(2,386)	(2,495)	(10,183)	(9,150)	(26,969)	(2,741)	(54,342)
Repayment of interests	(11)	(446)	(232)	(65)	(70)	(205)	(41)	(1,070)
	(429)	168	(2,727)	173	(1,070)	952	309	(2,624)
<u>Other Changes</u>								
Modification of lease	794	-	-	-	-	-	-	794
Repayment by way of offsetting with fixed deposits pledged	-	(1,511)	-	-	-	-	-	(1,511)
Interest expense recognised in profit or loss	11	505	365	65	70	205	41	1,262
	805	(1,006)	365	65	70	205	41	545
At 31 December	805	9,389	3,418	2,089	1,500	6,823	350	24,374

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**23. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Invoice Financing RM'000	Total RM'000
<b>Unaudited 30.9.2022</b>								
At 1 January	429	10,227	5,780	1,851	2,500	5,666	-	26,453
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	-	2,253	-	7,146	6,000	18,662	2,741	36,802
Repayment of principal	(313)	(1,820)	(1,676)	(7,243)	(5,600)	(20,132)	(2,741)	(39,525)
Repayment of interests	(10)	(315)	(179)	(46)	(42)	(127)	(35)	(754)
	(323)	118	(1,855)	(143)	358	(1,597)	(35)	(3,477)
<u>Other Changes</u>								
Modification of lease	(6)	-	-	-	-	-	-	(6)
Repayment by way of offsetting with fixed deposits pledged	-	(1,511)	-	-	-	-	-	(1,511)
Interest expense recognised in profit or loss	10	372	311	46	42	127	35	943
	4	(1,139)	311	46	42	127	35	(574)
At 30 September	110	9,206	4,236	1,754	2,900	4,196	-	22,402

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**23. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Invoice Financing RM'000	Total RM'000
<b>Audited 30.9.2023</b>								
At 1 January	805	9,389	3,418	2,089	1,500	6,823	350	24,374
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	-	-	-	7,929	2,450	13,330	-	23,709
Repayment of principal	(300)	(1,847)	(1,605)	(8,769)	(3,850)	(18,870)	(350)	(35,591)
Repayment of interests	(29)	(381)	(100)	(74)	(44)	(108)	-	(736)
	(329)	(2,228)	(1,705)	(914)	(1,444)	(5,648)	(350)	(12,618)
<u>Other Changes</u>								
Addition	56	-	-	-	-	-	-	56
Interest expense recognised in profit or loss	29	377	100	74	44	108	-	732
	85	377	100	74	44	108	-	788
At 30 September	561	7,538	1,813	1,249	100	1,283	-	12,544

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****23. CASH FLOW INFORMATION (CONT'D)**

(c) The cash and cash equivalents comprise the following:-

	<-----Audited ----->			Unaudited	Audited
	<-----As at 31 December----->			As at 30 September	2023
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	5,311	2,058	4,531	4,496	4,500
Fixed deposits with licensed banks	5,673	5,061	3,442	1,620	4,018
	<u>10,984</u>	<u>7,119</u>	<u>7,973</u>	<u>6,116</u>	<u>8,518</u>
Less: Fixed deposits pledged to licensed banks (Note 19)	(1,517)	(1,545)	-	-	-
	<u>9,467</u>	<u>5,574</u>	<u>7,973</u>	<u>6,116</u>	<u>8,518</u>

**24. KEY MANAGEMENT PERSONNEL**

The key management personnel of the Group include directors and a member of senior management of the Group.

The key management personnel compensation during the financial year/period are as follows:-

**(a) Directors of the Group**

	<-----Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	<--FPE 30 September-->
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits:					
- non-fee emoluments	4,233	4,202	2,590	2,081	2,303
- fees	670	690	-	-	75
	<u>4,903</u>	<u>4,892</u>	<u>2,590</u>	<u>2,081</u>	<u>2,378</u>
- defined contribution benefits	363	373	242	181	186
	<u>5,266</u>	<u>5,265</u>	<u>2,832</u>	<u>2,262</u>	<u>2,564</u>

The estimated monetary value of benefits-in-kind provided by the Group to the directors were approximately RM29,000 (FYE 31 December 2022 - RM50,000; 31 December 2021 - RM76,000; 31 December 2020 - RM76,000).

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****24. KEY MANAGEMENT PERSONNEL (CONT'D)**

The key management personnel compensation during the financial year/period are as follows (Cont'd):-

**(b) Other Key Management Personnel**

	<-----Audited ----->			Unaudited Nine months period <--FPE 30 September-->	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Short-term employee benefits	-	205	243	162	155
Defined contribution benefits	-	26	30	19	19
	-	231	273	181	174

**25. RELATED PARTY DISCLOSURES****(a) Identities of Related Parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with entities controlled by close family members of certain directors, close family members of certain directors and a director.

**(b) Significant Related Party Transactions and Balances**

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year/period:-

	<-----Audited ----->			Unaudited Nine months period <--FPE 30 September-->	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Entities controlled by close family members of certain directors:					
- Transportation expenses	525	487	799	593	608
Close family members of certain directors:					
- Transportation expenses	490	469	189	139	168
A director:					
- Disposal of motor vehicle	-	-	(80)	-	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**26. OPERATING SEGMENTS**

Operating segments are prepared in a manner consistent with the internal reporting provided to the directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 2 main reportable segments as follows:-

- (a) Production segment - involved in production of Ground Calcium Carbonate ("GCC"), Calcium carbonate ("CC") dispersion and kaolin dispersion.
- (b) Others - involved in the business of trading in other industrial minerals, sales of limestone quarry products and bioplastic compounding.

The management assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment assets and liabilities information are not regularly provided to the chief operating decision maker. Hence, no disclosure is made on segment assets and liabilities.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**

## 26.1 BUSINESS SEGMENTS

	Production RM'000	Others RM'000	Group RM'000
<b>Audited</b>			
<b>31.12.2020</b>			
<b>Revenue</b>			
External revenue	104,405	2,804	107,209
Inter-segment revenue	-	1,530	1,530
	104,405	4,334	108,739
Combined adjustments and eliminations			(1,530)
Combined revenue			107,209
<b>Results</b>			
Segment profit before interest and taxation	8,871	1,338	10,209
Finance costs			(1,676)
Income tax expense			(2,298)
Combined profit after taxation			6,235
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	5,580	49	5,629
- right-of-use assets	486	24	510
Equipment written off	9	-	9
Gain on disposal on property, plant and equipment	(32)	-	(32)
Unrealised loss on foreign exchange	93	-	93
	93	-	93

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**

## 26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
<b>Audited</b>			
<b>31.12.2021</b>			
<b>Revenue</b>			
External revenue	116,099	3,365	119,464
Inter-segment revenue	-	1,868	1,868
	116,099	5,233	121,332
Consolidation adjustments and eliminations			(1,868)
Consolidated revenue			119,464
<b>Results</b>			
Segment profit before interest and taxation	8,862	1,641	10,503
Finance costs			(1,392)
Income tax expense			(2,607)
Consolidated profit after taxation			6,504
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	5,412	49	5,461
- right-of-use assets	495	24	519
Equipment written off	2	-	2
Gain on disposal on property, plant and equipment	(124)	-	(124)
Unrealised gain on foreign exchange	(219)	-	(219)

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**

## 26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
<b>Audited</b>			
<b>31.12.2022</b>			
<b>Revenue</b>			
External revenue	109,344	3,679	113,023
Inter-segment revenue	-	1,428	1,428
	109,344	5,107	114,451
Consolidation adjustments and eliminations			(1,428)
Consolidated revenue			113,023
<b>Results</b>			
Segment profit before interest and taxation	7,711	1,198	8,909
Finance costs			(1,568)
Income tax expense			(1,922)
Consolidated profit after taxation			5,419
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	5,218	44	5,262
- right-of-use assets	535	24	559
Equipment written off	33	-	33
Gain on disposal on property, plant and equipment	(180)	-	(180)
Unrealised loss/(gain) on foreign exchange	429	(2)	427

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**26. OPERATING SEGMENTS (CONT'D)**

26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
<b>Unaudited 30.9.2022</b>			
<b>Revenue</b>			
External revenue	80,607	2,370	82,977
Inter-segment revenue	-	1,004	1,004
	80,607	3,374	83,891
Consolidation adjustments and eliminations			(1,004)
Consolidated revenue			82,977
<b>Results</b>			
Segment profit before interest and taxation	6,247	770	7,017
Finance costs			(1,167)
Income tax expense			(1,430)
Consolidated profit after taxation			4,420
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	3,922	37	3,959
- right-of-use assets	402	18	420
Equipment written off	7	-	7
Gain on disposal on property, plant and equipment	(155)	-	(155)
Unrealised gain on foreign exchange	(550)	-	(550)

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**

## 26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
<b>Audited</b>			
<b>30.9.2023</b>			
<b>Revenue</b>			
External revenue	88,431	2,658	91,089
Inter-segment revenue	-	1,154	1,154
	88,431	3,812	92,243
Consolidation adjustments and eliminations			(1,154)
Consolidated revenue			91,089
<b>Results</b>			
Segment profit before interest and taxation	8,262	564	8,826
Finance costs			(992)
Income tax expense			(2,163)
Consolidated profit after taxation			5,671
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	3,883	153	4,036
- right-of-use assets	402	18	420
Equipment written off	23	-	23
Gain on disposal on property, plant and equipment	(161)	-	(161)
Unrealised gain on foreign exchange	(1,026)	(2)	(1,028)

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**26.2 **Geographical Information**

Revenue is based on the country in which the customers are located.

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	Nine months period
	2020	2021	2022	<-FPE 30 September-> 2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	30,763	32,867	35,130	27,006	29,043
India	67,053	75,489	67,395	47,921	54,228
Others	9,393	11,108	10,498	8,050	7,818
	107,209	119,464	113,023	82,977	91,089

The geographical information for non-current assets is not presented as the Group operates primarily in Malaysia during the reporting period.

26.3 **MAJOR CUSTOMERS**

The following are the major customers with revenue equal to or more than 10% of the Group's revenue:-

	<-----Audited----->			Unaudited	Audited	Segment
	<-----FYE 31 December----->			Nine months period	Nine months period	
	2020	2021	2022	<-FPE 30 September-> 2022	2023	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Customer 1	19,372	24,884	22,770	16,056	19,533	Production
Customer 2	*	*	13,932	9,737	10,980	Production

\* Less than 10%

**27. FOREIGN EXCHANGE RATE**

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	Nine months period
	2020	2021	2022	<-FPE 30 September-> 2022	2023
	RM	RM	RM	RM	RM
United States Dollar	4.016	4.161	4.404	4.623	4.679
Singapore Dollar	3.035	-	3.275	3.226	3.423
Euro Dollar	4.968	-	-	-	-
Chinese Yuan	0.629	0.664	0.646	0.665	0.656

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****28. CAPITAL COMMITMENTS**

	-----Audited----->			
	-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	485	2,770	1,220	1,187

**29. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**29.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's policies in respect of major areas of treasury activity are as follows:-

**(a) Market Risk****(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Yuan ("CNY"), Euro Dollar ("EUR") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

*Foreign Currency Exposure*

	USD	CNY	SGD	EUR	MYR	Total
	-----RM'000----->					
<b>Audited</b>						
<b>31.12.2020</b>						
<u>Financial Assets</u>						
Trade receivables	11,836	-	8	-	6,268	18,112
Other receivables and deposits	-	-	-	-	235	235
Fixed deposits with licensed banks	-	-	-	-	5,673	5,673
Cash and bank balances	1,612	-	-	-	3,699	5,311
	13,448	-	8	-	15,875	29,331

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

## (i) Foreign Currency Risk (Cont'd)

*Foreign Currency Exposure (Cont'd)*

	USD	CNY	SGD	EUR	MYR	Total
	-----RM'000-----					
<b>Audited</b>						
<b>31.12.2020</b>						
<u>Financial Liabilities</u>						
Trade payables	2,172	93	-	14	7,024	9,303
Other payables and accruals	7	-	-	-	3,393	3,400
Term loans	-	-	-	-	11,908	11,908
Hire purchase payables	-	-	-	-	7,437	7,437
Post shipment buyer loan	-	-	-	-	973	973
Revolving credit	-	-	-	-	300	300
Bankers' acceptances	-	-	-	-	4,518	4,518
	<u>2,179</u>	<u>93</u>	<u>-</u>	<u>14</u>	<u>35,553</u>	<u>37,839</u>
Net financial assets /(liabilities)	11,269	(93)	8	(14)	(19,678)	(8,508)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	-	-	19,678	19,678
Currency exposure	<u>11,269</u>	<u>(93)</u>	<u>8</u>	<u>(14)</u>	<u>-</u>	<u>11,170</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

*Foreign Currency Exposure (Cont'd)*

	USD	CNY	MYR	Total
	<-----RM'000----->			
<b>Audited</b>				
<b>31.12.2021</b>				
<u>Financial Assets</u>				
Trade receivables	17,616	-	4,383	21,999
Other receivables and deposits	-	-	237	237
Fixed deposits with licensed banks	-	-	5,061	5,061
Cash and bank balances	1,159	1	898	2,058
	<u>18,775</u>	<u>1</u>	<u>10,579</u>	<u>29,355</u>
<u>Financial Liabilities</u>				
Trade payables	2,806	238	5,475	8,519
Other payables and accruals	1,445	-	4,058	5,503
Term loans	-	-	10,227	10,227
Hire purchase payables	-	-	5,780	5,780
Post shipment buyer loan	-	-	1,851	1,851
Revolving credit	-	-	2,500	2,500
Bankers' acceptances	-	-	5,666	5,666
	<u>4,251</u>	<u>238</u>	<u>35,557</u>	<u>40,046</u>
Net financial assets/ (liabilities)	14,524	(237)	(24,978)	(10,691)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	24,978	24,978
Currency exposure	<u>14,524</u>	<u>(237)</u>	<u>-</u>	<u>14,287</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

*Foreign Currency Exposure (Cont'd)*

	USD	CNY	SGD	MYR	Total
	<-----RM'000----->				
<b>Audited</b>					
<b>31.12.2022</b>					
<u>Financial Assets</u>					
Trade receivables	15,417	-	44	5,789	21,250
Other receivables and deposits	-	-	-	244	244
Fixed deposits with licensed banks	-	-	-	3,442	3,442
Cash and bank balances	2,783	1	-	1,747	4,531
	<b>18,200</b>	<b>1</b>	<b>44</b>	<b>11,222</b>	<b>29,467</b>
<u>Financial Liabilities</u>					
Trade payables	129	665	-	7,245	8,039
Other payables and accruals	4,346	-	-	2,022	6,368
Term loans	-	-	-	9,389	9,389
Hire purchase payables	-	-	-	3,418	3,418
Post shipment buyer loan	-	-	-	2,089	2,089
Revolving credit	-	-	-	1,500	1,500
Bankers' acceptances	-	-	-	6,823	6,823
Invoice financing	-	-	-	350	350
	<b>4,475</b>	<b>665</b>	<b>-</b>	<b>32,836</b>	<b>37,976</b>
Net financial assets/ (liabilities)	13,725	(664)	44	(21,614)	(8,509)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	-	21,614	21,614
Currency exposure	<b>13,725</b>	<b>(664)</b>	<b>44</b>	<b>-</b>	<b>13,105</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

## (i) Foreign Currency Risk (Cont'd)

*Foreign Currency Exposure (Cont'd)*

	USD	CNY	MYR	Total
	<-----RM'000----->			
<b>Audited</b>				
<b>30.9.2023</b>				
<u>Financial Assets</u>				
Trade receivables	13,161	-	9,432	22,593
Other receivables and deposits	-	-	234	234
Fixed deposits with licensed banks	-	-	4,018	4,018
Cash and bank balances	2,426	1	2,073	4,500
	<u>15,587</u>	<u>1</u>	<u>15,757</u>	<u>31,345</u>
 <u>Financial Liabilities</u>				
Trade payables	72	154	8,072	8,298
Other payables and accruals	5,512	-	2,551	8,063
Term loans	-	-	7,538	7,538
Hire purchase payables	-	-	1,813	1,813
Post shipment buyer loan	-	-	1,249	1,249
Revolving credit	-	-	100	100
Bankers' acceptances	-	-	1,283	1,283
	<u>5,584</u>	<u>154</u>	<u>22,606</u>	<u>28,344</u>
 Net financial assets/ (liabilities)	10,003	(153)	(6,849)	3,001
 Less: Net financial liabilities denominated in the entity's functional currency	-	-	6,849	6,849
	<u>10,003</u>	<u>(153)</u>	<u>-</u>	<u>9,850</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

*Foreign Currency Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	←-----Audited-----→			
	←-----As at-----→			
	2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Effect on Profit After Taxation				
USD/RM				
- strengthened by 5%	+428	+552	+521	+380
- weakened by 5%	-428	-552	-521	-380
CNY/RM				
- strengthened by 5%	-4	-9	-25	-6
- weakened by 5%	+4	+9	+25	+6
SGD/RM				
- strengthened by 5%	#	-	+2	-
- weakened by 5%	#	-	-2	-
EUR/RM				
- strengthened by 5%	-1	-	-	-
- weakened by 5%	+1	-	-	-

Note:  
# - Amount less than RM1,000.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

## (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term loan with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fix and floating rate borrowings.

The Group's fixed rate receivables, borrowings and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 12(a) to the financial statements.

*Interest Rate Risk Sensitivity Analysis*

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have a material impact on the profit after taxation and equity of the Group and hence, no sensitivity analysis is presented.

## (iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

**(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the trade receivables as at the end of the reporting period is as follows:-

	-----Audited----->			
	<-----FYE----->			FPE
	31	31	31	30
	2020	December 2021	2022	September 2023
Number of customers	1	2	2	3
Percentage	25%	47%	41%	36%

## (ii) Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

## (iii) Assessment of Impairment Losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through period review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of the following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 120 days past due. The Group uses a more lagging past due criterion for certain trade receivables when it is more appropriate to reflect their loss patterns.

Trade Receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

*Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 12 months (FYE 31 December 2022 - 12 months; 31 December 2021 - 12 months; 31 December 2020 - 12 months) before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debt.

*Allowance for Impairment Losses*

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
<b>Audited</b>			
<b>31.12.2020</b>			
Current (not past due)	10,874	-	10,874
1 to 30 days past due	5,461	-	5,461
31 to 60 days past due	1,349	-	1,349
61 to 90 days past due	224	-	224
More than 90 days past due	204	-	204
	<u>18,112</u>	<u>-</u>	<u>18,112</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

*Allowance for Impairment Losses (Cont'd)*

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
<b>Audited</b>			
<b>31.12.2021</b>			
Current (not past due)	13,208	-	13,208
1 to 30 days past due	6,884	-	6,884
31 to 60 days past due	1,722	-	1,722
61 to 90 days past due	7	-	7
More than 90 days past due	178	-	178
	21,999	-	21,999

<b>Audited</b>			
<b>31.12.2022</b>			
Current (not past due)	14,184	-	14,184
1 to 30 days past due	5,584	-	5,584
31 to 60 days past due	934	-	934
61 to 90 days past due	161	-	161
More than 90 days past due	387	-	387
	21,250	-	21,250

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses (Cont'd)*

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
<b>Audited</b>			
<b>30.9.2023</b>			
Current (not past due)	13,877	-	13,877
1 to 30 days past due	6,422	-	6,422
31 to 60 days past due	1,584	-	1,584
61 to 90 days past due	458	-	458
More than 90 days past due	252	-	252
	22,593	-	22,593

The Group believes that no impairment allowance is necessary in respect of these receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default. The probability of default by these trade receivables are negligible.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

*Allowance for Impairment Losses*

No expected credit loss is recognised on other receivables as it is negligible.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

*Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
<b>Audited</b>						
<b>31.12.2020</b>						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	9,303	9,303	9,303	-	-
Other payables and accruals	-	3,400	3,400	3,400	-	-
Term loans	3.85% - 6.14%	11,908	13,311	3,407	8,944	960
Hire purchase payables	4.35% - 5.46%	7,437	8,014	2,790	5,224	-
Post shipment buyer loan	2.87% - 2.88%	973	973	973	-	-
Revolving credit	2.97%	300	300	300	-	-
Bankers' acceptances	3.04% - 3.11%	4,518	4,518	4,518	-	-
		37,839	39,819	24,691	14,168	960
<u>Other Financial Liability</u>						
Lease liabilities	6.00%	385	398	364	34	-
		38,224	40,217	25,055	14,202	960

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIE (CONT'D)

(c) **Liquidity Risk (Cont'd)**

*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
<b>Audited</b>						
<b>31.12.2021</b>						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	8,519	8,519	8,519	-	-
Other payables and accruals	-	5,503	5,503	5,503	-	-
Term loans	3.59% - 6.12%	10,227	11,271	3,472	7,799	-
Hire purchase payables	4.35% - 5.46%	5,780	6,130	2,534	3,596	-
Post shipment buyer loan	2.89% - 2.95%	1,851	1,851	1,851	-	-
Revolving credit	2.95% - 3.04%	2,500	2,500	2,500	-	-
Bankers' acceptances	2.99% - 3.05%	5,666	5,666	5,666	-	-
		40,046	41,440	30,045	11,395	-
<u>Other Financial liability</u>						
Lease liabilities	5.00% - 6.00%	429	440	429	11	-
		40,475	41,880	30,474	11,406	-

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
<b>Audited</b>						
<b>31.12.2022</b>						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	8,039	8,039	8,039	-	-
Other payables and accruals	-	6,368	6,368	6,368	-	-
Term loans	4.04% - 6.18%	9,389	10,474	2,923	7,551	-
Hire purchase payable	4.35% - 5.46%	3,418	3,558	2,406	1,152	-
Post shipment buyer loan	2.83% - 4.01%	2,089	2,089	2,089	-	-
Revolving credit	3.30% - 4.62%	1,500	1,500	1,500	-	-
Bankers' acceptances	2.99% - 4.26%	6,823	6,823	6,823	-	-
Invoice financing	4.55% - 5.74%	350	350	350	-	-
		37,976	39,201	30,498	8,703	-
<u>Other Financial Liability</u>						
Lease liabilities	4.82%	805	851	426	425	-
		38,781	40,052	30,924	9,128	-

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)**

*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
<b>Audited</b>						
<b>30.9.2023</b>						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	8,298	8,298	8,298	-	-
Other payables and accruals	-	8,063	8,063	8,063	-	-
Term loans	4.81% - 6.64%	7,538	8,322	2,649	5,673	-
Hire purchase payable	4.35% - 5.46%	1,813	1,853	1,843	10	-
Post shipment buyer loan	4.22% - 4.26%	1,249	1,249	1,249	-	-
Revolving credit	4.54%	100	100	100	-	-
Bankers' acceptances	4.09% - 4.19%	1,283	1,283	1,283	-	-
		28,344	29,168	23,485	5,683	-
<u>Other Financial Liability</u>						
Lease liabilities	5.48% - 5.82%	561	583	450	134	-
		28,905	29,751	23,935	5,817	-

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total debt divided by total equity. The Group includes within total debt, loans and borrowings from financial institutions. Capital includes equity attributable to the owners. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	<-----Audited----->			
	<-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Term loans	11,908	10,227	9,389	7,538
Hire purchase payables	7,437	5,780	3,418	1,813
Post shipment buyer loan	973	1,851	2,089	1,249
Revolving credit	300	2,500	1,500	100
Bankers' acceptances	4,518	5,666	6,823	1,283
Invoice financing	-	-	350	-
<b>Total debt</b>	<b>25,136</b>	<b>26,024</b>	<b>23,569</b>	<b>11,983</b>
<b>Total equity</b>	<b>56,807</b>	<b>54,988</b>	<b>57,407</b>	<b>63,078</b>
<b>Debt-to-equity ratio</b>	<b>0.44</b>	<b>0.47</b>	<b>0.41</b>	<b>0.19</b>

There was no change in the Group's approach to capital management during the financial years/period.

**13. ACCOUNTANTS' REPORT (Cont'd)**

**ZANTAT HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<-----Audited----->			
	<-----As at----->			
	<-----	31	----->	30
	2020	December	2022	September
	RM'000	2021	RM'000	2023
		RM'000		RM'000
<b>Financial Asset</b>				
<u>Amortised Cost</u>				
Trade receivables	18,112	21,999	21,250	22,593
Other receivables and deposits	235	237	244	234
Fixed deposits with licensed banks	5,673	5,061	3,442	4,018
Cash and bank balances	5,311	2,058	4,531	4,500
	29,331	29,355	29,467	31,345
<b>Financial Liability</b>				
<u>Amortised Cost</u>				
Trade payables	9,303	8,519	8,039	8,298
Other payables and accruals	3,400	5,503	6,368	8,063
Term loans	11,908	10,227	9,389	7,538
Hire purchase payables	7,437	5,780	3,418	1,813
Post shipment buyer loan	973	1,851	2,089	1,249
Revolving credit	300	2,500	1,500	100
Bankers' acceptances	4,518	5,666	6,823	1,283
Invoice financing	-	-	350	-
	37,839	40,046	37,976	28,344

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	-----Audited----->			
	<-----FYE----->			FPE
	31			30
	December			September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Financial Asset</b>				
<u>Amortised Cost</u>				
Net gains recognised in profit or loss	232	954	971	1,393
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financial Liability</b>				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(1,191)	(956)	(1,251)	(703)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 29.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

**13. ACCOUNTANTS' REPORT (Cont'd)****ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****30. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD AND SUBSEQUENT EVENTS**

- (a) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and of the opinion that there were no material impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

- (b) On 12 October 2020, Zantat acquired 500,000 ordinary shares representing 100% equity interest in Zantat Light for a total cash consideration of RM2,000,000. Following the completion of acquisition, Zantat Light became a wholly-owned subsidiary of the Zantat.
- (c) On 3 June 2021, Zantat acquired 554,000 ordinary shares representing 28% equity interest in Calrock for a total cash consideration of RM1,274,200. Subsequently on 30 November 2021, Zantat acquired further of 1,446,000 ordinary shares representing 72% equity interest in Calrock for a total cash consideration of RM3,325,800. Following the completion of acquisition, Calrock became a wholly-owned subsidiary of Zantat.
- (d) On 11 November 2021, Zantat subscribed 499,999 new ordinary shares representing 99.9% equity interest in Zaneco for a total cash consideration of RM499,999. Subsequently on 25 November 2021, Zantat acquired further of 1 ordinary shares representing 0.1% equity interest in Zaneco for a total cash consideration of RM1. Following the completion of acquisition, Zaneco became a wholly-owned subsidiary of Zantat.
- (e) In conjunction with, and as an integral plan of the listing, Zantat Holdings had undertaken the acquisition of Zantat. On 23 May 2023, Zantat Holdings entered into a Conditional Share Sale Agreement with Zantat Vendors to acquire the entire equity interest in Zantat comprising 6,000,000 ordinary shares for a purchase consideration of RM57,411,200 which will be satisfied by the issuance of 223,999,999 new Shares to existing shareholders of Zantat at an issue price of RM0.2563 each.

The acquisition of Zantat was completed on 14 November 2023.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**ZANTAT HOLDINGS BERHAD**

**STATEMENT BY DIRECTORS**

We, Chan Bin Iuan and Chan Jee Chet, being two of the directors of Zantat Holdings Berhad., state that, in the opinion of the directors, the combined and consolidated financial statements set out on pages 5 to 84 are drawn up in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards so as to give a true and fair view of the combined financial position of the Group as at 31 December 2020 and consolidated financial position of the Group as at 31 December 2021, 31 December 2022 and 30 September 2023 and of its combined financial performance and cash flows for the financial year ended 31 December 2020 and the consolidated financial performance and cash flows for the financial years ended 31 December 2021, 31 December 2022 and for the nine months financial period ended 30 September 2023.

Signed in accordance with a resolution of the directors dated **19 FEB 2024**

  
Chan Bin Iuan

  
Chan Jee Chet

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**



**Crowe Malaysia PLT**  
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19 FEB 2024

**The Board of Directors**  
**Zantat Holdings Berhad**  
PT 24571 & PT 21289 (Lot 335978)  
Kaw. Industri Batu Kapur Keramat Pulai  
31300 Kampung Kepayang  
Perak

Dear Sirs,

**ZANTAT HOLDINGS BERHAD (“Zantat Holdings” or the “Company”)  
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION AS AT 30 SEPTEMBER 2023**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of Zantat Holdings and its subsidiaries (collectively known as the “Group”) as at 30 September 2023 together with the accompanying notes thereon prepared by the Board of Directors of the Company, for which we have stamped for the purpose of identification.

The pro forma consolidated statements of financial position has been prepared for inclusion in the prospectus of Zantat Holdings in connection with the listing of and quotation for the entire enlarged issued share capital of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad. The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated statements of financial position are set out in Note 2 of Appendix A, and in accordance with the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysia Institute of Accountants (“**Applicable Criteria**”).

The pro forma consolidated statements of financial position has been compiled by the Board of Directors to illustrate the impact of the transactions as set out in Note 3.1 and 3.2 of Appendix A of this letter on the Group’s financial position as at 30 September 2023 as if the events has been in existence throughout the financial year. As part of this process, information about the Group’s financial position has been extracted by the Board of Directors from the audited financial statements of the Company and its subsidiaries for the financial year ended 30 September 2023.

**THE BOARD OF DIRECTORS’ RESPONSIBILITIES**

The Board of Directors of the Company is responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

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**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

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**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Management 1 (ISQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion, about whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the Board of Directors of the Company on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement 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 Board of Directors has compiled, in all material respects, the pro forma consolidated statements of financial position in accordance with the Applicable Criteria.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the pro forma consolidated 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 consolidated statements of financial position.

The purpose of pro forma consolidated statements of financial position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

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 consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion, pro forma consolidated statements of financial position of the Group has been compiled, in all material respects, on the basis of the Applicable Criteria.

**OTHER MATTER**

We understand that this letter will be used solely for the purpose of inclusion in the prospectus, in connection with the listing of and quotation for the entire enlarged issued share capital of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad. As such, this letter should not be 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 letter contrary to the aforesaid purpose.

Yours faithfully

A stylized, handwritten signature in black ink, appearing to be a cursive 'C' followed by a horizontal line.

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, consisting of a large, stylized 'H' followed by a cursive 'Y' and 'L'.

**Ho Yen Ling**  
03378/06/2024 J  
Chartered Accountant

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**APPENDIX A**

**ZANTAT HOLDINGS BERHAD  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023**

		Pro Forma I		Pro Forma II		Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds		
	Note	As at 30 September 2023 RM'000	Acquisition RM'000	After the Acquisition RM'000	Public Issue RM'000	After IPO RM'000	Utilisation of Proceeds RM'000	Utilisation of IPO Proceeds RM'000
<b>ASSETS</b>								
<b>NON-CURRENT ASSETS</b>								
Property, plant and equipment		48,880	-	48,880	-	48,880	-	48,880
Right-of-use assets		7,066	-	7,066	-	7,066	-	7,066
		<u>55,946</u>	<u>-</u>	<u>55,946</u>	<u>-</u>	<u>55,946</u>	<u>-</u>	<u>55,946</u>
<b>CURRENT ASSETS</b>								
Inventories		7,843	-	7,843	-	7,843	-	7,843
Trade receivables		22,593	-	22,593	-	22,593	-	22,593
Other receivables, deposits and prepayments	5.1	1,225	(21)	1,204	-	1,204	(381)	823
Current tax assets		145	-	145	-	145	-	145
Fixed deposits with a licensed bank		4,018	-	4,018	-	4,018	-	4,018
Cash and bank balances	5.2	4,500	-	4,500	14,000	18,500	(4,724)	13,776
		<u>40,324</u>	<u>(21)</u>	<u>40,303</u>	<u>14,000</u>	<u>54,303</u>	<u>(5,105)</u>	<u>49,198</u>
<b>TOTAL ASSETS</b>		<u>96,270</u>	<u>(21)</u>	<u>96,249</u>	<u>14,000</u>	<u>110,249</u>	<u>(5,105)</u>	<u>105,144</u>

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**APPENDIX A**

**ZANTAT HOLDINGS BERHAD  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)**

		Pro Forma I		Pro Forma II		Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds		
	Note	As at 30 September 2023 RM'000	Acquisition RM'000	After the Acquisition RM'000	Public Issue RM'000	After IPO RM'000	Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds RM'000
<b>EQUITY AND LIABILITIES</b>								
<b>EQUITY</b>								
Share capital	5.3	6,000	51,411	57,411	14,000	71,411	(881)	70,530
Merger deficit		(4,100)	-	(4,100)	-	(4,100)	-	(4,100)
Reorganisation deficit	5.4	-	(51,411)	(51,411)	-	(51,411)	-	(51,411)
Retained profits	5.5	61,178	(23)	61,155	-	61,155	(834)	60,321
Equity attributable to owners of the Company		63,078	(23)	63,055	14,000	77,055	(1,715)	75,340
<b>TOTAL EQUITY</b>		63,078	(23)	63,055	14,000	77,055	(1,715)	75,340
<b>NON-CURRENT LIABILITIES</b>								
Lease liabilities		131	-	131	-	131	-	131
Borrowings	5.6	5,276	-	5,276	-	5,276	(2,470)	2,806
Deferred tax liabilities		3,412	-	3,412	-	3,412	-	3,412
		8,819	-	8,819	-	8,819	(2,470)	6,349

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

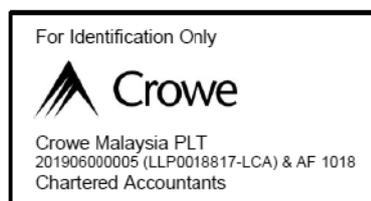


**APPENDIX A**

**ZANTAT HOLDINGS BERHAD  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)**

		Pro Forma I		Pro Forma II		Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds		
	Note	As at 30 September 2023 RM'000	Acquisition RM'000	After the Acquisition RM'000	Public Issue RM'000	After IPO RM'000	Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds RM'000
<b>EQUITY AND LIABILITIES (CONT'D)</b>								
<b>CURRENT LIABILITIES</b>								
Trade payables		8,298	-	8,298	-	8,298	-	8,298
Other payables and accruals	5.7	8,472	2	8,474	-	8,474	-	8,474
Borrowings	5.6	6,707	-	6,707	-	6,707	(920)	5,787
Lease liabilities		430	-	430	-	430	-	430
Current tax liabilities		466	-	466	-	466	-	466
		24,373	2	24,375	-	24,375	(920)	23,455
<b>TOTAL LIABILITIES</b>		33,192	2	33,194	-	33,194	(3,390)	29,804
<b>TOTAL EQUITY AND LIABILITIES</b>		96,270	(21)	96,249	14,000	110,249	(5,105)	105,144
Number of ordinary Shares ( '000)		6,000		224,000		280,000		280,000
Total Equity/NA (RM'000)		63,078		63,055		77,055		75,340
NA per share (RM)		10.51		0.28		0.28		0.27

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**APPENDIX A**

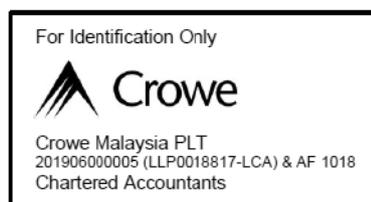
**ZANTAT HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2023**

**1. ABBREVIATION**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

"Acquisition of Zantat" or "Acquisition"	:	Acquisition by Zantat Holdings of the entire equity interest Zantat from Zantat Vendors for a purchase consideration of RM57,411,200 which will be wholly satisfied by the issuance of 223,999,999 new Shares at an issue price of RM0.2563 per share
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"CLHF Resources"	:	CLHF Resources Sdn Bhd (Registration No. 202101040490 (1440790-V)), a Promoter, Specified Shareholder and substantial shareholder of Zantat Holdings
"Calrock"	:	Calrock Sdn Bhd (Registration No. 197001000253 (9503-V))
"Eligible Persons"	:	Collectively, the eligible Director(s) and employee(s) and person(s) who have contributed to the success of our Group and who are eligible to participate in the the IPO
"FPE"	:	Financial period ended 30 September
"IPO"	:	Initial public offering comprising the Public Issue and the Offer for Sale
"IPO Price" or "Offer Price" or "Issue Price"	:	The issue/offer price of RM0.25 per Share under our Public Issue and Offer for Sale
"Issue Share(s)"	:	56,000,000 new Share(s) to be issued pursuant to Public Issue
"Listing"	:	Listing of and quotation for the Company's entire enlarged share capital of RM71,411,201 comprising 280,000,000 Shares on the ACE Market
"NA"	:	Net assets
"Offer Share(s)"	:	Existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
"Official List"	:	A list specifying all securities listed on Bursa Securities
"Offer for Sale"	:	Offer for sale of 16,800,000 Offer Shares by our Selling Shareholder at our IPO Price
"Public Issue"	:	Public issue of 56,000,000 Issue Shares at the IPO Price

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**APPENDIX A**

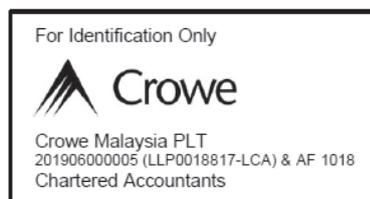
**ZANTAT HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2023**

**1. ABBREVIATION (CONT'D)**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

“RM”	:	Ringgit Malaysia
“R&D”	:	Research and development
“Subsidiaries”	:	Zantat, Zantat Light, Zaneco and Calrock, collectively
“Share(s)” or “Zantat Holdings Share(s)”	:	Ordinary share(s) in the Company
“Selling shareholders”	:	Collectively, CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet, Chan Jee Yang, Lim Gaik Lan, Teh Koh Tun, Teh Su Hui, Ng Paik Hoon, Chan Yu Xuan and Chan Jing Han
“Zaneco”	:	Zaneco Sdn Bhd (Registration No. 202101031889 (1432189-P))
“Zantat”	:	Zantat Sdn Bhd (Registration No. 198101012988 (79120-A))
“Zantat Holdings Group” or the “Group”	:	Zantat and its subsidiaries, collectively
“Zantat Holdings” or “Company”	:	Zantat Holdings Berhad (Registration No. 202101040483 (1440783-X))
“Zantat Light”	:	Zantat Light C.C. Sdn Bhd (Registration No. 200001030329 (532936-W))
“Zantat Perak Plant 1”	:	A single-storey manufacturing facility annexed with a single-storey office building and warehouse at a total built-up area of approximately 118,000 sq ft, located at PT24571 Kaw. Industri Batu Kapur Keramat Pulau, 31300 Kampung Kepayang, Perak
“Zantat Perak Plant 2”	:	A single-storey manufacturing facility annexed with a double-storey office building and warehouse at a total built-up area of approximately 107,000 sq ft, located at PT212889 (Lot 335978), Kaw. Industri Batu Kapur Keramat Pulau, 31300 Kampung Kepayang, Perak
“Zantat Vendors”	:	Collectively, CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet, Chan Jee Yang, Lim Gaik Lan, Teh Koh Tun, Teh Su Hui, Ng Paik Hoon, Chan Yu Xuan and Chan Jing Han

## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



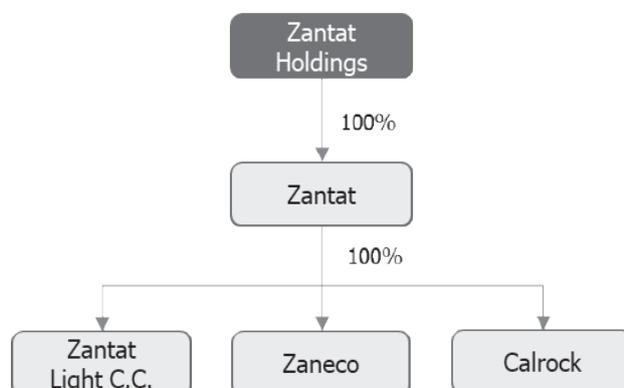
### APPENDIX A

## ZANTAT HOLDINGS BERHAD NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

### 2. BASIS OF PREPARATION

#### 2.1 Pro Forma Group

The pro forma corporate structure of the Group, pursuant to the completion of the Acquisition are as follows:-



#### 2.2 Basis of Preparation

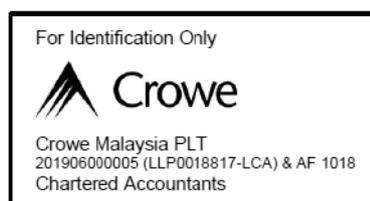
The Pro Forma Consolidated Statements of Financial Position of the Group have been prepared using the audited consolidated financial statements of the Subsidiaries as at 30 September 2023 which was prepared in accordance with Malaysian Financial Reporting Standards (“**MFRS**”) and International Financial Reporting Standards (“**IFRS**”) and are not subject to any qualification, modification or disclaimer.

The Pro Forma Consolidated Statements of Financial Position of the Group have also been compiled in a manner consistent with both the format of the audited financial statements and accounting policies of the Group for the FPE 2023.

The Pro Forma Consolidated Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 3.1 and 3.2 to the Pro Forma Consolidated Statements of Financial Position had the events occurred or transactions been undertaken on 30 September 2023. The Pro Forma Consolidated Statements of Financial Position are not necessarily indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

For the purpose of accounting for the Acquisition, the Group has applied reorganisation scheme as it does not result in any change in economic substance whereby it is a continuation of the acquired entity and the assets and liabilities of the acquired entity are stated at their existing carrying amounts. Under reorganisation scheme, the difference between cost of investment recorded by the Company and the share capital of Zantat is accounted for as reorganisation reserve or reorganisation deficit.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**APPENDIX A**

**ZANTAT HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2023**

**3. LISTING SCHEME**

In conjunction with and as an integral part of the Listing, the Company had undertaken the following:-

**3.1 Acquisition of Zantat**

On 23 May 2023, the Company entered into a Conditional Share Sale Agreement with Zantat Vendors to acquire the entire equity interest in Zantat comprising 6,000,000 ordinary shares for a purchase consideration of RM57,411,200 which will be satisfied by the issuance of 223,999,999 new Shares to Zantat Vendors at an issue price of RM0.2563 each.

The purchase consideration for the Acquisition of Zantat of RM57,411,200 was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Zantat as at 31 December 2022.

Upon completion of the Acquisition, Zantat will become a wholly-owned subsidiary. Accordingly, Calrock, Zaneco and Zantat Light will become wholly-owned subsidiaries through Zantat.

The acquisition of Zantat was completed on 14 November 2023.

**3.2 IPO**

**(a) Public Issue**

A total of 56,000,000 Issue Shares, representing approximately 20.0% of the Company's enlarged share capital are offered at the IPO Price. The Issue Shares shall be allocated in the following manner:-

(i) Malaysian Public

14,000,000 Issue Shares, representing approximately 5.0% of the Company's enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process.

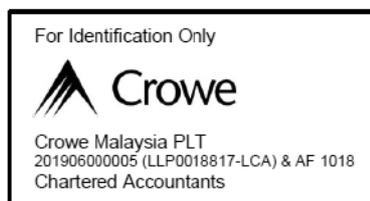
(ii) Eligible Person

11,200,000 Issue Shares, representing approximately 4.0% of the Company's enlarged share capital, are reserved for the Company's Eligible persons.

(iii) Private placement to selected investors

30,800,000 Issue Shares, representing approximately 11.0% of the Company's enlarged share capital, are reserved for private placement to selected investors.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**APPENDIX A**

**ZANTAT HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2023**

**3. LISTING SCHEME (CONT'D)**

**3.2 IPO (Cont'd)**

**(b) Offer for Sale**

A total of 16,800,000 Offer Shares, representing 6.0% of the Company's enlarged share capital, are offered by our Selling Shareholders.

Upon completion of the Acquisition and IPO and before deducting the estimated listing expenses directly attributable to the issuance of new shares of approximately RM881,000, the share capital has increased from RM6,000,000 comprising 6,000,000 Shares to approximately RM71,411,000 comprising 280,000,000 Shares.

Upon completion of the IPO, the Company shall be admitted to the Official List and the entire enlarged share capital of approximately RM70,530,000 (after deducting the estimated listing expenses directly attributable to the issuance of new shares of approximately RM881,000) comprising 280,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

**4. PRO FORMA ADJUSTMENT TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

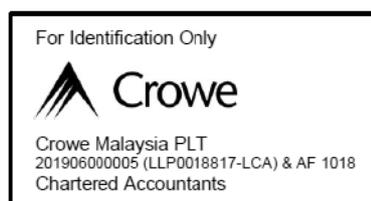
The pro forma consolidated statements of financial position as at 30 September 2023 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 30 September 2023:-

**4.1 Pro Forma I**

After incorporated the pro forma effects of the Acquisition as set out in Section 3.1 above.

**4.2 Pro Forma II**

After incorporated the cumulative effects of Pro Forma I and the IPO as set out in Section 3.2 above.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)****APPENDIX A****ZANTAT HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2023****4. PRO FORMA ADJUSTMENT TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)****4.3 Pro Forma III**

After incorporated the cumulative effects of Pro Forma II and the utilisation of the proceeds from the IPO.

**4.3.1 Utilisation of Proceeds**

The estimated gross proceeds from Public Issue of RM14.0 million will accrue entirely and are planned to be utilised in the following manner:-

Utilisation of proceeds	Note	Amount of proceeds		Estimated timeframe for utilisation upon Listing
		RM'000	%	
Upgrading in R&D facilities	(a)	3,830	27.4	Within 12 months
Upgrading Calrock's infrastructure	(b)	1,000	7.1	Within 12 months
Investment in high efficiency machine components and industrial automation	(c)	1,350	9.6	Within 6 months
Repayment of bank borrowings	(d)	3,390	24.2	Within 12 months
Working capital	(e)	1,430	10.2	Within 12 months
Estimated listing expenses	(f)	3,000	21.4	Within 1 month
<b>Total</b>		<b>14,000</b>	<b>100</b>	

**Notes:-****(a) Upgrading in R&D facilities**

*The Group plans to purchase additional test and product development to upgrade the existing R&D centre within Zantat Perak Plant 1.*

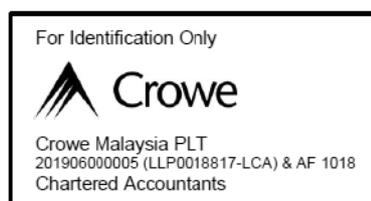
*Based on the latest practicable date of the prospectus, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for upgrading in R&D facilities. Hence, such utilisation of proceeds will not be illustrated in this Pro forma.*

**(b) Upgrading Calrock's infrastructure**

*The Group plans to upgrade Calrock's infrastructure which comprise of construction costs of a new office, including electrical works, fixtures and fittings and professional fees.*

*Based on the latest practicable date of the prospectus, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for upgrading Calrock's infrastructure. Hence, such utilisation of proceeds will not be illustrated in this Pro forma.*

## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



### APPENDIX A

#### ZANTAT HOLDINGS BERHAD NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

#### 4. PRO FORMA ADJUSTMENT TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

##### 4.3 Pro Forma III (Cont'd)

##### 4.3.1 Utilisation of Proceeds (Cont'd)

###### Notes (Cont'd):-

###### (c) Investment in high efficiency machine components and industrial automation

The Group plans to purchase and install a fully integrated automatic robotic arm palletising machine and additional motors for our existing GCC production lines in Zantat Perak Plant 1.

Based on the latest practicable date of the prospectus, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for investment in high efficiency machine components and industrial automation. Hence, such utilisation of proceeds will not be illustrated in this Pro forma.

###### (d) Repayment of bank borrowings

The Group intends to utilise RM3.4 million for the repayment of bank borrowings, which was used to finance the construction of factory building at Zantat Perak Plant 2.

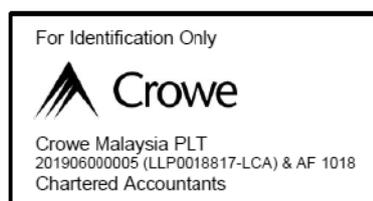
###### (e) Working capital

To supplement the Group's working capital requirements to venture into bioplastic compounding business.

###### (f) Estimated listing expenses

Description	RM'000
Professional fees	2,100
Underwriting, placement and brokerage fees	400
Printing, advertising fee and contingencies	500
<b>Total</b>	<b>3,000</b>

From the total estimated listing expenses of RM3 million, a total of approximately RM0.9 million is assumed to be directly attributable to the issuance of new shares and therefore will be set off against the share capital. The remaining expenses of approximately RM2.1 million are assumed to be attributable to the listing and therefore will be charged to the statements of profit or loss and other comprehensive income. As at the FPE 2023, the listing expenses of approximately RM1.7 million had been paid and the Company had recognised approximately RM1.3 million in profit or loss and approximately RM0.4 million as prepayments.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

**APPENDIX A**
**ZANTAT HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2023**
**5. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**5.1 Other receivables, deposits and prepayments**

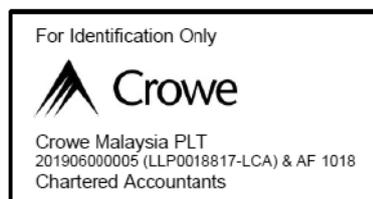
	Note	RM'000
As at 30 September 2023		1,225
Pursuant to the Acquisition	3.1	(21)
		<hr/>
As per Pro Forma I and II		1,204
Pursuant the utilisation of proceeds from the IPO:	4.3.1	
- Estimated listing expenses		(381)
		<hr/>
As per Pro Forma III		823
		<hr/>

**5.2 Cash and bank balances**

	Note	RM'000
As at 30 September 2023/As per Pro Forma I		4,500
Pursuant to Public Issue	3.2	14,000
		<hr/>
As per Pro Forma II		18,500
Pursuant the utilisation of proceeds from the IPO:	4.3.1	
- Repayment of bank borrowings		(3,390)
- Estimated listing expenses		(1,334)
		<hr/>
As per Pro Forma III		13,776
		<hr/>

**5.3 Share Capital**

	Note	Number of Ordinary Shares '000	Amount of Share Capital RM'000
As at 30 September 2023		6,000	6,000
Pursuant to the Acquisition:	3.1		
- Ordinary shares issued		224,000	57,411
- Acquisition of subsidiaries		(6,000)	(6,000)
		<hr/>	<hr/>
As per Pro Forma I		224,000	57,411
Pursuant to the Public Issue:	3.2		
- Issuance of ordinary shares		56,000	14,000
		<hr/>	<hr/>
As per Pro Forma II		280,000	71,411
Pursuant to utilisation of proceeds from the IPO:	4.3.1		
- Estimated listing expenses		-	(881)
		<hr/>	<hr/>
As per Pro Forma III		280,000	70,530
		<hr/>	<hr/>

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

**APPENDIX A**
**ZANTAT HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2023**
**5. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**
**5.4 Reorganisation deficit**

	Note	RM'000
As at 30 September 2023		-
Pursuant to the Acquisition	3.1	(51,411)
As per Pro Forma I, II and III		<u>(51,411)</u>

**5.5 Retained profits**

	Note	RM'000
As at 30 September 2023		61,178
Pursuant to the Acquisition	3.1	(23)
As per Pro Forma I and II		61,155
Pursuant to utilisation of proceeds from the IPO:		
- Estimated listing expenses	4.3.1	(834)
As per Pro Forma III		<u>60,321</u>

**5.6 Borrowings**

	Note	RM'000
<u>Non-current liabilities</u>		
As at 30 September 2023/As per Pro Forma I and II		
Pursuant to utilisation of proceeds from the IPO:		
- Repayment of bank borrowings	4.3.1	5,276
		(2,470)
As per Pro Forma III		<u>2,806</u>
<u>Current liabilities</u>		
As at 30 September 2023/As per Pro Forma I and II		6,707
Pursuant to utilisation of proceeds from the IPO:		
- Repayment of bank borrowings	4.3.1	(920)
As per Pro Forma III		<u>5,787</u>

**5.7 Other payables and accruals**

	Note	RM'000
As at 30 September 2023		8,472
Pursuant to the Acquisition	3.1	2
As per Pro Forma I, II and III		<u>8,474</u>

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**



**APPENDIX A**

**ZANTAT HOLDINGS BERHAD**

**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors in accordance with a resolution dated **19 FEB 2024**

On behalf of the Board of Directors,



**Chan Bin Iuan**  
Director



**Chan Jee Chet**  
Director

## 15. STATUTORY AND OTHER INFORMATION

### 15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.2 of this Prospectus,
- (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the new Shares issued for the Acquisition of Zantat as disclosed in Section 6.2 of this Prospectus and to be issued for the Public Issue as disclosed in Section 4.3.1 of this Prospectus, 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 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue 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 on the basis of this Prospectus.
- (e) As at the date of this Prospectus, our Company does not have any outstanding convertible securities.

### 15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1 of this Prospectus. Details of the share capital of our subsidiaries are set out below.

#### 15.2.1 Zantat

Zantat's issued share capital as at LPD is RM6,000,000 comprising 6,000,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration / Type of issue</b>	<b>Cumulative share capital RM</b>
15 December 1981	2	RM2 / Subscriber's shares	2
26 November 1985	559,998	RM559,998 / Cash	560,000
31 December 1986	80,000	RM80,000 / Cash	640,000
28 February 2000	1,600,000	RM1,600,000 / Other than cash	2,240,000
08 November 2005	112,000	RM112,000 / Cash	2,352,000
18 January 2008	100,000	RM100,000 / Cash	2,452,000
23 March 2016	548,000	RM548,000 / Cash	3,000,000
17 June 2022	3,000,000	RM3,000,000 / Cash	6,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Zantat. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

**15. STATUTORY AND OTHER INFORMATION (Cont'd)****15.2.2 Calrock**

Calrock's issued share capital as at LPD is RM2,000,000 comprising 2,000,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration / Type of issue</b>	<b>Cumulative share capital RM</b>
Between 17 April 1970 and 23 April 1970	150,000	RM3 / Subscribers' shares RM149,997 / Cash	150,000
22 February 1971	70,000	RM70,000 / Cash	220,000
2 September 1981	44,000	RM44,000 / Cash	264,000
12 September 1981	660,000	RM660,000 / Other than cash	924,000
7 November 1991	462,000	RM462,000 / Other than cash	1,386,000
21 June 2002	614,000	RM614,000 / Other than cash	2,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Calrock. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

**15.2.3 Zantat Light**

Zantat Light's issued share capital as at LPD is RM500,000 comprising 500,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration / Type of issue</b>	<b>Cumulative share capital RM</b>
25 November 2000	2	RM2 / Subscriber's shares	2
1 August 2002	9,998	RM9,998 / Cash	10,000
30 September 2002	490,000	RM490,000 / Cash	500,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Zantat Light. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

**15.2.4 Zaneco**

Zaneco's issued share capital as at LPD is RM500,000 comprising 500,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration / Type of issue</b>	<b>Cumulative share capital RM</b>
30 September 2021	1	RM1 / Subscriber's shares	1
11 November 2021	499,999	RM499,999 / Cash	500,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Zaneco. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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**15.3 CONSTITUTION**

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

**15.3.1 Changes in share capital and variation of class rights**

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

***Clause 4.1 – Allotment of shares***

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, all Applicable Laws, and the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine but the Board in making any issue of shares shall comply with the following conditions:

- (a) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
- (b) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;
- (c) every issue of shares or options to employees and/or Directors of the Company and/or its subsidiaries under an employee share option scheme shall be approved by the Members in general meeting; and
- (d) no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

***Clause 4.2 – Issue of new securities***

The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the securities accounts of the allottees with such securities save and except where it is specifically exempted from compliance with the SICDA, in which event it shall so similarly be exempted from compliance with the Listing Requirements. For this purpose, the Company must notify Bursa Depository of the names of the allottees and all such particulars required by Bursa Depository, to enable Bursa Depository to make the appropriate entries in the securities accounts of such allottees. The Company shall allot securities and despatch notices of allotment to the allottees and make an application for the quotation of such securities within the stipulated time frame as may be prescribed by the Exchange.

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**15. STATUTORY AND OTHER INFORMATION (Cont'd)**

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***Clause 4.3 – Rights of preference shareholders***

Subject to all Applicable Laws, any preference shares may with the sanction of an Ordinary Resolution be issued on any terms and features, including redemption features, as the Directors deem fit and proper in the best interest of the Company. The Company shall have the power to issue preference shares ranking equally with, or in priority to, over preference shares already issued. The Board may, subject to all Applicable Laws, redeem such shares on such terms and in such manner as they may think fit.

A holder of preference shares must have a right to vote at any general meeting convened in each of the following circumstances:

- (a) on a proposal to reduce the Company's share capital;
- (b) on a proposal that affects the rights attached to the preference shares; and
- (c) on a proposal to wind up the Company.

***Clause 5.1 – Modification of class rights***

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to all Applicable Laws, be varied or abrogated with the consent in writing of the holders of three fourths (3/4) of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of this Constitution relating to meetings of Members shall *mutatis mutandis* apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy at least one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

***Clause 5.2 – Alteration of rights by issuance of new shares***

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

***Clause 13.1 – Power to increase capital***

Subject to all Applicable Laws, the Company may from time to time, whether all the shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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***Clause 14.1 – Power to alter capital***

The requirements contained in Section 84 of the Act relating to the Company's power to alter its capital shall not apply to the Company. The Company may by Ordinary Resolution and subject to all Applicable Laws:

- (a) consolidate and divide all or any of its share capital into shares, 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;
- (b) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions 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 Shares from which the subdivided Share is derived;
- (c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of this Constitution and Applicable Laws, convert and/or re-classify any class of shares into any other class of shares.

***Clause 14.2 – Power to reduce capital***

The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

**15.3.2 Borrowing and voting powers of the Directors**

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

***Clause 21.2 – The Board's borrowing powers***

The Board may exercise all the powers of the Company to borrow or raise money for the purpose of the Company's or any of its related companies' businesses on such terms as they think fit and may secure the repayment of the same by mortgage or charge upon the whole of the Company's undertaking, property (both present and future) including its uncalled or unissued capital, or any part thereof and to issue bonds, debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries but the Directors shall not borrow any money or mortgage or charge any of the Company's or any of the Company's subsidiary companies' 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.

## **15. STATUTORY AND OTHER INFORMATION (Cont'd)**

### ***Clause 22.5 – Chairman to have a casting vote***

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a decision of the Board and PROVIDED ALWAYS that in the case of an equality of votes, the chairman of the meeting shall have a second or casting vote. However, in the case of an equality of votes and where two (2) Directors form a quorum, the chairman of a meeting at which only such a quorum is present or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.

### ***Clause 22.7 – Disclosure of interest and restriction on discussion and voting***

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by Applicable Laws. Subject to the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

### ***Clause 22.8 – Power to vote***

Subject to Clause 22.7 hereof, a Director may vote in respect of:

- (a) any arrangement relates to any loan to the Company that the Director has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (b) any arrangement which has been or will be made with or for the benefit of or on behalf of a corporation which by virtue of Section 7 of the Act is deemed to be related to the Company that he is the director of that corporation.

### **15.3.3 Remuneration of Directors**

The provisions in our Constitution dealing with remuneration of Directors are as follows:

#### ***Clause 19.1 – Fees and benefit for Directors***

The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall from time to time be determined by an Ordinary Resolution of the Company annually in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

- (a) salaries payable to executive Director(s) may not include a commission on or percentage of turnover;
- (b) fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;
- (c) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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- (d) fees payable to Directors shall not be increased except pursuant to an Ordinary Resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

***Clause 19.2 – Reimbursement of expenses***

The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of Directors.

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 efforts 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 Company may remunerate the Director so doing a special remuneration in addition to his Director's fees and such special remuneration may be by way fixed sum or otherwise as may be arranged.

***Clause 23.1 – Appointment or removal of an alternate Director***

Any Director (other than an alternate Director) may appoint any person to be an alternate Director provided that:

- (a) such person is not a Director of the Company;
- (b) such person does not act as an alternate for more than one Director of the Company;
- (c) the appointment is approved by a majority of the other members of the board of Directors and such person may be removed from office by his appointer; and
- (d) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

Any appointment or removal of an alternate Director may be made by cable, telegram, facsimile, telex or in any other manner approved by the Board. Any cable or telegram shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.

***Clause 24.2 – Remuneration of Managing Director***

The remuneration of a Managing Director or Managing Directors shall be fixed by the Board and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

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**15. STATUTORY AND OTHER INFORMATION (Cont'd)**

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**15.3.4 Transfer of Shares**

The provisions in our Constitution dealing with transfer of Shares are as follows:

***Clause 9.1 – Transfer of listed securities of Company is by way of book entry***

The transfer of any listed security or class of any listed security of the Company, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

***Clause 9.2 – Transferor's Right***

Subject to all Applicable Laws, the instrument of transfer of any security that is not deposited with Bursa Depository shall be in writing and in any usual or common form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members thereof.

***Clause 9.3 – Refusal to register***

Bursa Depository may refuse to register any transfer of the Deposited Security that does not comply with the SICDA and the Rules.

***Clause 9.4 – No liability for fraudulent transfer***

Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.

***Clause 9.5 – Prohibited transfer***

No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

***Clause 9.7 – Suspension of registration***

Subject to all Applicable Laws, the registration of transfer of any securities may be suspended at such times and for such periods as the Board may from time to time determine not exceeding in the whole thirty (30) days in any year. At least ten (10) Market Days' notice of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange. The said notice shall state the reason for which the Register is being closed. At least three (3) Market Days before the notice shall be given to Bursa Depository to prepare the appropriate Record of Depositors.

## **15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

### ***Clause 34.8 – Dividends due may be retained until registration***

The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

### **15.4 GENERAL INFORMATION**

- (a) Save for the dividends paid to our shareholders in FYE 2020 to 2022, FPE 2023 and up to LPD, Promoters' or substantial shareholders' remuneration (in their capacity as Directors of our subsidiaries) and Directors' remuneration paid as disclosed in Sections 12.16, 5.1.5 and 5.2.4 of this Prospectus respectively, 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 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 have 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 summarised 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.
- (e) Our Group has not established any other place of business outside of Malaysia and is not subject to governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profits by or to our Group.

### **15.5 CONSENTS**

- (a) The written consents of our Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (b) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma combined and consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (c) The written consent of our IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

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**15. STATUTORY AND OTHER INFORMATION (Cont'd)**

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**15.6 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) Audited financial statements of Zantat Holdings from the date of incorporation up to FYE 2022 and FPE 2023;
- (c) Audited financial statements of Zantat, Calrock, Zantat Light and Zaneco for FYE 2020 to 2022 and audited consolidated financial statements of Zantat for FPE 2023, where applicable;
- (d) Accountants' Report as set out in Section 13 of this Prospectus;
- (e) Reporting Accountants' Report relating to our pro forma consolidated financial information as set out in Section 14 of this Prospectus;
- (f) IMR Report as set out in Section 8 of this Prospectus;
- (g) Material contracts as set out in Section 6.5 of this Prospectus; and
- (h) Letters of consent as set out in Section 15.5 of this Prospectus.

**15.7 RESPONSIBILITY STATEMENTS**

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

M & A Securities 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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## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE**

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU 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 PERIOD**

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 6 March 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 13 March 2024

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on Bursa Securities' website.

**Late Applications will not be accepted.**

### **16.2 METHODS OF APPLICATIONS**

#### **16.2.1 Retail Offering**

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<b>Types of Application and category of investors</b>	<b>Application Method</b>
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

### **16.2.2 Placement**

#### **Types of Application**

Applications by selected investors

#### **Application Method**

The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Selected investors 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 set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. **The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Application.**

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 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 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:
  - (i) 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

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (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; or
  - (ii) Electronic Share Application; or
  - (iii) Internet Share Application.

### **16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group**

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

## **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 or which are illegible will not be accepted.

The FULL amount payable is RM0.25 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 754**" 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:

- (a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur
- (b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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So as to arrive not later than 5.00 p.m. on 13 March 2024 or by such other time and date specified in any change to the date or time for closing.

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 Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

**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

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (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 any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

**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 shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website at <https://tiih.online> within 1 market day after the balloting date.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. 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 repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/ or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the clawback and reallocation as set out in 4.3.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**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 last address 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 last address 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 5<sup>th</sup> Market Day from the balloting date.

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (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 will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The 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 last address 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 Depository Rules.
- (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:

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one Market Day** after the balloting date.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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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.

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