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PROSPECTUS

SOUTHERN CABLE GROUP BERHAD

(Registration No. 201901011439 (1320767-M))

SOUTHERN CABLE

SOUTHERN CABLE GROUP BERHAD

(Registration No. 201901011439 (1320767-M))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING ("IPO") IN CONJUNCTION WITH THE LISTING OF SOUTHERN CABLE GROUP BERHAD ("SOUTHERN CABLE" OR "COMPANY") ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING OF:-

(I) PUBLIC ISSUE OF 209,348,000 NEW ORDINARY SHARES ("ISSUE SHARES") IN THE FOLLOWING MANNER:-

- **40,000,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **22,000,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO OUR SUCCESS;**
- **67,348,000 ISSUE SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**
- **80,000,000 ISSUE SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY,**

AND

(II) OFFER FOR SALE OF 20,000,000 EXISTING ORDINARY SHARES ("OFFER SHARES") BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS,

AT AN IPO PRICE OF RM0.34 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Sole Underwriter and Placement Agent

midf INVESTMENT
MIDF Amanah Investment Bank Berhad
(Registration No. 197501002077 (23878-X))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX 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 222.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION MALAYSIA RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SECURITIES COMMISSION MALAYSIA HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SECURITIES COMMISSION MALAYSIA IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, 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.

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 AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SECURITIES COMMISSION MALAYSIA.

This Prospectus is dated 29 September 2020

PROSPECTUS

RESPONSIBILITY STATEMENTS

The Directors, Promoters and Offeror (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 this Prospectus false or misleading.

MIDF Amanah Investment Bank Berhad ("**MIDF Investment**"), being the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

STATEMENTS OF DISCLAIMER

Approval has been granted by Bursa Malaysia Securities Berhad for the listing of and quotation for our Shares being offered. Admission to the Official List of Bursa Malaysia Securities Berhad is not to be taken as an indication of the merits of the offering, corporation or its shares.

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

OTHER STATEMENTS

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 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 this Prospectus or the conduct of any other person in relation to the corporation.

Shares listed on Bursa Malaysia Securities Berhad are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in Section 236 of the Capital Markets and Services Act 2007, is responsible.

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 with 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.

This Prospectus is prepared and published solely for our IPO in Malaysia under the laws of Malaysia. Our Shares are issued and offered in Malaysia solely based on the contents of this Prospectus. Our Directors, Promoters, Offeror, Principal Adviser, Sponsor, Sole Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, Promoters, Offeror, Principal Adviser, Sponsor, Sole Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

It shall be your sole responsibility, if you are or may be subject to the laws of any countries or jurisdictions other than Malaysia to consult your professional adviser as to whether your application for our IPO would result in the contravention of any laws of such countries or jurisdictions. Neither we nor our Principal 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 such country or jurisdiction.

Further, it shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject only to the laws of Malaysia in connection therewith.

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

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com. The contents of the Electronic Prospectus are as per the contents of this Prospectus registered by the Securities Commission Malaysia.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) is subject to the risk 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 in this Prospectus). These risks cannot be borne by the Internet Participating Financial Institutions.

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

In the event of any discrepancies arising between the contents of the Electronic Prospectus and the contents of the printed copy of this Prospectus for any reason whatsoever, the contents of the printed copy of this Prospectus, which is identical to this Prospectus registered by the Securities Commission Malaysia, shall prevail.

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

(i) We do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) We are not responsible for the quality of products or services in the Third Party Internet Sites, particularly for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss, damage or cost 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 on any data, information, files or other material provided by such parties; and

(iii) Any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We 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:-

(i) The Internet Participating Financial Institutions are liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software;

The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of the 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

(ii) While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the 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 cost, 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 the 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.

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Event(s)	Tentative Date(s)
Opening of the application period for the IPO	29 September 2020
Closing of the application period for the IPO	6 October 2020
Balloting of the Applications	8 October 2020
Allotment of Issue Shares/Transfer of the Offer Shares to successful applicants	15 October 2020
Listing on the ACE Market	16 October 2020

If there is any change to the timetable, we will advertise the notice of the change in a widely circulated Bahasa Malaysia and English daily newspapers in Malaysia.

PRESENTATION OF INFORMATION

All references to “Southern Cable” or “our Company” in this Prospectus are to Southern Cable Group Berhad, while references to “Southern Cable Group” or "our Group" are to our Company and our Subsidiaries (as defined herein). References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors and our key senior management personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

In this Prospectus, references to the “Government” are to the Government of Malaysia, and references to “RM” and “sen” are to the lawful currency of Malaysia. 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 hundredth or two (2) decimal places. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail. Any reference to dates and times in this Prospectus are references to dates and times in Malaysia.

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

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the market and industry in which our Group operates or are exposed to. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from our Management.

In particular, certain information in this Prospectus is extracted or derived from the report on Industry Overview prepared by Vital Factor (as defined in this Prospectus), an independent business and market research company. We have appointed Vital Factor to provide an Industry Overview. In compiling their data for the Industry Overview, Vital Factor had relied on its research methodology, industry sources, sources from government bodies, published materials and their own private databases.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Prospectus will be realised.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 5.5.13 – Interruptions to Business and Operations, Section 8 – Risk Factors and Section 11.2 – Management’s Discussion and Analysis of Financial Conditions and Results of Operations, of this Prospectus.

These forward-looking statements are based on information available to us as at the date of this Prospectus. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of Issue Shares/transfer of Offer 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 Capital Markets and Services Act 2007 and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:-

ACE Market	:	ACE Market of Bursa Securities
Acquisitions	:	Acquisition of Southern, Acquisition of Nextol and Acquisition of Daya, collectively
Acquisition of Daya	:	Acquisition by our Company of the entire issued share capital of Daya of RM700,000 comprising 700,000 ordinary shares of Daya for a total purchase consideration of RM1,824,000 which was entirely satisfied by the issuance of 3,648,000 new Shares at an issue price of RM0.50 per Share. The Acquisition of Daya was completed on 26 December 2019
Acquisition of Kota Damansara Warehouse	:	Acquisition by Southern of Kota Damansara Warehouse from Herbal Revival Sdn Bhd (Registration No. 198701000341 (159007-X)) for a purchase consideration of RM6.500 million satisfied by cash. The Acquisition of Kota Damansara Warehouse was completed on 5 March 2019
Acquisition of Nextol	:	Acquisition by our Company of the entire issued share capital of Nextol of RM100,000 comprising 100,000 ordinary shares of Nextol for a total purchase consideration of RM3,432,000 which was entirely satisfied by the issuance of 6,864,000 new Shares at an issue price of RM0.50 per Share. The Acquisition of Nextol was completed on 26 December 2019
Acquisition of Southern	:	Acquisition by our Company of the entire issued share capital of Southern of RM26,100,000 comprising 26,100,000 ordinary shares of Southern for a total purchase consideration of RM142,406,998 which was entirely satisfied by the issuance of 284,813,996 new Shares at an issue price of RM0.50 per Share. The Acquisition of Southern was completed on 26 December 2019
Act	:	Companies Act 2016
ADA	:	Authorised Depository Agent
Application(s)	:	The application(s) for the Issue Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form(s)	:	The printed application form(s) for the application of the Issue Shares
ATM	:	Automated Teller Machine
Board	:	Board of Directors of our Company
Bomba	:	Fire and Rescue Department, Malaysia
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CAGR	:	Compound annual growth rate
CDS	:	Central Depository System

CDS Account(s)	:	Account(s) established for a Depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CF/CCC	:	Certificate of fitness for occupation or certificate of completion and compliance or its equivalent issued by the local authorities or principal submitting person (whichever is applicable)
CIDB	:	Construction Industry Development Board of Malaysia
CMCO	:	Conditional MCO issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
CMSA	:	Capital Markets and Services Act 2007
Constitution	:	Constitution of our Company
COVID-19	:	Coronavirus disease
Daya	:	Daya Forwarding Sdn Bhd (Registration No. 199501034602 (363804-M))
Daya Factory	:	A portion of a single storey industrial factory known as "Block C" bearing the postal address Lots 210 and 211, Kawasan Perindustrian Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, used for manufacturing of wooden cable drums up to 29 February 2020
Depositor	:	A holder of a CDS Account
Director(s)	:	Director(s) of our Company and within the meaning given in Section 2 of the CMSA
DOSH	:	Department of Occupational Safety and Health
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the internet, and/or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	:	An application for the Issue Shares through Participating Financial Institutions' ATM
EPS	:	Earnings per Share
ERP	:	Enterprise Resource Planning
Executive Director	:	A natural person who holds a directorship in an executive capacity in any company within our Group and is on the payroll of that company
FPE(s)	:	Financial period(s) ended
FYE(s)	:	Financial year(s) ended/ending
Government	:	Government of Malaysia
GP	:	Gross profit
Industry Overview	:	Vital Factor's Industry Overview titled "Independent Industry Assessment of Manufacture of Cables and Wires in Malaysia" and included in Section 7 of this Prospectus

Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Application, as listed in Section 14 of this Prospectus
Internet Share Application	:	Application for the Issue Shares through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	:	Initial public offering of the IPO Shares in conjunction with the listing of and quotation for our entire enlarged issued share capital on the ACE Market
IPO Price	:	RM0.34 for each IPO Share
IPO Share(s)	:	The Issue Shares and Offer Shares, collectively
ISO	:	International Organisation for Standardisation
Issue Share(s)	:	The new Shares which are to be issued pursuant to the Public Issue
Issuing House or **MIH**	:	Malaysian Issuing House Sdn Bhd (Registration No. 199301003608 (258345-X))
JB Warehouse	:	A one and a half (1½) storey semi-detached industrial factory and office bearing the postal address PTD 12913, 46 Jalan Alam Jaya 1, Taman Perindustrian Alam Jaya, 81500 Pekan Nanas, Johor Darul Takzim, used as an office and warehouse
Kota Damansara Warehouse	:	A one and a half (1½) storey semi-detached industrial building bearing the postal address No. 12A-G, Pusat Teknologi Sunsuria, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, intended to be used as a sales office and warehouse
Listing	:	The admission to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM218,841,320 comprising 800,000,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
Listing Scheme	:	Comprising our Acquisitions, Share Split, Public Issue, Offer for Sale and Listing, collectively
Lot 28	:	All that parcel of vacant land bearing the postal address No. 28, Kawasan Perindustrian Kuala Ketil, Tawar, 09300 Kuala Ketil, Kedah Darul Aman, intended to be used for future manufacturing activities
Lot 29	:	All that parcel of vacant land bearing the postal address No. 29, Kawasan Perindustrian Kuala Ketil, Tawar, 09300 Kuala Ketil, Kedah Darul Aman, intended to be used for future manufacturing activities
Lot 34	:	A factory comprising a single storey and a three (3) storey production area bearing the postal address Lot 34, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, used for manufacturing of aluminium rod and power cables
Lots 35 and 42	:	A single storey detached factory and a double storey office bearing the postal address Lots 35 and 42, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, used for manufacturing of power cables and control and instrumentation cables

Lots 36 and 41	:	A single storey detached factory bearing the postal address Lots 36 and 41, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, used for storage of raw materials and finished goods, routine test and factory acceptance test of the cables
Lot 38	:	All that parcel of vacant land bearing the postal address Lot 38, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, intended to be used for future manufacturing activities
Lot 39	:	A single storey detached factory bearing the postal address Lot 39, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, intended to be used for future manufacturing activities
Lots 43 and 44	:	A single storey detached factory and a double storey office bearing the postal address Lots 43 and 44, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, used as head office and manufacturing of power cables and copper rod
Lot 90	:	A one and a half (1½) storey semi-detached factory bearing the postal address Lot 90, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, used as hostel for foreign workers
Lot 91	:	A one and a half (1½) storey semi-detached factory bearing the postal address Lot 91, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman, used as hostel for foreign workers
LPD	:	1 September 2020, being the latest practicable date prior to the issuance of this Prospectus
Malaysian Public	:	Malaysian citizens and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
MCO	:	Movement control order issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
MIDF Investment or **Principal Adviser, Sponsor, Sole Underwriter and Placement Agent**	:	MIDF Amanah Investment Bank Berhad (Registration No. 197501002077 (23878-X))
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry of Malaysia
mm	:	Millimetre
mm^2	:	Square millimetre
N/A	:	Not applicable or not available
NA	:	Net assets
Nextol	:	Nextol Polymer Sdn Bhd (Registration No. 200601013462 (733213-P))

Nextol Factory 4846	:	A single storey detached factory and office bearing the postal address PT 4846, Kawasan Perusahaan Cendana, 08000 Sungai Petani, Kedah Darul Aman, used as an office and factory to manufacture plastic compounds
Offer for Sale	:	Offer for sale by Sino, being the Offeror of 20,000,000 Offer Shares at the IPO Price by way of private placement to selected investors
Offer Share(s)	:	The existing Shares to be offered for sale by the Offeror pursuant to the Offer for Sale
Offeror	:	Sino
Official List	:	Official list of Bursa Securities
Participating Financial Institution(s)	:	Participating financial institution(s) for the Electronic Share Application, as listed in Section 14 of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
PETRONAS	:	Petroliam Nasional Berhad
PIC	:	Pengerang Integrated Complex
Pink Form Allocation	:	The allocation of 22,000,000 Issue Shares to our eligible Directors, employees and persons who have contributed to our success pursuant to the Public Issue
Prescribed Security	:	Securities of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the SICDA and the Rules
Promoter(s)	:	Sino, Tung Eng Hai, Wong Meng Kee, Ooi Gaik Bee, Tung Cheng Im and Tung Siew Luan, collectively
Prospectus	:	This Prospectus dated 29 September 2020 in relation to our IPO
PT 4845	:	All that parcel of vacant land bearing the postal address PT 4845, Mukim Sungai Pasir/Pinang Tunggal, 08600 Tikam Batu, Kedah Darul Aman, intended to be used for future manufacturing activities
Public Issue	:	Public issue of 209,348,000 new Shares at the IPO Price comprising:- (a) 40,000,000 new Shares made available for application by the Malaysian Public; (b) 22,000,000 new Shares made available for application by our eligible Directors, employees and persons who have contributed to our success; (c) 67,348,000 new Shares made available by way of private placement to selected investors; and (d) 80,000,000 new Shares made available by way of private placement to identified Bumiputera investors approved by the MITI

QSHE	:	Quality, Safety and Health and Environment
R&D	:	Research and development
RAPID	:	Refinery and Petrochemical Integrated Development
RM and sen	:	Ringgit Malaysia and sen, respectively
RMCO	:	Recovery MCO issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
Rules	:	Rules of Bursa Depository
Sales Office	:	An office unit on the second floor of a seven (7) storey shop office bearing the postal address C-2-03, Encorp Strand Garden, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, used as sales office
SC	:	Securities Commission Malaysia
SC ECU	:	Equity Compliance Unit of the SC
Semangat	:	Semangat Handal Sdn Bhd (Registration No. 199601036132 (408485-X))
SESB	:	Sabah Electricity Sdn Bhd (Registration No. 199801006745 (462872-W))
Share Split	:	Subdivision of every one (1) Southern Cable Share held after the Acquisitions into two (2) Shares before the IPO
SICDA	:	Securities Industry (Central Depositories) Act 1991
Sino	:	Sino Shield Sdn Bhd (Registration No. 199601019235 (391587-T))
SIRIM	:	SIRIM QAS International Sdn Bhd
SOP	:	Standard operating procedures
Southern	:	Southern Cable Sdn Bhd (Registration No. 199301013800 (268538-U))
Southern Cable or **Company**	:	Southern Cable Group Berhad (Registration No. 201901011439 (1320767-M))
Southern Cable Group or **Group**	:	Our Company and our Subsidiaries, collectively
Southern Factory	:	Lot 34, Lots 35 and 42, Lots 36 and 41, Lots 43 and 44, collectively
Southern Cable Share(s) or **Share(s)**	:	Ordinary share(s) in our Company
sq. m	:	Square metres
sq. ft.	:	Square feet
Sterling or **Independent Internal Control Consultants**	:	Sterling Business Alignment Consulting Sdn Bhd (Registration No. 200401015607 (654110-P)), an Independent Internal Control Consultants company, which was appointed to assess and review the state of internal controls, risk management and corporate governance of the Group

DEFINITIONS (CONT'D)

Subsidiary(ies)	:	Subsidiaries of our Company as defined under Section 4 of the Act which include Southern, Nextol and Daya
TMB	:	Telekom Malaysia Berhad (Registration No. 198401016183 (128740-P))
TNB	:	Tenaga Nasional Berhad (Registration No. 199001009294 (200866-W))
Underwriting Agreement	:	The underwriting agreement dated 6 March 2020 and the supplemental underwriting agreement dated 24 August 2020 entered into between our Company and MIDF Investment
Vital Factor or Independent Business and Market Research Consultants	:	Vital Factor Consulting Sdn Bhd (Registration No. 199301012059 (266797-T)), an Independent Business and Market Research company
Wood-Based Licence	:	A licence to site, erect, establish, operate or maintain a wood-based industry pursuant to Section 3(1) of the Wood-Based Industries Enactment 1986 for the State of Kedah Darul Aman

GLOSSARY OF TECHNICAL TERMS

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

ABC	:	Aerial bundle cable
Aluminium alloy	:	A combination of aluminium with one or more other metal elements including among others, magnesium, silicon and irons
Aluminium rods	:	In the context of this Prospectus, it refers to a long and circular shaped aluminium rod with a diameter size of up to 9.5mm used as input materials for the manufacture of cables and wires
Armouring	:	A protective layer made of materials such as aluminium wire and galvanised steel wire to provide protection for the cables
Bedding	:	A protective layer between the insulation and armouring which is mainly made of PVC materials
Cable drum	:	A packaging material to coil cables and wires for storage and delivery purposes
Cables and wires	:	In the context of this Prospectus, it refers to electrical and electronic cables and wire primarily used for the transmission of power or signals. It excludes mechanical cables and wires. Any references to cables in this Prospectus are used interchangeably with cables and wires
CCTV	:	Close circuit television
Communications cables and wires	:	Used for transmission of data including text (letters, numbers and symbols), sound (audible voice, music and other sounds) and images (still images such as drawings, pictures and photos, and moving images such as videos)
Conductor	:	In the context of this Prospectus, it refers to the medium used for the transmission of electricity, data or signals
Continuous casting	:	A process of forming molten metals into a continuous length of similar cross section
Control and instrumentation cables and wires	:	Used in the transmission or communications of signals or data output from measuring and monitoring instruments and other devices, and where subsequently the data is used for data processing, displaying processed information, controlling devices and automating processes
Copper strips	:	A long, tape-shaped metal made of copper
Earthing	:	A process of channelling excess or unwanted electricity safely to the ground to avoid fire or electrocution
Electric furnace	:	A heating chamber using electricity as the heat source to melt metals
EPCC	:	Engineering, procurement, construction and commissioning
Extrusion	:	A process to reshape a material into a long and straight shape with a fixed cross-sectional profile
Fire resistant cables	:	Refers to cables designed to withstand extreme heat and fire conditions
Flame retardant cables	:	Refers to cables designed to restrict the spread of fire

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Gas-fired furnace	:	A heating chamber using gas as the heat source to melt metals
HDPE	:	High density polyethylene
High voltage cables or **HV**	:	Cables with rated voltage of 50kV and above
IEC	:	International Electrotechnical Commission
Insulation	:	A protective layer to prevent people or any other things to come into contact with the conductor, as well as leakage of electricity or signals
kV	:	Kilovolt
Low voltage cables or **LV**	:	Cables with rated voltage of less than 1kV
LSZH	:	Low smoke zero halogen
MDPE	:	Medium density polyethylene
Medium voltage cables or **MV**	:	Cables with rated voltage from 1kV up to 49kV
Mica tape	:	In the context of this Prospectus, it refers to the fire protection barrier used in our fire resistant and flame retardant cables
MRT	:	Mass rapid transit
PE	:	Polyethylene
PO	:	Polyolefin
Power	:	In the context of this Prospectus, it refers to electricity. Any references to power or electricity are used interchangeably in this Prospectus
Power distribution networks	:	Power distribution network including distribution substation, primary and secondary distribution networks - A primary distribution substation receives power from a transmission network, and the power is then step down to a required primary distribution voltage to distribute the electric power to residential, commercial and industrial districts - Primary distribution network may also serve large power users such as plants and factories - Secondary distribution network takes power from primary distribution network and steps the power down to supply power to residential, commercial and industrial end-users
PP	:	Polypropylene
PVC	:	Polyvinyl chloride
Rectifiers	:	A device that convert alternating current to direct current
SCADA	:	Supervisory control and data acquisition
Sheath	:	Refers to the outermost protection layer of cables and wires, also known as jacket
Shield or **screen**	:	A protective layer to avoid external interference to cables and wires carrying signals, or to minimise electromagnetic waves emanating from the conductors of power cables and wires to the external environment

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Telephone cables and wires	:	Used for interconnecting communications equipment and devices, and low signalling appliances
Ultra violet resistant cables	:	Refers to cables designed to withstand the degradation caused by exposure to ultraviolet light
XLPE	:	Cross-linked polyethylene
XLPO	:	Cross-linked polyolefin

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APPROVALS AND CONDITIONS

(A) Bursa Securities

Bursa Securities had, via its letter dated 14 October 2019, approved our admission to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM218,841,320, comprising 400,000,000 Shares on the ACE Market (“**Listing Approval**”). The Listing Approval from Bursa Securities is subject to the following conditions:-

No.	Details of conditions imposed	Status of compliance
1.	Submission of the following information with respect to the moratorium on the shareholdings of the Promoter to Bursa Depository:- (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares	Complied.
2.	Approvals from other relevant authorities have been obtained for implementation of the Listing	Complied.
3.	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Notes 15 of Listing Requirements	To be complied.
4.	Furnish Bursa Securities a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of Southern Cable on the first day of listing	To be complied.
5.	Any director of the Company who has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company	Complied.
6.	In relation to the public offering to be undertaken by Southern Cable, to announce at least two (2) Market Days prior to the Listing date, the result of the offering including the following:- (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche in the format prescribed; and (iv) Disclosure of placees who become substantial shareholders of Southern Cable arising from the public offering, if any	To be complied.
7.	Southern Cable/MIDF Investment to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Southern Cable to the Official List of the ACE Market	To be complied.

On 23 March 2020, Bursa Securities had granted us an extension of time up to 31 July 2020 to complete our Listing.

APPROVALS AND CONDITIONS (CONT'D)

On 22 April 2020, Bursa Securities had approved our variation of Listing Scheme as follows:-

(i) Public Issue of 209,348,000 new Shares to be allotted in the following manner:-

(a) 40,000,000 new Shares made available for application by the Malaysian public;

(b) 22,000,000 new Shares made available to the eligible directors, employees and person who have contributed to the success of Southern Cable and its subsidiaries;

(c) 67,348,000 new Shares made available by way of private placement to selected investors; and

(d) 80,000,000 new Shares made available by way of private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry;

(ii) Offer for sale of 20,000,000 existing Shares to selected investors by way of private placement; and

(iii) Listing and quotation of the entire enlarged issued share capital of Southern Cable comprising 800,000,000 Shares on the ACE Market of Bursa Securities.

Bursa Securities had, on 7 August 2020, further granted us a second extension of time up to 31 December 2020 to complete our Listing. There were no changes made to the conditions imposed by Bursa Securities in the abovementioned letter.

(B) SC

Our Listing Scheme 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, via its letter dated 25 October 2019, approved the resultant equity structure of our Company pursuant to our Listing ("**Equity Structure**") under the equity requirement for public listed companies. Further to the approval, the SC had, on 22 June 2020, approved our application on variation of Equity Structure due to the Share Split, subject to the following condition:-

No.	Details of condition imposed	Status of compliance
1.	Southern Cable to allocate Shares equivalent to at least 12.5% of its enlarged share capital at the point of Listing to Bumiputera investors. This includes the Shares offered under the balloted public offer portion, of which at least 50% are to be offered to Bumiputera investors. In the event that the MITI is unable to allocate the shares to Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting.	To be complied.

The effect of our Listing on our equity structure is as follows:-

Category of shareholders	As at 29 May 2019		After the Listing: As approved by the SC via its letter dated 25 October 2019		After the Listing: As approved by the SC via its letter dated 22 June 2020	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Bumiputera						
- Individual		-	50,000,000[(1)]	12.50	100,000,000[(2)]	12.50
- Body corporate	-	-	128,014,200	32.00	256,028,400	32.00
Total Bumiputera	**-**	**-**	**178,014,200**	**44.50**	**356,028,400**	**44.50**
Non-Bumiputera	4	100.00	221,985,800	55.50	443,971,600	55.50
Malaysians	**4**	**100.00**	**400,000,000**	**100.00**	**800,000,000**	**100.00**
Foreigners	-	-	-	-	-	-
Total	**4**	**100.00**	**400,000,000**	**100.00**	**800,000,000**	**100.00**

Notes:-

(1) Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed as follows:-

Category	No. of Shares
Bumiputera public investors via balloting	10,000,000
Private placement to identified Bumiputera investors approved by the MITI	40,000,000
Total	**50,000,000**

(2) Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed as follows:-

Category	No. of Shares
Bumiputera public investors via balloting	20,000,000
Private placement to identified Bumiputera investors approved by the MITI	80,000,000
Total	**100,000,000**

(C) MITI

The MITI had, via its letters dated 24 December 2019 and 11 June 2020, taken note of and has no objection to our Listing on the ACE Market.

MORATORIUM ON SALE OF SHARES

In compliance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:-

(i) The moratorium applies to our Promoters' entire shareholdings for a period of six (6) months from the date of our admission to the Official List ("**First 6-Month Moratorium**");

(ii) Upon the expiry of the First 6-Month Moratorium, we must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of our total number of issued ordinary shares remain under moratorium for a further six (6) months ("**Second 6-Month Moratorium**"); and

(iii) Upon the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one third (1/3) per annum (on a straight line basis) of our Shares held under moratorium.

Upon Listing, the Promoters will hold in aggregate approximately 38.32% of the enlarged issued share capital which is less than the minimum 45.00% required for the Second 6-Month Moratorium.

In view of the above, Semangat, our substantial shareholder, has voluntarily provided its undertaking not to sell, transfer or assign its entire shareholdings in Southern Cable of 32.00% for the First 6-Month Moratorium. Upon the expiry of the First 6-Month Moratorium, Semangat has also undertaken to ensure that at least 53,451,584 Southern Cable Shares, which represents 6.68% of the enlarged issued share capital of Southern Cable, remain under moratorium for the Second 6-Month Moratorium. Thereafter, Semangat has further undertaken that they will only thereafter sell, transfer or assign any of the moratorium shares up to a maximum of one third (1/3) per annum (on a straight line basis) of our Shares held under moratorium.

The details of our Shares which will be subject to moratorium are as follows:-

	Moratorium shares during the First 6-Month Moratorium		**Moratorium shares during the Second 6-Month Moratorium**	
	No. of Shares	**% of enlarged issued share capital**(1)	**No. of Shares**	**% of enlarged issued share capital**(1)
Promoters and Substantial Shareholders				
Sino	285,524,412	35.69	285,524,412	35.69
Wong Meng Kee	1,459,204	0.18	1,459,204	0.18
Tung Cheng Im	6,864,000	0.86	6,864,000	0.86
Tung Siew Luan	12,700,800	1.59	12,700,800	1.59
Substantial Shareholder				
Semangat	256,028,400	32.00	53,451,584	6.68
Total	**562,576,816**	**70.32**	**360,000,000**	**45.00**

Note:-

(1) Based on our enlarged issued share capital of 800,000,000 Shares after our IPO.

MORATORIUM ON SALE OF SHARES (CONT'D)

Our Promoters and our substantial shareholder, namely Semangat, have each furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their respective shareholdings in our Company during the moratorium period.

In addition, the shareholders of Sino, namely Tung Eng Hai, Wong Meng Kee and Ooi Gaik Bee, and the shareholders of Semangat, namely Fawiza Binti Faiz and Redzuan Bin Husain, have furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Sino and Semangat respectively, during the moratorium period.

The moratorium, which is fully acknowledged by our Promoters and substantial shareholders, is specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/Directorship	Address	Nationality/Gender
Rizvi Bin Abdul Halim *(Independent Non-Executive Chairman)*	2, Jalan Cecawi 6/31B Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Malaysian/ Male
Tung Eng Hai *(Managing Director)*	No. 15, Persiaran BLM 5 Bandar Laguna Merbok 08000 Sungai Petani Kedah Darul Aman	Malaysian/ Male
Wong Meng Kee *(Executive Director)*	No. 86, Jalan Besi 11600 George Town Pulau Pinang	Malaysian/ Male
Wong Kar Wai *(Non-Independent Non-Executive Director)*	18, Solok Batu Uban 4 11700 Gelugor Pulau Pinang	Malaysian/ Male
Daphne Choy Gaik Choo *(Independent Non-Executive Director)*	No. 26-2-2, Sri Emas Codrington Avenue 10350 George Town Pulau Pinang	Malaysian/ Female
Eugene Lee Cheng Hoe *(Independent Non-Executive Director)*	28, Jalan BU 6/9 Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan	Malaysian/ Male

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Eugene Lee Cheng Hoe	Chairman	Independent Non-Executive Director
Daphne Choy Gaik Choo	Member	Independent Non-Executive Director
Rizvi Bin Abdul Halim	Member	Independent Non-Executive Chairman
Wong Kar Wai	Member	Non-Independent Non-Executive Director

NOMINATION AND REMUNERATION COMMITTEE

Name	Designation	Directorship
Daphne Choy Gaik Choo	Chairman	Independent Non-Executive Director
Eugene Lee Cheng Hoe	Member	Independent Non-Executive Director
Rizvi Bin Abdul Halim	Member	Independent Non-Executive Chairman

1. CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARY	:	Tea Sor Hua (MACS 01324) (Companies Commission of Malaysia Practising Certificate No. 201908001272) No. 77C, Jalan SS 21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No. : (03) 7725 1777 Professional Qualification : Certified Company Secretary, Member of Malaysian Association of Company Secretaries (Membership No. MACS 01324)
REGISTERED OFFICE	:	Third Floor, No. 77, 79 & 81 Jalan SS 21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No. : (03) 7725 1777
HEAD OFFICE	:	Lot 42, Jalan Merbau Pulas Kawasan Perusahaan Kuala Ketil 09300 Kuala Ketil Kedah Darul Aman Tel No. : (04) 416 1600 Website : www.southerncable.com.my Email : sc@southerncable.com.my
EXTERNAL AUDITORS AND REPORTING ACCOUNTANTS	:	Baker Tilly Monteiro Heng PLT 201906000600 (LLP0019411-LCA) & AF 0117 Baker Tilly Tower Level 10, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur Tel No. : (03) 2297 1000 Partner-in-charge : Dato' Lock Peng Kuan Professional Qualification : Chartered Accountant, Malaysian Institute of Accountants ("**MIA**") (MIA Membership No.: 17668)
SOLICITORS FOR OUR IPO	:	Azman Davidson & Co Advocates & Solicitors Suite 13.03, 13th Floor Menara Tan & Tan 207, Jalan Tun Razak 50400 Kuala Lumpur Tel No. : (03) 2164 0200

1. CORPORATE DIRECTORY (CONT'D)

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 Darul Ehsan Tel No. : (03) 7931 3188 Person-in-charge : Wong Wai Ling (Bachelor of Arts from Monash University, Australia, Graduate Diploma in Management Studies from the University of Melbourne, Australia)
INDEPENDENT INTERNAL CONTROL CONSULTANTS	:	Sterling Business Alignment Consulting Sdn Bhd (Registration No. 200401015607 (654110-P)) Unit 216, Level 2, Lobby 3 Block A, Damansara Intan, No.1, Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No. : (03) 7662 8010
PRINCIPAL ADVISER, SPONSOR, SOLE UNDERWRITER AND PLACEMENT AGENT	:	MIDF Amanah Investment Bank Berhad (Registration No. 197501002077 (23878-X)) Level 21, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No. : (03) 2173 8888
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (Registration No. 199301003608 (258345-X)) 11th Floor, Menara Symphony No.5, Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Tel No. : (03) 7890 4700
SHARE REGISTRAR	:	Boardroom Share Registrars Sdn Bhd (Registration No. 199601006647 (378993-D)) 11th Floor, Menara Symphony No.5, Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Tel No. : (03) 7890 4700
LISTING SOUGHT	:	ACE Market

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 THE IPO

Our IPO is subject to the terms and conditions of this Prospectus and the allocation of the IPO Shares shall be in the following manner:-

	No. of Shares	RM
Share Capital		
Issued share capital as at the date of this Prospectus	590,652,000	147,663,000
New Shares to be issued pursuant to the Public Issue		
(i) Malaysian Public via balloting - Bumiputera investors - Other Malaysian Public	40,000,000	13,600,000
(ii) Our eligible Directors, employees and persons who have contributed to our success	22,000,000	7,480,000
(iii) Selected investors via private placement		
- Bumiputera investors	80,000,000	27,200,000
- Other investors	67,348,000	22,898,320
Enlarged issued share capital upon Listing	**800,000,000**	**218,841,320**
Offer for Sale	20,000,000	6,800,000
IPO Price (RM)		**0.34**
		RM
- **Pro forma consolidated NA per Share** *(based on the enlarged issued share capital after the IPO and after deducting the estimated listing expenses of approximately RM4.500 million)*		0.32
- **Market capitalisation upon Listing** *(based on the IPO Price and enlarged issued share capital after the IPO)*		272,000,000

Sino and Semangat have provided their undertakings not to sell, transfer or assign their entire shareholdings in Southern Cable. Please refer to "Moratorium on Sale of Shares" Section on page number xxiii and xxiv of this Prospectus for further details. Save for the moratorium on the sale of the existing Shares imposed on our Promoters and substantial shareholders, there is no other moratorium imposed on our IPO Shares.

Further information on our IPO is disclosed under Section 3.1 of this Prospectus.

2.2 BACKGROUND AND OVERVIEW

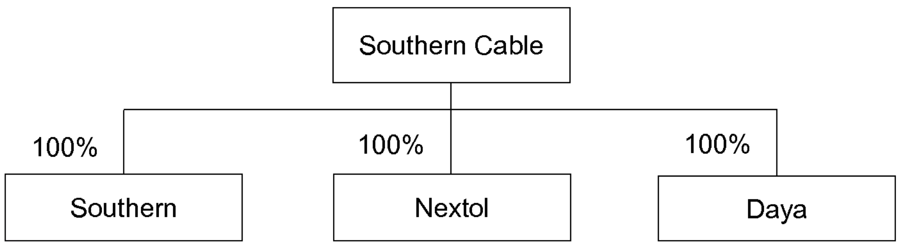
Our Company was incorporated in Malaysia on 4 April 2019 under the Act as a private limited company under the name of Southern Cable Group Sdn Bhd. On 27 May 2019, we were converted to a public limited company and assumed our present name.

We are principally a manufacturer of cables and wires that are used for power distribution, communications as well as control and instrumentation applications. This business activity accounted for 96.47%, 95.46%, 90.10%, 89.65% and 88.91% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

We also derive revenue from related products and services which accounted for the remaining 3.53%, 4.54%, 9.90%, 10.35% and 11.09% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. These include mainly sales of aluminium rods, plastic compounds and wooden cable drums; trading of cables and wires, and copper strips; and supply and installation of rectifiers.

Our key supporting activities for our cable and wire manufacturing operations include furnace and casting operations. We have two (2) electric furnaces and one (1) gas-fired furnace that melt copper and aluminium, respectively before casting them into rods to be used as core materials and transmitting medium for our cables and wires. Other supporting activities include the manufacture of plastic compounds that are used as insulation and protective layer materials for our cables and wires. We were also previously involved in the manufacturing of wooden cable drums used for the packaging, storage and delivery of our cables and wires. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations.

The present corporate structure of our Group is set out below:-



We are an investment holding company, while the principal activities of our Subsidiaries are set out below:-

Subsidiary	**Principal activities**
Southern	Manufacture of cables and wires, and related products and services[(1)]
Nextol	Manufacture of plastic compounds
Daya	Manufacture and trading of wooden cable drums[(2)]

Notes:-

(1) Related products and services mainly include manufacture of aluminium rods; trading of cables and wires, and copper strips; and supply and installation of rectifiers.

(2) Daya was previously involved in the provision of transportation services before it ceased this business activity in June 2017. It was also previously involved in the manufacturing of wooden cable drums used for the packaging, storage and delivery of our cables and wires up to 29 February 2020, when we decided to relocate Daya Factory. We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

Our principal market is Malaysia, which contributed 98.49%, 92.77%, 98.40%, 98.06% and 87.91% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

Further details of our history and business overview are set out in Section 5 of this Prospectus.

2.3 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths are set out below:-

(i) We have an established track record as a manufacturer of cables and wires

We have accumulated a track record of 27 years of experience in the manufacture of cables and wires. As at the LPD, we are a registered supplier of cables and wires with TNB, SESB, TMB and PETRONAS. We are also registered with CIDB under category G7 since 2016. Our major customers have been dealing with us for a minimum of eight (8) years up to a maximum of 18 years for FPE 30 June 2020 save for two (2) new customers that started purchasing power cables and wires from us in FYE 31 December 2019.

(ii) We have various certifications for our products

All our power cables and wires including low and medium voltage cables and wires are SIRIM certified and these are manufactured to either Malaysian Standards (MS), International Electrotechnical Commission (IEC) standards or British Standards. In addition, our PVC insulated power cables and wires are approved by Energy Commission of Malaysia while our fire resistant cables are approved by Bomba and comply with either IEC standards or British Standards. In addition, our control cables and wires are SIRIM certified. We have also obtained certificate of product acceptance from TNB for cables and wires indicating that our products meet their technical specifications and requirements.

(iii) We manufacture a range of cables and wires to meet customer requirements

For power distribution and transmission applications, we manufacture a range of low to medium voltage cables, typically between 300V and 33kV as well as high voltage power cables up to 132kV. Within communications cables and wires, we manufacture telephone cables, coaxial cables and alarm cables. We manufacture a range of control and instrumentation cables and wires that are used in manufacturing and processing industries including power generation, oil and gas, petrochemical and chemical plants, as well as oil and gas platforms and marine vessels.

We manufacture both copper and aluminium based cables and wires with various types of insulation materials ranging from PVC, XLPE, PE and XLPO. We also manufacture cables and wires with fire resistant, flame retardant, ultra violet resistant, anti-termite and anti-rodent properties.

(iv) We have key supporting activities for our manufacturing of cables and wires

Our principal business activity of manufacturing cables and wires are supported by key activities which are furnace and continuous casting and plastic compounding manufacturing. With our supporting operations, we are able to control the quality of key input materials, timely availability of these materials and reduce some dependency on external parties for key input materials for our manufacturing of cables and wires.

(v) We have experienced Managing Director, Executive Director and key senior management team

Our Managing Director, Tung Eng Hai has approximately 41 years of experience in the cable and wire industry. He is supported by our Executive Director, Wong Meng Kee who has approximately 33 years of experience in the business management, and is responsible for the overall business management and day-to-day operations of our Group. Our key senior management has approximately 21 years of experience in their respective fields.

Further details of our competitive advantages and key strengths are set out in Section 5.1.2 of this Prospectus.

2.4 BUSINESS STRATEGIES

Our Group's business strategies are summarised as below:-

2.4.1 Expansion of Production Facilities

2.4.1.1 Our Cable and Wire Production Facilities

Our business strategies are focused on our core competencies and this includes the expansion of our cable and wire production facilities including:-

(i) Construction of New Factories

Part of our future plans is to construct new factories cater for continuing business expansion for our cable and wire manufacturing operations. In this respect, we intend to construct a new factory in Lot 38 and Lot 29 respectively.

(a) New Factory in Lot 38

The new production facility in Lot 38 will provide an additional built-up area of approximately 32,000 sq. ft. to house new machinery and equipment. This will provide us with an additional planned annual production capacity of approximately 5,000 km for our cables and wires. This factory will focus on a new product range, including power and control cables and wires for automotive and elevator applications.

(b) New Factory in Lot 29

The new production facility in Lot 29 will provide an additional built-up area of approximately 32,000 sq. ft., which will provide us with an additional planned annual production capacity of approximately 1,350 km for low voltage power cables and wires.

We intend to relocate some of our existing machinery and equipment from our Southern Factory to this new production facility.

(ii) Purchase and Upgrade of Machinery and Equipment for Our Cable and Wire Manufacturing Operations

As part of our expansion plans, we intend to purchase the new machinery and equipment for Southern Factory, Lot 39 and a new factory at Lot 38 between 2021 and 2022.

(iii) Purchase and Installation of ERP Information Technology System

Part of our future plans includes investing in a new ERP information technology system to replace the existing system. The migration to a new ERP information technology system will streamline and integrate various production, inventory, financial and administration functions and processes into one complete system. This is aimed at increasing timely flow of data and information among different departments and business units to facilitate decision making and reporting.

2.4.1.2 Plastic Compounding Production Facilities

(i) Construction of New Factory for Our Plastic Compounding Operations

Part of our future plans is to expand our plastic compounding factory in PT 4845 to support the expansion of our cable and wire manufacturing operations. In this respect, we intend to construct a new factory next to Nextol Factory 4846.

The new factory PT 4845 will provide us with an additional built-up area of approximately 32,000 sq. ft. to house new machinery and equipment with a planned annual capacity of 4,200 tonnes. This new factory will mainly be focusing on our new range of plastic compounds including PO, PE and XLPE compounds.

(ii) Purchase and Upgrade of Machinery and Equipment for Nextol

As part of our expansion plans, we intend to purchase the new machinery and equipment for our existing and new factories.

2.4.2 Expansion in Product Range

2.4.2.1 New Range of Cables and Wires

Part of our future plans includes an expansion of our range of cables and wires to cater to the requirements of our existing customers as well as potential customers in the market and their respective sectors.

2.4.2.2 New Range of Plastic Compounds

We utilise mainly PVC, PE, HDPE, MDPE, XLPE and XLPO for insulation, bedding and sheathing in our cables and wires. We have our own PVC compounding facilities which are carried out by our subsidiary, Nextol. With the exception of PVC compounds, we source other plastic compounds including PE, HDPE, MDPE, XLPE and XLPO from external parties.

Part of our future plans is to manufacture new range of plastic compounds for our cable and wire manufacturing operations.

Further details of our business strategies are set out in Section 5.8 of this Prospectus.

2.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations (which may occur either individually or in combination, at the same time or around the same time) that may affect our future financial performance.

The following are the key risks affecting our business, financial performance and position that we are currently facing or that may develop in the future:-

(i) Fluctuations in the prices of copper and aluminium may affect our profitability if we are unable to pass through the costs increment to the customers

Our main raw materials consist of copper cathodes, aluminium ingots, copper and aluminium rods, and copper wires used to make conductors for our cables and wires. As copper and aluminium are globally traded commodity metals, we are subject to global price fluctuations and the risk of any unfavourable price changes will directly affect our margins and profitability if we are unable to pass through the costs increment to the customers.

(ii) Our margins and profitability may be affected by claims arising from liquidated ascertained damages

We have contracts with certain customers where we have to deliver our products to the customers in accordance with the product specification and agreed delivery timelines stipulated in the contracts. In this respect, we are subject to the risk of claims and/or penalties pertaining to liquidated damages. We have made provisions for liquidated ascertained damages for FYE 31 December 2016 to 2018. These amounted to RM0.241 million and RM12.527 million for FYE 31 December 2016 and 2017 respectively, and a net reversal of RM1.096 million for FYE 31 December 2018. For FYE 31 December 2019, FPE 30 June 2020 and up to the LPD, there were no claims made by our customers arising from liquidated ascertained damages.

(iii) We may suffer losses due to adverse foreign exchange fluctuations

Our business is exposed to the risk of foreign exchange fluctuations where 54.87%, 48.44%, 45.55%, 40.47% and 39.84% of our purchases of raw materials for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively were denominated in USD. Any adverse changes in the exchange rate between RM and USD would have a negative impact on our financial performance including profitability and margins.

(iv) Our business was and may continue to be affected by the outbreak of COVID-19 pandemic or any contagious or virulent diseases

The spread or outbreak of COVID-19 pandemic or any contagious or virulent diseases may potentially affect our manufacturing operations. If any of our employees are infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily shut down our manufacturing operations for a period of time as advised by the Ministry of Health, Malaysia to contain the spread of the disease. In the event any of our employees are infected, all our employees would have to undergo COVID-19 swab test. As at the LPD, none of our employees are infected with COVID-19.

Furthermore, any MCO imposed by the Government including targeted enhanced MCO in a location resulting from a resurgence or a general containment measure has and may potentially interrupt and/or suspend our business operations. In the event of any outbreak of COVID-19 infections among our employees or any prolonged outbreak of diseases and/or MCO conditions, our manufacturing operations and our business and financial performance would be adversely affected.

Notwithstanding the above, there can be no assurance that the outbreak of COVID-19 pandemic in Malaysia can be effectively controlled, or that there would not be another resurgence of COVID-19 pandemic or other virulent diseases in the future. These adverse events, if materialise and persist for a substantial period of time, will significantly and adversely affect our business operations and financial performance.

(v) We are dependent on the supply of electricity and gas for our furnaces and any prolonged disruptions in the supply of electricity or gas would affect our production schedules and profitability

We have two (2) electric furnaces dedicated to the production of copper rods and one (1) gas-fired furnace for the production of aluminium rods. On 31 October 2018, we entered into a Gas Supply Agreement with Gas Malaysia Berhad to supply and deliver an agreed daily quantity of gas for our business operations which is valid until 31 December 2022. This would provide regular supply of gas for one of our furnaces. Any disruption in the supply of electricity or gas would affect our production schedules and financial performance including profitability and margins.

(vi) We are dependent on the demand and performance of our main user-industries including power distribution and telecommunications sectors and any reduction in demand from these industry sectors will adversely affect our financial performance

Any changes in the power sector including government policies, regulations as well as government spending on electricity coverage will directly impact on the demand for power cables and wires. We are highly dependent on the demand and performance of user on power cables and wires. One (1) of our top five (5) major customers, namely TNB has contributed RM93.875 million or 19.95%, RM56.109 million or 9.42%, RM103.159 million or 15.10%, RM113.731 million or 17.32% and RM30.028 million or 12.46% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

Within the telecommunications sector, copper-based communications cables and wires are slowly being replaced by fibre optic cables due to its higher capacity and faster transmission rate. We are dependent on the demand from user for communications cables and wires. One (1) of our top five (5) major customers, namely TMB, contributed RM50.351 million or 10.70%, RM50.671 million or 8.51% and RM84.724 million or 12.40% of our total revenue in FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018. The revenue from TMB was lower in FYE 31 December 2019 amounting to RM25.004 million or 3.81% of our total revenue. In FPE 30 June 2020, TMB contributed RM10.357 million or 4.30% of our total revenue.

(vii) Any delays, cancellations or reductions in contract value of our secured orders, and/or our inability to secure new contracts or purchase orders which are commercially favourable would adversely affect our financial performance

As at the LPD, we have subsisting contracts with some of our top five (5) customers for cables and wires. Any delays or cancellation or reduction in the contract value of our orders secured or failure by the customer to raise any purchase orders, would also affect our future financial performance, cash flow position and profitability.

(viii) We may not be able to effectively execute some of our business strategies and plans

Our business strategies are focused on leveraging from our key strengths and capitalising on our core business in manufacturing cables and wires. This includes the expansion of our production facilities driven by our strategy to expand our range of cables and wires, and our new range of plastic compounds.

The future growth of our business is dependent on our ability to implement and carry out our business strategies and plans in a timely manner. Any failure in executing our business strategy effectively may lead to adverse effects on our future business and expected financial performance.

Please refer to Section 8 of this Prospectus for the full list of risk factors which should be carefully considered before investing in our Shares.

2.6 DIRECTORS AND KEY SENIOR MANAGEMENT OF OUR GROUP

Our Directors and key senior management are as follows:-

Name	Designation
DIRECTORS	
Rizvi Bin Abdul Halim	Independent Non-Executive Chairman
Tung Eng Hai	Managing Director
Wong Meng Kee	Executive Director
Wong Kar Wai	Non-Independent Non-Executive Director
Daphne Choy Gaik Choo	Independent Non-Executive Director
Eugene Lee Cheng Hoe	Independent Non-Executive Director
KEY SENIOR MANAGEMENT	
Ooi In Keong	Group General Manager
Song Swee Kim	Group Financial Controller
Zen Azhar Bin Shuib	Plant Operations General Manager

Further details on our Directors and key senior management are disclosed in Section 4 of this Prospectus.

2.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDER'S SHAREHOLDINGS

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before and after the IPO are as follows:-

	Nationality/ Country of Incorporation	Before the IPO / As at the LPD				After the IPO			
		<-----------Direct---------->		<-----------Indirect---------->		<------------Direct--------->		<----------Indirect-------->	
		No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Promoters and substantial shareholders									
Sino	Malaysia	305,524,412	51.73	-	-	285,524,412	35.69	-	-
Tung Eng Hai	Malaysian	-	-	305,524,412[3]	51.73	-	-	285,524,412[3]	35.69
Wong Meng Kee	Malaysian	1,459,204	0.25	312,388,412[4]	52.89	1,459,204	0.18	292,388,412[4]	36.55
Ooi Gaik Bee	Malaysian	-	-	305,524,412[3]	51.73	-	-	285,524,412[3]	35.69
Promoters									
Tung Cheng Im	Malaysian	6,864,000	1.16	306,983,616[5]	51.97	6,864,000	0.86	286,983,616[5]	35.87
Tung Siew Luan	Malaysian	12,700,800	2.15	-	-	12,700,800	1.59	-	-
Substantial shareholders									
Semangat	Malaysia	256,028,400	43.35	-	-	256,028,400	32.00	-	-
Fawiza Binti Faiz	Malaysian	-	-	256,028,400[6]	43.35	-	-	256,028,400[6]	32.00

Notes:-

(1) Based on our issued share capital of 590,652,000 Shares after the Acquisitions and Share Split but before the IPO.

(2) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

(3) Deemed interested by virtue of his/her shareholdings in Sino pursuant to Section 8(4) of the Act.

(4) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act and his spouse's direct shareholdings in the Company pursuant to Section 221(9) of the Act.

(5) Deemed interested by virtue of her spouse's direct and indirect shareholdings in the Company.

(6) Deemed interested by virtue of her shareholdings in Semangat pursuant to Section 8(4) of the Act.

Further details on our Promoters and substantial shareholders are disclosed in Section 4 of this Prospectus.

2.8 USE OF PROCEEDS FROM THE IPO

The total gross proceeds from the Public Issue amounting to RM71,178,320 are intended to be used in the following manner:-

Details of utilisation	RM	Gross proceeds %	Estimated timeframe for utilisation upon Listing
Capital expenditure and expansion			Within 36 months
- Purchase and upgrade of machinery and equipment	18,500,000	25.99	
- Construction of new factories	7,500,000	10.54	
- Purchase and installation of ERP information technology system	4,000,000	5.62	
	30,000,000	**42.15**	
Repayment of bank borrowings	9,188,000	12.91	Within 6 months
Working capital	27,490,320	38.62	Within 6 months
Estimated listing expenses	4,500,000	6.32	Within 3 months
Total	**71,178,320**	**100.00**	

There is no minimum subscription in terms of the proceeds to be raised from the IPO by our Company.

Further details on the use of proceeds are set out in Section 3.5 of this Prospectus.

The Offer for Sale will raise gross proceeds of RM6,800,000. All the proceeds from the Offer for Sale will be credited to the Offeror and we will not receive any part of the proceeds. The Offeror shall bear all the expenses including registration and transfer fees, placement fees and miscellaneous expenses relating to the Offer for Sale amounting to approximately RM250,000.

The pro forma impact of the use of proceeds on our Pro Forma Consolidated Statements of Financial Position as at 30 June 2020 is reflected in Section 11.3 of this Prospectus.

2.9 FINANCIAL HIGHLIGHTS

The key financial highlights of our historical audited combined statements of profit or loss and other comprehensive income for the FYE 31 December 2016 to 2019 and FPE 30 June 2020:-

	<------Audited------>				Unaudited	Audited
	<------FYE 31 December------>				<------FPE 30 June----->	
	2016 RM'000	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2019 RM'000**	**2020 RM'000**
Revenue	470,656	595,694	683,199	656,687	331,842	241,086
Cost of sales	429,083	543,128	617,971	589,465	294,759	217,115
GP	41,573	52,566	65,228	67,222	37,083	23,971
PBT	20,186	25,052	33,132	39,324	23,648	13,438
PAT	14,154	18,185	26,233	28,549	17,289	9,146
GP margin(1)(%)	8.83	8.82	9.55	10.24	11.17	9.94
PBT margin(2)(%)	4.29	4.21	4.85	5.99	7.13	5.57
PAT margin(3)(%)	3.01	3.05	3.84	4.35	5.21	3.79

2. PROSPECTUS SUMMARY (CONT'D)

Notes:-

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

(2) PBT margin is calculated based on PBT divided by revenue.

(3) PAT margin is calculated based on PAT divided by revenue.

Please refer to Section 11.1 of this Prospectus for further discussion on our historical audited combined financial information.

2.10 DIVIDEND POLICY

It is the intention of our Board's policy to recommend and distribute minimum dividends of 15.00% of our annual audited PAT attributable to the shareholders of our Company. Any dividends declared will be subject to confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Further details on our dividend policy are disclosed in Section 11.5 of this Prospectus.

2.11 OUTBREAK OF COVID-19 PANDEMIC

During the MCO, our business operations had been temporarily suspended for 11 days from 18 March 2020 to 28 March 2020. We were unable to deliver our products to our customers for 14 days from 18 March 2020 to 31 March 2020 and the estimated value of our products that we were unable to deliver during this period was RM23.219 million. The incoming orders via purchase orders had reduced substantially during the MCO save for orders from our customers who were operating in the essential services sector. Our revenue from the sales of cables and wires declined by 95.84% from RM37.096 million in March 2020 to RM1.543 million in April 2020. Southern resumed partial operations from 29 March 2020 onwards for a period of 31 days before resuming full operations from 29 April 2020 onwards. We continued to receive orders from customers and were able to deliver our products to customers during the CMCO period. As a result of the restrictions imposed by the Government during the MCO, our Group's monthly production output of cables and wires has been affected. Our utilisation rate for the manufacture of power cables and wires was 48% in FPE 30 June 2020 as compared to 88% in FYE 31 December 2019. As a result of the above business interruptions during the MCO between March and April 2020, our financial performance was affected due to delays and/or reduction in our billings. Nevertheless, our monthly product output improved in May 2020 and June 2020. Our Group resumed full operations from 29 April 2020 onwards while continuing to adhere to SOP enforced by the authorities.

In addition, our trade receivables turnover period increased from 93 days for FYE 31 December 2019 to 122 days for the FPE 30 June 2020. This was mainly due to slow payments from customers impacted by the COVID-19 pandemic. We purchased main raw materials during the first quarter of 2020 prior to the MCO. This was planned to meet the initial production schedules. The lower production activities during COVID-19 pandemic and MCO conditions resulted in a lower usage of raw materials. As such, there is no material adverse impact on our supply as we still have sufficient level of raw materials when we resumed our manufacturing operations. Our trade payable turnover days which increased from 10 days for the FYE 31 December 2019 to 20 days for the FPE 30 June 2020, which is still within the credit period given by our suppliers. As at the LPD, we have not received any cancellations of orders from our customers. Furthermore, we continued to incur cash outflow from fixed operating expenses such as labour cost, factory overheads, and other administration expenses during the MCO amounting to RM2.497 million in April 2020. As at the LPD, none of our employees are infected with COVID-19. As a result of the implementation of an administrative enhanced MCO in Kota Setar District, Kedah from 11 September 2020 to 25 September 2020, one (1) of our employees, who is a process engineer, was unable to come to work in view that his residence is in this district. There is no material adverse impact on our business operations as there are three (3) other process engineers to carry out the roles in supporting the manufacturing processes. Please refer to Sections 5.5.13 and 11.2 of this Prospectus for further details on interruptions to our business and operations due to COVID-19 pandemic and the management discussion and analysis of our financial conditions and results of operations.

3. PARTICULARS OF THE IPO

3.1 DETAILS OF THE IPO

3.1.1 Listing Scheme

(i) Acquisitions

(a) Acquisition of Southern

Our Company had entered into a conditional share sale agreement dated 23 May 2019, which was conditional upon, among others, an approval from Bursa Securities for the Listing, to acquire the entire issued share capital of Southern of RM26,100,000 comprising 26,100,000 ordinary shares from the vendors of Southern for a purchase consideration of RM142,406,998. The said purchase consideration was entirely satisfied by the issuance of 284,813,996 new Shares at an issue price of RM0.50 per Share.

The abovementioned 284,813,996 new Shares were issued to the vendors as follows:-

Vendors	No. of ordinary shares in Southern acquired	Equity interest held in Southern (%)	Purchase Consideration (RM)	No. of Shares issued
Sino	13,998,938	53.64	76,381,102	152,762,204
Semangat	11,731,062	44.94	64,007,100	128,014,200
Tan Chin Keat	250,000	0.96	1,364,052	2,728,104
Yiam Chorng Yin	60,000	0.23	327,372	654,744
Chong Heang Sue	60,000	0.23	327,372	654,744
Total	**26,100,000**	**100.00**	**142,406,998**	**284,813,996**

The purchase consideration of RM142,406,998 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Southern as at 31 December 2018 of RM142,406,648. The Acquisition of Southern was completed on 26 December 2019 and Southern became a wholly-owned subsidiary of our Company.

Upon completion of the Acquisition of Southern, the issued share capital of our Company increased to RM142,407,000 comprising 284,814,000 Shares.

Sino and Semangat have provided their undertakings not to sell, transfer or assign their entire shareholdings in Southern Cable. Please refer to "Moratorium on Sale of Shares" Section on page number xxiii and xxiv of this Prospectus for further details.

(b) Acquisition of Nextol

Our Company had entered into a conditional share sale agreement dated 23 May 2019, which was conditional upon, among others, an approval from Bursa Securities for the Listing, to acquire the entire issued share capital of Nextol of RM100,000 comprising 100,000 ordinary shares from the vendors of Nextol for a purchase consideration of RM3,432,000. The said purchase consideration was entirely satisfied by the issuance of 6,864,000 new Shares at an issue price of RM0.50 per Share.

The abovementioned 6,864,000 new Shares were issued to the vendors as follows:-

Vendors	No. of ordinary shares in Nextol acquired	Equity interest held in Nextol (%)	Purchase Consideration (RM)	No. of Shares issued
Tung Siew Luan	50,000	50.00	1,716,000	3,432,000
Tung Cheng Im	50,000	50.00	1,716,000	3,432,000
Total	**100,000**	**100.00**	**3,432,000**	**6,864,000**

The purchase consideration of RM3,432,000 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Nextol as at 31 December 2018 of RM3,431,246. The Acquisition of Nextol was completed on 26 December 2019 and Nextol became a wholly-owned subsidiary of our Company.

Upon completion of the Acquisition of Nextol, the issued share capital of our Company increased to RM145,839,000 comprising 291,678,000 Shares.

(c) Acquisition of Daya

Our Company had entered into a conditional share sale agreement dated 23 May 2019, which was conditional upon, among others, an approval from Bursa Securities for the Listing, to acquire the entire issued share capital of Daya of RM700,000 comprising 700,000 ordinary shares from the vendors of Daya for a purchase consideration of RM1,824,000. The said purchase consideration was entirely satisfied by the issuance of 3,648,000 new Shares at an issue price of RM0.50 per Share.

3. PARTICULARS OF THE IPO (CONT'D)

The abovementioned 3,648,000 new Shares were issued to the vendors as follows:-

Vendors	No. of ordinary shares in Daya acquired	Equity interest held in Daya (%)	Purchase Consideration (RM)	No. of Shares issued
Tung Siew Luan	560,000	80.00	1,459,200	2,918,400
Wong Meng Kee	140,000	20.00	364,800	729,600
Total	**700,000**	**100.00**	**1,824,000**	**3,648,000**

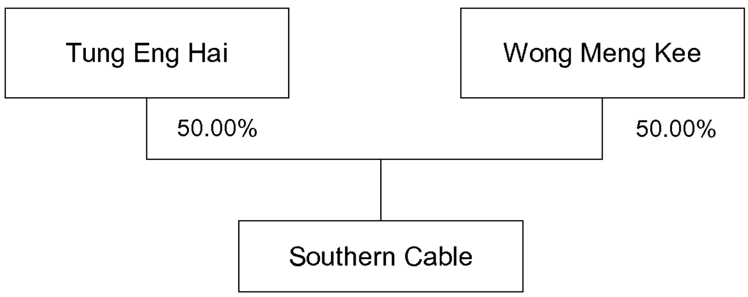
The purchase consideration of RM1,824,000 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Daya as at 31 December 2018 of RM1,823,764. The Acquisition of Daya was completed on 26 December 2019 and Daya became a wholly-owned subsidiary of our Company.

Upon completion of the Acquisition of Daya, the issued share capital of our Company increased to RM147,663,000 comprising 295,326,000 Shares.

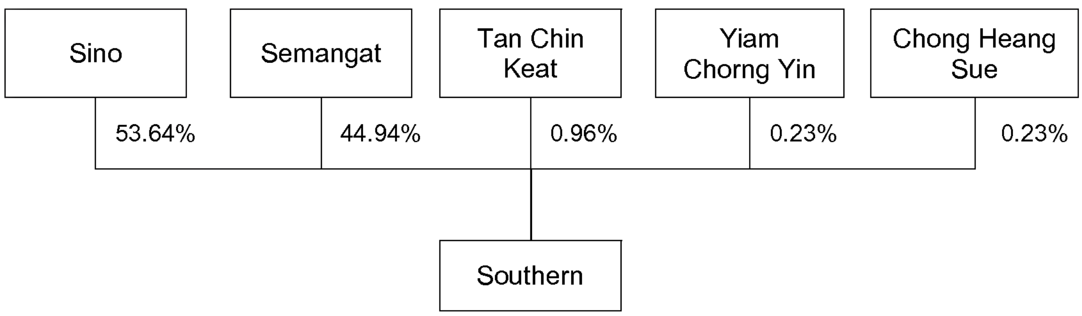
Our Group structure before and after the Acquisitions are illustrated below:-

Before the Acquisitions

Southern Cable

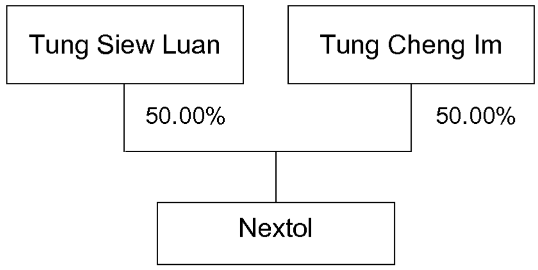


Southern

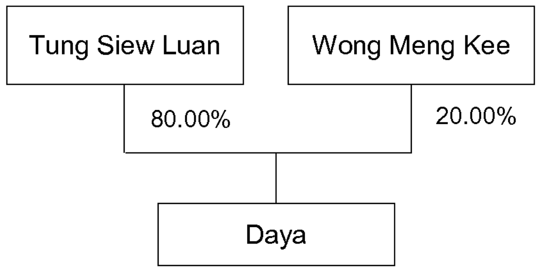


3. PARTICULARS OF THE IPO (CONT'D)

Nextol

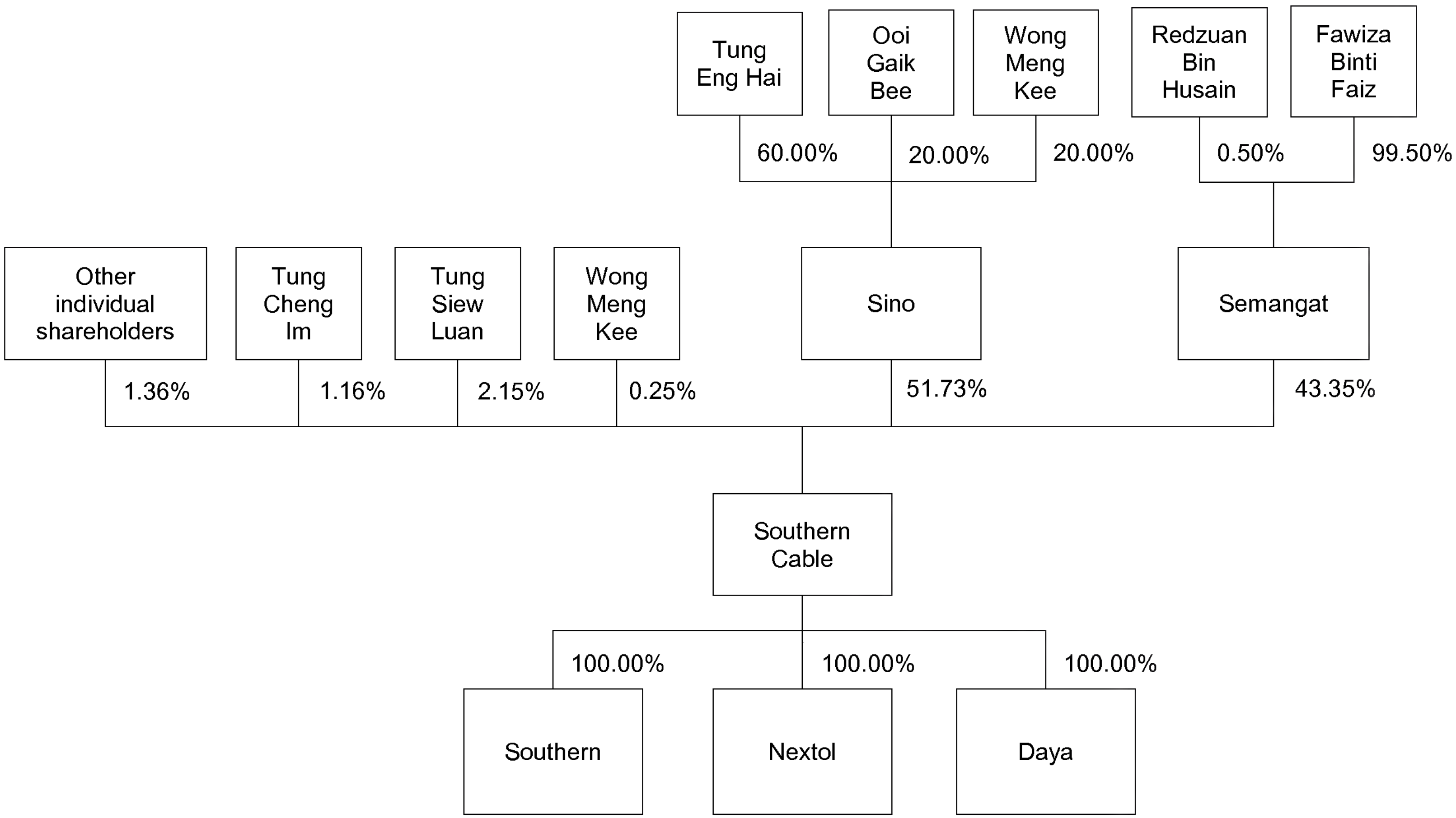


Daya



3. PARTICULARS OF THE IPO (CONT'D)

After the Acquisitions



(ii) Share Split

Our Company had, on 26 June 2020, undertaken a subdivision of every one (1) existing Share held after the Acquisitions into two (2) Shares.

Upon completion of the Share Split, the resultant issued share capital of the Company is RM147,663,000 comprising 590,652,000 Shares.

(iii) Public Issue

Our Public Issue of 209,348,000 Issue Shares representing approximately 26.17% of our enlarged issued share capital, at the IPO Price will be made available for application in the following manner, subject to the terms and conditions of this Prospectus:-

(a) Malaysian Public

40,000,000 Issue Shares representing approximately 5.00% of our enlarged issued share capital will be made available for application by the Malaysian Public via balloting, of which at least 50% is to be set aside strictly for Bumiputera investors.

The basis of allocation shall take into account the desirability of distributing the Issue Shares to a reasonable number of applications in view of broadening the shareholding base of our Company to meet the public spread requirements, and to establish a liquid and adequate market in the Shares. Applications will be selected in a manner to be determined by our Board.

(b) Eligible Directors, employees and persons who have contributed to our success

22,000,000 Issue Shares representing approximately 2.75% of our enlarged issued share capital will be made available for application by our eligible Directors, employees and persons who have contributed to our success.

The Issue Shares to be allocated to our eligible Directors and our employees who have contributed to our success are set out below:-

		Number of persons	Number of Issue Shares allocated
(i)	Eligible Directors[(1)]	4	1,600,000
(ii)	Eligible employees[(2)]	366	17,220,000
(iii)	Persons who have contributed to our success[(3)]	16	3,180,000
	Total	**386**	**22,000,000**

Notes:-

(1) The criteria for allocation to our eligible Directors are based on their respective roles and responsibilities as a Director in our Group.

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

(i) The eligible employee must be a full-time confirmed employee and on the payroll of our Group; and

3. PARTICULARS OF THE IPO (CONT'D)

(ii) The number of Issue Shares allocated to the eligible employees is based on their seniority, designation, length of service, past performance and respective contributions made to our Group as well as other factors deemed relevant to our Board.

The number of Issue Shares allocated under this category is inclusive of the allocation to our key senior management.

(3) The criteria for allocation to the persons who have contributed to our success are based on, inter alia, their contribution to our Group and as approved by our Board. The persons who have contributed to our success include our customers and suppliers.

The details of the Issue Shares to be allocated to our eligible Directors are set out below:-

Name	Designation	Number of Issue Shares allocated
Rizvi Bin Abdul Halim	Independent Non-Executive Chairman	400,000
Wong Kar Wai	Non-Independent Non-Executive Director	400,000
Daphne Choy Gaik Choo	Independent Non-Executive Director	400,000
Eugene Lee Cheng Hoe	Independent Non-Executive Director	400,000
Total		**1,600,000**

The details of the Issue Shares to be allocated to our key senior management are set out below:-

Name	Designation	Number of Issue Shares allocated
Ooi In Keong	Group General Manager	800,000
Song Swee Kim	Group Financial Controller	800,000
Zen Azhar Bin Shuib	Plant Operations General Manager	600,000
Total		**2,200,000**

(c) Private placement to selected investors

67,348,000 Issue Shares, representing approximately 8.42% of our enlarged issued share capital, will be made available by way of placement to selected investors.

(d) Private placement to Bumiputera investors approved by the MITI

80,000,000 Issue Shares, representing approximately 10.00% of our enlarged issued share capital, will be made available by way of placement to identified Bumiputera investors approved by the MITI.

(iv) Offer for Sale

The Offer for Sale of 20,000,000 Offer Shares, representing 2.50% of our enlarged issued share capital, at the IPO Price, is payable in full on application upon such terms and conditions as set out in this Prospectus, and will be offered by our Offeror by way of placement to selected investors.

The breakdown of the Offer Shares offered by the Offeror and their relationship with our Company for the past four (4) years are as follows:-

			As at the LPD		Offer for Sale			After the IPO	
Shareholder	**Nature of relationship**	**Registered Address**	**No. of Shares**	**%[(1)]**	**No. of Offer Shares**	**%[(1)]**	**%[(2)]**	**No. of Shares**	**%[(2)]**
Sino[(3)]	Promoter and substantial shareholder	No. 8, First Floor Jalan Pahlawan Taman Lagenda Indah 08000 Sungai Petani Kedah Darul Aman	305,524,412	51.73	20,000,000	3.39	2.50	285,524,412	35.69

Notes:-

(1) Based on our issued share capital of 590,652,000 Shares after the Acquisitions and Share Split but before the IPO.

(2) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

(3) Sino is held by Tung Eng Hai, Wong Meng Kee and Ooi Gaik Bee with equity interest of 60.00%, 20.00% and 20.00% respectively.

3.1.2 Underwriting Arrangement

All the 40,000,000 Issue Shares made available for application by the Malaysian Public as set out in Section 3.1.1(iii)(a) of this Prospectus have been fully underwritten.

The Issue Shares of 22,000,000 reserved for application by our eligible Directors, employees and persons who have contributed to our success as set out in Section 3.1.1(iii)(b) of this Prospectus have been underwritten.

The 167,348,000 IPO Shares to be allocated by way of private placement to selected investors and identified Bumiputera investors approved by the MITI as set out in Sections 3.1.1(iii)(c), 3.1.1(iii)(d) and 3.1.1(iv) of this Prospectus are not underwritten. Irrevocable undertakings have been or will be obtained from these selected investors to take up the aforementioned IPO Shares made available for application under the private placement. Please refer to Section 3.1.3 of this Prospectus for further details on the clawback and reallocation of the Issue Shares.

3.1.3 Clawback and Reallocation of Issue Shares

(a) Malaysian Public

If any Issue Shares allocated to the Malaysian Public under Section 3.1.1(iii)(a) of this Prospectus are undersubscribed, the balance portion will be allocated in the following order:-

(i) Firstly, to our eligible Directors, employees or persons who have contributed to our success as described in Section 3.1.1(iii)(b) of this Prospectus;

(ii) Secondly, any remaining portion will be made available for application by way of private placement to selected investors under Section 3.1.1(iii)(c) of this Prospectus; and

(iii) Finally, any remaining Issue Shares thereafter will be subscribed by the Sole Underwriter, subject to the terms and conditions of the Underwriting Agreement.

(b) Eligible Directors, employees and persons who have contributed to our success

If any Issue Shares allocated to our eligible Directors, employees or persons who have contributed to our success under Section 3.1.1(iii)(b) of this Prospectus are not fully subscribed, the balance will be allocated in the following order:-

(i) Firstly, to our Group's other eligible Directors, employees or persons who have contributed to our success;

(ii) Secondly, any remaining portion will be allocated to the Malaysian Public under Section 3.1.1(iii)(a) of this Prospectus;

(iii) Thirdly, any remaining portion will be made available for application by way of private placement to selected investors under Section 3.1.1(iii)(c) of this Prospectus; and

(iv) Finally, any remaining Issue Shares thereafter will be subscribed by the Sole Underwriter, subject to the terms and conditions of the Underwriting Agreement.

(c) Private placement to selected investors

The 67,348,000 Issue Shares and 20,000,000 Offer Shares made available for private placement to selected investors are not underwritten as our Placement Agent has received irrevocable undertakings from these selected investors to take up the aforementioned IPO Shares made available for application under the private placement.

(d) Private placement to Bumiputera investors approved by the MITI

In the event that any of 80,000,000 Issue Shares made available for private placement to Bumiputera investors approved by the MITI are not fully subscribed, the remaining portion will be clawed-back and be re-allocated to the selected institutional investors via private placement. Subsequently, any of the Issue Shares that are not taken up shall be made available for Application by the Bumiputera public as part of the balloting process, if there is an over-subscription by the Bumiputera public. Any further Issue Shares which are not taken up by the Bumiputera public will be made available for Application by the Malaysian Public, if there is an over-subscription by the Malaysian Public, to increase the participation of retail investors under Section 3.1.1(iii)(a) of this Prospectus and/or placed out to selected investors under Section 3.1.1(iii)(c) of this Prospectus if there is an over-subscription by these selected investors.

3.1.4 Price Stabilisation Mechanism

We will not be employing any price stabilisation (which is in accordance with the Capital Markets and Services (Price Stabilisation Mechanism) Regulations 2008) for our IPO.

3.1.5 Minimum Level of 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 Shares required to be held by public shareholders for our Company to comply with public spread requirements as per the Listing Requirements or as approved by Bursa Securities.

Pursuant to the Listing Requirements of Bursa Securities, at least 25.00% of our enlarged issued share capital must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our admission to the Official List. Prior to our admission to the Official List, we will ensure that the public shareholding spread requirement is met through a combination of the balloting process and the private placement exercise to ensure that a minimum number of 200 public shareholders holding not less than 100 Shares is in place and at least 25.00% of our enlarged issued share capital are held by public shareholders.

In the event there is an under-subscription of IPO Shares to be placed out, such under-subscription will be adjusted to the size of the Offer for Sale. For avoidance of doubt, the Public Issue will take priority over the Offer for Sale in the event of an under-subscription of IPO Shares.

3. PARTICULARS OF THE IPO (CONT'D)

3.2 SHARE CAPITAL AND RIGHTS ATTACHING TO THE IPO SHARES

	No. of Shares	RM
Share Capital		
Issued share capital as at the date of this Prospectus	590,652,000	147,663,000
New Shares to be issued pursuant to the Public Issue		
(i) Malaysian Public via balloting - Bumiputera investors - Other Malaysian Public	40,000,000	13,600,000
(ii) Our eligible Directors, employees and persons who have contributed to our success	22,000,000	7,480,000
(iii) Selected investors via private placement		
- Bumiputera investors	80,000,000	27,200,000
- Other investors	67,348,000	22,898,320
Enlarged issued share capital upon Listing	**800,000,000**	**218,841,320**
Offer for Sale	20,000,000	6,800,000
IPO Price (RM)		**0.34**
		RM
- **Pro forma consolidated NA per Share** *(based on the enlarged issued share capital after the IPO and after deducting the estimated listing expenses of approximately RM4.500 million)*		0.32
- **Market capitalisation upon Listing** *(based on the IPO Price and enlarged issued share capital after the IPO)*		272,000,000

The IPO Price is payable in full upon Application.

We only have one (1) class of shares, being ordinary shares, all of which rank equally with each other. The Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued share capital, including voting rights and rights to all dividends and distributions that may be declared, the entitlement date of which is subsequent to the allotment date of our Issue Shares.

The Offer Shares rank equally in all respects with our other existing issued Shares including voting rights and rights to all dividends and distributions that may be declared, the entitlement date of which is subsequent to the date of transfer of the Offer Shares.

Subject to special rights attaching to any Share which may be issued by us in the future, our shareholders shall, in proportion to the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions. In relation to any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the issued share capital at the commencement of the liquidation, in accordance with our Constitution and provisions of the Act.

Each shareholder who is entitled to vote, may vote in person or by proxy or by attorney or by duly authorised representative and on a show of hands, every person who is a shareholder, or proxy, or attorney, or representative of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person, or by proxy, or by attorney, or by representative shall have one (1) vote for each Share held.

3.3 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and MIDF Investment, as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, had determined and agreed upon the IPO Price, after taking into consideration the following factors:-

(i) Financial and operating history

We have been actively involved in the cable and wire industry since the commencement of our operations in the manufacturing of cables and wires. Based on the historical audited combined statements of profit or loss and other comprehensive income of our Group for the FYE 31 December 2019, we recorded a PAT of RM28.549 million representing a basic EPS of 4.83 sen (based on the existing issued share capital of 590,652,000 Shares) and 3.57 sen (based on the enlarged issued share capital of 800,000,000 Shares upon Listing) resulting in net PE Multiple of 7.04 times and 9.52 times respectively.

For information, our Group recorded a PAT of RM9.146 million for the FPE 30 June 2020. Our detailed operating and financial history is outlined in Sections 5 and 11 of this Prospectus respectively.

(ii) Business strategies

The business strategies of our Group are outlined in Section 5.8 of this Prospectus.

(iii) Competitive advantages and key strengths and industry overview

Our competitive advantages and key strengths and the industry overview are outlined in Sections 5.1.2 and 7 of this Prospectus respectively.

(iv) Pro forma consolidated NA

The pro forma consolidated NA per Share of RM0.32 based on the pro forma consolidated NA as at 30 June 2020 of RM253.737 million (upon Listing and after use of proceeds) and the enlarged issued share capital of 800,000,000 Shares in our Company.

You should also note that the market price of our Shares upon and subsequent to our Listing is subject to market forces and other uncertainties, which may affect the trading price of our Shares. You are reminded to consider the risk factors set out in Section 8 of this Prospectus before deciding to invest in our Shares.

3.4 DILUTION

Our pro forma consolidated NA per Share as at 30 June 2020 before adjusting for the net proceeds from the Public Issue and based on the issued share capital prior to our Listing of 590,652,000 Shares is approximately RM0.31.

Pursuant to the Public Issue in respect of 209,348,000 Issue Shares at the IPO Price, our pro forma consolidated NA per Share after adjusting for the net proceeds from the Public Issue (after use of proceeds) and based on the enlarged issued share capital upon listing of 800,000,000 Shares, would be RM0.32. This represents an increase in NA per Share of RM0.01 to our existing shareholders and a dilution in NA per Share of RM0.02 to our new investors. The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	0.34
Pro forma consolidated NA per Share as at 30 June 2020 after the Acquisitions and Share Split (before Public Issue)	0.31
Pro forma consolidated NA per Share after the Public Issue (after use of proceeds)	0.32
Increase in NA per Share attributable to existing shareholders	0.01
Dilution in NA per Share to new investors	0.02
Dilution in NA per Share as a percentage of the IPO Price	5.88%

Save as disclosed below, there is no substantial disparity between the IPO Price and effective cash cost to our substantial shareholders, Directors or key senior management, or persons connected with them of any of our shares acquired by them or any transactions entered into by them which grants them the right to acquire any of our Shares from the date of our incorporation to the date of this Prospectus.

	No. of Shares acquired before IPO(1)	No. of Shares from IPO	Total consideration RM	Effective cash cost per Share RM
Promoters, substantial shareholders and Directors				
Tung Eng Hai	-	-	-	-
Wong Meng Kee	1,459,204	-	364,801(5)	0.25
Promoters and substantial shareholders				
Sino(2)(3)	305,524,412	-	76,381,103(4)	0.25
Ooi Gaik Bee	-	-	-	-
Promoters				
Tung Cheng Im	6,864,000	-	1,716,000(6)	0.25
Tung Siew Luan	12,700,800	-	3,175,200(5)(6)	0.25

3. PARTICULARS OF THE IPO (CONT'D)

	No. of Shares acquired before IPO[1]	No. of Shares from IPO	Total consideration RM	Effective cash cost per Share RM
Substantial shareholders				
Semangat[7]	256,028,400	-	64,007,100	0.25
Fawiza Binti Faiz	-	-	-	-
Public Investors				
Public Issue	-	209,348,000[8]	71,178,320	0.34
Offer for Sale	-	20,000,000	6,800,000	0.34

Notes:-

(1) Including Shares issued pursuant to the Acquisitions and Share Split.

(2) Includes two (2) Shares that were transferred from Tung Eng Hai, the subscriber.

(3) Tung Eng Hai, Wong Meng Kee and Ooi Gaik Bee are deemed interested in Southern Cable by virtue of his/her direct shareholdings in Sino pursuant to Section 8(4) of the Act.

(4) Based on the purchase consideration for the Acquisition of Southern.

(5) Based on the purchase consideration for the Acquisition of Daya.

(6) Based on the purchase consideration for the Acquisition of Nextol.

(7) Fawiza Binti Faiz is deemed interested in Southern Cable by virtue of her shareholdings in Semangat pursuant to Section 8(4) of the Act.

(8) Prior to netting off the Pink Form Allocation.

3. PARTICULARS OF THE IPO (CONT'D)

3.5 USE OF PROCEEDS FROM THE IPO

Based on the IPO Price, the gross proceeds of RM71,178,320 will be raised from our Public Issue. The gross proceeds are intended to be used in the following manner:-

Details of utilisation	RM	Gross proceeds %	Estimated timeframe for utilisation upon Listing
Capital expenditure and expansion			Within 36 months
- Purchase and upgrade of machinery and equipment	18,500,000	25.99	
- Construction of factories	7,500,000	10.54	
- Purchase and installation of ERP information technology system	4,000,000	5.62	
	30,000,000	**42.15**	
Repayment of bank borrowings	9,188,000	12.91	Within 6 months
Working capital	27,490,320	38.62	Within 6 months
Estimated listing expenses	4,500,000	6.32	Within 3 months
Total	**71,178,320**	**100.00**	

Pending the eventual utilisation of the proceeds raised from the Public Issue, the proceeds will be placed in interest bearing short-term deposits or money market instruments with licensed banks.

Further information on the use of proceeds from the IPO is as follows:-

(1) Capital Expenditure and Expansion

The use of our gross proceeds for capital expenditure and expansion purposes is to enable our Group to facilitate the expected growth of our business operations in Malaysia. We will also be in a better position to secure more orders from customers.

With our planned expansion of production facilities for our cable and wire manufacturing operations, including purchase and upgrade of machinery and equipment, and construction of new factories, we expect to increase our annual production capacity of cables and wires by approximately 29% to 40,130 km by first half of 2022 compared to our existing annual production capacity of 31,080 km in 2019.

(a) Purchase and upgrade of machinery and equipment

We have earmarked RM18,500,000 of our gross proceeds from the Public Issue for the purchase of 38 machinery and equipment. The details of the machinery and equipment as well as breakdown of the estimated costs for each of the machinery and equipment are as follows:-

New machinery and equipment	Description	Line/Unit	Estimated Cost RM
Cable and wire operations			
For existing Southern Factory and newly completed Lot 39			***13,800,000***
Extrusion lines	For insulation and sheathing	5 lines	6,500,000
Automated control system and related equipment	For the upgrade and automation of the existing extrusion machines	11 units	2,450,000
Drawing machine	For the drawing of copper rods into wires	1 unit	2,000,000
Continuous casting line	For the casting of copper rods	1 line	790,000
X-ray measuring system	For dimensional measuring such as thickness and diameter of the cable	1 unit	690,000
Cabling machine	For the bunching of insulated cores	2 units	1,370,000
For Southern's new factory Lot 38			***3,000,000***
Cabling machine	For the bunching of insulated cores	1 unit	1,500,000
Extrusion line	For insulation and sheathing	1 unit	1,000,000
Testing equipment	For quality testing purposes	3 units	500,000
Plastic compounding operations			
For existing Nextol Factory 4846			***200,000***
Automated control system	For the upgrade and automation of the existing compounding line	6 units	200,000
For Nextol's new factory PT 4845			***1,500,000***
Extrusion compounding line	For extrusion of new range of plastic compound	2 units	1,200,000
Testing equipment	For quality testing purposes	4 units	300,000
Total		**38**	**18,500,000**

We intend to utilise RM18,500,000 for the purpose of business expansion and enhancement of our existing and new operating facilities.

The purchase and upgrade of machinery and equipment is to cater for our following business and product expansion:-

- Cable and wire manufacturing operations: As part of our strategy to expand our production facilities to cater for existing and new range of cables and wires including high voltage power cables, thermal resistant aluminium conductor cables and industrial cables as well as power and control cables and wires for automotive and elevator applications.

- Plastic compounds manufacturing operations: As part of our strategy to purchase the new machinery and equipment to cater for the new range of plastic compounds including PO, PE and XLPE compounds, as well as upgrading our existing production facilities to automate certain processes for our plastic compound manufacturing operations.

Please refer to Section 5.8.3 of this Prospectus for further details on new range of cables and wires as well as plastic compounds.

The actual cost of the machinery can only be determined at a later stage, i.e. upon confirmation of order, due to the fluctuation in foreign currency exchange, as all the machinery and equipment we intended to purchase are imported directly from foreign countries. In the event that the actual cost for the purchase of machinery is higher than budgeted, the deficit will be funded out of the portion allocated for working capital and vice versa.

(b) Construction of Factories

We have allocated RM7,500,000 for the construction of new factories to facilitate the expansion of our business and manufacturing activities. The breakdown for the construction of factories:-

Details	**Notes**	**RM**
Cable and wire manufacturing operations		
Construction of factory in Lot 38	(i)	2,500,000
Construction of factory in Lot 29	(ii)	2,500,000
Plastic compounding operations		
Construction of factory in PT 4845	(iii)	2,500,000
Total		**7,500,000**

The total cost of construction of the above new factories in Lot 38, Lot 29 and PT 4845 is estimated to be RM7.500 million and this will be fully funded by the gross proceeds from our Public Issue.

(i) Factory in Lot 38

We intend to use RM2,500,000 of our gross proceeds from the Public Issue to construct a new factory in Lot 38 to manufacture the new types of cables as disclosed in Section 5.8.3 of this Prospectus. Currently, Lot 38 is a vacant land located next to our existing Southern Factory and adjacent to Lot 39.

We intend to build a single storey building that will have a total built-up area of approximately 32,000 sq. ft., which will comprise, amongst others, the following:-

(aa) single storey production floor complete with the necessary production facilities for manufacturing of automotive and power cables and wires; and

(bb) production office.

The commencement of the construction of this new factory is expected to take place latest by first half of 2021. The construction of the new factory is expected to be completed by second half of 2021 and we plan to commence production by first half of 2022.

As set out in Section 3.5(1)(a) of this Prospectus, we will utilise RM3.000 million of our gross proceeds from the Public Issue to purchase new machinery and equipment for Lot 38. Upon commencement of business operations in Lot 38, our capacity for the manufacture of power cables and wires is expected to increase by approximately 5,000 km for our cables and wires.

(ii) Factory in Lot 29

We intend to use RM2,500,000 of our gross proceeds from the Public Issue to construct a new factory in Lot 29 to provide us with an additional planned annual production capacity of approximately 1,350 km for low voltage power cables and wires. We also intend to relocate some of our existing machinery and equipment from our existing production facilities in Southern Factory to this new production facility. Currently, Lot 29 is a vacant land located in close proximity to our Southern Factory as illustrated under Section 5.8.2.1(i) of this Prospectus.

We intend to build a single storey building that will have a total built-up area of approximately 32,000 sq. ft., which will comprise, amongst others, the following:-

(aa) single storey production floor complete with the necessary production facilities for manufacturing of low voltage power cables and wires; and

(bb) production office.

The commencement of the construction of this new factory is expected to take place by first half of 2021. The construction of the new factory is expected to be completed by second half of 2021 and we plan to commence production by first half of 2022.

(iii) Factory in PT 4845

We intend to use RM2,500,000 of our gross proceeds from the Public Issue to expand our plastic compounding factory on PT 4845 to support expansion of our cable and wire manufacturing business.

We utilise mainly PVC, PE, HDPE, MDPE, XLPE and XLPO for insulation, bedding and sheathing in our cables and wires. Currently, we have our own PVC compounding facilities which are carried out by our subsidiary, Nextol. With the exception of PVC compounds, we source other plastic compounds including PE, HDPE, MDPE, XLPE and XLPO from external parties. By manufacturing these new range of plastic compounds, we will have control over the cost of input materials.

In this respect, we intend to construct a new factory adjacent to Nextol Factory 4846, which is located in Sungai Petani, Kedah Darul Aman. The new production facility is mainly to cater for our new range of plastic compounds including PO, PE and XLPE compounds as disclosed in Section 5.8.3.2 of this Prospectus.

We intend to build a single storey building with a total built-up area of approximately 32,000 sq. ft., which will comprise a production facility for manufacturing of plastic compounds.

The commencement of the construction of this new factory is expected to take place by first half of 2021. The construction of the new factory is expected to be completed by second half of 2021 and we plan to commence production by first half of 2022.

As set out in Section 3.5(1)(a) of this Prospectus, we will utilise RM1.500 million of our gross proceeds from the Public Issue to purchase new machinery and equipment for PT 4845. Upon commencement of business operations in PT 4845, we expect to have a planned annual capacity of 4,200 tonnes.

Please refer to Sections 5.8.2.1(i) and 5.8.2.2(i) of this Prospectus for further details on the construction of new factories.

(c) Purchase and installation of ERP information technology system

We intend to use RM4,000,000 to implement a new ERP information technology system to replace the existing system.

The migration to a new ERP information technology system will streamline and integrate various production, inventory, financial and administration functions and processes into one complete system. This is aimed at increasing timely flow of data and information among different departments and business units to facilitate decision making and reporting.

We expect to purchase and commence installation of the new ERP information technology system by year 2022.

Please refer to Section 5.8.2.1(iii) of this Prospectus for further details on the purchase and installation of ERP information technology system.

(2) Repayment of Bank Borrowings

We intend to use RM9,188,000 of our gross proceeds from the Public Issue to repay the total outstanding balance of certain bank borrowings of our Group.

The details are as set out in the table below:-

Bank/Type of Banking Facility	Purpose	Interest rate	Maturity date	Principal amount	Balance as at the LPD	Amount to be repaid from gross proceeds
				RM	RM	RM
Public Bank Berhad/Term Loan	Purchase of JB Warehouse	Base Lending Rate - 2.20%	January 2028	2,400,000	2,021,000	1,993,000
Public Islamic Bank Berhad/Term Loan	Purchase of Kota Damansara Warehouse	Base Lending Rate - 2.20%	June 2029	5,200,000	5,162,000	5,100,000
Hong Leong Bank Berhad/Hire Purchase	Purchase of machinery and equipment	3%	December 2023	2,954,000	2,265,000	2,095,000
Total						**9,188,000**

The repayment of the abovementioned bank borrowings are expected to have a positive financial impact on our Group with interest savings of approximately RM1,334,000 based on existing prevailing interest rate ranging from 3.00% to 3.52%.

If the actual proceeds for repayment of bank borrowings are lower than estimated, the excess will be used for working capital purposes.

(3) Working Capital

Our Group's working capital requirement will increase in tandem with the growth of our business.

For the FYE 31 December 2016 to 2019, our Group has registered significant revenue growth at a CAGR of 11.74% from RM470.656 million in the FYE 31 December 2016 to RM656.687 million in the FYE 31 December 2019. Our continued momentum for the growth of our Group, until 2020, is also partly driven by our order book as at the LPD of RM405.429 million. For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, our cost of sales of copper and aluminium based materials accounted for 63.58%, 64.92%, 71.29%, 74.95% and 77.31% of our total cost of sales respectively.

In line with our Group's expected expansion and business growth, our Group expects to utilise more raw materials and supplies for our manufacturing activities which mainly includes copper and aluminium materials. In respect of the above, we intend to allocate approximately RM27,490,320, representing approximately 38.62% of the proceeds from our Public Issue to meet our Group's working capital requirements for the purchase of raw materials.

(4) Estimated listing expenses

Our listing expenses are estimated to be RM4,500,000, details of which are as follows:-

Description	**Total RM**
Professional fees[(1)]	2,400,000
Estimated underwriting, placement and brokerage fees	1,800,000
Printing and advertising	150,000
Fees to authorities	100,000
Contingencies[(2)]	50,000
Total	**4,500,000**

Notes:-

(1) Include fees for, among others, the Principal Adviser, Reporting Accountants, Solicitors, Independent Business and Market Research Consultants and other professional advisers.

(2) Other incidental or related expenses in connection with the IPO, which includes translators, media related expenses, IPO event expenses, etc.

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

The Offer for Sale will raise gross proceeds of RM6,800,000. All the proceeds from the Offer for Sale will be credited to the Offeror and we will not receive any part of the proceeds. The Offeror shall bear all the expenses including registration and transfer fees, placement fees and miscellaneous expenses amounting to approximately RM250,000.

The financial impact of the use of proceeds on our Pro Forma Consolidated Statements of Financial Position as at 30 June 2020 is reflected in Section 11.3 of this Prospectus.

3.6 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

3.6.1 Brokerage fee

We will bear the brokerage fees to be incurred on the issue of the 62,000,000 Issue Shares pursuant to the IPO under Sections 3.1.1(iii)(a) and 3.1.1(iii)(b) of this Prospectus at the rate of 1.00% of the IPO Price in respect of successful Applications which bear the stamp of MIDF Investment, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

3.6.2 Underwriting commission

MIDF Investment, as our Sole Underwriter has agreed to underwrite 62,000,000 Issue Shares as set out in Sections 3.1.1(iii)(a) and 3.1.1(iii)(b) of this Prospectus. We will pay our Sole Underwriter an underwriting commission at the rate of 2.50% of the total value of the Shares underwritten at the IPO Price.

3.6.3 Placement fee

MIDF Investment, as our Placement Agent, has agreed to place the 147,348,000 Issue Shares and 20,000,000 Offer Shares available under the placement to selected investors as well as identified Bumiputera investors approved by the MITI set out in Sections 3.1.1(iii)(c), 3.1.1(iii)(d) and 3.1.1(iv) of this Prospectus respectively, at the rate of 2.50% of the IPO Price for each Issue Share placed out by the Placement Agent.

3.7 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Our Company had on 6 March 2020, entered into an underwriting agreement with the Sole Underwriter, whereby the Sole Underwriter agreed to underwrite the underwritten shares upon the terms and subject to the conditions therein contained. Subsequently, on 24 August 2020, our Company had entered into a supplemental underwriting agreement to amend several terms and conditions of the abovementioned underwriting agreement to give effect to the Share Split and to amend the definitions of the underwritten shares to 40,000,000 Issue Shares, which will be made available for application by the Malaysian Public and 22,000,000 Issue Shares which will be made available for application by our eligible Directors, employees and persons who have contributed to our success ("**Underwritten Shares**").

The salient terms of the underwriting agreement read together with the supplemental underwriting agreement, among others, which may allow the Sole Underwriter to withdraw from its obligations are as follows:-

(1) Conditions

The obligations of the Sole Underwriter under the Underwriting Agreement are conditional on certain conditions being satisfied or fulfilled.

(2) Termination

(a) Notwithstanding anything herein contained, the Sole Underwriter may by notice in writing to our Company given at any time before the last day and time for the acceptance of and payment for the Application ("**Closing Date**"), terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:-

(i) there is any breach by our Company of any of the representations, warranties or undertakings contained in Clause 4 of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Sole Underwriter within such number of days as stipulated within the notice after notice of such breach has been given to our Company or by the Closing Date, whichever is earlier; or

(ii) there is withholding of information which is required to be disclosed to the Sole Underwriter pursuant to the Underwriting Agreement which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have, a Material Adverse Effect, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach has been given to our Company; or

(iii) there shall have occurred, happened or come into effect 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 or the occurrence of any combination of any of the foregoing which in the opinion of the Sole Underwriter would have or is likely to have a Material Adverse Effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of the IPO Shares. For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:-

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

(ii) on or prior to the Closing Date,

lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

(bb) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which in the opinion of the Sole Underwriter would have or is likely to have a Material Adverse Effect or would prohibit or impede the obligations of the Sole Underwriter;

(cc) any event or series of events beyond the reasonable control of the Sole Underwriter, including without limitation any of the following:-

(i) acts of God;

(ii) national disorder or a declaration of a state of national emergency;

(iii) armed conflict or serious threat of the same;

(iv) hostilities, embargo, detention, revolution, riot;

(v) any unavailability of transportation or severe economic dislocation;

(vi) earthquake, outbreak of war, outbreak of disease, acts of terrorism;

(vii) outbreak of COVID-19 and other medical epidemic or pandemic,

which in the opinion of the Sole Underwriter would have or is likely to have a Material Adverse Effect;

(dd) trading of all securities on Bursa Securities has been suspended or other form of general restriction in trading in securities is imposed for three (3) consecutive Market Days or more;

(ee) there shall have occurred or happened any material and adverse change to the business or financial condition, prospects, results of operations, properties or assets of our Company or our Group;

(ff) any commencement of legal proceedings or action against any member of our Group or any of our directors, which in the opinion of the Sole Underwriter would have or is likely to have a Material Adverse Effect; or

(gg) approval for the IPO is withdrawn, modified and/or subject to terms and conditions not acceptable to the Sole Underwriter; or

(iv) there is failure on the part of our Company to perform any of its obligations under the Underwriting Agreement;

(v) the Listing does not take place within five (5) months from the date of the supplemental underwriting agreement or such other extended date as may be agreed in writing by the Sole Underwriter and our Company;

(vi) the Closing Date is more than five (5) calendar months from the date of the supplemental underwriting agreement or any later date as our Company and the Sole Underwriter may mutually agree upon, the Underwriting Agreement will automatically lapse without the requirement for any notice in writing to be given to such effect and the Sole Underwriter will be released and discharged from its obligations;

(vii) if the SC or any other relevant authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of the Sole Underwriter (after consultation with our Company), impracticable to market the Public Issue or to enforce contracts to allot and transfer the Issue Shares;

(viii) any material statement contained in the Prospectus and the Application Form has become or been discovered to be untrue, inaccurate or misleading in any respect;

(ix) the placement arrangement shall have been terminated or rescinded in accordance with its terms; or

(x) any other event which in the opinion of the Sole Underwriter will have or is likely to have a Material Adverse Effect.

(b) In the event of a force majeure pursuant to Clause 3.7(2)(a)(iii) above, the Sole Underwriter may, subject to prior consultation with our Company, at any time prior to or on the Closing Date:-

(i) terminate the Underwriting Agreement by giving notice to our Company in the manner as set out in Clause 13 of the Underwriting Agreement; or

(ii) agree for the Closing Date to be extended, at the request of our Company, to such date as the Sole Underwriter may determine after consultation with our Company.

(c) The agreement by the Sole Underwriter to our Company's request for extension under Clause 3.7(2)(b)(ii) shall not preclude the Sole Underwriter from giving a further extension pursuant to Clause 3.7(2)(b)(ii) or giving of a notice to terminate pursuant to Clause 3.7(2)(b)(i).

(d) Upon such notice(s) being given under this Clause 3.7(2), the Sole Underwriter shall be released and discharged of its obligations under the Underwriting Agreement without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that our Company shall remain:-

(i) liable to pay the underwriting commission in accordance with Clause 7 of the Underwriting Agreement;

(ii) liable to pay or reimburse the cost and expenses referred to in Clause 12 of the Underwriting Agreement (including those incurred in the event the Closing Date is extended); and

(iii) liable in respect of its obligations and liabilities under Clause 4 of the Underwriting Agreement (Representations, Warranties and Undertakings) and for antecedent breaches by our Company under the Underwriting Agreement.

(e) The relevant payments above shall be made within seven (7) Market Days from the date of notice of termination.

For the purpose of this Section, a "**Material Adverse Effect**" means any change, effect, event or occurrence that, individually or in the aggregate, and whether or not arising in the ordinary course of business which materially and adversely affects or would reasonably be expected to have a material adverse effect on:-

(a) the condition (financial or otherwise), business, assets, liquidity, liabilities, prospects, properties or results of operations of our Company and our Group, whether individually or taken as a whole, and whether or not arising in the ordinary course of business;

(b) the ability of our Company to perform in any respect of its or their obligations under or with respect to, or to consummate the transactions contemplated under the Prospectus or the Underwriting Agreement;

(c) the ability of our Group to conduct its businesses; or

(d) the IPO.

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

4.1 PROMOTERS AND/OR SUBSTANTIAL SHAREHOLDERS

4.1.1 Promoters' and substantial shareholders' shareholdings

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before and after the IPO are as follows:-

	Nationality/ Country of Incorporation	Before the IPO/As at the LPD				After the IPO			
		<----------Direct---------->		<----------Indirect---------->		<----------Direct---------->		<----------Indirect---------->	
		No. of Shares	%[(1)]	No. of Shares	%[(1)]	No. of Shares	%[(2)]	No. of Shares	%[(2)]
Promoters and substantial shareholders									
Sino	Malaysia	305,524,412	51.73	-	-	285,524,412	35.69	-	-
Tung Eng Hai	Malaysian	-	-	305,524,412[(3)]	51.73	-	-	285,524,412[(3)]	35.69
Wong Meng Kee	Malaysian	1,459,204	0.25	312,388,412[(4)]	52.89	1,459,204	0.18	292,388,412[(4)]	36.55
Ooi Gaik Bee	Malaysian	-	-	305,524,412[(3)]	51.73	-	-	285,524,412[(3)]	35.69
Promoters									
Tung Cheng Im	Malaysian	6,864,000	1.16	306,983,616[(5)]	51.97	6,864,000	0.86	286,983,616[(5)]	35.87
Tung Siew Luan	Malaysian	12,700,800	2.15	-	-	12,700,800	1.59	-	-
Substantial shareholders									
Semangat	Malaysia	256,028,400	43.35	-	-	256,028,400	32.00	-	-
Fawiza Binti Faiz	Malaysian	-	-	256,028,400[(6)]	43.35	-	-	256,028,400[(6)]	32.00

Notes:-

(1) Based on our issued share capital of 590,652,000 Shares after the Acquisitions and Share Split but before the IPO.

(2) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

(3) Deemed interested by virtue of his/her shareholdings in Sino pursuant to Section 8(4) of the Act.

(4) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act and his spouse's direct shareholdings in the Company pursuant to Section 221(9) of the Act.

(5) Deemed interested by virtue of her spouse's direct and indirect shareholdings in the Company.

(6) Deemed interested by virtue of her shareholdings in Semangat pursuant to Section 8(4) of the Act.

As disclosed in the table above, Tung Eng Hai, Wong Meng Kee and Ooi Gaik Bee (all are our Promoters and substantial shareholders) through their shareholdings in Sino, exercise control over our Company, and Fawiza Binti Faiz (our substantial shareholder) through her shareholdings in Semangat exercise control over our Company. Save as disclosed above, our Directors are not aware of any other person who, directly or indirectly, jointly or severally, exercises control over our Company.

As at the LPD, our substantial shareholders and/or Promoters have the same voting rights with each other. After the IPO, our Promoters and substantial shareholders will have the same voting rights with other shareholders of our Group. There is no arrangement between our Company and our shareholders with any third parties, the operation of which may result in the change and control of our Company.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.1.2 Profile of our Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:-

(i) Sino

Promoter and substantial shareholder

Sino was incorporated in Malaysia on 24 June 1996 under the Companies Act 1965 as a private company limited by shares and is deemed registered under the Act.

As at the LPD, the issued share capital of Sino is RM10,000 comprising 10,000 ordinary shares. The principal activity of Sino is investment holding in shares.

As at the LPD, the shareholders and their respective shareholdings in Sino are as follows:-

	<------------Direct interest in Sino------------>	
Shareholders	**No. of shares**	**%**
Tung Eng Hai	6,000	60.00
Wong Meng Kee	2,000	20.00
Ooi Gaik Bee	2,000	20.00

The directors of Sino are Tung Eng Hai, Wong Meng Kee and Fawiza Binti Faiz.

As at the LPD, Sino does not have any subsidiary or associated company.

(ii) Tung Eng Hai
Promoter, substantial shareholder and Managing Director

Tung Eng Hai, a Malaysian, aged 61, is our Managing Director. He was appointed to our Board on 4 April 2019. He is responsible for overseeing the strategic business planning, development and operations of our Group, which includes setting our Group's direction, formulating corporate development plan and driving our business growth. In addition, he is also involved in overseeing the daily on-site operations and operational related matters.

He completed the Senior Three Electronics Course in Han Chiang High School, Pulau Pinang in 1978.

He began his career with Leader Cable Industry Sdn Bhd (now known as Leader Cable Industry Berhad) ("**Leader Cable**") in October 1978 as a Production Planning Clerk cum Personnel Clerk where he was responsible for coordinating, planning and scheduling the production workflow in the cable manufacturing plant. Subsequently, he was promoted to Deputy Factory Manager in January 1989 where he was primarily responsible for the overall production operations of the company.

Subsequently in July 1991, he was transferred to Universal Cable (M) Berhad as Deputy General Manager where he was responsible for managing the overall operations of the cable and wire manufacturing plants.

In August 1994, he was transferred to Leader Universal Holdings Berhad ("**Leader Universal**") as a Product Development and Planning Director where he was primarily responsible for the setting up of new factories and development of new product range.

In June 2001, he was transferred back to Leader Cable as a Senior Director where he was involved in the overall strategy and corporate direction of the company as well as overseeing the overall operational activities of the company until June 2002. He subsequently took a career break from July 2002 to September 2003.

In October 2003, he joined our Group as a General Manager to assist his sibling and brother-in-law where he assumed the overall responsibility of the technical and plant operations management. He subsequently took over the business from his sibling, when his sibling resigned from Southern and disposed of entire shareholdings in 2004 to seek other career opportunities abroad. In September 2010, he assumed the role of Technical Advisor where he was primarily responsible for providing technical advisory as well as managing the overall operational activities of our Group.

In October 2016, he assumed his current position as our Managing Director. He is responsible for the overall performance of our Group. He brings with him approximately 41 years of working experience in the cable and wire industry.

His interests in other corporations are as set out in Section 4.2.4 of this Prospectus.

(iii) Wong Meng Kee
Promoter, substantial shareholder and Executive Director

Wong Meng Kee, a Malaysian, aged 60, is our Executive Director. He was appointed to our Board on 4 April 2019. He is responsible for the overall business management and administration of our Group. He is also a director of Daya since April 1996. He is responsible for overseeing the overall operations of Nextol and Daya.

He graduated with a Secondary School Honour Graduation Diploma from St. Columba College, Canada in 1981 and a Diploma in Business Administration (Hons) from The Toronto School of Business, Canada in 1986.

He began his career in 1987 in a sole proprietary outfit, namely Wong Hong Fong, his family business which was involved in the trading of hardware such as aluminium milling hardware and round bar where he was responsible to oversee the operation of the business.

He was appointed as a director of Southern in August 2001. During the same year, he also joined Daya Tembaga Sdn Bhd in October 2001 as an Operation Manager, a company involved in trading, recycling and reclaimed metals where he was responsible for overseeing the overall operational activities of the company. Subsequently, he was appointed as a director of Daya Tembaga Sdn Bhd in January 2002. As a director of Daya Tembaga Sdn Bhd, he was in charge of the overall business of the company including strategic formulating, operational decisions making and ensuring that the company meets its business targets. He resigned as a director of Daya Tembaga Sdn Bhd in March 2003.

As a director of Southern, he was responsible to oversee the business operations of Southern. He assumed his current position as Executive Director of our Company in April 2019.

He brings with him approximately 33 years of working experience in business management.

His interests in other corporations are as set out in Section 4.2.4 of this Prospectus.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Ooi Gaik Bee
Promoter and substantial shareholder

Ooi Gaik Bee, a Malaysian, aged 57. Her shareholding in Southern Cable is as a result of the Acquisition of Southern and she is a Promoter of Southern Cable by virtue of her being a person connected to Tung Eng Hai.

She began her career with Leader Cable as an Officer in the Quality Control Department after completing her Sijil Pelajaran Malaysia examination in 1980. During her 5-year tenure with Leader Cable, she was responsible for overseeing the quality control of the products of the company until she left in 1985.

In July 2010, she joined Southern where she headed the sales and marketing operations in Klang Valley until December 2018.

(v) Tung Cheng Im
Promoter and Costing Manager

Tung Cheng Im, a Malaysian, aged 56. Her shareholding in Southern Cable is as a result of the Acquisition of Nextol and she is a Promoter of Southern Cable by virtue of her being a person connected to Wong Meng Kee and Tung Eng Hai. She is also a director of Nextol since May 2006.

She completed the Senior Middle Three Science Course in Han Chiang High School, Pulau Pinang in 1981.

She began her career with Leader Metal Enterprise Sdn Bhd, a wholly owned subsidiary of Leader Universal, in June 1983 in the costing division of the company. Subsequently, she was promoted to Costing Officer in January 1990. Her main responsibilities were to process, maintain and analyse the data used for costing determinations for the purchasing department.

In January 1992, she was transferred to Leader Universal as a Marketing Executive where she was primarily responsible in the tender process including preparation of the tender documents. She was further promoted to Assistant Manager in January 1997 in which she assumed additional responsibility of overseeing the costing and marketing for tender. She was solely responsible on costing related matters after her promotion to Costing Manager in January 1999. In December 2002, she left the company to join Southern as a Senior Commercial Executive in January 2003 where she was involved in the sales administration and costing. In January 2010, she was promoted to Costing cum Export Sales Manager where she was responsible to secure orders outside Malaysia. She assumed her current position in Southern as a Costing Manager since January 2015 where she is primarily responsible to oversee the budget and ensure cost-effective operations for a project. She brings with her approximately 37 years of working experience predominantly costing related matters in the cable and wire industry.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(vi) Tung Siew Luan
Promoter

Tung Siew Luan, a Malaysian, aged 59. Her shareholding in Southern Cable is as a result of the Acquisition of Nextol and Acquisition of Daya, and she is a Promoter of Southern Cable by virtue of her being a person connected to Tung Eng Hai and Tung Cheng Im. She is also a director of Nextol and Daya since May 2006 and May 2011 respectively.

She began her career with Leader Cable as a General Clerk in the Production Department after attending up to Form 3 in Sekolah Menengah Kebangsaan Haji Zainul Abidin, Pulau Pinang in 1976. During her 5-year tenure with Leader Cable, she performed general office clerical work which included customer service until 1981.

(vii) Semangat
Substantial shareholder

Semangat was incorporated in Malaysia on 1 November 1996 under the Companies Act 1965 as a private company limited by shares and is deemed registered under the Act.

As at the LPD, the issued share capital of Semangat is RM10,000 comprising 10,000 ordinary shares. The principal activity of Semangat is investment holding in shares.

As at the LPD, the shareholders and their respective shareholdings in Semangat are as follows:-

	<--------Direct interest in Semangat-------->	
Shareholders	**No. of shares**	**%**
Fawiza Binti Faiz	9,950	99.50
Redzuan Bin Husain	50	0.50

The directors of Semangat are Redzuan Bin Husain and Fawiza Binti Faiz.

As at the LPD, Semangat does not have any subsidiary or associated company.

(viii) Fawiza Binti Faiz
Substantial shareholder and Business Development Advisor

Fawiza Binti Faiz, a Malaysian, aged 50. Her shareholding in Southern Cable is as a result of the Acquisition of Southern and she is a substantial shareholder of Southern Cable by virtue of her shareholding in Semangat.

She graduated with a Degree of Bachelor of Accountancy with Honours from University Utara Malaysia in 1996.

She began her career in Monterez Golf & Country Club as an Accounts Assistant in 1999 where she was primarily responsible for the preparation of the company's financial documents such as financial statements and accounting records. She left Monterez Golf & Country Club in 2001 and joined Asian Composites Manufacturing Sdn Bhd as an Accounts Executive in May 2002. She was mainly responsible for the preparation of the financial statements. She left Asian Composites Manufacturing Sdn Bhd in May 2007.

In May 2015, she was appointed as a director of Southern. She further assumed her current position as a Business Development Advisor since November 2019 where she is responsible for business development. She is also a director of Sino and Semangat since June 2015.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.1.3 Changes in our Promoters' and/or substantial shareholders' shareholdings

Save as disclosed below, there are no other changes in the shareholdings of our Promoters and substantial shareholders in our Company since incorporation to the LPD:-

	As at 4 April 2019 (date of incorporation)				Before the IPO/As at the LPD				After the IPO			
	<-----Direct------>		<-----Indirect---->		<---------Direct---------->		<---------Indirect--------->		<----------Direct----------->		<---------Indirect--------->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(2)	No. of Shares	%(2)
Promoters and substantial shareholders												
Sino	-	-	-	-	305,524,412	51.73	-	-	285,524,412	35.69	-	-
Tung Eng Hai	2	50	-	-	-	-	305,524,412(3)	51.73	-	-	285,524,412(3)	35.69
Wong Meng Kee	2	50	-	-	1,459,204	0.25	312,388,412(4)	52.89	1,459,204	0.18	292,388,412(4)	36.55
Ooi Gaik Bee	-	-	-	-	-	-	305,524,412(3)	51.73	-	-	285,524,412(3)	35.69
Promoters												
Tung Cheng Im	-	-	-	-	6,864,000	1.16	306,983,616(5)	51.97	6,864,000	0.86	286,983,616(5)	35.87
Tung Siew Luan	-	-	-	-	12,700,800	2.15	-	-	12,700,800	1.59	-	-
Substantial shareholders												
Semangat	-	-	-	-	256,028,400	43.35	-	-	256,028,400	32.00	-	-
Fawiza Binti Faiz	-	-	-	-	-	-	256,028,400(6)	43.35	-	-	256,028,400(6)	32.00

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:-

(1) Based on our issued share capital of 590,652,000 Shares after the Acquisitions and Share Split but before the IPO.

(2) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

(3) Deemed interested by virtue of his/her shareholdings in Sino pursuant to Section 8(4) of the Act.

(4) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act and his spouse's direct shareholdings in the Company pursuant to Section 221(9) of the Act.

(5) Deemed interested by virtue of her spouse's direct and indirect shareholdings in the Company.

(6) Deemed interested by virtue of her shareholdings in Semangat pursuant to Section 8(4) of the Act.

4.1.4 Promoters and/or substantial shareholders' remuneration and benefits

Save for the issuance of Shares by our Company as consideration pursuant to the Acquisitions as disclosed in Section 3.1.1(i) of this Prospectus, the aggregate remuneration and benefits paid to our Promoters and/or substantial shareholders for services rendered to our Group in all capacities for the FYE 31 December 2018 and FYE 31 December 2019 as set out below, remuneration received by our Directors in the course of their employment as disclosed in Section 4.2.6 of this Prospectus, there are no other amount or benefits that has been paid or intended to be paid to our Promoters and/or substantial shareholders within the two (2) years preceding the date of this Prospectus:-

Promoters and/or substantial shareholders	Remuneration Band	
	FYE 31 December 2018 RM'000	FYE 31 December 2019 RM'000
Ooi Gaik Bee	800 – 850[(1)]	-
Tung Cheng Im	100 – 150[(2)]	150 – 200[(2)]
Tung Siew Luan	0 – 50[(3)]	0 – 50[(3)]
Fawiza Binti Faiz	0 – 50[(4)]	50 – 100[(4)]

Notes:-

(1) Remuneration was paid to her (which includes salary, bonuses and benefits-in-kind) for her role where she headed the sales and marketing operations in Klang Valley.

(2) Remuneration was paid to her (which includes salary, bonuses and benefits-in-kind) for her role as Costing Manager in Southern.

(3) Remuneration was paid to her (which includes salary, bonuses and benefits-in-kind) for her role as a director of Daya.

(4) Remuneration was paid to her (which includes salary, bonuses and benefits-in-kind) for her role as a director and Business Development Advisor of Southern.

4.2 DIRECTORS

4.2.1 Our Board comprises the following members:-

Name	Age	Gender	Nationality	Date of Appointment	Designation
Rizvi Bin Abdul Halim	51	Male	Malaysian	28 May 2019	Independent Non-Executive Chairman
Tung Eng Hai	61	Male	Malaysian	4 April 2019	Managing Director
Wong Meng Kee	60	Male	Malaysian	4 April 2019	Executive Director
Wong Kar Wai	55	Male	Malaysian	28 May 2019	Non-Independent Non-Executive Director
Daphne Choy Gaik Choo	56	Female	Malaysian	28 May 2019	Independent Non-Executive Director
Eugene Lee Cheng Hoe	51	Male	Malaysian	28 May 2019	Independent Non-Executive Director

4.2.2 Profiles

The profiles of the Directors of our Group are as follows:-

(i) Rizvi Bin Abdul Halim
Independent Non-Executive Chairman

Rizvi Bin Abdul Halim, a Malaysian, aged 51, is our Independent Non-Executive Chairman. He was appointed to our Board on 28 May 2019 and is a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee. He brings with him over 24 years of experience in corporate finance, corporate banking, capital market and syndication and capital market regulations.

He obtained his Diploma in Hotel and Catering Management from Institut Teknologi MARA ("**MARA**") in 1990. During his time in MARA, he underwent the Reserve Officer Training Unit (ROTU) programme where he was commissioned as a second lieutenant army officer. In 1992, he graduated from Indiana State University, United States of America with a Degree of Bachelor of Science. In 1995, he also obtained his Master of Business Administration from Ohio University, United States of America.

He began his career in Bank Bumiputra Malaysia Berhad (now part of CIMB Bank Berhad) as an Account Manager in the Corporate Banking Department from January 1995 to December 1996. He was primarily responsible for corporate banking functions which involve marketing, credit evaluation, financial analysis, credit review, loan documentation and syndication.

From January 1997 to March 2000, he joined Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank Berhad) as an Assistant Manager in the Capital Markets and Syndications Department. He was primarily responsible for marketing or promoting loan products and services, financial advisory, structuring and initiating loan proposals including syndications and private debt securities, preparing credit reports, loan documentation and loan disbursements.

Subsequently in April 2000, he joined the SC as a Senior Executive in the Equities-Corporate Finance Department. He was primarily responsible for assessment and evaluation of corporate proposals, reviewing and registration of prospectuses and monitoring of compliance with the securities laws, regulations and guidelines relating to issues, offers and listing of securities. He left the SC as a Senior Manager in March 2012 to set up Cascade Crest Sdn Bhd.

He has been a shareholder and director of Cascade Crest Sdn Bhd since April 2012. He is primarily responsible for project initiation and management functions of the company.

In October 2014, he was appointed as an Independent Non-Executive Director of Ni Hsin Resources Berhad, a company listed on the Main Market of Bursa Securities. He was subsequently re-designated as an Independent Non-Executive Chairman on 1 March 2017. On 22 November 2017, he was further re-designated as an Executive Director, a position he holds to date. His responsibility as an Executive Director includes exploring new business opportunities.

His interests in other corporations are as set out in Section 4.2.4 of this Prospectus.

(ii) Tung Eng Hai
Promoter, substantial shareholder and Managing Director

Please refer to Section 4.1.2 of this Prospectus for his profile.

(iii) Wong Meng Kee
Promoter, substantial shareholder and Executive Director

Please refer to Section 4.1.2 of this Prospectus for his profile.

(iv) Wong Kar Wai
Non-Independent Non-Executive Director

Wong Kar Wai, aged 55, is our Non-Independent Non-Executive Director. He was appointed to our Board on 28 May 2019 and is a member of the Audit and Risk Management Committee. He has approximately 6 years of experience in the banking industry and approximately 19 years of experience in the insurance industry.

He qualified as a management accountant with The Chartered Institute of Management Accountants, United Kingdom in 1994. He is also a qualified Chartered Financial Consultant (Malaysia) admitted by The Malaysian Insurance Institute and The American College since 2003. A year later, he was certified as a Registered Financial Planner by the Malaysian Financial Planning Council. He is also a certified Estate Planning Practitioner by Rockwills Corporation Sdn Bhd and Estate Planning Practitioners Limited (Singapore), in collaboration with The Society of Wills Writers & Estate Planning Practitioners (United Kingdom).

He started his career with Ban Hin Lee Bank Berhad (now part of CIMB Bank Berhad) in January 1985 as a Trade Finance Clerk. From 1986 to 1990, he was involved in internal audit.

In January 1991, he joined Leader Cable as a Finance Officer. He was then promoted a year later in January 1992 as the Group Finance Manager of Leader Universal, the holding company of Leader Cable where he was responsible for overseeing the treasury management of the company. In February 2001, he left Leader Universal.

He joined Hong Leong Assurance Berhad ("**HLA**") in April 2001 as a life insurance agent and later in March 2006, he became the general insurance agent. Subsequently in April 2009, he became a general insurance agent for Overseas Assurance Corporation (Malaysia) Berhad (now known as Great Eastern General Insurance (Malaysia) Berhad). He is also a Member of Million Dollar Round Table (MDRT) since 1999, a trade association set up to help insurance brokers and financial advisors to establish best business practices and develop ethical and effective ways to increase client interest in financial products, specifically risk based products.

His interests in other corporations are as set out in Section 4.2.4 of this Prospectus.

(v) Daphne Choy Gaik Choo
Independent Non-Executive Director

Daphne Choy Gaik Choo, a Malaysian, aged 56, is our Independent Non-Executive Director. She was appointed to our Board on 28 May 2019. She is also the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee. She has approximately 27 years of experience in the legal profession.

She obtained her Bachelor of Arts degree in 1990 and Bachelor of Laws degree in 1992 from the University of New South Wales, Australia. She was admitted to the High Court of Malaya as an Advocate and Solicitor in 1993. She is a panel mediator of the Malaysian Mediation Centre, a member of The Chartered Institute of Arbitrators and a panel Adjudicator of the Asian International Arbitration Centre since 2007, 2008 and 2014 respectively.

She began her legal career in 1993 as an associate in the litigation department of Messrs. Shearn Delamore & Co. where her main area of practice was civil litigation. She was a Senior Associate where she left the firm to set up her own practice, Choy & Associates in 1997. Her main area of practice is still civil litigation.

Her interests in other corporations are as set out in Section 4.2.4 of this Prospectus.

(vi) Eugene Lee Cheng Hoe
Independent Non-Executive Director

Eugene Lee Cheng Hoe, a Malaysian, aged 51, is our Independent Non-Executive Director. He was appointed to our Board on 28 May 2019 and is the Chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee. He has over 26 years of corporate advisory experience, particularly in corporate strategy and planning and investment banking.

He obtained his Bachelor of Economics (majoring in Accounting) from Macquarie University, Sydney, Australia in 1992. He became a member of the Malaysian Institute of Accountants and a Certified Practising Accountant with CPA Australia since 1996. He is also a Registered Financial Planner under the Malaysian Financial Planning Council since 2014.

He began his career in March 1992 with Coopers & Lybrand (now known as PricewaterhouseCoopers) as a Tax Assistant and his last position before he left in February 1995 as an Audit Semi Senior.

He joined Arab-Malaysian Merchant Bank Berhad (now known as AmInvestment Bank Berhad) as an Executive in the Corporate Finance Division from February 1995 to 2004. During his tenure in Arab-Malaysian Merchant Bank Berhad, he was involved in various corporate finance advisory exercises such as initial public offerings, reverse take-overs, mergers and acquisitions, corporate and debt restructuring and asset and company valuations.

In September 2004, he joined the Corporate Planning and Development Department in MISC Berhad as a Senior Manager and was thereafter promoted to General Manager in September 2006 before he left the company in June 2008. From July 2008 to March 2009, he was involved in strategy and corporate advisory services under Atreus Consulting, a sole proprietorship.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

From April 2009 to February 2010, he assumed the role of Head, Financial Advisory, Strategic Advisory of Maybank Investment Bank Berhad ("**MIBB**") and Director/Executive Vice President of BinaFikir Sdn Bhd, a subsidiary of MIBB. During his tenure in MIBB and/or BinaFikir Sdn Bhd, he was involved in corporate and debt restructuring and strategy advisory services. From March 2010 to October 2010, he assumed the role of Senior Manager, Corporate Affairs in HL Management Co Sdn Bhd, where he was responsible for formulating mergers and acquisitions and corporate restructuring strategies.

He is currently a Director of Atreus Consulting Sdn Bhd, a private limited company, where he is involved in strategy and corporate advisory services. He is also an Independent Non-Executive Director of Fiamma Holdings Berhad, a company listed on the Main Market of Bursa Securities since December 2018.

His interests in other corporations are as set out in Section 4.2.4 of this Prospectus.

4.2.3 Directors' shareholdings

The direct and indirect shareholdings of our Directors before and after the IPO are as follows:-

		Before the IPO/As at the LPD				After the IPO[3]			
		Direct		Indirect		Direct		Indirect	
Directors	Nationality	No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Rizvi Bin Abdul Halim	Malaysian	-	-	-	-	400,000	0.05	-	-
Tung Eng Hai	Malaysian	-	-	305,524,412[4]	51.73	-	-	285,524,412[4]	35.69
Wong Meng Kee	Malaysian	1,459,204	0.25	312,388,412[5]	52.89	1,459,204	0.18	292,388,412[5]	36.55
Wong Kar Wai	Malaysian	-	-	-	-	400,000	0.05	-	-
Daphne Choy Gaik Choo	Malaysian	-	-	-	-	400,000	0.05	-	-
Eugene Lee Cheng Hoe	Malaysian	-	-	-	-	400,000	0.05	-	-

Notes:-

(1) Based on our issued share capital of 590,652,000 Shares after the Acquisitions and Share Split but before the IPO.

(2) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

(3) Assuming our Directors fully subscribed for their respective allocation under the Pink Form Allocation.

(4) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act.

(5) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act and his spouse's direct shareholdings in the Company pursuant to Section 221(9) of the Act.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.2.4 Principal business activities and directorships in other corporations for the past five (5) years

Save as disclosed below, none of our Directors have any principal business activities and directorship in any other corporations for the past five (5) years preceding the LPD:-

Directors	Company	Position Held	Date Appointed as Director	Date Resigned as Director	Direct and Indirect Equity Interest (%)	Principal Activities
Rizvi Bin Abdul Halim	Ni Hsin Resources Berhad	Director	10 October 2014	-	-	Investment holding in shares[(1)]
	Widuri Capital Advisors Sdn Bhd	Director	14 July 2017	3 August 2018	-	Financial consultancy services, business management consultancy services and investment advisory services
	PDZ Holdings Bhd	Director	8 March 2017	30 June 2017	-	Investment holding in shares[(2)]
	Leowin Capital Sdn Bhd	Director	17 June 2016	9 January 2018	-	Management consultant
	SMTrack Berhad	Director	5 May 2015	31 December 2015	-	Provision of RFID solutions for various applications
	Widad Group Berhad	Director	21 June 2013	4 September 2018	-	Investment holding in shares[(3)]
	Cascade Crest Sdn Bhd	Director and shareholder	9 August 2012	-	Direct: 45.00 Indirect: -	General contractor and engineering

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directors	Company	Position Held	Date Appointed as Director	Date Resigned as Director	Direct and Indirect Equity Interest (%)	Principal Activities
Tung Eng Hai	Sino	Director and shareholder	15 January 2018	-	Direct: 60.00 Indirect: 20.00	Investment holding in shares
	DrMos HealthCare Sdn Bhd	Director and shareholder	29 July 2019	-	Direct: 50.00 Indirect: -	Dealing in all kinds of agrochemical products, health and air cleaning products.
Wong Meng Kee	Hirogold Sdn Bhd	Director and shareholder	7 December 1995	-	Direct: 99.99 Indirect: -	Striking-off in process
	Sino	Director and shareholder	14 April 1999	-	Direct: 20.00 Indirect: -	Investment holding in shares
Wong Kar Wai	May Partners & Consultancy Sdn Bhd	Director and shareholder	4 October 2001	-	Direct: 11.00 Indirect: -	Insurance agent and providing financial planning services
	May Partners Leadership Sdn Bhd	Director and shareholder	26 January 2007	-	Direct: 25.00 Indirect: -	Struck off
	Karwai Risks Consultancy Sdn Bhd	Director and shareholder	30 April 2010	-	Direct: 50.00 Indirect: -	Provision of financial services in life and general insurance
	Setia Wangsa Synergy Sdn Bhd	Director and shareholder	21 July 2006	-	Direct: 10.00 Indirect: -	Investment holding in property

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directors	Company	Position Held	Date Appointed as Director	Date Resigned as Director	Direct and Indirect Equity Interest (%)	Principal Activities
Wong Kar Wai (Cont'd)	Wong Kar Wai Risk Management Enterprise	Sole proprietorship	-	-	Direct: 100.00 Indirect: -	Provisions of insurance services in life and general insurance and risks planning
	MPI Ikhlas Jaya	Partner	-	-	-	Insurance agency
Daphne Choy Gaik Choo	Choy & Associates	Partner	-	-	-	Provision of legal services
	Mews Cafe Sdn Bhd	Director and shareholder	28 December 2018	-	Direct: 50.00 Indirect: -	Management and operation of restaurant
	George Town Heritage Hotels Sdn Bhd	Director and shareholder	30 July 2015	-	Direct: 50.00 Indirect: -	Hotel management services
	Muntri Mews Sdn Bhd	Director and shareholder	26 January 2010	-	Direct: 50.00 Indirect: -	Hotel operation services
	Seven Terraces Sdn Bhd	Director and shareholder	4 December 2009	-	Direct: 52.00 Indirect: -	Business of hotel and restaurant
	Titanium Hibiscus Sdn Bhd	Director and shareholder	3 June 2015	-	Direct: 30.00 Indirect: -	Management and operation of restaurant
	Jawi Peranakan Mansion Sdn Bhd	Director and shareholder	10 July 2014	-	Direct: 50.00 Indirect: -	Hotel operation services

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directors	Company	Position Held	Date Appointed as Director	Date Resigned as Director	Direct and Indirect Equity Interest (%)	Principal Activities
Daphne Choy Gaik Choo (Cont'd)	Semangat Kini Sdn Bhd	Director and shareholder	17 March 2016	-	Direct: 50.00 Indirect: -	To carry on the business of hotel
Eugene Lee Cheng Hoe	Agensi Pekerjaan Talentexec Sdn Bhd	Director and shareholder	9 June 2011	-	Direct: 50.00 Indirect: -	Carrying on business of private employment agency
	Atreus Consulting Sdn Bhd	Director and shareholder	8 December 2010	-	Direct: 50.00 Indirect: -	Management and financial consulting services
	FlexBen Solutions PLT	Partner and shareholder	-	-	Direct: 50.00 Indirect: -	Information technology services
	Fiamma Holdings Berhad	Director and shareholder	28 December 2018	-	Direct: -* Indirect: -	Investment holding in shares[(4)]
	KJRM Trading Sdn Bhd (formerly known as Nexus Wind Tech Sdn Bhd)	Shareholder	-	-	Direct: 2.00[(5)] Indirect: -	Manufacture of domestic appliances
	Nur Q Solutions Sdn Bhd	Director	17 January 2017	-	-	Providing and process outsourcing in healthcare administration and managements to individuals and corporate organisations
	TEX Management Sdn Bhd	Director and shareholder	19 March 2015	-	Direct: 50.00 Indirect: -	To carry on business of outsourcing and supplying human resource

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Directors	Company	Position Held	Date Appointed as Director	Date Resigned as Director	Direct and Indirect Equity Interest (%)	Principal Activities
Eugene Lee Cheng Hoe (Cont'd)	Valor Consulting	Sole proprietorship	-	-	Direct: 100.00 Indirect: -	Providing insurance services
	Valor Management Sdn Bhd	Director	5 November 2014	-	-	Insurance business
	Widad Group Berhad	Director	4 March 2013	28 October 2015	-	Investment holding in shares[(3)]
	Workplace Wellness PLT	Partner and shareholder	-	-	Direct: 50.00 Indirect: -	Conducting wellness and health programmes
	TJ Digital PLT	Partner[(6)]	-	-	-	Computer programming activities (Dormant since incorporation)

Notes:-

* Negligible

(1) Being an investment holding company, Ni Hsin Resources Berhad, through its subsidiaries is mainly involved in the manufacturing of premium stainless steel products.

(2) Being an investment holding company, PDZ Holdings Bhd, through its subsidiaries is also involved as a shipping agent and provisions of management and related services.

(3) Being an investment holding company, Widad Group Berhad, through its subsidiaries is involved in construction activities and integrated facilities management services.

(4) Being an investment holding company, Fiamma Holdings Berhad, through its subsidiaries is involved in trading and services, property development and investment holding and property investment.

(5) Ceased to be a shareholder on 20 November 2019.

(6) Resigned as a partner on 1 March 2020.

4.2.5 Involvement of our Executive Directors in other businesses/corporations

Save as disclosed in Section 4.2.4 of this Prospectus, our Executive Directors are not involved in other businesses/corporations. The involvements of our Executive Directors in other businesses/corporations are not expected to affect the operations of our Group as they are principally involved in the day-to-day operations of our Group. Their involvements only extent to attend meetings and discharging their responsibility as directors of those companies, their involvement in the companies do not affect their contributions to our Group or adversely impact their ability to act as our Executive Directors.

The other businesses or corporations in which our Executive Directors are also the directors are either investment holding in shares or dormant. Hence, this would not be expected to affect their performance in our Group.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.2.6 Directors' remuneration and material benefits-in-kind

The details of the remuneration and benefits paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 31 December 2019 and FYE 31 December 2020 are as follows:-

FYE 31 December 2019	Director fees RM'000	Basic salary RM'000	Bonus RM'000	Allowances RM'000	Employees Provident Fund and Social Security Organisation RM'000	Benefits-in-kind RM'000	Total RM'000
Non-Executive Directors							
Rizvi Bin Abdul Halim	21	-	-	1	-	-	22
Wong Kar Wai	21	-	-	1	-	-	22
Daphne Choy Gaik Choo	21	-	-	1	-	-	22
Eugene Lee Cheng Hoe	21	-	-	1	-	-	22
Executive Directors							
Tung Eng Hai	-	1,123	600	42	218	7	1,990
Wong Meng Kee	-	271	115	24	47	7	464

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Proposed for FYE 31 December 2020	Director fees RM'000	Basic salary RM'000	Bonus RM'000	Allowances RM'000	Employees Provident Fund and Social Security Organisation RM'000	Benefits-in-kind RM'000	Total RM'000
Non-Executive Directors							
Rizvi Bin Abdul Halim	40	-	-	2	-	-	42
Wong Kar Wai	40	-	-	2	-	-	42
Daphne Choy Gaik Choo	40	-	-	2	-	-	42
Eugene Lee Cheng Hoe	40	-	-	2	-	-	42
Executive Directors							
Tung Eng Hai	-	1,260	105	42	169	7	1,583
Wong Meng Kee	-	311	26	24	41	7	409

The remuneration which includes our Directors' salaries, bonuses, fees and allowances as well as other benefits of our Directors, must be considered and recommended by the Nomination and Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees and/or benefits must be further approved by our shareholders at a general meeting.

4.3 BOARD PRACTICES

4.3.1 Directorship

The details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:-

Name	Designation	Date of appointment	Date of expiration of the current term in office	No. of year(s) in office
Rizvi Bin Abdul Halim	Independent Non-Executive Chairman	28 May 2019	At the 3rd AGM to be held in the year 2022	More than one (1) year
Tung Eng Hai	Managing Director	4 April 2019	At the 2nd AGM to be held in the year 2021	More than one (1) year
Wong Meng Kee	Executive Director	4 April 2019	At the 2nd AGM to be held in the year 2021	More than one (1) year
Wong Kar Wai	Non-Independent Non-Executive Director	28 May 2019	At the 3rd AGM to be held in the year 2022	More than one (1) year
Daphne Choy Gaik Choo	Independent Non-Executive Director	28 May 2019	At the 4th AGM to be held in the year 2023	More than one (1) year
Eugene Lee Cheng Hoe	Independent Non-Executive Director	28 May 2019	At the 4th AGM to be held in the year 2023	More than one (1) year

Pursuant to our Constitution, all the Directors shall retire from office at the first annual general meeting and an election of Directors shall take place each year at the annual general meeting in every subsequent year where at least one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) with minimum of one (1), shall retire by rotation from office and be eligible for re-election. Accordingly, all our Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting.

The Directors to retire in each year shall be those who have been longest in office since their last election or appointment but as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Directors shall have power at any time and from time to time, to appoint, subject to recommendation by the Nomination and Remuneration Committee and the approval by the Board, any person to be a Director, either to fill a casual vacancy or as an additional Director to the existing Board. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

4.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established on 28 May 2019 and its members are appointed by our Board. Our Audit and Risk Management Committee comprises the following members:-

Name	Designation	Directorship
Eugene Lee Cheng Hoe	Chairman	Independent Non-Executive Director
Daphne Choy Gaik Choo	Member	Independent Non-Executive Director
Rizvi Bin Abdul Halim	Member	Independent Non-Executive Chairman
Wong Kar Wai	Member	Non-Independent Non-Executive Director

The main functions of the Audit and Risk Management Committee include inter-alia, the review of audit plans and audit reports with our external auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope, functions, competency and resources of the internal audit function of which the internal auditors should report directly to the Audit and Risk Management Committee, review of the quarterly and yearly financial statements, appointment and re-appointment of the external auditors and review of related party transactions, oversee and recommend the risk management policies and procedure of our Group, implement and maintain a sound risk management framework, set reporting guidelines for management to report to committee and review of the risk profile of our Group and measures taken to mitigate business risk.

4.3.3 Nomination and Remuneration Committee

Our Nomination and Remuneration Committee was established on 28 May 2019 and its members are appointed by our Board. Our Nomination and Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Daphne Choy Gaik Choo	Chairman	Independent Non-Executive Director
Eugene Lee Cheng Hoe	Member	Independent Non-Executive Director
Rizvi Bin Abdul Halim	Member	Independent Non-Executive Chairman

The main functions of the Nomination and Remuneration Committee include inter-alia, the review of all nominations for the appointment or re-appointment of members of our Board and to determine the selection criteria thereof, review of the structure, size and composition of our Board, and to ensure that all our Directors undergo appropriate introduction and training programmes as well as the recommendation to our Board regarding the remuneration packages of the Executive Directors, assisting our Board in assessing the responsibility and commitment undertaken by our Board members and assisting our Board in ensuring the remuneration of the Executive Directors are reflective of the responsibility and commitment of the Directors concerned.

4.4 KEY SENIOR MANAGEMENT

4.4.1 Key senior management's shareholdings

The details of our key senior management and their direct and indirect shareholdings before and after the IPO are as follows:-

			Before the IPO/As at the LPD				After the IPO[3]			
			<------Direct--------->		<--------Indirect------>		<---------Direct--------->		<--------Indirect-------->	
Key senior management	Designation	Nationality	No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Ooi In Keong	Group General Manager	Malaysian	-	-	-	-	800,000	0.10	-	-
Song Swee Kim	Group Financial Controller	Malaysian	-	-	-	-	800,000	0.10	-	-
Zen Azhar Bin Shuib	Plant Operations General Manager	Malaysian	-	-	-	-	600,000	0.08	-	-

Notes:-

(1) Based on our issued share capital of 590,652,000 Shares after the Acquisitions and Share Split but before the IPO.

(2) Based on our enlarged issued share capital of 800,000,000 Shares after the IPO.

(3) Assuming our key senior management fully subscribed for their respective allocations under the Pink Form Allocation.

4.4.2 Profiles

The profiles of the key senior management of our Group are as follows:-

(i) Ooi In Keong
Group General Manager

Ooi In Keong, a Malaysian, aged 48, is our Group General Manager. He is responsible for overseeing the overall operations of our Group.

He graduated with a Bachelor of Science in Electrical Engineering from St. Cloud State University, Minnesota, United States in 1998.

He began his career in May 1999 in Leader Universal, an investment holding company in manufacturing and sale of telecommunication and power cables, as an Engineer (Plant Operation – Project) in the Project Department. During his short stint, he assisted in implementing overseas projects relating to the manufacturing of wire and cable.

In November 1999, he was transferred to Leader Cable, a wholly owned subsidiary of Leader Universal in which he was responsible for development and improvement of the overall production processes of power cables and telecommunication cables. In 2001, he was assigned to handle the operation for insulation and twinning process of telephone cables. In January 2003, he was promoted to Senior Engineer where he assumed the same roles and responsibilities.

He left Leader Cable in May 2005 to join our Group as a Senior Production Engineer and was responsible to oversee the production plant of telephone cable. He was promoted to Production Manager in February 2009 and assumed additional responsibilities including overseeing the production of other products manufactured by the company such as low voltage and medium voltage cables. He was promoted to Senior Manager – Plant Operations in September 2010 in charge on overall plant production of the company. He was further promoted to Plant Operation General Manager in June 2015 where he was responsible for the overall plant operations of the Group including service and maintenance of the plant machineries, stores operation and production planning. He was also involved in our safety and health management.

In July 2017, he was promoted to Chief Operating Officer. He was subsequently re-designated to his present position as Group General Manager in April 2019 and brings with him approximately 21 years of experience in the cable and wire industry.

(ii) **Song Swee Kim**
Group Financial Controller

Song Swee Kim, a Malaysian, aged 54, is our Group Financial Controller. She is responsible for overseeing the overall group accounting, finance and taxation functions of our Group.

She graduated with a Bachelor of Accounting from University of Malaya in 1991. She is a member of the Malaysian Institute of Accountants since March 2007.

Her career started in May 1991 as an Audit Assistant in Lim, Tay & Company where she was responsible for general audit works. She left Lim, Tay & Company in May 1992 to join Pharmmalaysia Berhad in July 1992, a pharmaceutical manufacturer company. Her last position in the company was as an Assistant Manager where she was attached to the accounts department and was responsible for accounting and taxation matters. Her roles and responsibilities include preparation of full sets of accounts, liaising with the tax agent on taxation matters as well as liaising with the bankers on treasury matters. She left Pharmmalaysia Berhad in October 1995.

In early 1996, she joined Seputih Asas Sdn Bhd, a trading company for hygiene products as an Accounts Manager where she was managing and overseeing the daily operations of the accounting department as well as monitoring, analysing and producing the monthly financial reports. After her departure from Seputih Asas Sdn Bhd, she joined Euromodal Industries Sdn Bhd in October 1997, a subcontractor company for sub-assembly of electronic products as an Accounts Manager and was responsible for preparation of the company's financial statements and overseeing the accounting matters. She left the company in April 1998 and took two (2) years career break.

In September 2000, she joined Advanced Sound Products Sdn Bhd (formerly known as Philips Sound Systems (M) Sdn Bhd), a company involved in manufacturing of electronic audio and video equipment as an Accounts Section Head and was responsible for the overall daily operations of the accounting department such as monthly closing of accounts, budgeting and handling of taxation matters. She was promoted to Assistant Manager of the Finance Department in July 2004 where she assumed additional responsibilities such as preparing and reviewing monthly cash flow statement, preparing group consolidation accounts and overseeing the treasury functions. She left Advanced Sound Products Sdn Bhd in January 2009.

She joined Southern in January 2009 as an Accountant where she was involved in the day-to-day accounting and taxation matters. She was subsequently promoted as the Finance Manager in January 2010 where she assumed additional responsibilities in financial operations as well as treasury functions. She was later promoted to the position of Senior Finance Manager in January 2012. She is responsible for overseeing the overall accounting, finance and taxation functions of Southern. She assumed her current position as Group Financial Controller of our Group since April 2019. She brings with her approximately 27 years of experience in accounting and finance related functions.

(iii) Zen Azhar Bin Shuib
Plant Operations General Manager

Zen Azhar Bin Shuib, a Malaysian, aged 52, is our Plant Operations General Manager. He is responsible for the design and development of new cables to meet the requirements of the British Standards, and International Electrical Committee Standards as well as to comply with the standards set by accreditation bodies such as SIRIM, TUV and Central Power Research Institute (CPRI) applicable to the Group's customers.

He graduated with a Degree of Associate of General Studies from Indiana University, United States in 1989 and a Bachelor of Science in Mechanical Engineering from Norwich University, United States in 1992.

He began his career in August 1992 as a Quality Assurance Engineer in Fujikura Federal Cables Sdn Bhd where he was primarily in charge of quality assurance and quality control. During his 15 years tenure, he was involved in setting up the quality management system for ISO9000, conducting studies, review and analysis on the instrument cables for high frequency applications, monitoring and ensuring quality system within the group. He subsequently took a career break from October 2007 to January 2008.

In February 2008, he joined as an Area Project Engineer in Ranhill Bersekutu Sdn Bhd in Jeddah, Saudi Arabia, where he was primarily responsible to carry out the mechanical, electrical and plumbing procurement for the development of a university in Jeddah. In 2009, he was tasked to handle the engineering procurement, construction and commissioning of a mixed development project for residential and commercial neighbourhoods in Thuwal, north of Jeddah. Upon completion of the project, he left the company in September 2009 and returned to Malaysia to join Southern as a Business Development Manager in October 2009.

As a Business Development Manager, he assumed the overall responsibility for product development and ensures that the cable manufactured by our Group meet the customers' requirements and is in accordance with the quality management system certification scheme. In September 2010, he was promoted to Senior Manager – Technical and Quality Assurance where he assumed additional responsibility in quality control of the products manufactured by the Group.

He was further promoted to Commercial and Technical General Manager in June 2015. He assumed his current position as Plant Operations General Manager of our Group since April 2019. He brings with him approximately 28 years of experience in the cable and wires industry.

4.4.3 Involvement of our key senior management in other businesses/corporations

None of our other key senior management personnel have any principal business activities and directorship in any other corporations for the past five (5) years preceding the LPD.

4.4.4 Key senior management's remuneration and benefits

The aggregate remuneration and benefits paid and proposed to be paid to our key senior management for services rendered to our Group in all capacities for the FYE 31 December 2019 and 2020 are as follows:-

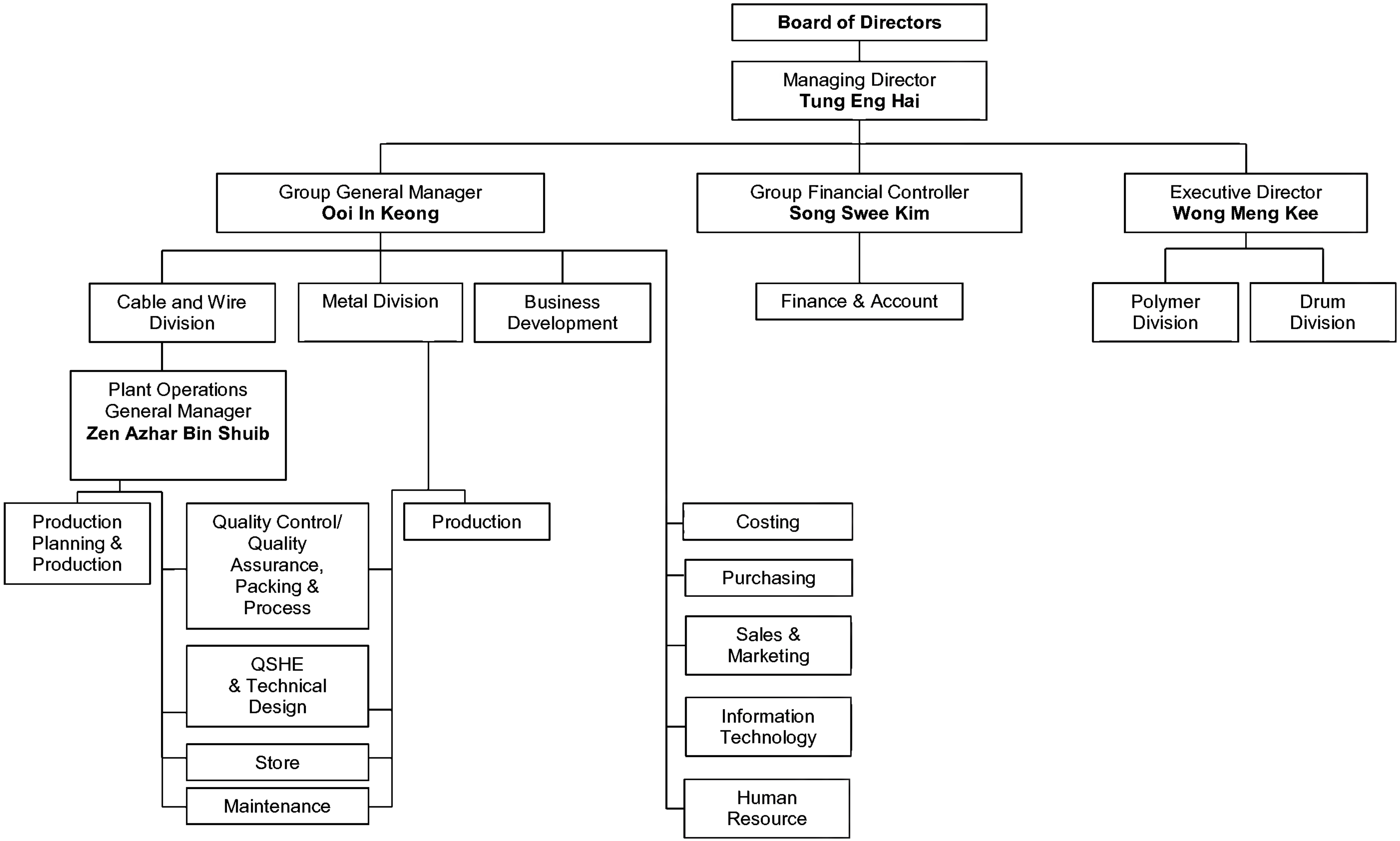
Key Senior Management	Remuneration Band	
	FYE 31 December 2019 RM'000	Proposed for FYE 31 December 2020 RM'000
Ooi In Keong	450 – 500	350 – 400
Song Swee Kim	350 – 400	300 – 350
Zen Azhar Bin Shuib	300 – 350	250 – 300

The above remuneration comprises salaries, bonuses, fees and allowances.

4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

4.4.5 Management Reporting Structure

The management reporting structure of our Group is as follows:-



4.5 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

None of our Promoters, Directors and key senior management is or was involved in any of the following events, whether within or outside Malaysia:-

(i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or member of key senior management in the last 10 years;

(ii) Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) Charged or convicted in a criminal proceeding, or is a named subject of a pending criminal proceeding in the last 10 years;

(iv) Any judgment was entered against such person, 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 in the last 10 years;

(v) 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 in the last 10 years;

(vi) 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;

(vii) The subject of any current investigation or disciplinary proceeding, or has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency in the last 10 years; or

(viii) Any unsatisfied judgment against him.

4.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there is no other family relationship and/or association between our Promoters, substantial shareholders, Directors and key senior management as at the LPD:-

Name	Position/Capacity	Relationship/Association
Tung Eng Hai	Promoter, substantial shareholder(1) and Managing Director of Southern Cable	• Spouse of Ooi Gaik Bee • Brother of Tung Cheng Im and Tung Siew Luan • Brother-in-law of Wong Meng Kee
Wong Meng Kee	Promoter, substantial shareholder(2) and Executive Director of Southern Cable	• Spouse of Tung Cheng Im • Brother-in-law of Tung Eng Hai and Tung Siew Luan
Ooi Gaik Bee	Promoter and substantial shareholder(1) of Southern Cable	• Spouse of Tung Eng Hai • Sister-in-law of Tung Cheng Im and Tung Siew Luan • Aunt of Fawiza Binti Faiz
Tung Cheng Im	Promoter of Southern Cable and Costing Manager of Southern	• Spouse of Wong Meng Kee • Sister of Tung Eng Hai and Tung Siew Luan • Sister-in-law of Ooi Gaik Bee
Tung Siew Luan	Promoter of Southern Cable	• Sister of Tung Eng Hai and Tung Cheng Im • Sister-in-law of Ooi Gaik Bee and Wong Meng Kee
Fawiza Binti Faiz	Substantial shareholder(3) of Southern Cable and Business Development Advisor of Southern	• Niece of Ooi Gaik Bee

Notes:-

(1) Deemed interested by virtue of his/her shareholdings in Sino pursuant to Section 8(4) of the Act.

(2) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act and his spouse's direct shareholdings in the Company pursuant to Section 221(9) of the Act.

(3) Deemed interested by virtue of her shareholdings in Semangat pursuant to Section 8(4) of the Act.

4.7 SERVICE CONTRACTS

As at the LPD, none of our Directors and/or key senior management has any existing or proposed service contracts with our Group.

4.8 MANAGEMENT SUCCESSION PLAN

Our Board believes that the success of our Group depends on the abilities to retain our key senior management personnel as well as attract and retain skilled personnel. We have implemented a management succession plan, where we have put in place a process to groom new management staff to gradually assume the responsibilities of senior management. Our Group's strategy for management continuity is driven by our top management who is responsible for identifying key competencies and requirements of candidates. If the need arises, we will recruit qualified personnel with knowledge and expertise of our business to enhance our operations.

Our Group's management succession plan consist of, among others, the following:-

(i) Recruitment and selection;

(ii) Competitive remuneration and employee benefits;

(iii) Structured career planning and development; and

(iv) Continuous training and education.

Additionally, our key senior management team comprising of Ooi In Keong, Song Swee Kim and Zen Azhar Bin Shuib, has clearly defined leadership roles and responsibilities within operations, finance and accounts of our Group respectively. Our key senior management team has been set up to provide structured and resilient support to our Managing Director and Executive Director to facilitate the growth of our Group.

As part of our management succession plan, we have put in place a process to groom new management staff to gradually assume the responsibilities of key senior management. Our Group's strategy for management continuity is driven by our top management who is responsible for identifying key competencies and recruitment of candidates with knowledge and expertise of our business to enhance operations.

4.9 MANAGEMENT AND EMPLOYEES

The breakdown of full time employees based on department and main place of operations in our Group as at 31 December 2019 and as at the LPD is as follows:-

Department	Total Number of Employees	
	As at 31 December 2019	As at the LPD
Directors[1]	6	6
Quality Control/Quality Assurance/Packing and Process	67	72
Sales and Marketing/Business Development	37	37
Finance and Accounts	8	9
Information Technology	3	3
Costing	3	3
Human Resources and Administration	11	14
Production Planning & Production	441	417
Maintenance	25	24
Purchasing	7	7
Store	23	29
Quality, Safety and Health and Environment; and Technical Design	10	8
Total	**641**	**629**

Note:-

(1) Includes four (4) Directors of our subsidiaries.

During the FYE 31 December 2019, we have an average of five (5) contractual/temporary employees. As at the LPD, we have an average of 6 contractual/temporary employees.

As at 31 December 2019, we have 255 foreign employees, 71 from Myanmar and 184 from Nepal. As at the LPD, we have 232 foreign employees, 70 from Myanmar and 162 from Nepal. All the foreign employees hold valid employment pass for a period of one (1) year.

None of our employees are member of any union nor have there been any major industrial disputes in the past.

5. INFORMATION ON OUR GROUP

5.1 INFORMATION ON OUR GROUP

5.1.1 Our Group's Overview and History

The table below sets out the key events and milestones in the history and development of our Group's business operations:-

Year	Key Events and Milestones
1993	• Incorporation of Southern by Lim Ah Tin and Lim Boon Soo. Both of them are the relatives of our Promoter, substantial shareholder and Managing Director, Tung Eng Hai. Southern commenced operations in the same year in 1993 as a manufacturer of cables and wires in Kulai, Johor Darul Takzim.
1995	• Daya was incorporated and commenced operations in the same year as a provider of transportation services.
1996	• Southern shifted its manufacturing operations from Johor Darul Takzim to its current manufacturing plant at Lot 42 and continued to manufacture power cables and wires.
1999	• We expanded our product range to include the manufacture of armoured power cables and wires, reinforced with steel or aluminium wire used for underground applications. Our armoured power cables and wires are rated up to 1kV which are mainly low voltage cables and wires used to deliver electricity from secondary distribution substations directly to the residential, commercial and industrial premises. • We also started manufacturing control cables and wires. • We obtained our first product certification licence from SIRIM for our power cables and wires.
2001	• We expanded our product range to include the manufacture of low voltage aluminium based power cables and wires. • Our Promoter, substantial shareholder and Executive Director, Wong Meng Kee was appointed as a director of Southern to assist in overseeing the business operations of Southern.
2002	• We secured our first contract amounting to RM3.729 million from a local telecommunications company, TMB, to manufacture and supply communications cables and wires based on their specifications.
2003	• Our Promoter, substantial shareholder and Managing Director, Tung Eng Hai joined Southern as a General Manager where he assumed the overall responsibility of the technical and plant operations management. • Sino and Semangat emerged as the controlling shareholder of Southern holding 45.50% and 33.27% equity interest, respectively in March 2003.
2006	• Nextol was incorporated in 2006 and commenced business operations as a manufacturer of PVC compounds, which is used as insulation, bedding and sheathing materials for cables and wires.

Year	Key Events and Milestones
2007	• We set-up our aluminium rod production line comprising furnace and continuous casting facilities. Aluminium ingots are used as input material for the manufacture of aluminium rods. These rods are subsequently drawn into wires to form core conductors for our cables and wires. Our aluminium rod production line had a capacity of 18,000 tonnes per year. • We expanded our manufacturing capabilities and started manufacturing low voltage power cables and wires with larger nominal cross-sectional area up to 630mm^2, as compared to 25mm^2 in 1993 when we started our cable and wire manufacturing business.
2009	• We set-up our first production line to manufacture copper rods, comprising electric furnace and continuous casting facilities. Copper rod is a key input material used in our cable and wire manufacturing operations. This line had a capacity of 6,000 tonnes of copper rods per year. • We also started to extrude copper strips using our copper rods but ceased this business activity in 2017 and the metal extrusion machine was disposed in the same year. Copper strips are mainly used for earthing purposes to channel excess or unwanted electricity safely to the ground.
2010	• We started manufacturing medium voltage power cables and wires with a rated voltage up to 33kV. These medium voltage power cables and wires are made of copper or aluminium core conductors, with maximum nominal cross-sectional areas up to 630mm^2. Our medium voltage power cables and wires are mainly used to deliver electricity from the primary distribution substations to secondary distribution substations that serve defined commercial, residential or industrial areas. • Our Promoter and substantial shareholder, Ooi Gaik Bee joined Southern where she headed the sales and marketing operations in Klang Valley.
2011	• Southern is a PETRONAS licenced and registered company that allows us to participate as a supplier of cables and wires in the oil and gas industry. Our PETRONAS licences and registration includes power, communications, control and instrumentation cables and wires. This registration has been renewed and is valid until 5 January 2022.
2012	• We also started to manufacture cables and wires with fire resistant properties for our power cables and wires. • Through Daya, we started manufacturing wooden cable drums. These cable drums are mainly used as packing material to coil our cables and wires.
2014	• We started supplying our cables and wires to various railway related contractors for the MRT Sungai Buloh-Kajang (MRT1) project in Selangor Darul Ehsan. • We set-up our second copper rod production line, comprising electric furnace and continuous casting facilities. Similarly, this production line has a capacity of 6,000 tonnes per year.
2015	• We became an approved vendor of TNB to supply high voltage power cables with rated voltage up to 132kV.

Year	Key Events and Milestones
2016-2017	• Between 2016 and 2017, we secured several contracts with a combined contract value of RM181.653 million from various contractors. This was for the supply of cables and wires including power, communications, and control and instrumentation cables and wires for the PIC project including RAPID in Pengerang, Johor Darul Takzim. • In 2017, we secured our first contract from a local telecommunications company, TMB, for the supply and installation of rectifier systems. A rectifier is a device that converts alternating current to direct current. We are responsible for the supply of rectifier, installing cables and wires, and installing the system on site. This contract is valid until December 2019.
2019	• We commenced a small production run for the manufacture of high voltage power cables used for power transmission in June 2019. • In September 2019, we secured our first contract for the supply of high voltage power cables with a rated voltage of 132kV from TNB. This contract is valid until March 2020. As at the LPD, this contract is still on-going and the duration of this contract has been extended to April 2021. • We entered into conditional share sale agreement dated 23 May 2019 with Sino, Semangat, Tan Chin Keat, Yiam Chorng Yin and Chong Heang Sue for the Acquisition of Southern. • We entered into conditional share sale agreement dated 23 May 2019 with Tung Siew Luan and Tung Cheng Im for the Acquisition of Nextol. • We entered into conditional share sale agreement dated 23 May 2019 with Tung Siew Luan and Wong Meng Kee for the Acquisition of Daya.

5.1.2 Our competitive advantages and key strengths

Our competitive advantages and key strengths will provide us with the platform to grow our business. These are as follows:-

(i) We have an established track record as a manufacturer of cables and wires

Since commencement of our operations in 1993, we have accumulated a track record of 27 years of experience in the manufacture of cables and wires. Our track record will give some assurance of our reliability and ability to meet customers' needs.

As at the LPD, we are a registered supplier of cables and wires with TNB, SESB, TMB and PETRONAS. Being registered as a supplier to some of Malaysia's major utility and oil and gas companies reinforces our product track record of meeting customers' quality expectations. We are also registered with CIDB under category G7 since 2016, which allows us to bid for projects of any amount.

Over the years, we have established a loyal customer base. This is supported by the fact that our major customers have been dealing with us for a minimum of eight (8) years up to a maximum of 18 years for FPE 30 June 2020 save for two (2) new customers that started purchasing power cables and wires from us in FYE 31 December 2019. These loyal customers include utility operators and reseller.

Our established track record as a manufacturer of cables and wires will provide us with a platform to secure new customers and grow our business.

(ii) We have various certifications for our products

We have obtained certifications for product compliance to local and international standards for our cables and wires. All our power cables and wires including low and medium voltage cables and wires are SIRIM certified and these are manufactured to either Malaysian Standards (MS), IEC standards or British Standards. In addition, our PVC insulated power cables and wires are approved by Energy Commission of Malaysia while our fire resistant cables are approved by Bomba and comply with either IEC standards or British Standards. In addition, our control cables and wires are SIRIM certified.

For further details on our certifications, please refer to Section 5.5.6.4 of this Prospectus.

We place emphasis on product quality and Southern is an ISO 9001:2015 accredited company. In addition, we have also obtained certificate of product acceptance from TNB for cables and wires indicating that our products meet their technical specifications and requirements.

Our product certifications are demonstrations of the quality of our products that meets the requirements and safety standards for cables and wires in Malaysia. It also provides our customers with the assurance that our products comply with specific regulations relating to cables and wires.

(iii) We manufacture a range of cables and wires to meet customer requirements

We have a range of cables and wires to meet customers' requirements and specifications. Our cables and wires are used for power distribution and transmission, communications, as well as control and instrumentation applications. For power distribution and transmission applications, we manufacture a range of low to medium voltage cables, typically between 300V and 33kV, as well as high voltage power cables up to 132kV. Within communications cables and wires, we manufacture telephone cables, coaxial cables and alarm cables.

We manufacture a range of control and instrumentation cables and wires that are used in manufacturing and processing industries including power generation, oil and gas, petrochemical and chemical plants, as well as oil and gas platforms and marine vessels.

We manufacture both copper and aluminium based cables and wires with various types of insulation materials ranging from PVC, XLPE, PE and XLPO depending on customer requirements and environmental conditions. We also manufacture cables and wires with fire resistant, flame retardant, ultra violet resistant, anti-termite and anti-rodent properties.

Our range of products will enable us to meet the needs of our existing as well as potential customers to sustain and grow our business. In addition, we are able to cross sell various products to our existing customer base to increase our revenue per customer.

(iv) We have key supporting activities for our manufacturing of cables and wires

Our principal business activity of manufacturing cables and wires are supported by the following key activities:

- **Furnace and continuous casting**: We are equipped with two (2) electric furnaces and one (1) gas-fired furnace for melting copper and aluminium, respectively before casting and rolling them continuously into rods. These rods are input materials used as core conductors in our cables and wires.

- **Plastic compounding:** We manufacture plastic compounds which are extruded to form the insulation, bedding and sheathing layers for our cables and wires.

- **Wooden cable drums manufacturing**: We were involved in the manufacturing of our own wooden cable drums for the FYE 31 December 2016 up to 29 February 2020, when we decided to relocate Daya Factory. These wooden cable drums are used to coil our cables and wires for storage and delivery to customers. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

With our supporting operations, we are able to control the quality of key input materials, especially copper and aluminium rods, and plastic compounds. We are also able to control the timely availability of these materials to minimise interruptions to our manufacturing process. This also reduces some dependency on external parties for key input materials for our manufacturing of cables and wires.

(v) We have experienced Managing Director, Executive Director and key senior management team

We have an experienced management team headed by our Managing Director, Tung Eng Hai, who has approximately 41 years of experience in the cable and wire industry. He is supported by our Executive Director, Wong Meng Kee who has approximately 33 years of experience in the business management, and is responsible for the overall business management and day-to-day operations of our Group.

They are supported by an experienced key senior management team which include:-

- Ooi In Keong, Group General Manager who brings with him approximately 21 years of experience in the cable and wire industry;

- Song Swee Kim, Group Financial Controller who brings with her approximately 27 years of experience in accounting and finance related functions; and

- Zen Azhar Bin Shuib, Plant Operations General Manager who has approximately 28 years of experience in the cable and wire industry.

Please refer to Sections 4.1.2 and 4.4.2 of this Prospectus for further details on profiles of our Managing Director, Executive Director and key senior management.

We believe our experienced Managing Director, Executive Director and key senior management team will help to sustain our business and provide the platform for future business growth.

5.1.3 Share capital and changes in share capital

As at the LPD, our present issued share capital is RM147,663,000 comprising 590,652,000 Shares.

Details of the changes in our issued share capital since incorporation are as follows:-

Date of Allotment	No. of Shares allotted	Consideration	Nature of Transaction	Cumulative Issued Share Capital (RM)
4 April 2019	4	Cash	Subscriber's share	2
26 December 2019	295,325,996	Otherwise than cash for the Acquisitions	Acquisitions	147,663,000
26 June 2020	295,326,000*	N/A	Subdivision of shares	147,663,000

Note:-

* Number of subdivided shares.

There were no discounts, special terms or installment payment terms given in consideration of the above allotment.

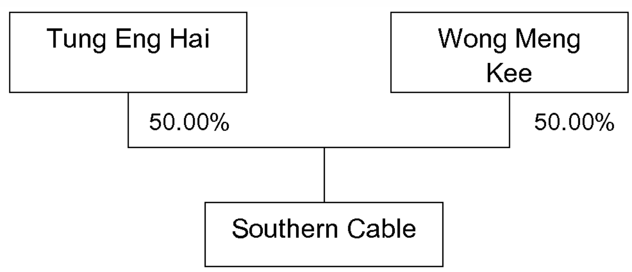
As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

Upon completion of our Listing, our issued share capital will increase to RM218,841,320 comprising 800,000,000 Shares.

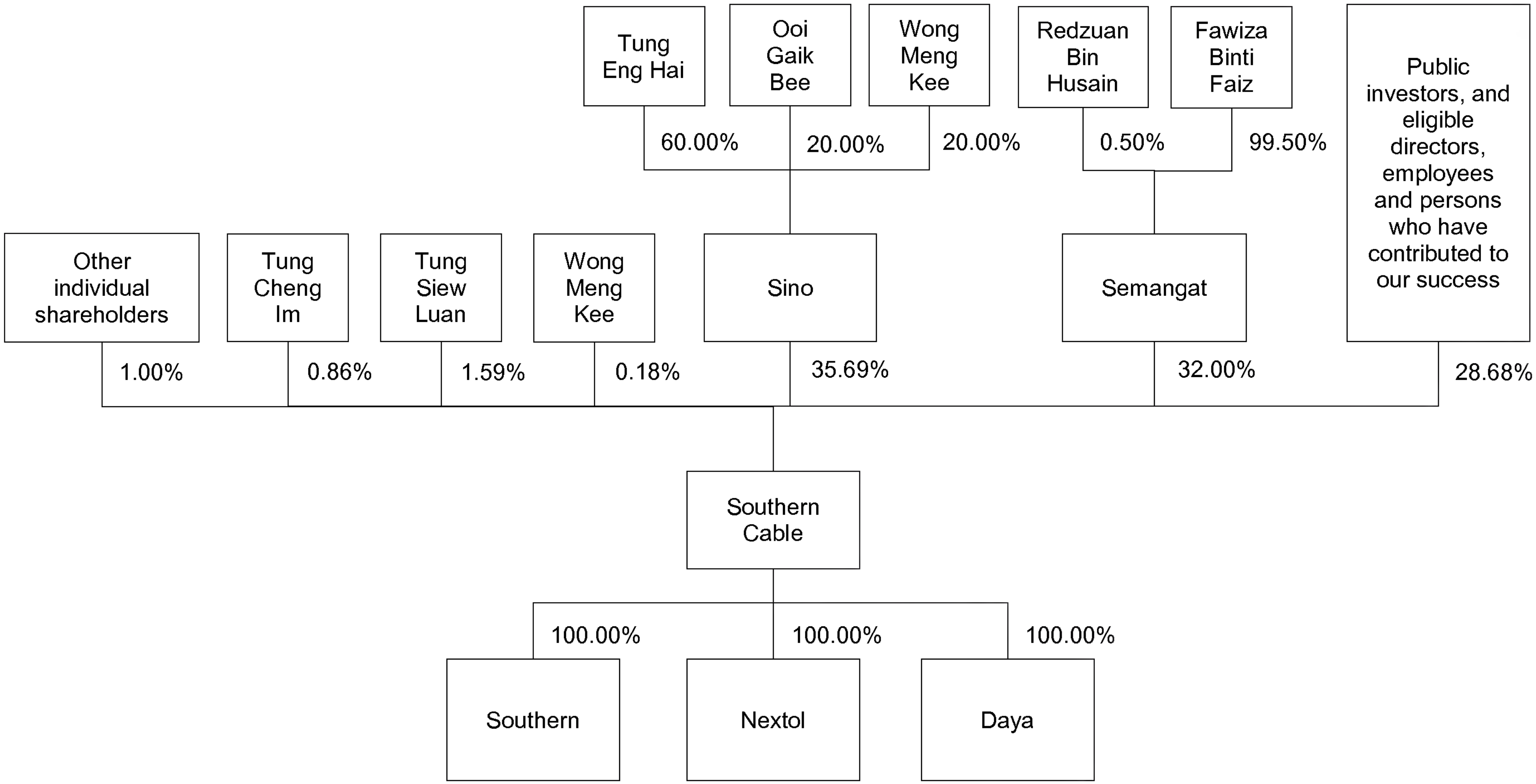
5.1.4 Subsidiary

Our Group structure before and after the Acquisitions, Share Split and IPO is illustrated below:-

Before the Acquisitions, Share Split and IPO



After the Acquisitions, Share Split and IPO



Details of our subsidiaries are set out below:-

Subsidiary	Date and Place of Incorporation	Principal Place of Business	Issued Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Southern	30 June 1993/ Malaysia	Malaysia	26,100,000	100	Manufacture of cables and wires, and related products and services[(1)]
Nextol	10 May 2006/ Malaysia	Malaysia	100,000	100	Manufacture of plastic compounds
Daya	17 October 1995/ Malaysia	Malaysia	700,000	100	Manufacture and trading of wooden cable drums[(2)]

Notes:-

(1) Related products and services mainly include manufacture of aluminium rods; trading of cables and wires, and copper strips; and supply and installation of rectifiers.

(2) Daya was previously involved in the provision of transportation services before it ceased this business activity in June 2017. It was also previously involved in the manufacturing of wooden cable drums used for the packaging, storage and delivery of our cables and wires up to 29 February 2020, when the Company decided to relocate its factory. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

Further details on our subsidiaries are set out in Section 5.2 of this Prospectus. As at the LPD, we do not have any associate company.

5.2 INFORMATION ON OUR SUBSIDIARIES

5.2.1 Southern

(i) Background, history and principal activities

Southern was incorporated in Malaysia on 30 June 1993 under the Companies Act 1965 as a private company limited by shares and is deemed registered under the Act.

Southern commenced its business operations in 1993 in Johor Darul Takzim before relocating to its present principal place of business in Kedah Darul Aman in 1996.

It is principally involved in the business of manufacturing of cables and wires, and related products and services. The related products and services mainly include manufacture of aluminium rods; trading of cables and wires, and copper strips, and supply and installation of rectifiers.

Southern was incorporated by Lim Ah Tin and Lim Boon Soo. Both of them are the relatives of our Managing Director, Tung Eng Hai. Throughout the years, there were several changes of shareholders in Southern and they were mainly either previous employees of Southern and/or relatives of our Executive Directors.

In 1998, Tung Weng Hooi, the sibling of our Managing Director, Tung Eng Hai, became a shareholder and subsequently, as a director of Southern in 1999.

Our Executive Director, Wong Meng Kee, was appointed as a director of Southern in August 2001 to assist in overseeing the business operations of Southern. In March 2003, Sino and Semangat emerged as the controlling shareholders of Southern holding 45.50% and 33.27% equity interest, respectively. Thereafter, our Managing Director, Tung Eng Hai, joined Southern in October 2003 as a General Manager to assist his sibling and brother-in-law in providing the technical and plant operational support in Southern. Tung Weng Hooi subsequently resigned from Southern and disposed of his entire shareholdings in 2004 to seek other career opportunities in overseas.

(ii) Share capital

As at the LPD, the issued share capital of Southern is RM26,100,000 comprising 26,100,000 shares.

Details of the changes in the issued share capital of Southern since incorporation are as follows:-

Date of Allotment	No. of Shares allotted	Consideration	Nature of Transaction	Cumulative Issued Share Capital (RM)
30 June 1993	2	Cash of RM2	Incorporation	2
8 September 1994	2,498,998	Cash of RM2,498,998	Allotment of Shares	2,499,000
12 January 1997	2,501,000	Cash of RM2,501,000	Allotment of Shares	5,000,000
30 March 2003	5,000,000	Cash of RM5,000,000	Allotment of Shares	10,000,000
5 May 2003	500,000	Cash of RM500,000	Allotment of Shares	10,500,000
1 October 2004	500,000	Cash of RM500,000	Allotment of Shares	11,000,000
24 December 2008	6,344,000	Cash of RM6,344,000	Allotment of Shares	17,344,000
31 December 2008	8,756,000	Cash of RM8,756,000	Allotment of Shares	26,100,000

There were no discounts, special terms or installment payment terms given in consideration of the above allotment.

As at the LPD, Southern does not have any outstanding warrants, options, convertible securities and uncalled capital.

(iii) Substantial shareholder

As at the LPD, Southern is our wholly-owned subsidiary.

(iv) Subsidiary and associate

As at the LPD, Southern does not have any subsidiary or associate company.

5.2.2 Nextol

(i) Background, history and principal activities

Nextol was incorporated in Malaysia on 10 May 2006 under the Companies Act 1965 as a private company limited by shares and is deemed registered under the Act.

Nextol commenced its business operations in 2006 and its principal place of business is in Kedah Darul Aman.

It is principally involved in the manufacturing of plastic compounds.

(ii) Share capital

As at the LPD, the issued share capital of Nextol is RM100,000 comprising 100,000 shares.

Details of the changes in the issued share capital of Nextol since incorporation are as follows:-

Date of Allotment	No. of Shares allotted	Consideration	Nature of Transaction	Cumulative Issued Share Capital (RM)
10 May 2006	2	Cash of RM2	Incorporation	2
31 March 2009	99,998	Cash of RM99,998	Allotment of Shares	100,000

There were no discounts, special terms or installment payment terms given in consideration of the above allotment.

As at the LPD, Nextol does not have any outstanding warrants, options, convertible securities and uncalled capital.

(iii) Substantial shareholder

As at the LPD, Nextol is our wholly-owned subsidiary.

(iv) Subsidiary and associate

As at the LPD, Nextol does not have any subsidiary or associate company.

5.2.3 Daya

(i) Background, history and principal activities

Daya was incorporated in Malaysia on 17 October 1995 under the Companies Act 1965 as a private company limited by shares and is deemed registered under the Act.

Daya commenced its business operations in 1995 in the provision of transportation services and its principal place of business is in Kedah Darul Aman. It ceased its transportation services in June 2017.

It is currently principally involved in the manufacture and trading of wooden cable drums. As at the LPD, Daya has temporarily ceased all the manufacturing activities of wooden cable drums, when the Company decided to relocate its factory. On 3 August 2020, Daya has received an approval for the Wood-Based Licence for the manufacturing of wooden cable drums and is following up with the Jabatan Perhutanan Negeri Kedah on the issuance of the Wood-Based Licence. Upon receipt of the Wood-Based Licence, Daya will proceed to submit an application to apply for the business licence for Lot 41. Daya intends to commence manufacturing activities on Lot 41 by first quarter of 2021. Please refer to Section 6.1.2 of this Prospectus for further information relating to relocation of Daya Factory.

(ii) Share capital

As at the LPD, the issued share capital of Daya is RM700,000 comprising 700,000 shares.

Details of the changes in the issued share capital of Daya since incorporation are as follows:-

Date of Allotment	No. of Shares allotted	Consideration	Nature of Transaction	Cumulative Issued Share Capital (RM)
17 October 1995	2	Cash of RM2	Incorporation	2
12 December 1995	699,998	Cash of RM419,998 and otherwise in cash of RM280,000	Allotment of Shares	700,000

There were no discounts, special terms or installment payment terms given in consideration of the above allotment.

As at the LPD, Daya does not have any outstanding warrants, options, convertible securities and uncalled capital.

(iii) Substantial shareholder

As at the LPD, Daya is our wholly-owned subsidiary.

(iv) Subsidiary and associate

As at the LPD, Daya does not have any subsidiary or associate company.

5.3 LOCATION OF OPERATIONS

As at the LPD, our Group operates from the following premises in Kedah Darul Aman and Selangor Darul Ehsan:-

Company	Main Functions	Location of Facilities (Address)
Southern	Head office, manufacturing[(1)] and warehouse	Lots 34, 35, 36, 39[(2)], 41, 42, 43 and 44, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil 09300 Kuala Ketil, Kedah Darul Aman
	Sales office	Unit C-2-03, Encorp Strand Garden, No. 12, Jalan PJU 5/1, Kota Damansara 47810 Petaling Jaya, Selangor Darul Ehsan
	Office and warehouse	PTD 12913, 46, Jalan Alam Jaya 1, Taman Perindustrian Alam Jaya, 81500 Pekan Nanas, Johor Darul Takzim
Nextol	Office and manufacturing[(3)]	PT4846, Kawasan Perusahaan Cendana, 08000 Sungai Petani, Kedah Darul Aman

Notes:-

(1) Include furnaces and continuous casting, as well as cable and wire production facilities.

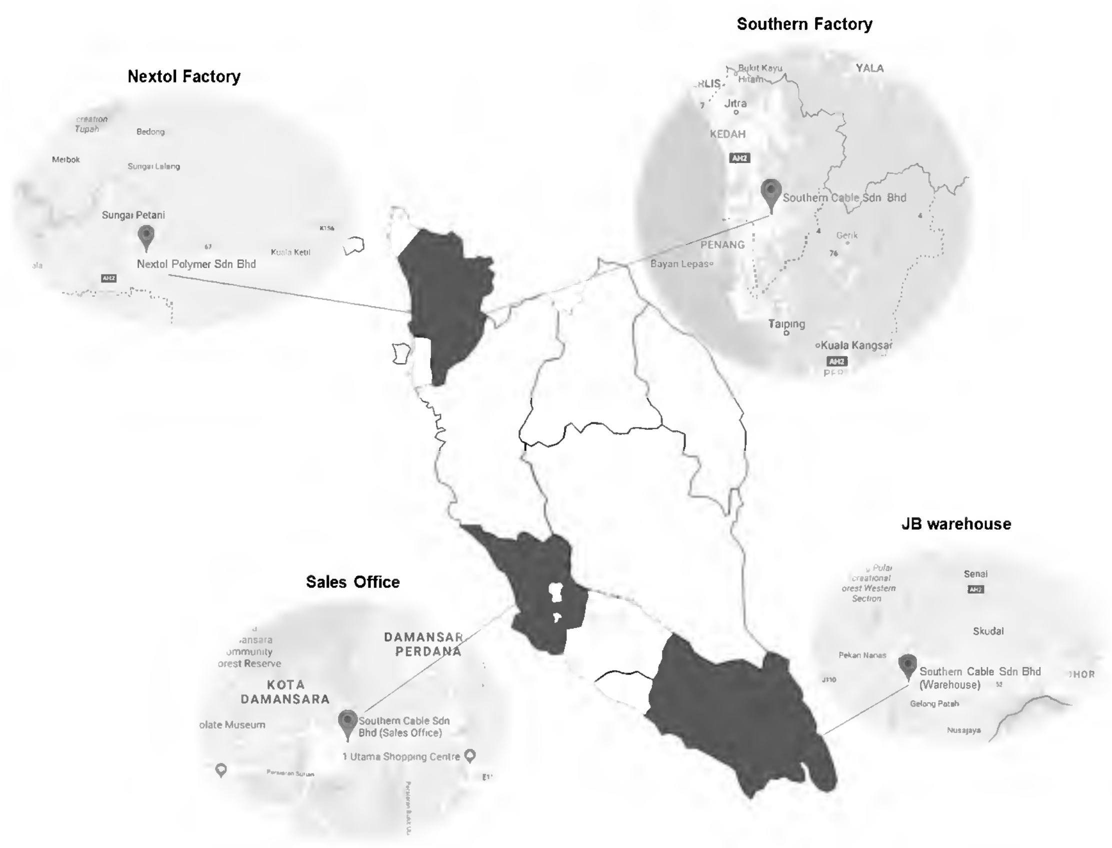
(2) As at the LPD, the construction of Lot 39 has been completed and Southern has obtained CCC for Lot 39. Southern has obtained an approval from MIDA on 25 June 2020 for manufacturing licence and submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence. Southern will only commence manufacturing activities upon obtaining the manufacturing licence.

(3) Plastic compound production facility.

Please refer to Section 6.1 of this Prospectus for further information of our Group's material lands and buildings.

5. INFORMATION ON OUR GROUP (CONT'D)

The locations of our operations in diagrammatical depiction are as follows:-



5.4 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURES

(a) Capital Expenditure

Our capital expenditure for the FYE 31 December 2016 to 2019, FPE 30 June 2020 and as at the LPD are as follows:-

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000	As at the LPD RM'000
Capital work-in-progress(1)	11	-	3,283	-	-	-
Land and buildings	162	-	2,368	51	-	-
Machinery, equipment and tools	5,030	2,907	1,639	1,248	480	185
Right-of-use asset	-	-	-	17,624	739	-
- *Land and buildings*	-	-	-	*11,445*	*178*	-
- *Machinery, equipment and tools*	-	-	-	*5,619*	-	-
- *Others(2)*	-	-	-	*560*	*561*	-
Others(3)	1,804	1,353	1,261	815	192	-
Total	**7,007**	**4,260**	**8,551**	**19,738**	**1,411**	**185**

Notes:-

(1) Includes payments of new machinery and equipment mainly drawing and stranding machines for Lot 39 in FYE 31 December 2018.

(2) Includes motor vehicles and rental of workers' accommodation for FYE 31 December 2019 and FPE 30 June 2020.

(3) Others include motor vehicles, furniture, fittings, office equipment, electrical installation, renovations and fire protection systems.

Our material capital expenditure during the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD mainly comprise of capital work-in-progress; land and buildings; and machinery, equipment and tools. Our material capital expenditure was primarily funded via a combination of bank borrowings and internal generated funds.

For FYE 31 December 2016, our capital expenditure of RM7.007 million was mainly for the following:-

- RM5.030 million, mainly for the purchase and installation of various types of machines for our cable and wire manufacturing operations comprising one (1) unit of lay-up machine, one (1) unit of extrusion machine, one (1) unit of wrapping machine, one (1) unit of stranding machine and one (1) unit of twisting machine; and

- Others mainly include RM1.309 million for the purchase of nine (9) forklifts, RM0.199 million for furniture, fittings and office equipment, as well as RM0.183 million of fire protection system.

For FYE 31 December 2017, our capital expenditure of RM4.260 million was mainly for the following:-

- RM2.907 million, mainly for the purchase and installation of machinery and equipment for our cable and wire manufacturing operations, including one (1) unit of armouring machine, one (1) unit of pay-off machine and one (1) unit of take-up machine; and

- Others include RM1.116 million for the purchase of three (3) passenger cars and two (2) forklifts, RM0.180 million for furniture, fittings and office equipment, RM0.035 million for fire protection system, as well as RM0.022 million of electrical installation and renovation works.

For FYE 31 December 2018, our capital expenditure of RM8.551 million was mainly for the following:-

- RM3.283 million of capital work-in-progress mainly for the purchase of new machinery and equipment including one (1) unit of drawing machine and two (2) units of stranding machine for our new factory at Lot 39;

- RM2.233 million for the purchase of JB Warehouse;

- RM1.639 million for the purchase of machinery, equipment and tools for our cable and wire manufacturing operations including one (1) unit of length marking machine, one unit of coiling machine, one (1) unit of drawing machine and one (1) unit of compressor; and

- Others mainly include RM0.874 million for the purchase of two (2) forklifts and three (3) passenger cars as well as RM0.343 million of furniture, fittings, and office equipment.

For FYE 31 December 2019, our capital expenditure of RM19.738 million was mainly for the following:-

- RM17.624 million for the purchase of right-of-use assets comprising:-

  - RM11.445 million for land and buildings which includes the Kota Damansara Warehouse, Lot 28, Lot 29 and the construction of new factory at Lot 39;

  - RM5.619 million for machinery and equipment for our cable and wire manufacturing operations including mainly two (2) units of stranding machines, two (2) units of extrusion machines, one (1) unit of armouring machine and two (2) units of twisting machines for Southern Factory and new factory at Lot 39; and

  - RM0.560 million for three (3) passenger cars and rental of workers' accommodation;

- RM1.248 million mainly for the upgrade of aluminium rods production facilities including the gas piped-in system and related equipment as well as the purchase of testing equipment; and

- Others mainly include RM0.551 million for furniture, fittings and office equipment and RM0.206 million for the fire protection system.

For FPE 30 June 2020, our capital expenditure of RM1.411 million was mainly for the following:-

- RM0.739 million for the purchase of right-of-use assets comprising mainly two (2) passenger cars;
- RM0.480 million mainly for the installation of machinery and equipment for our cables and wires manufacturing operations; and
- Others mainly include furniture, fittings and office equipment as well as fire protection system.

From July 2020 up to the LPD, our capital expenditure of RM0.185 million was mainly for the purchase of testing equipment.

(b) Capital Divestitures

Our capital divestitures for the FYE 31 December 2016 to 2019, FPE 30 June 2020 and as at the LPD are as follows:-

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000	As at the LPD RM'000
Machinery, equipment and tools	-	2,096	339	9	-	-
Motor vehicles	20	353	-	141	-	35
Others[(1)]	5	6	8	43	2	-
Total	**25**	**2,455**	**347**	**193**	**2**	**35**

Note:-

(1) Others refer to disposal of furniture, fittings and office equipment.

For FYE 31 December 2016, our capital divestiture of RM0.025 million was mainly from the disposal of a forklift.

For FYE 31 December 2017, our capital divestitures of RM2.455 million, which consisted of RM2.096 million from the disposal of an extrusion machine. This machine was previously used for the manufacture of copper strips.

For FYE 31 December 2018, our capital divestitures of RM0.347 million were mainly from the disposal of two (2) units of stranding machines.

For FYE 31 December 2019, our capital divestitures of RM0.193 million were mainly from the disposal of a passenger car.

For FPE 30 June 2020, we have no material capital divestitures.

For July 2020 up to the LPD, our capital divestitures of RM0.035 million was from the disposal of a lorry.

Save as disclosed above, our Group had no material divestment for the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD.

As at the LPD, save for the above and the use of proceeds from our IPO for capital expenditure and expansion as disclosed in Section 3.5 of this Prospectus, we do not have any other material capital expenditures and divestitures in progress currently.

(c) Material plans to construct, expand or improve property, plant and equipment

Save for the proposed use of proceeds from our IPO for our proposed capital expenditure amounting to RM30.000 million details as set out in Section 3.5 of this Prospectus, our Group has not paid for any capital expenditure and do not have any other immediate plans to construct, expand and improve our property, plant and equipment as at the LPD.

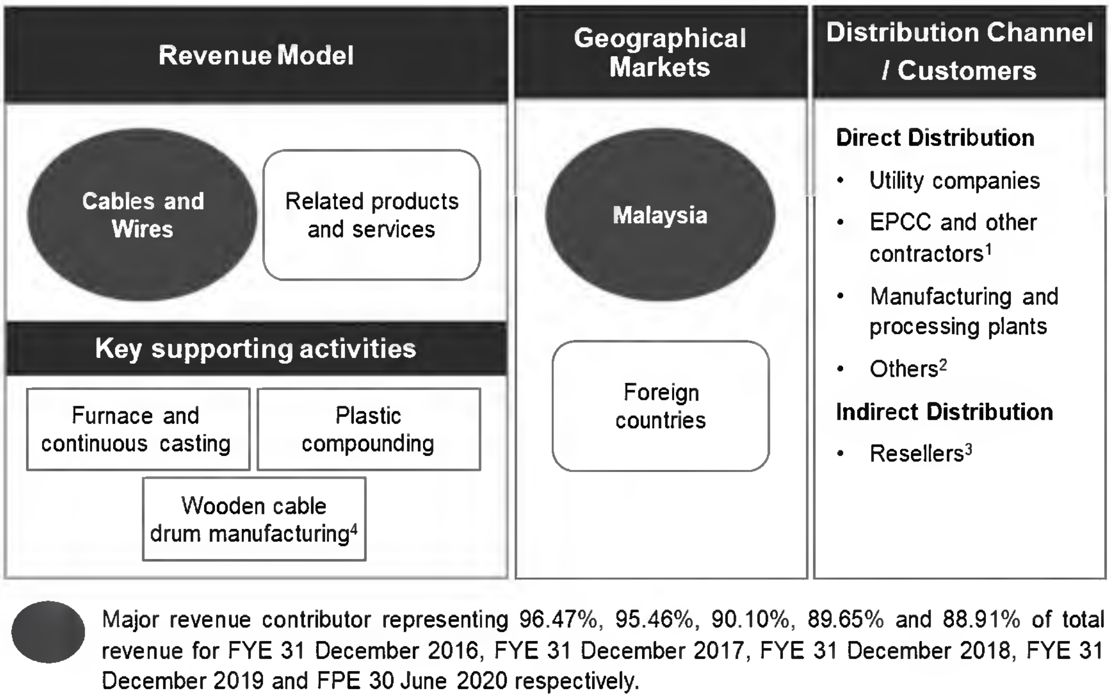
Please refer to Section 5.8 of this Prospectus on our Group's business strategies for further details.

5.5 BUSINESS OVERVIEW

5.5.1 Our Business Model

5.5.1.1 Overview

Our business model for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 is as follows:-



Distribution channel:
- direct distribution channels where we sell our products to customers for their usage; and
- indirect distribution channels where we sell our products to intermediaries, who subsequently resell our products to their respective customers.

Notes:-

(1) Other contractors include mechanical and electrical, engineering, railway system, telecommunication and ICT service contractors.

(2) Cable and wire manufacturers who purchased our aluminium rods, plastic compounds, and wooden cable drums; as well as a highway operating company, railway and seaport operator who purchased our cables and wires.

(3) Resellers include distributors, wholesalers, trading companies, and other cable and wire manufacturers, all of whom resell our cables and wires to their respective customers.

(4) Daya was also previously involved in the manufacturing of wooden cable drums used for the packaging, storage and delivery of our cables and wires up to 29 February 2020, when we decided to relocate Daya factory. We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

5. INFORMATION ON OUR GROUP (CONT'D)

(i) Revenue Model

We are principally a manufacturer of cables and wires that are used for power distribution and transmission, communications as well as control and instrumentation applications. This business activity accounted for 96.47%, 95.46%, 90.10%, 89.65% and 88.91% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. All our power cables and wires including low and medium voltage cables and wires are SIRIM certified and these are manufactured to either Malaysian Standards (MS), IEC standards or British Standards. In addition, our control cables and wires are SIRIM certified. Our high voltage power cables have been tested to meet the requirements of TNB and we are an approved vendor of TNB for high voltage power cables with rated voltage up to 132kV. In addition, we started manufacturing high voltage power cables in June 2019 and this accounted for 0.48% and 2.45% of our total revenue for the FYE 31 December 2019 and FPE 30 June 2020 respectively.

We also derive revenue from related products and services which accounted for the remaining 3.53%, 4.54%, 9.90%, 10.35% and 11.09% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. These include mainly sales of aluminium rods, plastic compounds and wooden cable drums; trading of cables and wires, and copper strips; and supply and installation of rectifiers.

Our key supporting activities for our cable and wire manufacturing operations include furnace and casting operations. We have two (2) electric furnaces and one (1) gas-fired furnace that melt copper and aluminium, respectively before casting them into rods to be used as core materials and transmitting medium for our cables and wires. Other supporting activities include the manufacturing of plastic compounds that are used as insulation and protective layer materials for our cables and wires. We were involved in the manufacturing of wooden cable drums used for packaging, storage and delivery of our cables and wires for the FYE 31 December 2016 up to 29 February 2020, when we decided to relocate Daya Factory. We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

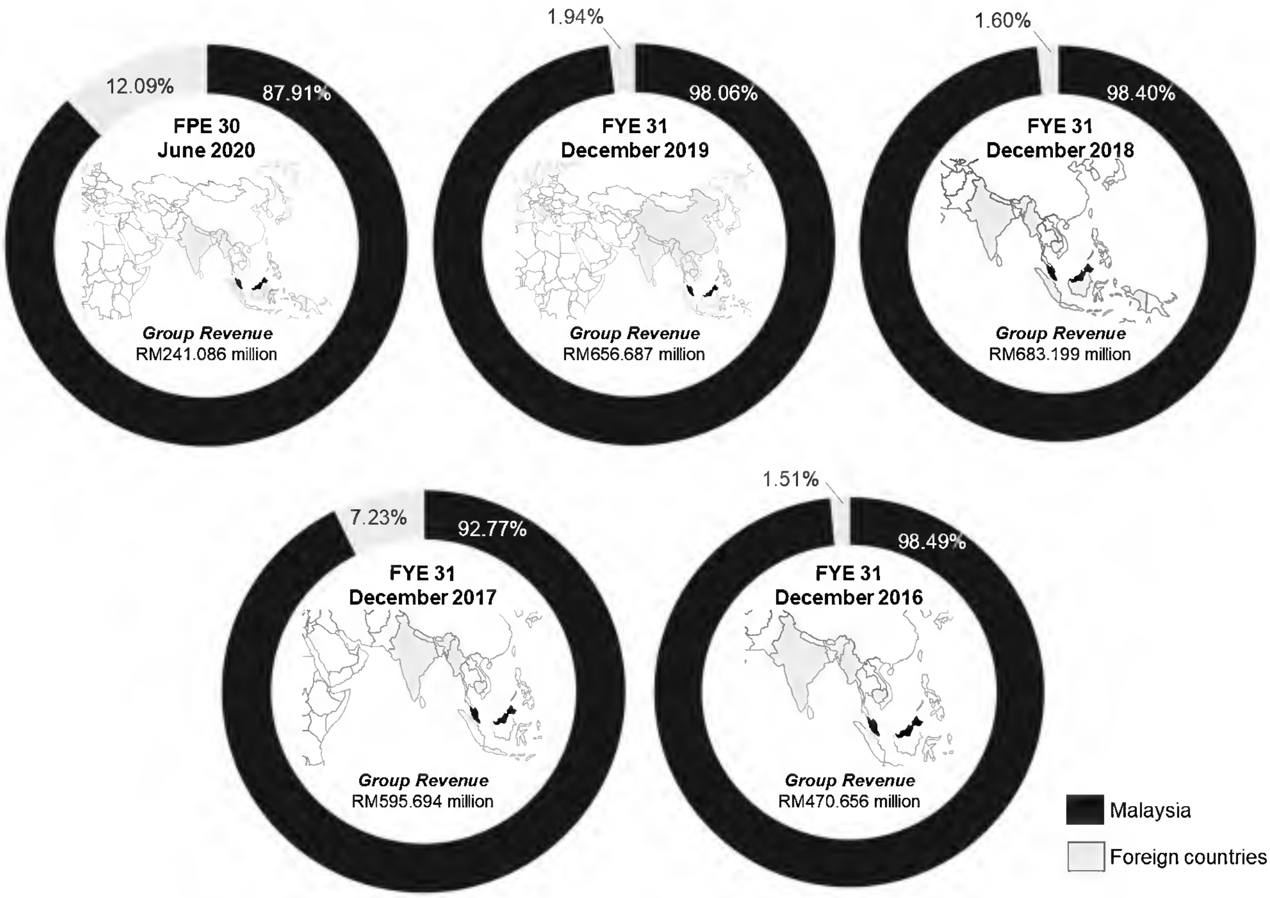
Generally, our sales are based on purchase orders from customers, including those customers where we have entered into contractual agreements.

Our cables and wires are used in various industry sectors including, among others, power distribution and transmission, telecommunications, building and construction, infrastructure, manufacturing and processing industries including oil and gas processing and petrochemical plants. Within oil and gas, we manufacture power, communications and control and instrumentation cables and wires to EPCC contractor and refinery and petrochemical processing plant operator.

5. INFORMATION ON OUR GROUP (CONT'D)

(ii) Geographical Markets

Malaysia is our main market represented 98.49%, 92.77%, 98.40%, 98.06% and 87.91% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.



(iii) Distribution Channel and Customers

We adopt both direct and indirect distribution channel strategy:-

- direct distribution channels where we sell our products to customers for their usage; and

- indirect distribution channels where we sell our products to intermediaries, who subsequently resell our products to their respective customers.

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct distribution channel	**317,541**	**67.47**	**449,059**	**75.38**	**438,116**	**64.13**	**408,419**	**62.19**	**147,473**	**61.17**
EPCC and other contractors(1)	147,507	31.34	238,240	39.99	216,874	31.75	243,799	37.13	81,491	33.80
Utility companies	158,437	33.66	132,615	22.26	195,247	28.58	141,403	21.53	41,467	17.20
Manufacturing and processing plants	8,504	1.81	73,370	12.32	9,999	1.46	7,578	1.15	12,956	5.37
Others(2)	3,093	0.66	4,834	0.81	15,996	2.34	15,639	2.38	11,559	4.80
Indirect distribution channel	**153,115**	**32.53**	**146,635**	**24.62**	**245,083**	**35.87**	**248,268**	**37.81**	**93,613**	**38.83**
Resellers(3)	153,115	32.53	146,635	24.62	245,083	35.87	248,268	37.81	93,613	38.83
Total Group Revenue	**470,656**	**100.00**	**595,694**	**100.00**	**683,199**	**100.00**	**656,687**	**100.00**	**241,086**	**100.00**

Notes:-

(1) Other contractors include mechanical and electrical, engineering, railway system, telecommunications and ICT service contractors.

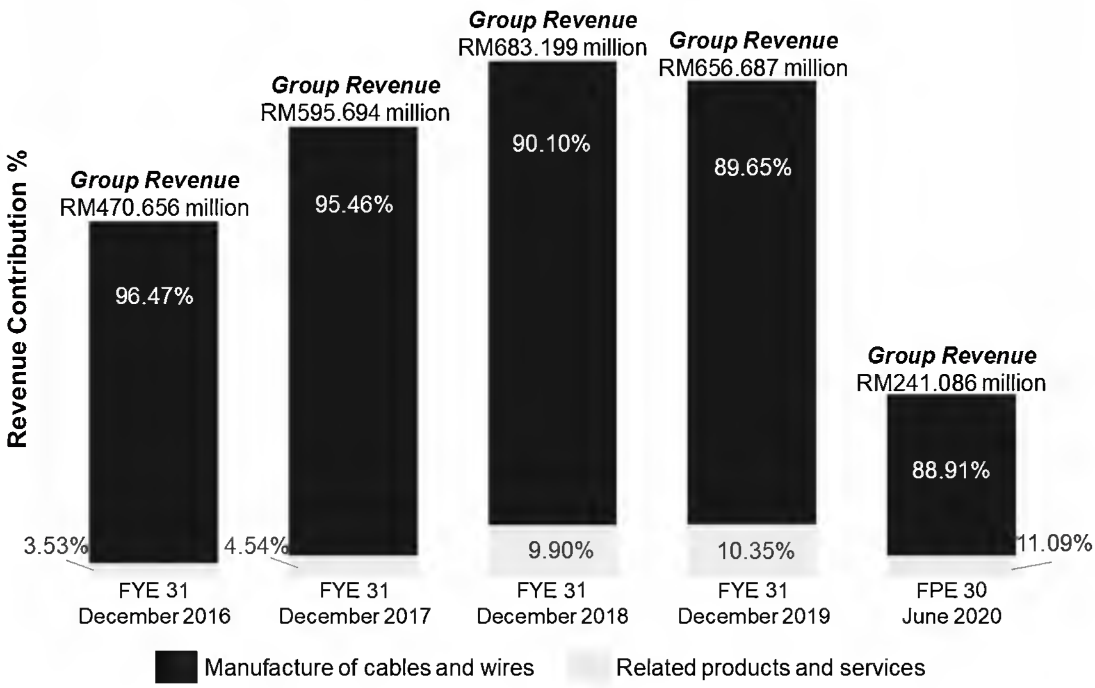
(2) Others include mainly cable and wire manufacturers who purchased our aluminium rods, plastic compounds and wooden cable drums for their own use during the FYE 31 December 2016 to 2019 and FPE 30 June 2020, a highway operating company who purchased our cables and wires in FYE 31 December 2017 and FYE 31 December 2018, railway operator in FYE 31 December 2019 and seaport operator in FYE 31 December 2019 and FPE 30 June 2020.

(3) Resellers include distributors, wholesalers, trading companies, and other cable and wire manufacturers, all of whom resell our cables and wires to their respective customers.

We mainly use a direct distribution channel for our sales, which accounted for 67.47%, 75.38%, 64.13%, 62.19% and 61.17% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. For further information on revenue by distribution channels, please refer to Section 5.5.9.2 of this Prospectus.

5.5.1.2 Our Revenue Streams

The breakdown of our revenue by business activities for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 is as follows:-



Please refer to Sections 5.5.2 and 11.2 of this Prospectus for details on our products and services, and management's discussion and analysis of our Group's financial conditions and results of operations respectively.

5.5.2 Our Products and Services

5.5.2.1 Manufacture of Cables and Wires

As a manufacturer of cables and wires, we also have the following production facilities:-

- electric furnace to melt copper cathode and gas-fired furnace to melt aluminium ingots;
- continuous casting and rolling to produce copper and aluminium rods as input materials for wire drawing;
- drawing of wire into various smaller diameters to be core conductors;
- wire assembly such as bunching into core conductors;
- plastic extrusion using PVC compounds use as insulation, bedding and outer sheath materials; and
- manufacture of wooden cable drums used to coil our cables and wires for storage and delivery purposes. We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020, when we decided to relocate Daya Factory. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, the cables and wires that we manufactured can be broadly categorised into the following:-

- **Power cables and wires** used in electrical systems for the distribution of power. Our power cables and wires are used in overhead and underground power distribution networks outside of buildings, as well as for internal wiring within buildings. We mainly manufacture two (2) main voltage range of power cables and wires, namely (i) medium voltage (MV) and (ii) low voltage (LV). Our MV power cables are typically used to carry power in the range from 3.5kV up to 33kV. Our LV power cables and wires are used to carry power ranging from 300V up to 1kV. We started manufacturing high voltage cables in June 2019. This type of cables accounted for 0.48% and 2.45% of our total revenue for the FYE 31 December 2019 and FPE 30 June 2020 respectively. Our high voltage power cables are used to carry power up to 132kV.

- **Communications cables and wires** are primarily used to transmit data including text, sound and images by using electrical current of various frequencies. These cables and wires are commonly used to connect devices to communicate with telecommunications networks including trunk, wide and local area networks.

- **Control and instrumentation cables and wires** are mainly used to transmit electrical signals and data to measure, monitor, control and regulate industrial process automation plants. Control cables carry signals in the form of low voltage electrical current, to control the functioning of equipment. Instrumentation cables are similar to control cables and serve to monitor, measure and control instruments, equipment or other devices. Control and instrumentation cables and wires are essential in carrying signals in an automation system where equipment and devices need to communicate with each other.

5. INFORMATION ON OUR GROUP (CONT'D)

We have the capabilities and expertise to manufacture a variety of cables and wires with the following combination of features to meet various specifications including electrical, mechanical and thermal properties, dimensional tolerance and requirements.

- Low and medium voltage ranging from 300V up to 33kV and high voltage up to 132kV for power cables and wires, as well as low voltage up to 1kV for control and instrumentation cables and wires;

- Types of core conductors including copper and aluminium, where we manufacture both solid and stranded core conductors. The maximum operating temperature of our conductors range from 70^{o}C to 90^{o}C;

- Number of cores/pairs per cable ranging from:-

  - Power cables and wires: single core up to five (5) cores with nominal cross-sectional area up to 1,600mm^{2};
  - Communication cables and wires: telephone cables up to 2,400 pairs; and coaxial cables up to 21 cores; and
  - Control and instrumentation cables and wires: control cables up to 50 cores and instrumentation cables up to 28 pairs:

- Shielding materials such as metallic wire and copper tape shield;

- Insulation materials mainly PVC or PE or XLPE or XLPO with wall thickness ranging from 0.2mm up to 10.0mm, and sheathing materials mainly PVC or PE with wall thickness ranging from 0.7mm up to 3.9mm for outer sheath; and

- Special features for sheathing material include fire and heat resistance, resistant to ultra violet rays, anti-termites and anti-rodents.

The types of cables and wires that we manufacture mainly cater to the following applications:-

Power Cables and Wires – High voltage (HV) and Medium voltage (MV)

Generally, electricity from power generation plants is delivered to users using the power transmission and power distribution network. Power transmission network uses high voltage transmission cables to carry power over long distances before it reaches the primary distribution substation which uses MV power voltage cables

Some of the applications of our HV and MV power cables are as follows:-

(a) **Power transmission network**: The electric power transmission network uses HV power cables to deliver power from power generation plant to primary distribution substation.

(b) **Power distribution networks**: The electric power distribution network uses MV power cables to deliver power from the primary distribution substations to other secondary distribution substations that serve defined commercial, residential or industrial areas, as well as interconnection between solar power plant to the distribution substation.

(c) **Industrial applications:** MV cables are also used to link the power distribution network directly to major power users including:-

- infrastructures such as railway systems, airports, water and sewerage treatment plants; and
- manufacturing and processing plants such as oil and gas processing, petrochemical plants, steel mills and other factories that require direct supply of medium voltage power for its operations.

Power Cables and Wires – Low voltage (LV)

Some of the applications of our LV power cables are as follows:-

(d) **Secondary distribution networks**: Our LV cables starts from secondary distribution substations to run overhead or underground along and outside of light industrial, commercial and residential premises.

(e) **Connecting premises**: Our LV cables are used to connect the secondary power distribution substations directly to individual premises.

(f) **Inside Buildings:** Some of our LV cables are used for cabling and wiring inside buildings.

Communications Cables and Wires

Some of the applications of our communications cables and wires are as follows:-

(g) **Telecommunications networks**: This includes trunk and wide area network linking networks over large distances as well as local area networks connecting devices such as computers, printers, storage devices and hubs within a relatively small and contained area.

(h) **Others:** Including CCTV system, security and alarm system, public address system and others.

Control and Instrumentation Cables and Wires

Some of the applications of our control and instrumentation cables and wires are as follows:-

(i) **Industrial and commercial automation systems**: Our cables and wires are used to connect equipment, devices and instruments such as switches, sensors, actuators, motor starters, programmable logic controllers and distributed control systems within an industrial plant and commercial buildings to facilitate automation.

(j) **Others**: Including marine cables for ships, and oil and gas cables used on offshore platforms and petrochemical plants.

(i) Overview of Cables and Wires

A cable or wire is commonly made up of three (3) major components, namely:-

- **Conductor**, the medium used for the transmission of electricity in the case of power cables and wires, and transmission of data or signals in the case of communications, and control and instrumentation cables and wires.
- **Insulation**, to prevent people or any other things to come into contact with the conductor, as well as leakage of electricity or signals.
- **Protection**, to protect the cables and wires from unintended external stress and forces that may damage the cables.

(a) Conductors

Our Group uses either copper or aluminium as the conductor for our cables and wires. The choice of conductor material will be dependent on intended applications as well as the operating environment and cost considerations.

In general, copper has higher conductivity and tensile strength compared to aluminium. However, aluminium costs less and is also lighter compared to copper.

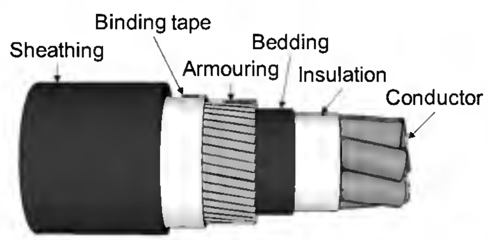
Aluminium has 61% of the conductivity and 30% of the weight of copper. Thus, for the same conductivity capacity, an aluminium conductor will weigh approximately half of a copper conductor *(Source: Industry Overview)*.

Conductors may consist of solid cores or multiple wires bunched together to form stranded core conductors. As at the LPD, we manufacture cables and wires with a solid core or stranded core conductors.

(b) Insulation

Cables and wires may be bare or insulated. We mainly manufacture insulated cables and wires.

Insulations are usually applied over conductors to prevent leakage or contact with people or animals to prevent electrocution. The insulations used by our Group are mainly PVC and XLPE. We also use other types of insulation materials such as PE and XLPO.



(c) Protection

Insulated conductors may be further covered by one (1) or more protective layers, such as bedding, armouring, binding and sheathing.

- A layer of screen or shield may be added to reduce external electrical noise from affecting the transmission of signals in cables and wires, or the emission of electromagnetic waves from the conductor within the power cables and wires as well as any interference from external equipment and devices. We mainly use copper tape and aluminium PE foil as shielding or screening materials. For fire resistant cables and wires, the copper conductor is covered with a layer of Mica tape to act as a fire protective barrier.

- Bedding is a protective layer between the insulation and armouring, which is mainly made from PVC materials.

- Armouring is to provide mechanical protection such that the cables and wires are able to withstand higher stress before they are damaged. The armouring materials we use are aluminium wire for single core cables and galvanised steel wire for multicore cables.

- Armoured cables may be wrapped with binding tape such as PP woven before they are further protected with a layer of sheathing.

- The outermost protective layer is the sheath, also known as jacket. We mainly use PVC or PE as sheathing materials. We also use Low-Smoke Zero-Halogen (LSZH) compound as sheathing materials for our fire resistant and flame retardant power cables and wires, due to its halogen free, low smoke and low toxicity characteristics.

(ii) Power Cables and Wires

Our Group primarily manufactures two (2) main types of power cables, namely low voltage and medium voltage power cables. Our power cables are mainly used for the distribution of power or electricity from the power grid to premises and within buildings, structures, infrastructures, marine vessels, and machinery and equipment.

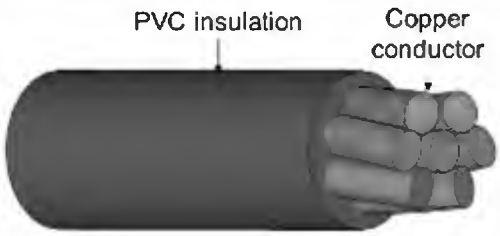
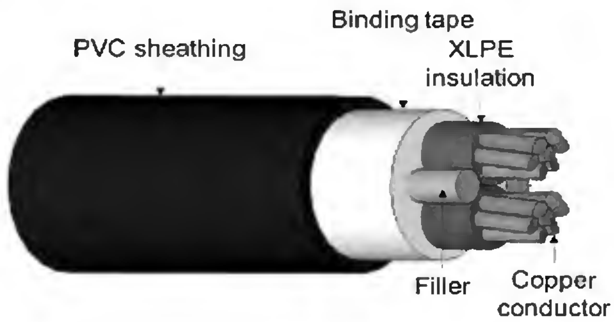
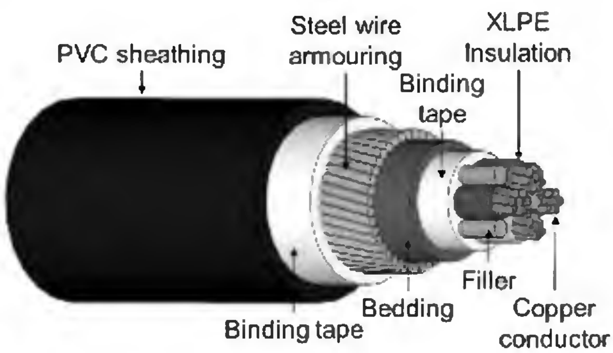
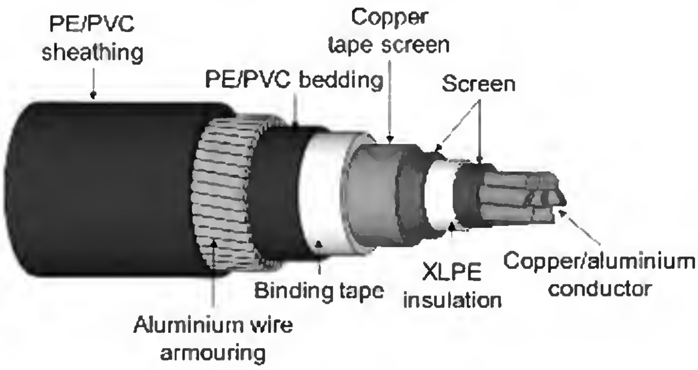
Low Voltage and Medium Voltage Power Cables

We manufacture a range of single core and multicore power cables in various sizes and materials. Some of the general specifications of our power cables are as follows:-

	Low voltage	**Medium voltage**
Voltage	300/500V, 450/750V, 600/1000V	3.6/6kV, 6.35/11kV, 8.7/15kV, 12.7/22kV,19/33kV
Conductor material	Copper/Aluminium	Copper/Aluminium
Insulation	XLPE, PVC	PVC
Nominal cross-sectional areas	1.5mm^2 up to 630mm^2	16mm^2 up to 630mm^2
Number of cores	Single	Single
	Multiple (up to 5 cores)	Multiple (up to 3 cores)
Armouring	Non-armoured	Non-armoured
	Armoured (aluminium wire/galvanised steel wire)	Armoured (aluminium wire/galvanised steel wire)
Sheath	PE/PVC	PE/PVC
Others	Flexible, fire resistant, flame retardant	-

5. INFORMATION ON OUR GROUP (CONT'D)

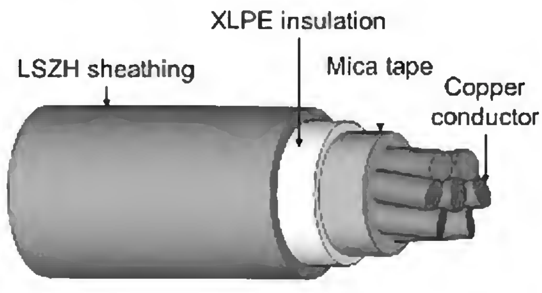
The following are some examples of our low voltage and medium voltage power cables and wires:-

Type of cables	Diagram
Low voltage non-sheathed cable	
Low voltage 2-core non-armoured cable	
Low voltage 4-core armoured cable	
Medium voltage single core armoured cable	

5. INFORMATION ON OUR GROUP (CONT'D)

We also manufacture low voltage power cables with fire resistant and flame retardant properties, which are mainly used in a highly flammable environment. Our fire resistant cables are designed to withstand extreme heat and fire conditions, while the flame retardant cables are designed to restrict the spread of fire.

We use copper as a conductor for our fire resistant and flame retardant cables. Fire resistant cables are covered with a layer of Mica tape prior to the insulation process. The insulation materials used for fire resistant and flame retardant cables are XLPE, XLPO or PVC. These cables may be armoured or non-armoured and the outer sheath materials used for these types of cables is LSZH compound.

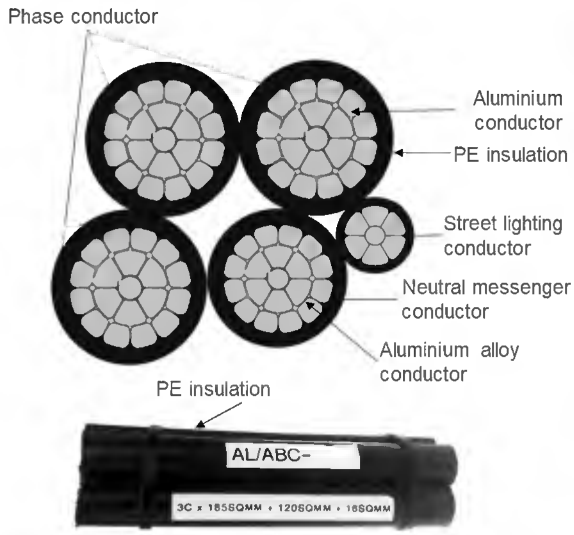


Our fire resistant and flame retardant cables comply with BS6387:1994, IEC60331-21:1999 and IEC60332-1:1993, and we have obtained approval certificates from the Bomba.

In addition, our range of products includes aerial bundle cable ("**ABC**"), which are cables that are bundled together for overhead power distribution lines. Some the general specifications of our ABC are as follows:-

	Low voltage ABC	**Medium voltage ABC**
Voltage	600/1000V	6.35/11kV, 19/33kV
Number of cores	1 phase and 1 messenger 3 phase and 1 messenger 3 phase, 1 messenger and 1 street lighting	3 phase and 1 messenger
Phase conductor material	Aluminium	Aluminium
Neutral messenger conductor material	Aluminium alloy	Galvanised steel wire
Insulation	PE	XLPE
Screening	-	Copper tape
Sheath	-	PVC

5. INFORMATION ON OUR GROUP (CONT'D)



Low voltage ABC
(3 phase conductors with street lighting conductor)

Medium voltage ABC

<u>High Voltage Power Cables</u>

In June 2019, we started manufacturing high voltage power cables, however this type of power cables accounted for less than 1.00% and 3.00% of our total revenue for the FYE 31 December 2019 and FPE 30 June 2020 respectively. These types of high voltage power cables are mainly used in the transmission of electrical power with voltage up to 132kV from power generation plant to primary distribution substation.

5. INFORMATION ON OUR GROUP (CONT'D)

(iii) Communications Cables and Wires

Our communications cables and wires are used in communications equipment, network devices and electronic devices. These cables primarily transmit the following:-

- text (letters, numerals and symbols);
- sound (mainly audible including voice, music and other types of sound); and
- images (still images including pictures and photos, and moving images like videos) in the form of signals or electromagnetic waves. The communications cables that we manufacture include telephone cables, coaxial cables as well as alarm cables.

The following are the communications cables that we manufactured and its respective general specifications:-

- **Telephone cables** consist of one (1) or more twisted pair conductors which are then assembled together. Twisted pair conductor is where two (2) insulated conductors are twisted together to form a pair. Our telephone cables may also be protected with a layer of moisture barrier sheath.

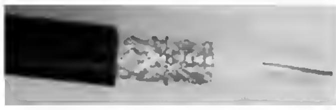
Conductor material	Copper
Insulation	PE/HDPE
Number of pairs	Single
	Multiple (up to 2,400 pairs)
Sheath	MDPE

Twisted pair insulated conductors in a telephone cable

- **Coaxial cable** is used to transmit signals. They are commonly used to transmit television or moving images as well as data signals. The conductor of a coaxial cable is insulated and surrounded by a braided shield made from copper or aluminium to shield the cable from electromagnetic interference.

Conductor material	Copper
Insulation	PE
Number of cores	Single
	Multiple (up to 21 cores)
Shielding	Copper/tinned copper/aluminium
Sheath	PVC

Coaxial cable with braided copper shield



- **Alarm cables** are used in various applications such as fire alarm systems and smoke detectors.

Conductor material	Tinned copper
Insulation	PVC
Number of cores	Multiple (4 cores)
Sheath	PVC

(iv) Control and Instrumentation Cables and Wires

We also manufacture control and instrumentation cables and wires. These said cables and wires are mainly used for connecting machinery, equipment, instruments and process control systems. The primary functions of these types of cables are to obtain and transmit data, and communications among various devices so as to control and automate processes. These types of cables are used in virtually all manufacturing and processing industries that are automated, as well as modern buildings, amenities and infrastructures. Among others, they include power generation, oil and gas, petrochemical and chemical plants, as well as oil and gas platforms and marine vessels. Infrastructure may include oil, gas and water pipelines that require instruments to monitor and to transmit data in real time within a supervisory control and data acquisition (SCADA) system.

Our control and instrumentation cables and wires consist of one (1) or more twisted pair conductors which are assembled together. Some of these cables may include individual and overall screen and drain wire. Our control and instrumentation cables and wires may also be fire resistant or flame retardant.

The following are some general specifications of our control and instrumentation cables and wires:-

	Control cables and wires	**Instrumentation cables and wires**
Conductor material	Copper	Copper
Insulation	PVC/PE/XLPE	PVC/PE/XLPE
Voltage	300/500V, 600/1000V	300/500V, 450/750V, 600/1000V
Nominal cross-sectional areas	0.5mm^2 up to 6mm^2	0.5mm^2 up to 2.5mm^2
Number of cores/pairs	Multiple (up to 50 cores)	Multiple (up to 28 pairs)
Inner sheath	PE/PVC/HDPE	PE/PVC/HDPE
Screen	Aluminium PE foil (Individual/Overall)	Aluminium PE foil (Individual/Overall)
Armouring	Non-armoured	Non-armoured
	Armoured (galvanised steel wire)	Armoured (galvanised steel wire)
Outer sheath	PVC, LSZH	PVC, LSZH
Others	-	With drain wire

(v) Supporting Activities

(a) As copper and aluminium rods serve as conductors in our cables and wires, the manufacture of copper and aluminium rods play a key supporting role in our operations. This supporting activity is undertaken by our subsidiary, Southern at our main production facilities in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman.

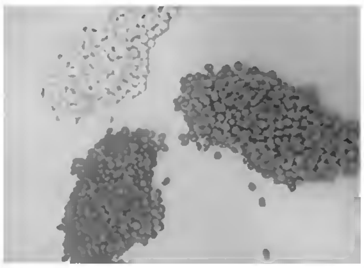
(b) Our production facilities are equipped with three production lines consisting mainly of furnace and continuous casting and rolling facilities to produce the following types of materials:-

- Copper rods: We have two (2) electric furnaces dedicated to production of copper rods with a total combined capacity of 12,000 tonnes per year. For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, almost all of the copper rods that we manufacture were used as copper conductors for our cables and wires.

- Aluminium rods: We have one (1) gas-fired furnace dedicated to the production of aluminium rods with a capacity of 18,000 tonnes per year. The aluminium rods that we manufacture are mainly used as aluminium conductor for our cables and wires. We also sell aluminium rods to external parties.

(c) We also manufacture plastic compounds at our production facility in Kawasan Perusahaan Cendana Sungai Petani, Kedah Darul Aman. This activity is undertaken by our subsidiary, Nextol.

Coloured PVC compound pellets



We currently manufacture one (1) type of plastic compound, namely PVC compound, which is one (1) of the main materials used to produce insulation, bedding and sheathing materials for our cables and wires. Our PVC compound production facility has the capacity of producing 650 tonnes of PVC compounds per month.

(d) The manufacture of wooden cable drums was previously undertaken by our subsidiary, Daya, up to 29 February 2020. Its production facility was located in Kawasan Perindustrian Kuala Ketil, Kedah Darul Aman, which was within close proximity to Southern Factory. We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020, when we decided to relocate Daya Factory. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

Wooden cable drum

Wooden cable drums are packing materials used to store and deliver our cables and wires to our customers premises or on-site. Our wires and cables are coiled around these wooden cable drums. Our production facility had the capacity of producing 5,000 units of wooden cable drums per month.

Please refer to Section 5.5.5 of this Prospectus for further details on the above production processes.

5.5.2.2 Related Products and Services

Related products and services include sales of copper strips and aluminium rods, PVC compounds, wooden cable drums; trading of cables and wires, copper strips, polyamide compounds as well as supply of electrical devices and accessories.

We purchased cables and wires from external parties when our capacity is fully committed to meet scheduled deliveries while the trading of copper strips are based on customer's request. We were involved in manufacturing copper strips in FYE 31 December 2016 but subsequently ceased the manufacturing of this product in 2017 to focus on our core competency in cables and wires.

In 2018, we secured a contract from a local telecommunications company, TMB, for the supply and installation of rectifier systems. A rectifier is a device that converts alternating current to direct current. The normal electricity that we use is provided as alternating current, which periodically changes direction, while direct current flows only in one direction. Some transmission applications and devices require direct current for their operations. We supply rectifiers together with on-site cabling and wiring, and installation.

5.5.3 Our Principal Market

Our principal market for our products is Malaysia.

For the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019, and FPE 30 June 2020, we generated approximately 98.49%, 92.77%, 98.40%, 98.06% and 87.91% of our total revenue directly from Malaysia.

5.5.4 Key types, sources and availability of supplies

The following are the major types of input materials and services that we purchased for our business operations for the FYE 31 December 2016 to 2019 and FPE 30 June 2020:-

Purchases of Input Materials and Services

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing Operations	**422,301**	**98.38**	**483,758**	**95.37**	**529,561**	**93.05**	**522,975**	**97.81**	**221,303**	**98.40**
Materials	**409,937**	**95.50**	**474,051**	**93.46**	**518,074**	**91.03**	**509,849**	**95.36**	**216,154**	**96.11**
Copper based materials	*256,608*	*59.78*	*320,667*	*63.22*	*361,028*	*63.44*	*332,729*	*62.23*	*140,381*	*62.42*
Aluminium based materials	*53,422*	*12.45*	*40,214*	*7.93*	*64,046*	*11.25*	*88,872*	*16.62*	*41,425*	*18.42*
Plastic based materials	*59,986*	*13.97*	*63,656*	*12.55*	*58,174*	*10.22*	*58,889*	*11.01*	*22,463*	*9.99*
Others[(1)]	*39,921*	*9.30*	*49,514*	*9.76*	*34,826*	*6.12*	*29,359*	*5.50*	*11,885*	*5.28*
Subcontracted and other services	**12,364**	**2.88**	**9,707**	**1.91**	**11,487**	**2.02**	**13,126**	**2.45**	**5,149**	**2.29**
Electricity[(2)]	*7,653*	*1.78*	*7,053*	*1.39*	*8,033*	*1.41*	*8,984*	*1.68*	*3,943*	*1.75*
Tolling services	*3,871*	*0.90*	*1,920*	*0.38*	*1,585*	*0.28*	*2,474*	*0.46*	*524*	*0.23*
Diesel fuel/Gas	*840*	*0.20*	*734*	*0.14*	*1,869*	*0.33*	*1,668*	*0.31*	*682*	*0.31*
Other Business	**6,953**	**1.62**	**23,503**	**4.63**	**39,533**	**6.95**	**11,732**	**2.19**	**3,611**	**1.60**
Cables and wires	*5,650*	*1.32*	*9,020*	*1.78*	*29,948*	*5.26*	*6,640*	*1.24*	-	-
Copper strips	-	-	*7,776*	*1.53*	*8,713*	*1.53*	*4,935*	*0.92*	*2,777*	*1.23*
Other materials	*1,303*[(3)]	*0.30*	*6,707*[(4)]	*1.32*	*872*[(5)]	*0.16*	*157*[(4)]	*0.03*	*834*[(6)]	*0.37*
TOTAL	**429,254**	**100.00**	**507,261**	**100.00**	**569,094**	**100.00**	**534,707**	**100.00**	**224,914**	**100.00**

5. INFORMATION ON OUR GROUP (CONT'D)

Notes:-

(1) Includes steel wires, wood materials, wooden cable drums, fillers, aluminium PE foil, Mica tape, PP woven tape as well as other materials used for cable and wire manufacturing.

(2) Includes electricity used for general purposes.

(3) Includes batteries and cable accessories.

(4) Includes batteries as well as rectifier and related devices.

(5) Includes batteries, rectifier and related devices, as well as polyamide compounds.

(6) Includes rectifier and related devices, as well as cable accessories.

As a manufacturer of cables and wires, the main input materials for our business operations are as follows:-

- copper and aluminium based materials such as copper cathode, copper rods and wires, aluminium ingots and aluminium rods. The purchase of copper and aluminium based materials accounted for 72.23%, 71.15%, 74.69%, 78.85% and 80.84% of our total purchases for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively; and

- plastic based materials including PVC resins for manufacturing of PVC compounds, and PE based plastic compounds which are used as insulation, bedding or sheathing materials for our cable and wire manufacturing. The purchase of plastic based materials accounted for 13.97%, 12.55%, 10.22%, 11.01% and 9.99% of our total purchases for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

Copper and aluminium are globally traded commodities and are subject to price fluctuations or volatility *(Source: Industry Overview)*. We purchase copper and aluminium based materials as input materials for our cable and wire manufacturing operations. As such, their raw material global prices affect our purchase prices. Please refer to Section 8.1.1 of this Prospectus for further details on risks of fluctuations in the prices of copper and aluminium.

In addition, electricity was the main energy source to power two (2) furnaces for the production of copper rods used as input materials for our cable and wire manufacturing operations for the FYE 31 December 2016 to 2019 and FPE 30 June 2020. Electricity cost accounted for RM7.653 million, RM7.053 million, RM8.033 million, RM8.984 million and RM3.943 million for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

We utilised diesel as fuel source to power one (1) furnace to produce aluminium rods for the FYE 31 December 2016 to 2018. In the second half of 2018, we converted the said furnace into gas-fired furnace. In January 2019, this furnace started using gas as the energy source to melt the aluminium ingots to produce aluminium rods. On 31 October 2018, we secured a Gas Supply Agreement with Gas Malaysia Berhad to supply and deliver an agreed daily quantity of gas. This Gas Supply Agreement is valid until 31 December 2022. Please refer to Section 5.5.12 of this Prospectus for further details on the Gas Supply Agreement.

Locally sourced materials and services accounted for 34.78%, 36.93%, 30.38%, 33.93% and 29.00% of our total purchases of materials and services for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. Meanwhile, imported materials accounted for 65.22%, 63.07%, 69.62%, 66.07% and 71.00% of our total purchases of materials and services for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. Imported materials include materials that are purchased from local stockists.

5.5.5 Production Process Flow

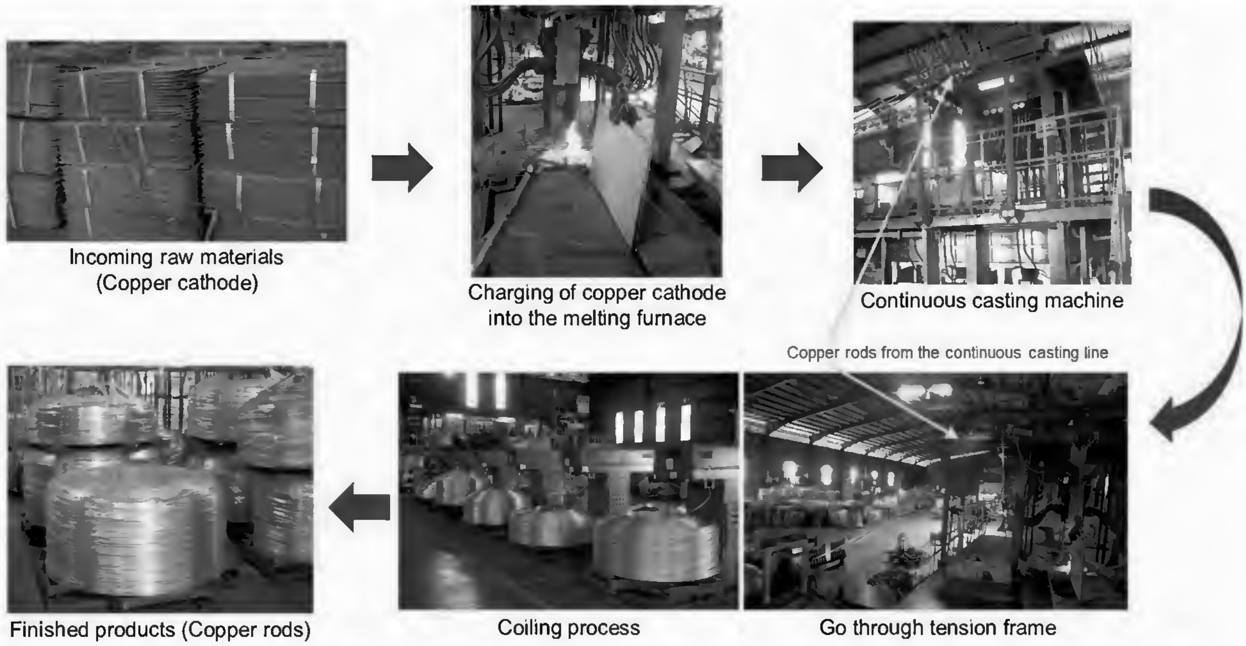
Our cable and wire manufacturing are supported by the following manufacturing activities, including (i) furnace and continuous casting; (ii) plastic compounding; and (iii) wooden cable drum manufacturing.

The process flow for the manufacture of cables and wires begins with the manufacturing of copper and aluminium rods as follows.

5.5.5.1 Copper and Aluminium Rod Manufacturing

The following depicts the general process flow of our manufacturing of copper rods using electric furnace and continuous casting, and aluminium rods using gas-fired furnace and continuous casting.

(i) Production of copper rod



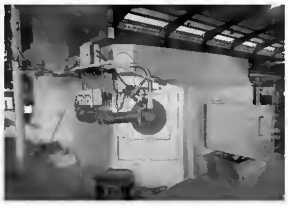
The main input material, copper cathodes, are in plate or sheet form which is used for production of copper rods for cables and wires. Copper cathodes are preferred material for conductors as they have a high purity of 99.99% copper content. Our copper cathodes are at least 99.99% pure and these are usually accompanied by mill certification and/or tested and certified by external laboratories.

For the production of copper rod, the process begins with the melting of the copper cathodes in an electric furnace. The furnace has a melting pot and is charged with electricity which increases the temperature to approximately 1,250 degrees Celsius. Once melted, the molten copper flows into a holding furnace that will keep the temperature at around 1,250 degrees Celsius.

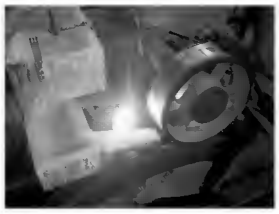
The molten copper will enter the casting die and solidify as it is being cast upwards through coolers. The die in the casting machine will form the shape of the copper rods while the coolers will solidify the copper rods. Casting is a continuous process where the cast copper rods are drawn upwards by servomotors. Subsequently, the copper rods are wound into coils.

(ii) Production of Aluminium Rods

Incoming raw materials (aluminium ingots)



Gas-fired furnace to melt the aluminium ingots



Continuous casting process

Finished products (aluminium rods)

Coiling

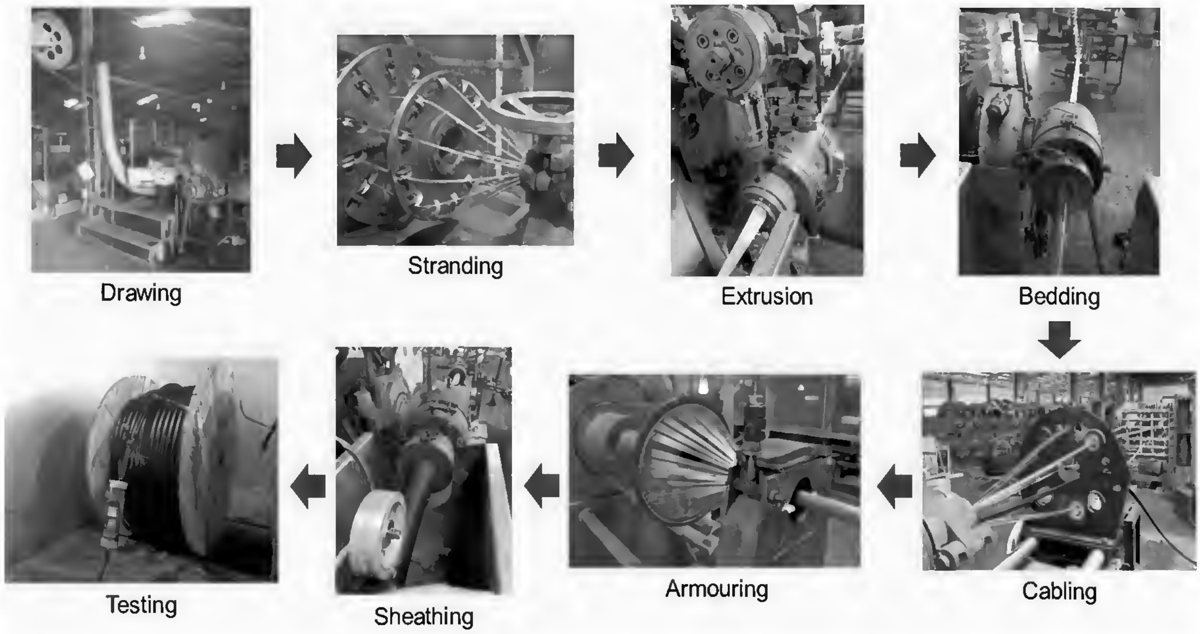
Hot rolling into rods

In January 2019, we started using gas-fired furnace for melting the aluminium ingot. The process begins with the melting of aluminium ingots at a heating temperature up to 760 degrees Celsius. The molten aluminium is then casted into bars and subsequently rolled into 9.5mm diameter rods. The aluminium rods are then wound into coils.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.5.2 Cable and Wire Manufacturing

A typical process flow of our cable and wire manufacturing is provided below:-



First, our quality control personnel inspects the incoming raw materials including rods, plastic compounds and wires for armouring.

The manufacturing process of cables and wires begin with the copper or aluminium rod being passed through the drawing process. The objective of the drawing process is to reduce the diameter of the rod to that of the required diameter of the wire. The metal rod is drawn through a series of dies, starting with a larger diameter die gradually followed by a smaller diameter die. Through this process, the rod is then reduced to its desired diameter.

During the drawing process, the copper rods also undergo a heat treatment process called annealing, which makes the drawn wire softer, more ductile (pliable) and workable. Annealing is also the process of reducing stress within the drawn wire which will ultimately increase the tensile strength of the wire.

Our drawing machine can draw copper rods starting from a maximum diameter of 8.0mm to wires as fine as 0.12mm in diameter. Meanwhile, aluminium rods are drawn from a maximum diameter of 9.5mm to wires as fine as 1.04mm in diameter.

The stranding process is where multiple drawn wires are bundled and twisted together to form the core conductor for our cables and wires.

5. INFORMATION ON OUR GROUP (CONT'D)

The next process in the manufacture of cables and wires is to insulate the bare conductors using plastic extrusion method. The bare conductor is pulled through a tubing die and is simultaneously coated with the insulation material to form a complete layer around the conductor. One of the main insulation materials we use is PVC which is compounded in-house.

A 4-core cable

This is followed by the cabling process where two (2) or more insulated cores are assembled together to form a multiple core cable. The gap between cores is sometimes filled with fillers. Subsequently, a layer of shielding or screen such as copper tape or aluminium PE foil may be applied over the insulated cores before being wrapped in a layer of binder tape.

As for armoured cables, the cabling process is followed by the bedding process where a layer insulated plastic material is extruded before a layer of aluminium or steel wire armour is wrapped around the insulated and shielded cores. The armoured cables are then wrapped in a layer of binder tape.

If required, medium voltage and high voltage cables may undergo a screening process where a layer of copper wire or copper tape is placed over the cables.

Lastly, the armoured or non-armoured cables will be covered with a layer of sheathing material such as PVC or PE to form the outer sheath of the cable.

Overall, we will carry out in-process quality inspection after each of the process mentioned above where our quality control personnel will inspect and test the semi-finished products.

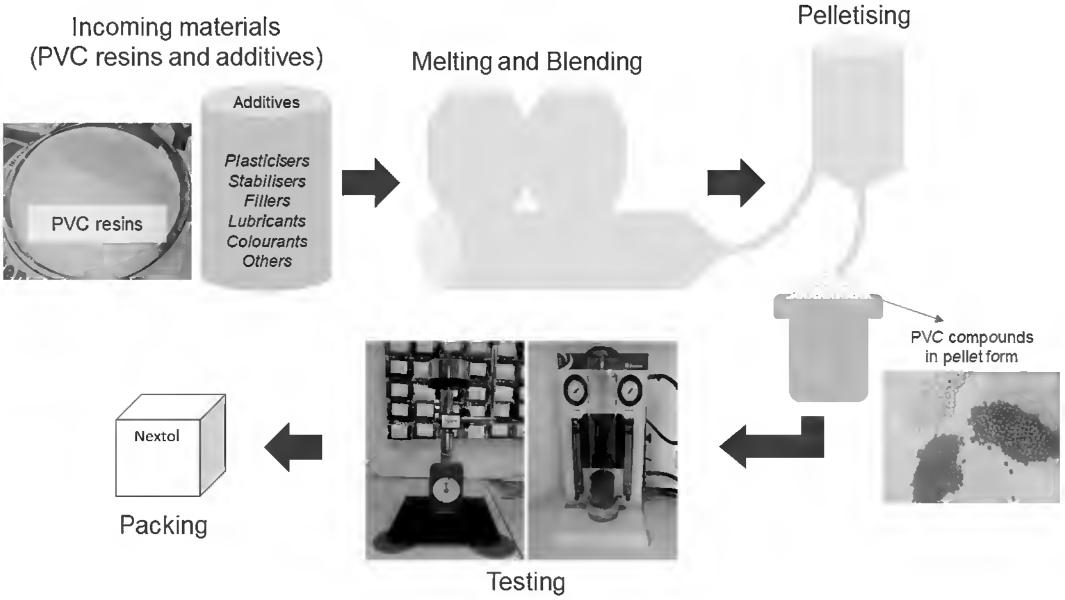
The cables then undergo a final inspection and testing to ensure that the cables meet customers' specifications before it is sent for packing. Our cables are wound around wooden cable drums for delivery or storage. We usually conduct a pre-delivery inspection before our products are delivered to customers.

5.5.5.3 PVC Compounding Process

Compounding is the process of mixing additives to the base plastic resin to obtain certain specifications and desired properties. Different properties are required to meet operating conditions and environment for example fire resistant properties.

In the manufacture of cables and wires, insulation, bedding and sheathing materials are made of plastics such as PVC or PE. The original plastic resins (such as PVC) will need to be mixed or compounded with additives to enable them to serve their intended purposes.

A typical process flow of PVC compounding is illustrated below:-



The process begins with the inspection of all incoming raw materials including PVC resins and additives such as fillers, plasticisers, stabilisers and pigments.

The PVC resins and additives are then loaded into the dosing system which incorporates a hopper that measures and feed the precise quantity of each of the input materials. The dosing system feeds PVC resins into the extruder at a controlled rate together with the specific quantities of additives in accordance with the formulation.

The mixture is melted and blended together as it travels through a heated barrel and screw extruder. The melted material is extruded through a die, and long strands of semi-solid plastic is formed as it exits the extrusion machine.

The output semi-solid plastic strands then run through a cooling chamber to cool and solidify before they are cut into uniformed size PVC compound pellets. The pellets then undergoes further cooling followed by dust removal.

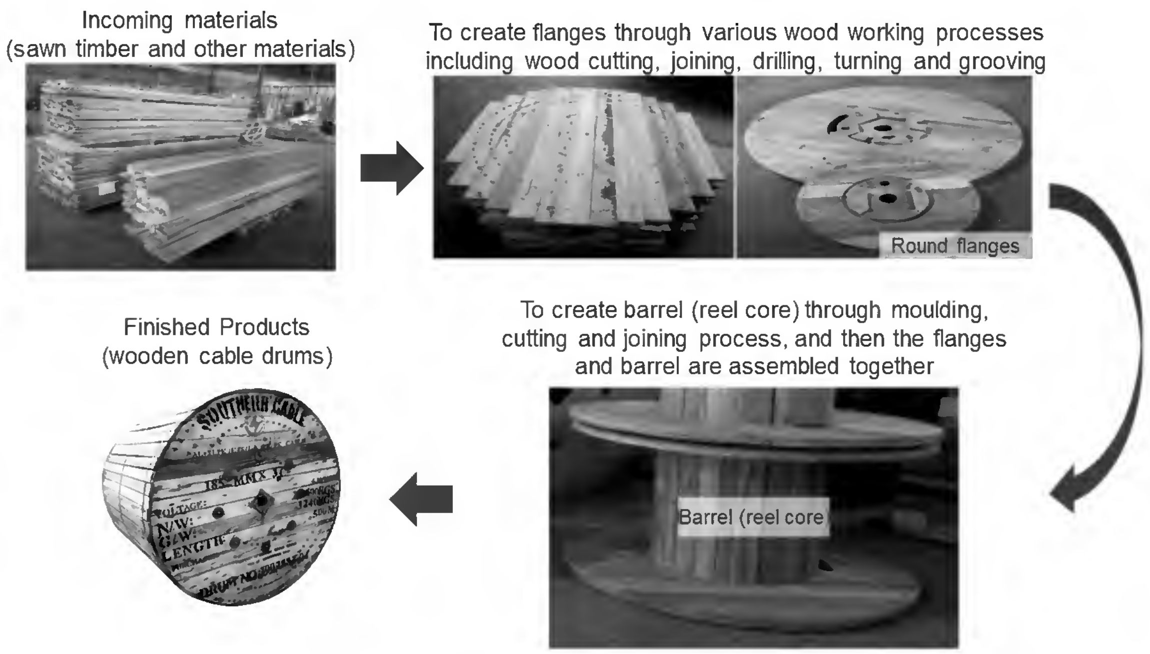
The finished pellets are then loaded into a classifier where pellets that do not meet the standard size are removed to be recycled. Our quality control personnel will then carry out quality control inspection and testing before these PVC compound pellets are packed.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.5.4 Wooden Cable Drum Manufacturing

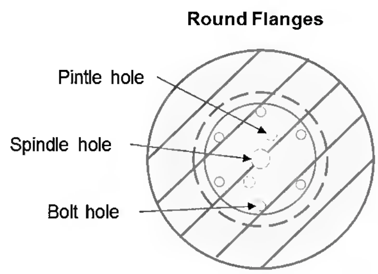
Wooden cable drums are a cost-effective means to store and deliver cables and wires to customers.

A general process flow of our wooden cable drum manufacturing is illustrated below:-



The incoming materials for the manufacture of wooden cable drums are mainly sawn timber and related materials. They are inspected to ensure that they comply with our specifications.

The manufacturing process begins with the assembly of the flanges. Firstly, the sawn timber is sanded and then cut into the desired length. The cut sawn timber are stacked in two (2) layers and arranged lengthwise side-by-side, and nailed to form one square solid piece. This square solid piece will go through a bandsaw to cut off the edges to form a round flange. Following that is the boring and drilling of spindle hole, pintle hole, and bolt hole on the flange.



The next step is the assembly of the wooden cable drums, where two (2) pieces of flanges are assembled together with multiple wood pieces in between the flanges to form a barrel. The completed wooden cable drum will then be inspected before delivery.

We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020, when we decided to relocate Daya Factory. We currently source the wooden cable drums from external parties for our cable and wire manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

5.5.6 Quality, Safety and Health and Environment

5.5.6.1 Quality Management Systems and Certifications

We place emphasis on the quality of our cables and wires and we adhere to quality standards to ensure they meet customers' requirements and specifications. This is demonstrated by the fact that Southern is accredited with the following quality management system:-

Standard	Scope	Issuing Party	Validity Period
ISO 9001:2015	Design and manufacture of low and medium voltage power cables, telecommunication cables (copper and fibre optics), aluminium rods, copper strips and electronic wires.	SIRIM	5 August 2020 to 5 August 2023

5.5.6.2 Quality Control Procedures

We carry out the following quality control procedures during our manufacturing process:-

- **Incoming Inspection and Testing**: Our quality control personnel will carry out inspection and/or random test on samples for incoming raw materials such as plastic compounds to be used in our cable and wire manufacturing operations.

- **In-process Quality Control**: Throughout the production process, the semi-finished products will be inspected and/or tested after each of the process for our cable and wire manufacturing operations. This allows us to identify and rectify any defects at the earliest possible stage to minimise wastage or rework in the finished products.

  Some of the tests we carry out during in-process quality testing include dimensional, conductor resistance and insulation resistance test.

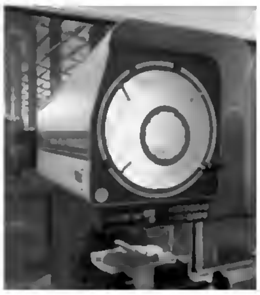
- **Final Inspection**: All finished products will undergo a final quality inspection process (including factory acceptance test, if required) to ensure that they meet the customers' specifications and quality standards before they are sent for packing. The final inspection includes high voltage electrical test, dimensional test, conductor resistance test, insulation resistance test, tensile strength and elongation test. Please refer to Section 5.5.6.3(a) of this Prospectus for further details on related tests.

As at the LPD, we have a team of 57 personnel involved in quality assurance and quality control.

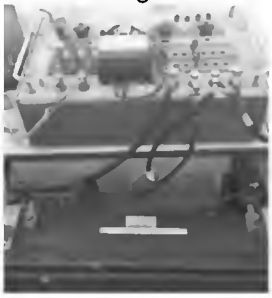
5.5.6.3 Our Quality Control and Testing Facilities

(a) Cable and Wire Manufacturing

The following are some of the tests carried out during our quality control process using our testing equipment and facilities:-

Type of Equipment or Facility	Type of Test
High voltage test facility 	**High voltage electrical test** AC voltage and current testing to determine the effectiveness of the insulation, insulating strength and integrity of power cables and wires. This voltage test is carried out in our high voltage testing shielded room which is designed to test cables up to 132kV.
AC high potential tester  DC high potential tester 	**AC and DC high potential test** To test the electrical strength of the insulation of the cable. A high voltage is applied across the cable to ensure that the insulation is able to withstand the applied voltage.
Profile projector 	**Dimensional test** To measure the thickness of the cable insulation, bedding and sheathing. This is to ensure safe and reliable performance of the cables and wires and that they comply with specifications.

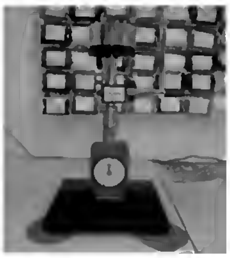
5. INFORMATION ON OUR GROUP (CONT'D)

Type of Equipment or Facility	Type of Test
Double bridge measuring instrument 	**Conductor resistance test** To determine electric current resistance of conductors. Conductors with lower electric current resistance have better conductivity.
Insulation resistance tester 	**Insulation resistance test** To measure the effectiveness of the insulation layer as poor insulation may result in short circuit, fire or injuring people.
Tensile tester 	**Tensile strength and elongation test** To determine the mechanical properties of conductors and insulation materials. Tensile strength test measures the maximum force the material can withstand before breaking, while elongation test measures the length that the material can be stretched before breaking.
Hot set oven 	**Hot set test** A type of aging test to determine the mechanical properties of XLPE based insulation and sheathing materials.

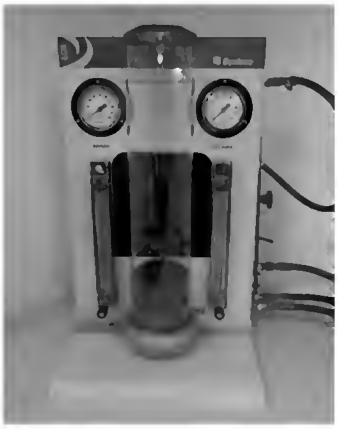
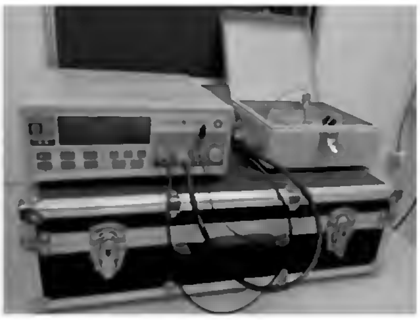
Type of Equipment or Facility	Type of Test
Fire testing chamber 	**Fire resistant test** Fire resistant test is to ensure that cables are able to maintain its circuit integrity. This is a test of fire directly applied onto the cable samples for at least 30 minutes or more, depending on the requirements. The temperature on the cable ranges from 750 to 950 degree Celsius.
Fire testing chamber (in vertical tray) 	**Flame retardant test** Flame retardant test is to ensure that the cables do not easily spread the fire.

(b) Plastic compounding operation

For the plastic compounding operations, we have the following testing equipment for quality control (QC) tests:-

Type of Equipment or Facility	Type of Test
Tensile tester 	**Tensile and elongation test** To determine the mechanical properties such as strength and stiffness of plastic compounds.
Hardness tester 	**Hardness test** To measure the resistance of plastic compounds to determine the hardness of plastics.
Pilot extrusion system 	**Pilot scale test for plastic compounds** To determine the mechanical and chemical properties of plastic compounds from pilot production, prior to mass production and commercialisation of products.

5. INFORMATION ON OUR GROUP (CONT'D)

Type of Equipment or Facility	Type of Test
Limited oxygen index tester 	**Limited oxygen index test** To measure the minimum percentage of oxygen required to support combustion, which is used to access fire resistance or retardant properties.
Volume resistivity tester 	**Volume resistivity test** To measure the insulation material's resistance to current leakage.

5.5.6.4 Our Accreditations and Certifications

The following is the list of accreditations and certifications from relevant authorities and certification bodies we have obtained as at the LPD:-

(i) SIRIM

Description	Validity Period
Product Certification Licence for 'Armoured 600/1000V Multi Core PVC Insulated, PVC Sheathed Cables complying with MS 2103 : 2007'	10 August 2020 to 7 August 2021
Product Certification Licence for 'Armoured 600/1000V Single Core PVC Insulated, PVC Sheathed Cables complying with MS 2101 : 2007'	13 May 2020 to 26 February 2021
Product Certification Licence for 'Non-Armoured 600/1000V Single Core XLPE Insulated Cables complying with MS 2104 : 2007'	10 August 2020 to 10 July 2021
Product Certification Licence for 'Armoured 600/1000V Single Core XLPE Insulated Cables complying with MS 2105 : 2007'	10 August 2020 to 10 July 2021
Product Certification Licence for 'Power Cables With Extruded Solid Insulation complying with IEC 60502-1 : 2004'	10 August 2020 to 27 August 2021
Product Certification Licence for 'PVC-Insulated Cables (Sheathed) For Fixed Wiring complying with MS 2112-4 : 2009'	20 September 2019 to 24 September 2020(1)
Product Certification Licence for 'PVC-Insulated Cables (Non-Sheathed) For Fixed Wiring complying with MS 2112-3 : 2009'	20 September 2019 to 28 September 2020(1)
Product Certification Licence for 'Power Cables with Extruded Insulation For Rated Voltages From 6KV up to 30KV complying with IEC 60502-2 : 2005'	15 November 2019 to 7 December 2020
Product Certification Licence for 'Armoured 600/1000V Multi Core XLPE Insulated Cables complying with MS 2107 : 2007'	11 January 2020 to 10 December 2020
Product Certification Licence for 'Non-Armoured 600/1000V Multi Core XLPE Insulated Cables complying with MS 2106 : 2007'	11 January 2020 to 10 December 2020
Product Certification Licence for 'Fire Resistant Cables complying with BS 6387 : 1994'	20 April 2020 to 11 May 2021
Product Certification Licence for 'Flexible Cables complying with MS 2112-5 : 2009'	17 April 2020 to 20 May 2021
Product Certification Licence for 'Non-Armoured 600/1000V Multi Core PVC Insulated, PVC Sheathed Cables complying with MS 2102 : 2007'	7 August 2020 to 7 August 2021
Product Certification Licence for 'PVC Insulated Cables (Non-Armoured) For Electric Power and Lighting complying with BS 6004 : 2000'	27 November 2019 to 15 November 2020

5. INFORMATION ON OUR GROUP (CONT'D)

(ii) Bomba

Description	Validity Period
Approval Certificate for 'Fire Resistant Cable complying with BS 6387: 1994, IEC 60331-21: 1999 & IEC 60332-1-1993'	18 November 2019 to 17 November 2020
Approval Certificates for 'Fire Resistant Cable complying with BS 6387: 1994'	22 January 2020 to 21 January 2021 and 12 May 2020 to 11 May 2021

(iii) Energy Commission of Malaysia

Description	Validity Period
Approval Certificate for 'PVC Insulated Flexible Cord & Cable'	19 June 2020 to 18 June 2021
Approval Certificate for 'PVC Insulated Non-Sheathed Cables for type 1C x 630mm square and 1C x 1.5mm square'	30 September 2019 to 29 September 2020[1]
Approval Certificate for 'PVC Insulated PVC Sheathed Cables for type 1 Core x 35 mm Class 2'	1 November 2019 to 31 October 2020
Approval Certificate for 'PVC Insulated PVC Sheathed Cables for type 5 Core x 1.5 mm Class 2'	21 October 2019 to 20 October 2020
Approval Certificate for 'PVC Insulated Non-Sheathed Cables for type 1C x 0.5mm Class 1'	17 March 2020 to 16 March 2021
Approval Certificate for 'PVC Insulated Non-Sheathed Cables for type 1C x 1.0mm square'	26 February 2020 to 25 February 2021

Note:-

(1) We have submitted an application for renewal and are currently pending issuance of a new certification.

5.5.6.5 Environmental Matters

Disposal of Scheduled Wastes

During the copper and aluminium melting process in our furnaces, wastes are generated in the form of dross and sludges. These wastes are scheduled waste listed in the First Schedule of the Environmental Quality (Scheduled Wastes) Regulation 2005, which falls under two categories as follows:-

- SW 104 Dust, slag, dross and ashes containing aluminium, arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium, excluding slag from iron and steel factory.

- SW 204 Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium.

In this respect, the disposal of dross and sludges must comply with the Environmental Quality (Scheduled Wastes) Regulation 2005.

We use three (3) licenced contractors by the Department of Environment, Malaysia (DOE) for the collection and disposal of the dross and sludges.

5.5.7 R&D

We do not carry out R&D on our cable and wire manufacturing operations and plastic compounding operations. In this respect, there is no R&D expenditure for this business segment for the FYE 31 December 2016 to 2019 and FPE 30 June 2020.

However, we do carry out product enhancement on plastic compounds to meet the performance requirements for cable and wire insulation, bedding and sheathing. Some areas of improvement and enhancement include heat resistance, chemical resistance, insulation properties and mechanical properties. The improvements can be made by using various types and quantity of additives, as well as the process of compounding.

Pursuant to our products' continuous improvement and enhancement on plastic compounds please refer to Section 5.8.3.2 of this Prospectus for further details on new range of plastic compounds.

5.5.8 Technology

We use various technologies in our cable and wire manufacturing operations:-

- Copper rod manufacturing technology, which comprise electric furnace to melt the copper cathode and at the same time minimise contamination from introduced materials like sulphates that can negatively affect the conductivity of the copper rod. This also includes a continuous casting technology to obtain oxygen-free copper rod, which improves conductivity.

- Wire drawing technology, where a cross section of a long metal rod is drawn to the required size by passing through a series of dies to reduce its diameters. We have the expertise to carry out wire drawing from copper rods with diameter sizes of 8mm down to 0.12mm and aluminium rods with diameter sizes of 9.6mm down to 1.04mm.

- Extrusion technology is used to form a layer of insulation wrapped around the conductors or other parts of the cables and wires. Typically, extrusion is the process of continuously forcing soften plastic materials through a die to envelope the conductor core or some other parts of the cable.

In addition, polymer compounding technology is relevant to our operations as we undertake plastic compounding, specifically PVC compounding. PVC resin is inherently hard and brittle and must be mixed with additives to make a compound with the desired properties and characteristics before being used for further processing.

Some of the additives used in our plastic compounding include plasticisers, stabilisers, modifiers, fillers, lubricants and pigments. These additives can make the PVC either flexible or rigid, resistant to chemical corrosion, protection against ultraviolet rays, softness and a wide range of solid colours.

5.5.9 Modes of marketing, distribution and sales

5.5.9.1 Sales and Marketing Strategies

Our marketing strategies are focused on large volume users of our cables and wires and some of these include utility companies, EPCC and other contractors, and manufacturing and processing plants. Our marketing strategy also targets resellers including distributors, wholesalers, trading companies, and other cable and wire manufacturers, all of whom resell our cables and wires to their respective customers.

In general, we secure sales orders through competitive biddings or open tenders. In some situations, we respond to published invitations such as those from newspapers, and websites of various organisations such as utility companies.

We will continue to employ the following sales and marketing strategies to sustain and grow our business:-

- Position ourselves as an established manufacturer of cables and wires with at least 27 years of experience in manufacturing cables and wires since we commenced operations in 1993.

- Capability of meeting large volume requirements as demonstrated by the size of our revenues of RM683.199 million and RM656.687 million for FYE 31 December 2018 and FYE 31 December 2019 respectively.

- We have key supporting activities including manufacturing of copper and aluminium rods, plastic compounding and wooden cable drums manufacturing. This reduces our dependency on external parties with the ability to control product quality.

We also participate in local and overseas exhibitions to promote our products. The exhibitions that we have participated in FYE 31 December 2019 and up to the LPD are as follows:-

Name of Event	Location	Year
Asean M&E 2019	Kuala Lumpur, Malaysia	2019
5th Cable & Wire Indonesia 2019	Jakarta, Indonesia	2019
5th GMS Rail Expansion Summit 2019	Yangon, Myanmar	2019
Oil and Gas Asia 2019	Kuala Lumpur, Malaysia	2019
Powerex Myanmar 2019	Yangon, Myanmar	2019
Electric, Power & Renewable Energy Indonesia 2019	Jakarta, Indonesia	2019
Power Expo Myanmar 2019	Yangon, Myanmar	2019
Myanmar Build & Decor 2019	Yangon, Myanmar	2019
Oil & Gas Thailand 2019	Bangkok, Thailand	2019
Myanbuild 2019 Expo	Yangon, Myanmar	2019

As at the LPD, we have a total of 37 sales and marketing personnel who are involved in the business development activities.

As a result of the COVID-19 pandemic and the travel restrictions in certain countries, some of the exhibitions that we intend to participate have either been postponed and/or cancelled until 2021. During the RMCO period, we have been proactively contacting our existing customers as part of our continuing sales and marketing efforts. This will continue to be our sales and marketing approach until such a time, the restrictions are lifted.

5.5.9.2 Distribution Channels

We adopt both direct and indirect distribution channel strategies to reach our customers:-

- direct distribution channels where we sell our products to customers for their usage. This enables us to work closely with the users to meet their specifications and requirements; and

- indirect distribution channels where we sell our products to intermediaries who subsequently resell our products to others. This enables us to use the intermediaries' existing network to expand our market coverage without the need for significant investments in logistics.

Notes:-

(1) Other contractors include mechanical and electrical, engineering, railway system, telecommunications and ICT service contractors.

(2) Others include mainly cable and wire manufacturers who purchased our aluminium rods, plastic compounds and wooden cable drums for their own use during the FYE 31 December 2016 to 2019 and FPE 30 June 2020, a highway operating company who purchased our cables and wires in FYE 31 December 2017 and FYE 31 December 2018, railway operator in FYE 31 December 2019 and seaport operator in FYE 31 December 2019 and FPE 30 June 2020.

(3) Resellers include distributors, wholesalers, trading companies, and other cable and wire manufacturers, all of whom resell our cables and wires to their respective customers.

5. INFORMATION ON OUR GROUP (CONT'D)

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, our revenue contribution by direct and indirect distribution channels are set-out as follows:-

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Direct distribution channel	317,541	67.47	449,059	75.38	438,116	64.13	408,419	62.19	147,473	61.17
Indirect distribution channel	153,115	32.53	146,635	24.62	245,083	35.87	248,268	37.81	93,613	38.83
Total Revenue	**470,656**	**100.00**	**595,694**	**100.00**	**683,199**	**100.00**	**656,687**	**100.00**	**241,086**	**100,00**

Under our direct distribution channel, we market and sell our products directly to customers who are the end-users of our cables and wires. These end-user customers are power utility operators, telecommunications company, EPCC and other contractors. We also sell our other products such as aluminium rods, PVC compounds and wooden cable drums to cable and wire manufacturers for their own use.

We also adopt an indirect distribution channel strategy using resellers including distributors, wholesalers, trading companies and other cable and wire manufacturers. These customers resell our cables and wires to their customers.

As at the LPD, we have four (4) appointed distributors, one (1) in Malaysia, one (1) in Myanmar, one (1) in Indonesia and one (1) in Cambodia. Our distributor in Malaysia, Dominco Sdn Bhd who is located in Sarawak, purchases our cables and wires, and subsequently resells them to a utility operator in Sarawak. Meanwhile our exclusive distributors in Myanmar, Indonesia and Cambodia resell our products to their customers in their respective countries by virtue of the distribution agreements entered into on 1 January 2019 for an initial period of one (1) year, which shall be automatically renewed on a yearly basis. Our exclusive distributors are listed as follows:-

Distributor	Geographical Coverage
Dominco Sdn Bhd	Malaysia
Southern Cable Company Limited	Myanmar
Southern Cable (Cambodia) Co., Ltd	Cambodia
PT. Ceramic Asia Indonesia	Indonesia

5.5.10 Major approvals, licences and permits obtained

Details of major approvals, licences and permits applicable to our Group as at the LPD are as follows:-

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Certificate of registration of installation for Lot 34	Energy Commission of Malaysia	Serial No. 011138/2019	23 November 2019 to 22 November 2020	Nil.	N/A.
Southern	Certificate of registration of installation for Lot 35	Energy Commission of Malaysia	Serial No. 011136/2019	23 November 2019 to 22 November 2020	Nil.	N/A.
Southern	Certificate of registration of installation for Lot 36	Energy Commission of Malaysia	Serial No. 000171/2020	1 March 2020 to 28 February 2021	Nil.	N/A.
Southern	Certificate of registration of installation for Lot 42	Energy Commission of Malaysia	Serial No. 011135/2019	23 November 2019 to 22 November 2020	Nil.	N/A.
Southern	Permit for Scheduled Controlled Items / Approval to purchase 1,600 litres of diesel and being stored at Lot 42	Ministry of Domestic Trade and Consumer Affairs	Serial No. P: K003327	6 January 2020 to 5 January 2021	(i) Southern is subject to the Control of Supplies Act 1961 and its subsidiary legislations.	Noted.
					(ii) Southern shall comply with the description of the scheduled controlled items stated in the permit i.e. to purchase diesel only.	Noted and complied.
					(iii) Southern is to store the scheduled controlled items at Lot 42.	Noted and complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(iv) Southern is to store or have in its possession the scheduled controlled items not exceeding the quantity permitted under this permit.	Noted and complied.
					(v) The scheduled controlled items are only for own use and not for sale.	Noted and complied.
					(vi) This permit is non-transferrable.	Noted.
					(vii) Any renewal application of the permit shall be submitted thirty (30) days prior to the expiry date. Any application made after the expiry of the permit shall be deemed as new application.	Noted and to be complied.
Southern	Licence to supply product/service to exploration and oil/gas companies in Malaysia	PETRONAS	Nil	6 January 2019 to 5 January 2022	(i) This licence is subject to renewal three (3) months before the expiry date.	Noted and to be complied.
					(ii) This licence is not transferable to any company/other party;	Noted.
					(iii) This licence will be revoked if the company is found to be in the process of liquidation, winding-up or dissolution.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(iv) Southern shall inform PETRONAS on any changes related to company's position such as equity ownership, board of directors and management staff within fourteen (14) days. Failure to do so can result in revocation of licence.	Noted.
					(v) Southern should take immediate action to adhere to the special conditions imposed as stated in the appendix of the PETRONAS licence certificate and to inform PETRONAS on the progress of this action.	Noted.
					(vi) Southern is not allowed to take another company as principal, agent, sub-contractor or otherwise to provide any service or supply of any facility, fittings or equipment on its behalf without prior written consent from PETRONAS.	Noted and complied.
					(vii) Southern can be penalised if in PETRONAS' opinion, it has conducted one (1) or more of the following:-	Noted.

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(a) Failure to complete the contract awarded; (b) Failure to perform any contractual obligations or any other obligations under the law; (c) Receipt of garnishee order; (d) Commencement of any bankruptcy proceedings; (e) Cannot be traced through the last address; (f) Sub-contract work to another contractor without written consent from PETRONAS; (g) Reject any contract or tender awarded; (h) Entering or accepting contract or tender during the licence suspension period; (i) Provide false, inaccurate or misleading information; (j) Non-compliance with tender's regulations and ethics; or	

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(k) Engaged in any inappropriate activities with this licence.	
					(viii) According to Regulation 9 of the Petroleum Regulations 1974, a person who commences or continues any business or service as mentioned in Regulation 3 without a licence or do not comply with any condition of the licence shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM50,000 or imprisonment for a term not exceeding two (2) years or to both and in the case of a continuing offence, it shall be liable to a further fine of RM1,000 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(ix) This licence may be revoked, suspended or blacklisted at any time if any of the above conditions, general conditions of PETRONAS licence and registration and any other conditions set in PETRONAS licence and Registration General Guidelines are not fulfilled.	Noted.
Southern	Certificate of Registration as manufacturer of electric cables and accessories	Ministry of Finance	K28631039682097682	22 October 2018 to 21 October 2021	**1. General conditions**	
					(i) The newly registered company is not allowed to change the owner or the director within six (6) months from the date the company is registered.	Noted and complied.
					2. Suspension/revocation of registration	
					(i) The registration of Southern will be suspended/revoked if Southern committed any of the offences below:-	
					(a) Southern/owner/partner/ director/any member of the management has committed a crime and has been convicted by any court in Malaysia or overseas or bears any civil liability.	Noted.

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(b) Southern withdraws the offer before the tender is considered or rejected after the offer is made.	Noted.
					(c) Southern fails to perform the obligations arising from the contracts entered into with the Government.	Noted.
					(d) Southern is found to have amended the Certificate of Registration of the company for the purpose of deceiving or for other purposes.	Noted.
					(e) Southern allows the Certificate of Registration of the company to be misused by another person/company.	Noted.
					(f) Southern is found to have made a price pact with other companies when submitting a tender to the Government or have sub-contracted without the prior consent of the relevant government agency.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					3. Renewal	
					(i) Southern must submit a renewal application three (3) months before the expiry of the registration.	Noted and to be complied.
					(ii) Applications received after the expiry of the registration period are considered renewal registration.	Noted.
					4. Government's rights	
					(i) The Government has the right to revoke/suspend/terminate Southern's registration if disciplinary action is taken against Southern pursuant to the Treasury Circular/ Government Procurement 8.	Noted.
					5. Reminder in relation to bribery	
					(i) Any act or attempt to offer or to give, soliciting or accepting any bribe to and from any person in connection with the Government's acquisition is a criminal offence under the Malaysian Anti-Corruption Commission Act 2009.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Manufacturing Licence to manufacture:- (i) power cables; and (ii) control and instrument cables, at Lots 35 and 42	MITI	Licence No. A 022188 Serial No. A 037497	16 January 2020/-	(i) Southern shall notify MITI and MIDA in the event of sale of shares in Southern.	Noted and complied.
					(ii) Southern must provide training to Malaysian citizens so that there is dissemination of technology and expertise to all levels of employment.	Noted and complied.
					(iii) Southern shall comply with the capital investment per employee of at least RM140,000.	Noted and to be complied.
					(iv) Upon application to MIDA, Southern's existing employees is 543. The total full time employee shall comprise of at least 80% Malaysian. The employment of foreigners including the outsourced workers is subject to the current policy.	Noted and to be complied.
					(v) The total full time employment shall comprise at least 80% Malaysian by year 2020. The employment of foreigners including the outsourced workers is subject to the current policy.	Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(vi) Southern has to submit its investment performance and project implementation plan pursuant to the Industrial Co-Ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965 at the request of MIDA. Failure to do so may result Southern:- (a) guilty of an offence and is liable to a fine not exceeding one thousand ringgit or imprisonment to a term not exceeding three (3) months or to both and to a further fine not exceeding five hundred ringgit for every day which such default continues; or (b) committing an offence in the event false or misleading information is provided in any material items and is liable to a fine not exceeding two thousand ringgit or imprisonment to a term not exceeding six (6) months or to both.	Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Manufacturing Licence to manufacture fibre optic cable and accessories at Lot 42	MITI	Licence No. A 010496 Serial No. A 031460	16 March 2012/-	(i) Southern shall notify MITI and MIDA in the event of sale of shares in Southern.	Noted and complied.
Southern	Manufacturing Licence to manufacture:- (i) cables and wires for electronic devices; (ii) fire resistant cables; (iii) power and telecommunication cables, at Lot 42	MITI	Licence No. A 010496 Serial No. A 015955	10 July 1996/-	(i) This licence is subject to the approval from the relevant state government and the Department of Environment.	Noted.
					(ii) Southern is exempted from the equity conditions. If Southern's shareholders fund reaches RM2.5 million, Southern shall notify MITI in writing.	Noted and complied.
					(iii) The shares of Southern which are held by non-Malaysians shall not be sold without the prior written permission from MITI.	Noted.
					(iv) The composition of the Board of Directors of Southern shall, in general, reflect the equity structure of Southern, and MITI shall be notified of any appointment or changes in the Board of Directors.	Noted and complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(v) Southern needs to obtain approval in writing from MITI before signing any transfer of technology agreement with a foreign party such as:- (a) Joint Venture Agreement (b) Technical Assistance and Know-How Agreement (c) Licence Agreement (d) Trademark and Patent Agreement (e) Turnkey Contract (f) Management Agreement The above conditions are not applicable for the purchase of machines in which supervision for the initial installation or start-up of such machines is required from the technical officer who manufactures such machines.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(vi) Southern shall use its best endeavors to appoint company owned by Malaysian to distribute its products as well as to appoint Bumiputera distributors to distribute at least 30% of its sales in the domestic market. The selection and appointment of Bumiputera distributors shall be made after consultation with MITI. Prior approval is required from MITI for the appointment of foreign companies as distributors.	Noted.
Southern	Manufacturing Licence to manufacture aluminium rods and power cables at Lots 34, 43 and 44	MITI	Licence No. A 016992 Serial No. A 028960	18 November 2008/-	(i) Southern shall notify MITI and MIDA in the event of sale of shares in Southern.	Noted and complied.
Southern	Approval letter for manufacturing licence to manufacture low voltage power cables at Lot 39[(1)]	MITI	Letter of Approval Reference No. 350/31302/010186/000092ACI	Letter of approval from MITI dated 25 June 2020 *(pending issuance of manufacturing licence by MITI)*/-	(i) Southern shall notify MITI and MIDA in the event of sale of shares in Southern. (ii) Southern must provide training to Malaysian citizens so that there is dissemination of technology and expertise to all levels of employment. (iii) Southern shall comply with the capital investment per employee of at least RM140,000 by year 2020.	Noted and to be complied. Noted and to be complied. Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(iv) The total full-time employee shall comprise at least 80% Malaysian. The employment of foreigners including the outsourced workers is subject to the current policy.	Noted and complied.
					(v) Southern has to submit its investment performance and project implementation plan pursuant to the Industrial Co-Ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965 at the request of MIDA. Failure to do so may result in Southern:- (a) guilty of an offence and is liable to a fine not exceeding one thousand ringgit or imprisonment to a term not exceeding three (3) months or to both and to a further fine not exceeding five hundred ringgit for every day which such default continues; or	Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(b) committing an offence in the event false or misleading information is provided in any material items and is liable to a fine not exceeding two thousand ringgit or imprisonment to a term not exceeding six (6) months or to both.	
					(vi) Southern shall implement its projects which are approved in accordance with the laws and regulations enforced in Malaysia.	Noted and complied.
Southern	Grade "G7" Certificate of Registration pursuant to Part VI of the Construction Industry Development Board Malaysia Act 1994 in respect of:- (i) Category B (building construction); (ii) Category CE (civil engineering construction); and (iii) Category ME (mechanical and electrical)	CIDB	0120160801-SL177444	27 July 2020 to 29 July 2021	**1. General conditions**	
					(i) This certificate is non-transferable.	Noted.
					(ii) CIDB reserves the right to review the registration grade of Southern from time to time.	Noted.
					2. Disciplinary actions The registration of Southern shall be cancelled or suspended if:-	
					(i) Southern fails to comply with the requirement of any other written law.	Noted.
					(ii) Southern has been wound up.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(iii) A winding up petition in relation to Southern has been presented.	Noted.
					(iv) Southern contravenes or fails to comply with any provision of the CIDB Act 1994.	Noted.
					(v) Southern has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise.	Noted.
					(vi) Southern has abandoned any construction undertaken without any good reason.	Noted.
					(vii) Southern is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken.	Noted.
					(viii) Southern contravenes any of the terms and conditions of the contractor's Responsibilities and Obligations as specified in section 2 of the Certificate of Registration.	Noted.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Business Licence for Lot 34:- (i) Office (ii) Plating works (iii) Factory without list	Baling District Council	L-0010623-08	1 January 2020 to 31 December 2020	Nil.	-
Southern	Business Licence for Lots 35 and 42:- (i) Office (ii) Office/Private canteen (area exceeding 150 sq. m) (iii) Partil (iv) Non-illuminated advertisement (v) Storage of diesel more than 2,300 litres (vi) Plating Works (vi) Factory without list	Baling District Council	L-0010624-09	1 January 2020 to 31 December 2020	Nil.	-

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Business Licence for Lots 36 and 41:- (i) Office (ii) Warehouse (area exceeding 200 sq. m) (iii) Factory without list	Baling District Council	L-0010621-06	1 January 2020 to 31 December 2020	Nil.	-
Southern	Business Licence for Lot 39:- (i) Plating works (ii) Factory without list	Baling District Council	L-0011345-04	4 August 2020 to 3 August 2021	Nil.	-
Southern	Business Licence for Lots 43 and 44:- (i) Carpark (more than 10) (ii) Office (iii) Plating works (iv) Partil (v) Non-illuminated advertisement	Baling District Council	L-0010622-07	1 January 2020 to 31 December 2020	Nil.	-
Southern	Fire Certificate issued pursuant to Fire Services Act 1988	Bomba	JBPM:KD/7/1/2019	29 April 2020 to 28 April 2021	Nil.	-

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Southern	Class C, Class E and Class H Licence under the Atomic Energy Licensing Act 1984 for purchasing, possessing, handling, using, storing, importing and exporting a X-ray unit on Lot 34	Atomic Energy Licensing Board	Licence No. LPTA/A/1373 Serial No. 1373-24074	28 January 2020 to 27 January 2021	(i) The violation of any provision in the licence is an offence and shall on conviction be liable under Section 40 of the Atomic Energy Licensing Act 1984 whereby Southern may be liable to an imprisonment for a term not exceeding 10 years or a fine of not more than RM100,000 or to both.	Noted.
					(ii) Atomic Energy Licensing Board has the right to withdraw or revoke the licence any time without prior notice if it is found that Southern failed to comply with the Atomic Energy Licensing Act 1984, its subsidiary regulations and any conditions as stipulated under this licence.	Noted.
					(iii) The licence issued by Atomic Energy Licensing Board cannot be transferred.	Noted.
					(iv) The application for renewal of the licence shall be made not less than 14 days and not more than 30 days via online before the expiry date of the licence.	Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(v) If Southern intends to discontinue the use of the radiation equipment, Southern shall submit an application for the cancellation of the licence via online (e-Licence).	Noted.
					(vi) Southern has to comply with all the instructions issued by the Atomic Energy Licensing Board from time to time.	Noted.
Nextol	Business Premise Licence for Nextol Factory 4846:- (i) Office (ii) Warehouse (iii) Factory for production of polymer products/wire/cable (iv) Factory selling/ purchase of accessory wire/ cable (v) Storage of diesel (vi) Non-illuminated advertisement	Sungai Petani District Council	102022/000000004	1 January 2020 to 31 December 2020	Nil.	-

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
Nextol	Permit for Scheduled Controlled Items/ Approval to purchase 50 litres of diesel per day and being stored at Nextol Factory 4846	Ministry of Domestic Trade and Consumer Affairs	Serial No. PK: K002316	8 June 2020 to 7 December 2020	(i) Nextol is subject to the Control of Supplies Act 1961 and its subsidiary legislations.	Noted.
					(ii) Nextol is allowed to purchase 50 litres of diesel per day from Universal Flexible Technology Sdn Bhd.	Noted and complied.
					(iii) Nextol is to store the scheduled controlled items at Nextol Factory 4846 only.	Noted and complied.
					(iv) Nextol is to store or have in its possession the scheduled controlled items not exceeding the quantity permitted under this permit.	Noted and complied.
					(v) The scheduled controlled items are only for own use and not for sale.	Noted and complied.
					(vi) Nextol is only allowed to purchase the scheduled controlled items from the supplier specified in this permit and is required to maintain a record of purchases as per the specified format.	Noted and complied.
					(vii) Nextol shall comply with the conditions specified in this permit.	Noted and complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(viii) Failure to comply with any of the conditions contained in this permit may result in action taken under the Control of Supplies Act 1961 and its subsidiary legislations.	Noted.
					(ix) The permit is non-transferrable.	Noted.
Nextol	Manufacturing licence to manufacture PVC compounds at Nextol Factory 4846	MITI	Licence No. A 021881 Serial No. A 036987	18 July 2019/ -	(i) Nextol shall notify MITI and MIDA in the event of sale of shares in Nextol.	Noted and complied.
					(ii) Nextol must provide training to Malaysian citizens so that there is dissemination of technology and expertise to all levels of employment.	Noted and complied.
					(iii) Nextol shall comply with the capital investment per employee of at least RM140,000 by year 2020.	Noted and to be complied.
					(iv) The total full-time employee shall comprise at least 80% Malaysian. The employment of foreigners including the outsourced workers is subject to the current policy.	Noted and complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(v) Nextol has to submit its investment performance and project implementation plan pursuant to the Industrial Co-Ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965 at the request of MIDA. Failure to do so may result in Nextol:- (a) guilty of an offence and is liable to a fine not exceeding one thousand ringgit or imprisonment to a term not exceeding three (3) months or to both and to a further fine not exceeding five hundred ringgit for every day which such default continues; or (b) committing an offence in the event false or misleading information is provided in any material items and is liable to a fine not exceeding two thousand ringgit or imprisonment to a term not exceeding six (6) months or to both.	Noted and to be complied.

5. INFORMATION ON OUR GROUP (CONT'D)

Company	Description of licence/ approval	Approving authority	Licence/Reference no.	Issue Date/ Expiry Date	Major conditions imposed	Status of compliance
					(vi) Nextol shall implement its projects which are approved in accordance with the laws and regulations enforced in Malaysia.	Noted and complied.

Note:-

(1) We have obtained an approval from MIDA on 25 June 2020 and we have submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence.

5. INFORMATION ON OUR GROUP (CONT'D)

5.5.11 Patents, trademarks and registrations

Save for the trademarks disclosed below, our Group does not have patent, trademarks and registrations as at the LPD.

Registered trademarks

No.	Trademark	Registered owner/ Registrant	Registration number	Class	Issuing Authority	Validity Period
Malaysia						
1.	SOUTHERN CABLE	Southern	08013082	$9^{(1)}$	Intellectual Property Corporation of Malaysia	3 July 2008 to 3 July 2028
Myanmar						
2.	SOUTHERN CABLE	Southern	4/11628/2017	$9^{(1)}$	Office of Registration of Deeds, Yangon	23 October 2017 to 22 October 2020
Cambodia						
3.	SOUTHERN CABLE	Southern Cable (Cambodia) Co., Ltd.[(2)]	KH/72792/19	$9^{(1)}$	The Department of Intellectual Property of Ministry of Commerce	22 February 2019 to 22 February 2029

5. INFORMATION ON OUR GROUP (CONT'D)

Applications which have been submitted but pending approval for registration

No.	Trademark	Applicant	Application number	Application Date	Class	Approving Authority
Malaysia						
1.	SOUTHERN CABLE	Southern	2017066582	29 August 2017[3]	9[1]	Intellectual Property Corporation of Malaysia
Indonesia						
2.	SOUTHERN CABLE www.southerncable.com.my	PT Ceramic Asia Indonesia[4]	D002018035512	27 July 2018	9[5]	Directorate General of Intellectual Property Rights - Ministry of Law and Human Rights, Republic of Indonesia

5. INFORMATION ON OUR GROUP (CONT'D)

Notes:-

(1) Apparatus and instruments for conducting, switching, transforming, accumulating, regulating, or controlling electricity, apparatus for recording, transmission or reproduction of sound or images, electric cables and wires; all included in Class 9.

(2) Southern has entered into a Distribution Agreement with Southern Cable (Cambodia) Co., Ltd. dated 1 January 2019 for the company to be the exclusive distributor for the distribution of "Southern Cable" brand of cables and wires within Cambodia.

(3) This application was verified and has been approved by the Intellectual Property Corporation of Malaysia on 7 August 2020.

(4) Southern has entered into a Distribution Agreement with PT Ceramic Asia Indonesia dated 1 January 2019 for the company to be the exclusive distributor for the distribution of "Southern Cable" brand of cables and wires within Indonesia.

(5) Electric Cable.

5.5.12 Material dependency on commercial contracts, agreements or other arrangements

As at the LPD, save for the major approvals, licences and permits as set out in Section 5.5.10 of this Prospectus and as disclosed below, there are no contracts, agreement and other arrangements or other matters which have been entered into by or issued to us or which our Group is materially dependent and is material to our business or profitability.

<table>
<tr><td>Description</td><td>Gas Supply Agreement dated 31 October 2018 for the supply and delivery of gas by Gas Malaysia Berhad ("Gas Malaysia")</td></tr>
<tr><td>Contract Period</td><td>1 October 2018 to 31 December 2022</td></tr>
<tr><td>Renewal</td><td>Southern shall give written notice to Gas Malaysia not later than one (1) year prior to the expiry of the Contract Period</td></tr>
<tr><td>Minimum Quantity</td><td>300 million British thermal units ("MMBtu")/day
102,000 (MMBtu/ year)</td></tr>
<tr><td>Contract Sum</td><td>Minimum payment of the tariff payable by Southern for the gas delivered is as set out in accordance with the base tariff as set out below:-
<u>Contract Gas Price & Gas Charges Calculation</u>
<table>
<tr><td>Tariff Price</td><td>Unit Price = RM31.94/MMBtu
Minimum Volume = 611 MMBtu/month</td></tr>
<tr><td>LNG plus price</td><td>Includes LNG price and port charges, reclassification fee, transmission fee and other relevant fees and charges for procuring and delivering the LNG to Southern and appropriate margin to Gas Malaysia</td></tr>
<tr><td>Total Gas Charge per month</td><td>Unit Charge x Quantity of Gas Supplied by Gas Malaysia in the relevant month</td></tr>
</table>
Based on the Tariff Price quoted, the contract sum shall be at least RM19,240.39 per month.</td></tr>
<tr><td>Payment Terms</td><td>(i) Gas Malaysia will issue to Southern an invoice for the aggregate quantity of gas delivered to Southern during the billing period and an invoice for any variance surcharge, excess gas, make-up gas and other additional charges.
(ii) If Southern fails to pay Gas Malaysia any amounts due and payable, Gas Malaysia may suspend the delivery of gas to Southern after giving seven (7) days' notice in writing.
(iii) If Southern fails to make timely payment of any sums due, Southern shall pay interest to Gas Malaysia based on the number of days lapsed up to and including the date when payment is made. Interest shall be calculated at 2% above the prevailing base lending rate per annum as quoted from time to time by Malayan Banking Berhad.</td></tr>
<tr><td>Bank Guarantee</td><td>RM360,764 for the duration of one (1) year and subject to yearly renewal.</td></tr>
</table>

Suspension of Supply by Gas Malaysia	(i) Southern fails to meet payment of any gas invoice or surcharge invoice in accordance with the Gas Supply Agreement; (ii) The Bank Guarantee expires and not being maintained; (iii) Southern fails to maintain the gas supply facilities; (iv) Southern is in breach of any applicable laws or in breach of obligations under the Gas Supply Agreement and fails to remedy; and/or (v) Gas Malaysia is of the opinion that the reading of the meter is inaccurate.
Termination/ Events of Default	(i) Either party may forthwith terminate the Gas Supply Agreement by issuing a written notice if:- (a) the other party becomes insolvent or suspends payment of its debts generally or is unable to pay its debts as and when they fall due; or (b) a receiver, manager, liquidator or similar officer is appointed or take over the role of the other party or over all or a substantial part of its assets or an order is made or a resolution is passed for the winding-up, liquidation and/or dissolution of either party; or (c) the other party secures or compounds with or enters into an arrangement with its creditors. (ii) Gas Malaysia may terminate the Gas Supply Agreement by issuing a termination notice if Southern fails to remedy any breach as mentioned in the suspension clauses within fourteen (14) days after the date of receipt of notice from Gas Malaysia specifying that such breach has occurred. (iii) Southern may terminate the Gas Supply Agreement by issuing a written notice if Gas Malaysia's licence issued pursuant to the Gas Supply Act 1993 is revoked. (iv) Either party may terminate this Agreement in the event of a prolonged force majeure event of more than six (6) months or such other extended period to be agreed between the parties. (v) The Gas Supply Agreement shall terminate immediately if Gas Malaysia's Gas Supply Agreement with its supplier including PETRONAS and/or other party is terminated for any reason whatsoever. (vi) Upon termination of the Gas Supply Agreement due to Southern's default, Gas Malaysia shall cease supply of gas to Southern and Southern shall settle all amounts due to Gas Malaysia under the Gas Supply Agreement up to the date of termination and compensate Gas Malaysia for the costs recoverable by Gas Malaysia from Southern relating to Gas Malaysia's facilities used to deliver gas to Southern.
Other Salient Terms	(i) If Gas Malaysia intends to suspend the supply and delivery of gas, it shall notify Southern stating the date on which such suspension will commence. (ii) Gas Malaysia will not be liable for any loss or damage suffered by Southern as a result of failure to supply gas unless it is caused solely by the recklessness and wilful misconduct of Gas Malaysia. (iii) The aggregate liability of Gas Malaysia under this agreement is not more than RM500,000 per year.

5.5.13 Interruptions to business and operations

Save as disclosed below, our Group has not experienced any material interruption in our business which had a significant effect on operations during the 12 months period prior to the date of this Prospectus.

COVID-19 pandemic

The World Health Organisation declared the COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of the disease in the country, commencing from 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. Our business operations in Malaysia were temporarily interrupted by these measures.

MCO Period

On 16 March 2020, the Government announced MCO issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020 with several 14-day extensions up to 3 May 2020.

During the MCO, our business operations had been temporarily suspended for 11 days from 18 March 2020 to 28 March 2020. Southern resumed partial operations from 29 March 2020 onwards for a period of 31 days before resuming full operations from 29 April 2020 onwards.

Our Directors took the necessary precautions to continue our business and manufacturing operations while working under stringent health SOP enforced by the authorities during the MCO, CMCO and RMCO. As at the LPD, our Group has not breached any applicable laws or SOP which resulted in fines or penalties being imposed by the Ministry of Health, MITI and other relevant authorities.

The Group's operational activities during the MCO are among others, as follows:-

(a) Our key senior management and administrative personnel worked from home for 31 days from 18 March 2020 to 17 April 2020, while the sales and marketing/business development team worked from home for 42 days from 18 March 2020 to 28 April 2020, during all three (3) phases of MCO;

(b) Our manufacturing operations were temporarily suspended for 11 days and were in partial operations for 31 days due to the following restrictions imposed by the Government:-

- During Phase 1 of MCO, effectively from 18 to 31 March 2020, Southern obtained an approval letter from MITI dated 28 March 2020 where Southern was allowed to resume its manufacturing operations with seven (7) production staff to maintain the two (2) electric furnaces and one (1) gas-fired furnace for the manufacturing of copper and aluminium rods from 29 March 2020 onwards;

- During Phase 2 of MCO, effectively from 1 to 14 April 2020, Southern obtained a second approval letter from MITI dated 2 April 2020 which permits an additional 37 production staff to resume work from 3 April 2020 onwards;

- During Phase 3 of MCO, effectively from 15 to 28 April 2020, Southern obtained its third approval letter from MITI dated 16 April 2020 which permits 406 production staffs to resume work from 17 April 2020 onwards. Nextol had also obtained an approval from MITI dated 25 April 2020 to resume its manufacturing operations from 29 April 2020 onwards; and

- Our Group fully resumed its operations since Phase 4 of the MCO, which commenced on 29 April 2020.

CMCO Period

The Government implemented the CMCO from 4 May 2020 to 9 June 2020. Some of the measures implemented during the MCO were relaxed, allowing most economic sectors to resume business provided that specified guidelines and SOP were followed, and large gatherings avoided. Restrictions on the movement of people within Malaysia were also relaxed, while restrictions on international travel were modified slightly.

During the CMCO period, we continued to operate according to the guidelines with adherence to SOP during the MCO period. We continued to receive orders from customers and were able to deliver our products to customers during the CMCO period.

RMCO Period

The CMCO was followed by the RMCO from 10 June 2020 to 31 August 2020 and further extended to 31 December 2020. Starting from 10 June 2020, almost all economics sectors are allowed to resume provided that they follow the specified guidelines and SOP. The movement of people within Malaysia was further relaxed, although restrictions on international travel remained the same as during the CMCO period.

We continued to operate according to the guidelines with adherence to SOP during the RMCO period.

Measures and steps taken in our business operations in response to COVID-19 pandemic

To ensure the continuity of our cables and wires manufacturing operations, we have and will continue to manage our supply chain to ensure that we have continuing supply of raw materials to meet our production schedules based on orders received. In addition, we have and will continue to monitor the cost of our raw materials to manage our overall production costs. During the MCO, CMCO and RMCO, we took precautionary measures and implemented SOP at our manufacturing facilities and hostels based on the conditions imposed by MITI, including, among others, the following as and when applicable and/or amended by the relevant authorities:

(a) Monitoring the updates from the relevant authorities closely and informing all employees as to the updates;

(b) All visitors, customers and contractors must declare their travel history and current health status before entering the Company's premises;

(c) Temperature measurement of each person must be recorded prior to their entry into the office or factory;

(d) Minimising physical meetings and avoid unnecessary business-related travelling;

(e) Sanitisation and cleaning process must be conducted at the common areas of the office, factory as well as workers' hostel at least three (3) times per day;

(f) Provide adequate personal protective equipment for its employees (including but not limited to, face masks, hand soap and sanitisers);

(g) Employees are required to wear facemask at all time during work. Employees who engage with outsiders are required to wear additional face shield visor for extra protection;

(h) Practicing social distancing and no handshake;

(i) Employees who travel outside the country recently or have close contact with an infected person are required to be quarantined at home for two (2) weeks. Starting from 24 July 2020, Government has imposed compulsory quarantine orders whereby all individuals entering Malaysia must undergo mandatory quarantine for two (2) weeks in quarantine stations set by the Government;

(j) Visitors are not allowed to enter the workers' hostel premise without prior approval;

(k) Sports, social and religious activities which involve a group of people gathered are prohibited;

(l) Conducting morning briefing on COVID-19 at the factory;

(m) Providing COVID-19 awareness information and educating employees about COVID-19 preventive measures; and

(n) Implementation of COVID-19 SOP.

If any of our employees are infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily shut down our manufacturing operations for a period of time as advised by the Ministry of Health, Malaysia to contain the spread of the disease. In the event any of our employees are infected, all our employees would have to undergo COVID-19 swab test. As at the LPD, none of our employees are infected with COVID-19.

As a result of the implementation of an administrative enhanced MCO in Kota Setar District, Kedah from 11 September 2020 to 25 September 2020, one (1) of our employees, who is a process engineer, was unable to come to work in view that his residence is in this district. There is no material adverse impact on our business operations as there are three (3) other process engineers to carry out the roles in supporting the manufacturing processes.

Impact on our production and financial performance

During the MCO, our manufacturing activities were temporarily suspended for 11 days from 18 March 2020 to 28 March 2020. Due to the restrictions imposed by the Government during the MCO, we were unable to deliver our products to our customers for 14 days from 18 March 2020 to 31 March 2020 and the estimated value of our products that we were unable to deliver during this period was RM23.219 million. The incoming orders via purchase orders had reduced substantially during the MCO save for orders from our customers who were operating in the essential services sector. Our revenue from the sales of cables and wires declined by 95.84% from RM37.096 million in March 2020 to RM1.543 million in April 2020. In this respect, we continued to receive call-up orders pursuant to the existing contracts with TNB and TMB. As a manufacturer of cables to our customers, who were operating in the essential sector, we were allowed to operate during the MCO. TNB and TMB are categorised under essential services in the respective Federal Gazettes of Prevention and Control of Infectious Diseases (Measures within Infected Local Areas) Regulations 2020 as companies that are allowed to operate during the MCO.

5. INFORMATION ON OUR GROUP (CONT'D)

Upon the resumption of our operations, we continued to take the necessary precautions while working under the various constraints imposed by the authorities during the MCO as mentioned above. Upon receiving the first approval from MITI on 28 March 2020, we resumed partial operations with a limited number of staff allowed in the factory. As a result of the restrictions imposed by the Government during the MCO and CMCO, our Group's monthly production output of cables and wires has been affected as below:-

	February 2020	March 2020	April 2020	May 2020	June 2020
Production output (km)	15,037	10,445	727	7,268	13,057
Change (%)		-30.54	-93.04	899.72	79.65

Our Group's monthly production output of cables and wires had declined by 30.54% in March 2020, and further declined by 93.04% in April 2020. Our monthly production output of cables and wires improved by 899.72% in May 2020 and continued to increase by 79.65% in June 2020.

The utilisation rate for the manufacture of power cables and wires was 48% in FPE 30 June 2020 as compared to 88% in FYE 31 December 2019. This was because our manufacturing operations were temporarily suspended for 11 days and were in partial operations for 31 days during the MCO period. Please refer to Section 5.7 of this Prospectus for further details on operating capacities and output.

As a result of the reduction in our production output, our delivery schedules were adversely affected during the MCO. In April 2020, we notified our customers in the utility sector pertaining to the constraints resulting from the MCO and they have acknowledged and agreed on the deferment of the delivery schedules. In this respect, we do not expect any liquidated ascertained damages to be imposed on us for the late delivery, if any, of those attributable to the MCO. At the same time, we were unable to deliver our products to our customers due to the lockdown during the MCO.

As a result of the above business interruptions during the MCO between March and April 2020, our financial performance was affected due to delays and/or reduction in our billings. This contributed to a decline in our revenue by 27.35% from RM331.842 million in FPE 30 June 2019 to RM241.086 million in FPE 30 June 2020. This was also reflected in the revenue from our cable and wire manufacturing, which decreased by RM87.197 million or 28.92% to RM214.350 million in FPE 30 June 2020.

Please refer to Section 11.2 of this Prospectus for further details on the management discussion and analysis of our financial conditions and results of operations. The operations and financial performance of our customers may be affected and our customers may cancel their orders or request for a delay in payment. As at the LPD, we have not received any cancellations of orders from our customers. Furthermore, we continued to incur cash outflow from fixed operating expenses such as labour cost, factory overheads, and other administration expenses during the MCO amounting to RM2.497 million in April 2020. Our Group resumed full operations from 29 April 2020 onwards while continuing to adhere to SOP enforced by the authorities.

Impact on our supply chain

For our manufacturing operations, we need to ensure that we have sufficient level of raw materials mainly copper and aluminium based materials for our production run, as these materials are mainly imported. In this respect, we purchased these main materials during the first quarter of 2020 prior to the MCO. This was planned to meet the initial production schedules. The lower production activities during COVID-19 pandemic and MCO conditions resulted in a lower usage of raw materials. As such, there is no material adverse impact on our supply as we still have sufficient level of raw materials when we resumed our manufacturing operations.

In addition, this also affected our trade payable turnover days which increased from 10 days for the FYE 31 December 2019 to 20 days for the FPE 30 June 2020, which is still within the credit period given by our suppliers.

In addition, any possible future outbreak of viruses may have an adverse effect on our suppliers and may result in a deficit of raw materials and supplies necessary for our Group to carry out our manufacturing operations. If the spread of COVID-19 continues or increases, there is a risk that the Government may implement increased restrictions in movement and economic and social activities in the future. In such an event or if the MCO is reintroduced, we may not be able to complete the orders as scheduled, and we may be liable to pay liquidated ascertained damages. As a result of the foregoing, our business operations and cash flow may be disrupted, and our result of operations and financial performance may be adversely affected.

Impact on our customers

Further to the above, the Group may be adversely affected by the wider macroeconomic effects of the on-going COVID-19 pandemic and possible future outbreaks. While the final effects of the COVID-19 pandemic are difficult to assess at this stage, it is possible that it will have a substantial negative effect on the markets in which we and our customers operate. These effects may also impact the operations of our customers and consequently affect their demand for our products.

In addition, our trade receivables turnover period increased from 93 days for FYE 31 December 2019 to 122 days for the FPE 30 June 2020. This was mainly due to slow payments from customers impacted by the COVID-19 pandemic.

Notwithstanding the above, there can be no assurance that the outbreak of COVID-19 pandemic in Malaysia can be effectively controlled, or that there would not be another resurgence of COVID-19 pandemic or other virulent diseases in the future. These adverse events, if materialise and persist for a substantial period of time, will significantly and adversely affect our business operations and financial performance.

Impact of business and earnings prospects

Our business is affected due the impact of COVID-19 pandemic resulting in a temporary suspension subsequently followed by partial operations during the MCO and CMCO periods. According to the Bank Negara Malaysia, the Malaysian economy contracted by 17.1% while the manufacturing sector contracted by 18.3% in the second quarter of 2020 due to the impact of the stringent containment measures to control the COVID-19 pandemic. Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in Malaysia in the long run. As at LPD, we have an unbilled order book of RM405.429 million which is expected to be recognised between FYE 31 December 2020 and up to the 2022. Please refer to Section 11.2.17 of this Prospectus for further details on our order book.

According to the Industry Overview, Malaysia's economy is expected to gradually improve in the second half of 2020 underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial. In addition, it is expected that there will be a gradual normalisation in economic activities and labour market conditions contributed by the rebound of key indicators such as wholesale and retail trade, industrial production, gross exports and electricity generation during the second half of 2020. The recovery of Malaysia's economy will be supported by the Government's economic stimulus packages including the Prihatin Rakyat Economic Stimulus (PRIHATIN) with an allocation of RM250 billion, Prihatin SME Economic Stimulus Package (PRIHATIN SME+) with an allocation of RM10 billion and Short Term Economic Recovery Plan (PENJANA) with an allocation of an RM35 billion. In 2020, the Malaysian economy is forecasted to register a contraction ranging between 3.5% and 5.5% before staging a rebound with a forecasted growth ranging between 5.5% and 8.0% in 2021.

A bill on temporary measures to reduce the impact of COVID-19 pandemic, known as Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Bill 2020 ("**COVID-19 Bill**") has been approved at the policy stage on 25 August 2020 in the House of Representatives of the Malaysia Parliament. This COVID-19 Bill seeks to offer temporary relief to businesses and individuals who are unable to perform their contractual obligations due to COVID-19. Section 7 of the COVID-19 Bill provides that the inability of any parties to perform any contractual obligations arising from any contracts specified in the COVID-19 Bill, shall not give rise to the other party or parties exercising his or their rights under the contract. Furthermore, any dispute in respect of any inability of any party or parties to perform any contractual obligations arising from any categories of contracts may be settled by way of mediation. The COVID-19 Bill will come into operation on the date of its publication in the Gazette.

Please refer to Section 8 of this Prospectus for further details on the risk pertaining to the impact of MCO, CMCO and RMCO as well as COVID-19 pandemic.

5.5.14 Seasonality

We do not experience any material seasonality or cyclicality in our business as the demand for our products and services are neither subject to seasonal fluctuations nor cyclical variations.

5.5.15 Major customers

Our top five (5) major customers by revenue for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 are as follows:-

FYE 31 December 2016

Major Customers	RM'000	% of Total Revenue(1)	Types of products offered	Length of business relationship (years)
TNB	93,875	19.95	Power cables and wires	12
TMB	50,351	10.70	Communications cables and wires	14
Gentlelite Electrical Trading Sdn Bhd	15,832	3.36	Power cables and wires	12
Tenaga Poly Sdn Bhd	14,856	3.16	Power cables and wires	5
Oon Brothers Electrical Trading Co Sdn Bhd	13,448	2.86	Power cables and wires	18
Total	**188,362**	**40.03**		

The top five (5) major customers contributed 40.03% of our total revenue for FYE 31 December 2016. The remaining 59.97% of our total revenue was contributed by 302 customers in FYE 31 December 2016.

FYE 31 December 2017

Major Customers	RM'000	% of Total Revenue[(1)]	Types of products offered	Length of business relationship (years)
PRPC Utilities and Facilities Sdn Bhd	68,234	11.45	Power cables and wires, control and instrumentation cables	*
TNB	56,109	9.42	Power cables and wires	13
TMB	50,671	8.51	Communications cables and wires	15
Punj Lloyd Limited	39,325	6.60	Power cables and wires, control and instrumentation cables and wires	1
Shorefield Sdn Bhd	21,562	3.62	Power cables and wires	7
Total	**235,901**	**39.60**		

The top five (5) major customers contributed 39.60% of our total revenue for 31 FYE December 2017. The remaining 60.40% of our total revenue was contributed by 299 customers in FYE 31 December 2017.

FYE 31 December 2018

Major Customers	RM'000	% of Total Revenue[1]	Types of products offered	Length of business relationship (years)
TNB	103,159	15.10	Power cables and wires	14
TMB	84,724	12.40	Communications cables and wires	16
Dominco Sdn Bhd	34,162	5.00	Power cables and wires, bare stranded copper wires	7
Oon Brothers Electrical Trading Co Sdn Bhd	26,261	3.84	Power cables and wires	20
Shorefield Sdn Bhd	22,366	3.27	Power cables and wires	8
Total	**270,672**	**39.61**		

The top five (5) major customers contributed 39.61% of our total revenue for FYE 31 December 2018. The remaining 60.39% of our total revenue was contributed by 373 customers in FYE 31 December 2018.

5. INFORMATION ON OUR GROUP (CONT'D)

FYE 31 December 2019

Major Customers	RM'000	% of Total Revenue[(1)]	Types of products offered	Length of business relationship (years)
TNB	113,731	17.32	Power cables and wires	15
Bonisa Resources Sdn Bhd	27,527	4.19	Aluminium rods	7
TMB	25,004	3.81	Communications cables and wires	17
Pembinaan Tajri Sdn Bhd	20,370	3.10	Power cables and wires	1
Oon Brothers Electrical Trading Co Sdn Bhd	18,869	2.87	Power cables and wires	21
Total	**205,501**	**31.29**		

The top five (5) major customers contributed 31.29% of our total revenue for FYE 31 December 2019. The remaining 68.71% of our total revenue was contributed by 471 customers in FYE 31 December 2019.

FPE 30 June 2020

Major Customers	RM'000	% of Total Revenue$^{(1)}$	Types of products offered	Length of business relationship (years)
TNB	30,028	12.46	Power cables and wires	16
Farmer Pho Yar Zar Co. Ltd	13,208	5.48	Power cables and wires	*
Best Eternity Recycle Technology Sdn Bhd	11,183	4.64	Power cables and wires	*
TMB	10,357	4.30	Communications cables and wires	18
Bonisa Resources Sdn Bhd	9,925	4.11	Aluminium rods	8
Total	**74,701**	**30.99**		

The top five (5) major customers contributed 30.99% of our total revenue for FPE 30 June 2020. The remaining 69.01% of our total revenue was contributed by 335 customers in FPE 30 June 2020.

Notes:-

* Length of relationship is less than 1 year.

(1) Total revenue for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 were RM470.656 million, RM595.694 million, RM683.199 million, RM656.687 million and RM241.086 million respectively.

We are dependent on TNB by virtue of its revenue contribution of more than 10% to our Group's total revenue for the FYE 31 December 2016, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, and TMB by virtue of its revenue contribution of more than 10% to our Group's total revenue for the FYE 31 December 2016 and FYE 31 December 2018. We have a long-term business relationship with TNB and TMB which extend to 16 years and 18 years respectively. We believe that our established relationship provides a basis for business continuity.

As at the LPD, we have three (3) on-going contracts with TNB and two (2) on-going contracts with TMB. However, we are not materially dependent on any one (1) of these contracts awarded by TNB and TMB. The contracts with TNB and TMB are not long term in nature and these contracts are only for a specific duration of one (1) to three (3) years for the Group to supply the cables and wires, which is the core activities of Southern. Please see the table below for further information in connection with the on-going contracts with TNB and TMB:-

	Duration	Contract value (RM'000)	Types of products offered
TNB	July 2018 – July 2020[(1)]	243,661	Power cables and wires
	September 2019 – March 2020[(2)]	784	Power cables and wires
	March 2020 – March 2021	228,025	Power cables and wires
TMB	October 2018 – September 2021	70,034	Communication cables
	January 2020 – December 2022	5,463	Supply and installation of rectifier system

Notes:-

(1) As at the LPD, this contract is still on-going and the duration of this contract has been extended to September 2021.

(2) As at the LPD, this contract is still on-going and the duration of this contract has been extended to April 2021.

5. INFORMATION ON OUR GROUP (CONT'D)

Generally, our sales are based on purchase orders from customers, including those customers where we have entered into contractual agreements. The analysis of the contracts awarded to our Group for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 are as follows:-

	Total contract value									
	FYE 31 December								FPE 30 June	
	2016		2017		2018		2019		2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Top five (5) major customers	300,874	84.57	1,860	1.84	191,865	80.35	5,945	71.59	255,059	82.62
Other customers	54,876	15.43	99,096	98.16	46,925	19.65	2,359	28.41	53,671	17.38
Total	**355,750**	**100.00**	**100,956**	**100.00**	**238,790**	**100.00**	**8,304**	**100.00**	**308,730**	**100.00**

In connection with the top five (5) major customers, there were contracts awarded by two (2) customers for FYE 31 December 2016, one (1) customer for FYE 31 December 2017, two (2) customers for FYE 31 December 2018, two (2) customers for FYE 31 December 2019 and three (3) customers for FPE 30 June 2020 respectively. As for other customers, there were contracts awarded by four (4) customers for FYE 31 December 2016, five (5) customers for FYE 31 December 2017, four (4) customers for FYE 31 December 2018, one (1) customers for FYE 31 December 2019 and four (4) customers for FPE 30 June 2020 respectively. The average contract value[(1)] from other customers ranges from approximately RM2 million to RM20 million per customer for the FYE 31 December 2016 to 2019 and FPE 30 June 2020.

The abovementioned contracts awarded by the top five (5) major customers to our Group are generally for a duration of six (6) months to three (3) years. As at the LPD, we have ten (10) on-going contracts totalling of RM657.569 million, an unbilled order book of RM405.429 million which is expected to be recognised between FYE 31 December 2020 and up to the 2022. Please refer to Section 11.2.17 of this Prospectus for further details on our order book.

Note:-

(1) The average contract value is computed based on contract value awarded from other customers divided by number of other customers with contracts.

5.5.16 Major suppliers

Our top five (5) major suppliers by total purchases of materials and services for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 are as follows:-

FYE 31 December 2016

Major Suppliers	RM'000	% of Total Purchases(1)	Types of products purchased	Length of business relationship (years)
Xtrada Pacific Pte Ltd	54,518	12.70	Copper cathode	2
Dongguan Walsin Wire and Cable Co.,Ltd	44,787	10.43	Copper wire and rod	*
Glencore Singapore Pte Ltd	40,626	9.46	Copper cathode	7
Metrod Copper Products Sdn Bhd	40,549	9.45	Copper wire	18
Mekong International Pte Ltd	37,785	8.80	Aluminium ingot	5
Total	**218,265**	**50.84**		

FYE 31 December 2017

Major Suppliers	RM'000	% of Total Purchases[(1)]	Types of products purchased	Length of business relationship (years)
Dongguan Walsin Wire And Cable Co.,Ltd	94,209	18.57	Copper wire and rod	1
Alpha Industries Sdn Bhd	93,836	18.50	Copper wire	19
Glencore Singapore Pte Ltd	62,064	12.24	Copper cathode	8
Mitsui & Co. (Malaysia) Sdn Bhd	56,877	11.21	Copper cathode	4
Bonisa Resources Sdn Bhd	14,651	2.89	Galvanized steel wire	5
Total	**321,637**	**63.41**		

FYE 31 December 2018

Major Suppliers	RM'000	% of Total Purchases(1)	Types of products purchased	Length of business relationship (years)
Mitsui & Co. (Malaysia) Sdn Bhd	118,183	20.77	Copper cathode and aluminium ingot	5
Glencore Singapore Pte Ltd	112,458	19.76	Copper cathode	9
Alpha Industries Sdn Bhd	72,797	12.79	Copper wire	20
Rio Tinto Marketing Private Limited	44,917	7.89	Aluminium ingot	7
Dongguan Walsin Wire And Cable Co.,Ltd	34,398	6.04	Copper wire and rod	2
Total	**382,753**	**67.25**		

FYE 31 December 2019

Major Suppliers	RM'000	% of Total Purchases[1]	Types of products purchased	Length of business relationship (years)
Mitsui & Co. (Malaysia) Sdn Bhd	127,765	23.89	Copper cathode and aluminium ingot	6
Glencore Singapore Pte Ltd	106,300	19.88	Copper cathode	10
Alpha Industries Sdn Bhd	96,119	17.98	Copper wire	21
Rio Tinto Marketing Private Limited	53,374	9.98	Aluminium ingot	8
Press Metal Bintulu Sdn Bhd	25,307	4.73	Aluminium ingot	2
Total	**408,865**	**76.46**		

FPE 30 June 2020

Major Suppliers	RM'000	% of Total Purchases(1)	Types of products purchased	Length of business relationship (years)
Mitsui & Co. (Malaysia) Sdn Bhd	63,414	28.19	Copper cathode and aluminium ingot	7
Glencore Singapore Pte Ltd	49,516	22.02	Copper cathode	11
Rio Tinto Marketing Private Limited	24,188	10.75	Aluminium ingot	9
Alpha Industries Sdn Bhd	23,590	10.49	Copper wire	22
Press Metal Bintulu Sdn Bhd	13,312	5.92	Aluminium ingot	3
Total	**174,020**	**77.37**		

Notes:-

* Length of relationship is less than 1 year.

(1) Total purchases of materials and services for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 were RM429.254 million, RM507.261 million, RM569.094 million, RM534.707 million and RM224.914 million respectively.

We were dependent on the following suppliers for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 by virtue of their contributions of more than 10% to our Group's total purchases:-

(i) Mitsui & Co. (Malaysia) Sdn Bhd;
(ii) Glencore Singapore Pte Ltd;
(iii) Alpha Industries Sdn Bhd;
(iv) Dongguan Walsin Wire and Cable Co., Ltd;
(v) Xtrada Pacific Pte Ltd; and
(vi) Rio Tinto Marketing Private Limited.

In general, the purchases of copper cathodes, rods and wires, and aluminium ingots are used in the following processes:-

- Copper cathodes are used to produce copper rods, which are subsequently drawn into wires to serve as conductors in our cables and wires;
- Copper rods are used as input materials for wire drawing process in our cable and wire manufacturing;
- Copper wires are used as input materials which are bunched together to serve as conductors in our cables and wires; and
- Aluminium ingots are used to produce aluminium rods which are subsequently drawn into wires to serve as conductors for our cables and wires.

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, we were not dependent on any single supplier of raw materials as we have alternative suppliers of main input materials for our manufacturing process.

5. INFORMATION ON OUR GROUP (CONT'D)

5.6 KEY MACHINERY AND EQUIPMENT

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, the following are some of our major machineries and equipment used for the manufacture of cables and wires:-

Major Plant and Equipment	Number of Units	Net Book Value as at 30 June 2020 (RM'000)
Production line for copper rod manufacturing(1)	2	311
Production line for aluminium rod manufacturing(2)	1	230
Armouring machine	8	1,394
Braiding machine	4	137
Bunching machine	8	3,191
Cabling/assembly machine	4	-
Coiling machine	1	85
Drawing machine	14	1,036
Extrusion machine	24	4,964
Lay-up machine	1	391
Rewinding machine	14	917
Stranding machine	12	3,653
Tandem insulation line	4	-
Taping machine	3	146
Testing equipment	7	952
Twisting machine	10	818
Wrapping machine	2	155
Others(3)	11	832
Total	**130**	**19,212**

Notes:-

(1) Includes continuous casting machine.

(2) Includes furnace and continuous casting machine.

(3) Includes air compressor, filler machine, pay off and take-up stand, rotating bobbin, and changed control cabinet.

5. INFORMATION ON OUR GROUP (CONT'D)

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, the following are some of our major machineries and equipment used for the manufacture of plastic compounds and wooden cable drums:-

Major Plant and Equipment	Number of Units	Net Book Value as at 30 June 2020 (RM'000)
Manufacture of plastic compounds		
Compounding machine	1	-
Extrusion line	1	-
Manufacture of wooden cable drums		
Drilling machine	3	2
Cutting machine	2	2
Bandsaw machine	1	-
Nailing machine	2	43
Router machine	1	-
Total	**11**	**47**

5.7 OPERATING CAPACITIES AND OUTPUT

The annual capacity, production output and utilisation rate of our Group's production facilities for the FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 are as follows:-

(a) Manufacture of Copper and Aluminium Rods

FYE 31 December 2018

	Annual capacity[(1)] (tonnes)	Production output in FYE 2018 (tonnes)	Utilisation rate (%)
Aluminium rod	18,000	6,776	38
Copper rod	12,000	8,100	68

FYE 31 December 2019

	Annual capacity[(1)] (tonnes)	Production output in FYE 2019 (tonnes)	Utilisation rate (%)
Aluminium rod	16,050[(2)]	11,417	71
Copper rod	12,000	7,952	66

FPE 30 June 2020

	Capacity[(3)] (tonnes)	Production output in FPE 2020 (tonnes)	Utilisation rate (%)
Aluminium rod	8,025	5,016	63
Copper rod	6,000	4,302	72

Notes:-

(1) Annual capacity refers to the design capacity including normal scheduled maintenance and set-up times, based on 24 hours per day and seven (7) days per week. We are currently running 24 hours per day and seven (7) days per week.

(2) The annual capacity for the manufacture of aluminium rods was reduced to 16,050 tonnes in FYE 31 December 2019 compared to 18,000 tonnes in FYE 31 December 2018. This was because the loading of aluminium ingots was replaced with a manual feed-in process since 19 June 2019. In this respect, the calculation of annual capacity for FYE 31 December 2019 is as follows:-

	Aluminium ingot feed-in method	Monthly capacity (tonnes/month) (C)	Number of months (M)	FYE 2019 capacity (tonnes) (C x M)
January to Mid-June 2019	Lifting bucket	1,500	5.5 months	8,250
Mid-June to end-December 2019	Manual feed-in[(a)]	1,200	6.5 months	7,800
			Total:	**16,050**

Note:-

(a) Please refer to Section 5.9 of this Prospectus for further details on the manual feed-in process.

(3) Based on 6-month pro-rated capacity.

In FYE 31 December 2018, the utilisation rate for the manufacture of aluminium rods was 38% compared to 68% utilisation for the manufacture of copper rods. The low utilisation of the production facility for aluminium rods was due to lower requirements for aluminium based cables and wires during FYE 31 December 2018. In addition, we upgraded our aluminium furnace from diesel to gas-fired furnace in the second half of FYE 31 December 2018.

In FYE 31 December 2019, the utilisation rate for the manufacture of aluminium rods was 71% compared to 38% in FYE 31 December 2018. The higher utilisation of the production facility for aluminium rods as compared to the previous year was mainly due to higher demand for aluminium rods from our customers as well as higher requirements for aluminium based cables and wires.

(b) Manufacture of Cables and Wires

	Annual capacity(1) (km)	Production output in FYE 2018 (km)	Utilisation rate (%)	Production output in FYE 2019 (km)	Utilisation rate (%)
Power cables and wires	15,960	13,680	86	14,035	88
Control and instrumentation cables and wires	10,800	8,640	80	8,084	75
Communication cables and wires	4,320	3,600	83	1,778	41
Total	**31,080**	**25,920**	**83**	**23,897**	**77**

	Capacity(2) (km)	Production output in FPE 2020 (km)	Utilisation rate (%)
Power cables and wires	7,980	3,856	48
Control and instrumentation cables and wires	5,400	3,975	74
Communication cables and wires	2,160	1,183	55
Total	**15,540**	**9,014**	**58**

Notes:-

(1) Annual capacity refers to the design capacity of our main machines including drawing and stranding machines based on 24 hours per day and seven (7) days per week, including normal scheduled maintenance and set-up times. We are currently running 24 hours per day and seven (7) days per week.

(2) Based on 6-month pro-rated capacity.

In FYE 31 December 2019, the utilisation rate for the manufacture of communication cables and wires was 41% compared to 83% utilisation in FYE 31 December 2018. The lower utilisation of the production facility for manufacture of communication cables and wires was due to lower demand for these types of cables and wires during FYE 31 December 2019. This is in line with the revenue from the manufacture of cables and wires, which decreased by 62.11% in FYE 31 December 2019.

The utilisation rate for the manufacture of power cables and wires was 48% in FPE 30 June 2020 compared to 88% in FYE 31 December 2019. This was because our manufacturing operations were temporarily suspended for 11 days and were in partial operations for 31 days during the MCO period.

As at the LPD, the construction of Lot 39 has been completed and Southern has obtained CCC for Lot 39. Southern has obtained an approval from MIDA on 25 June 2020 for manufacturing licence and submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence. In this respect, Lot 39 will provide us with an additional planned annual production capacity of approximately 2,700 km. This Lot 39 is expected to focus on the manufacture of low voltage power cables and wires for electrical wiring applications within buildings. We expect to serve both the local market in Malaysia as well as export markets such as Myanmar and Cambodia.

Part of our business strategy is to address growing export market opportunities in countries where we have already made inroads. In this respect, we have been exporting to Myanmar and Cambodia since 2009 and 2016 respectively. Furthermore, we have focused marketing efforts in promoting our products by participating in exhibitions in these two (2) respective countries in 2018. In addition, we have appointed distributors in Cambodia and Myanmar as part of our intention to further penetrate into these markets.

For further information on our exhibitions and distributors, please refer to Section 5.5.9.1 of this Prospectus for sales and marketing strategies and Section 5.5.9.2 of this Prospectus for distribution channels. Please refer to Section 7 of this Prospectus for industry trends in imports of cables and wires into Myanmar and Cambodia.

(c) Manufacture of PVC compounds and wooden cable drums

	Annual capacity	Production output in FYE 2018	Utilisation rate (%)	Production output in FYE 2019	Utilisation rate (%)
PVC compounds	7,800 tonnes[1]	4,800 tonnes	62	5,530 tonnes	71
Wooden cable drums[2]	60,000 pieces[3]	26,400 pieces	44	25,530 pieces	43

	Capacity	Production output in FPE 2020	Utilisation rate (%)
PVC compounds	3,900 tonnes[4]	2,733 tonnes	70

Notes:-

(1) Annual capacity refers to the design capacity of our main machines namely extrusion machines, based on 24 hours per day and six (6) days per week. We are currently running 24 hours per day and six (6) days per week.

(2) We have temporarily ceased all the manufacturing activities of wooden cable drums since 29 February 2020. Therefore, the utilisation of wooden cable drums in FPE 30 June 2020 is not applicable.

(3) Annual capacity refers to our assembly activity based on 24 hours per day and six (6) days per week. We were previously running 12 hours per day and six (6) days per week.

(4) Based on 6-month pro-rated capacity.

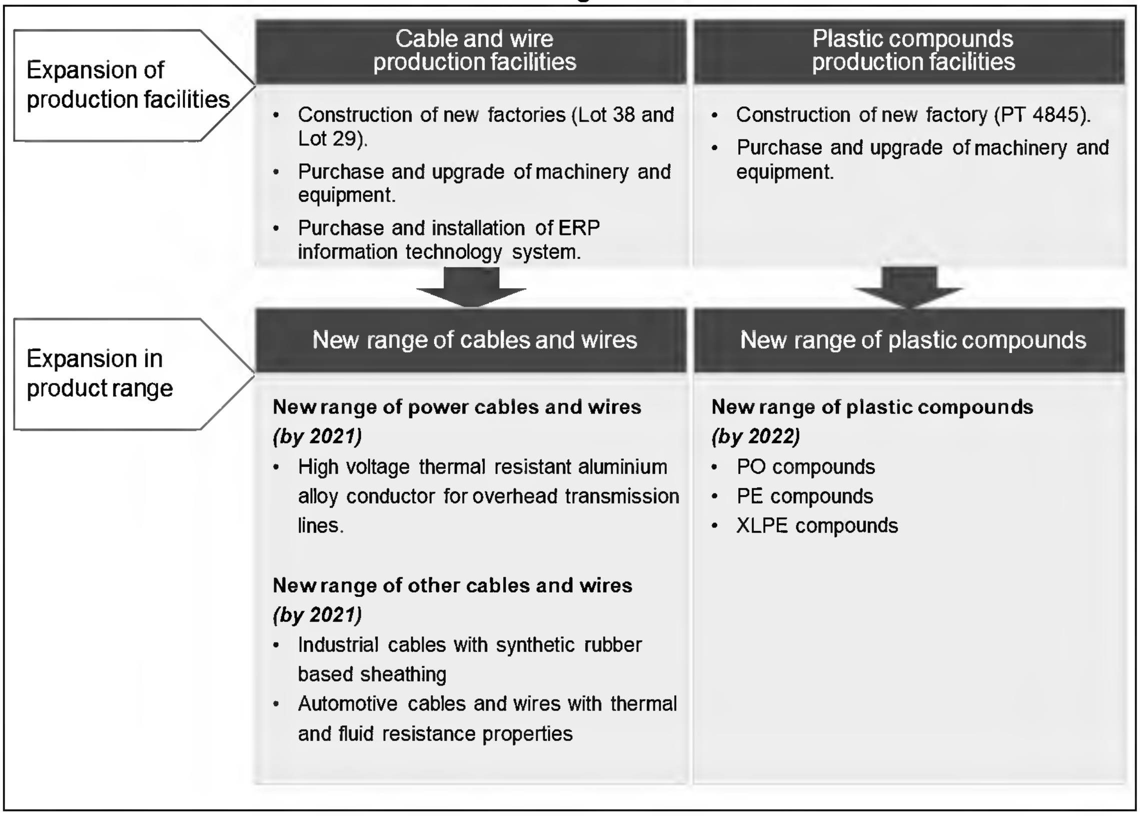
5. INFORMATION ON OUR GROUP (CONT'D)

5.8 BUSINESS STRATEGIES

5.8.1 Our Business Strategies and Plans

Moving forward, we will continue to strengthen our core competency in the manufacture of cables and wires, and plastic compounds by expanding our business in the following areas:-

Our Business Strategies and Plans



5.8.2 Expansion of Production Facilities

5.8.2.1 Our Cable and Wire Production Facilities

Our business strategies are focused on our core competencies and this includes the expansion of our cable and wire production facilities including:-

- Construction of new factories (Lot 38 and Lot 29) with purchases of machinery and equipment;
- Upgrading of machinery and equipment for Southern Factory and Lot 39; and
- Purchase and installation of ERP information technology system.

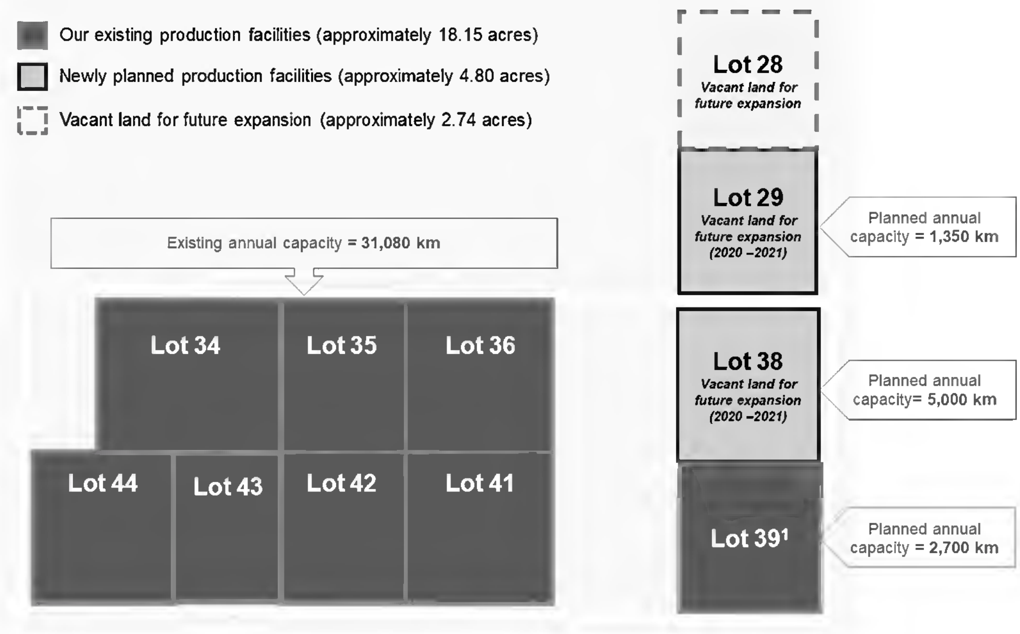
(i) Construction of New Factories

Our existing cable and wire production facilities are located in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman with total land area of approximately 18.15 acres as illustrated below. For FYE 31 December 2019, the total production output of cables and wires was 23,897 km which gave us a utilisation rate of 77%. For FYE 31 December 2019, our total annual production capacity for cables and wires was 31,080 km.

The purchase of machinery and equipment at our new factory in Lot 39 will increase our annual production capacity of cables and wires by approximately 9% (2,700 km). Upon the commencement of business operations at Lot 39, we would have a cumulative total annual production capacity of 33,780 km in cables and wires. As at the LPD, the construction of Lot 39 has been completed and Southern has obtained CCC for Lot 39. Southern has obtained an approval from MIDA on 25 June 2020 for manufacturing licence and submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence.

On 18 June 2019, we leased two (2) pieces of leasehold lands for 60 years from Perbadanan Kemajuan Negeri Kedah, namely Lot 28 and Lot 29, which are located in close proximity to our production facilities in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman illustrated below. Please refer to Section 6.1.2 of this Prospectus for further details on our properties leased.

Our Existing and New Planned Production Facilities for Our Cable and Wire Manufacturing Operations



Note:-

(1) As at the LPD, the construction of Lot 39 has been completed and Southern has been obtained CCC for Lot 39. Southern had obtained an approval from MIDA on 25 June 2020 for manufacturing licence and submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence.

Part of our future plans is to construct new factories to cater for continuing business expansion for our cable and wire manufacturing operations. In this respect, we intend to construct new factories, one (1) in Lot 38 and the other in Lot 29 in Kawasan Perusahaan Kuala Ketil, Kedah Darul Aman.

(a) New Factory in Lot 38

The new production facility in Lot 38 will provide an additional built-up area of approximately 32,000 sq. ft. This new facility will focus on the manufacture of a range of power and control cables and wires used in automotive and elevator applications.

With the purchase of new machinery and equipment, this facility will increase our annual production capacity of cables and wires by approximately 15% (5,000 km) upon the commencement of the operations by the 1st half of 2022.

The expected timeline in relation to the construction of the new factory in Lot 38 are set out as follows:-

Timing	Descriptions
1st half of 2021	• Submission of building plan to local council (Majlis Daerah Baling) for approval • Expected approval of building plan from relevant authorities • Expected commencement of construction
2nd half of 2021	• Expected completion of physical construction of building • Target submission of application for CCC • Expected commencement of installation of machinery and equipment • Expected approval and issuance of CCC • Target submission of manufacturing licence application to MIDA
1st half of 2022	• Expected approval and issuance of MIDA manufacturing licence • Expected commencement of operations

The total cost of construction is estimated to be RM2.500 million for Lot 38. These will be funded by the use of proceeds from the IPO.

<u>**Purchase of new machinery and equipment**</u>

To increase our production capacity for cables and wires, we intend to purchase the following new machinery and equipment for this new factory in Lot 38 including cabling machine, extrusion line and testing equipment at a total cost of RM3.000 million. The cost of machinery and equipment will be funded by proceeds from the IPO.

Please refer to Section 3.5 of this Prospectus for further details on the use of proceeds from the IPO.

(b) New Factory in Lot 29

The new production facility in Lot 29 will provide an additional built-up area of approximately 32,000 sq. ft., which will focus on the manufacture of low voltage power cables and wires.

This new facility will increase our annual production capacity of cables and wires by approximately 4% (1,350 km) for the manufacture of cables and wires upon commencement of operations by the 1st half of 2022. We will be relocating some of the machinery and equipment from Southern Factory upon the acquisition of new machinery and equipment for Southern Factory which is discussed in the Section 5.8.2.1(ii) of this Prospectus.

The expected timeline in relation to the construction of the new factory in Lot 29 are set out as follows:-

Timing	Descriptions
1st half of 2021	• Submission of building plan to local council (Majlis Daerah Baling) for approval • Expected approval of building plan from relevant authorities • Expected commencement of construction
2nd half of 2021	• Expected completion of physical construction of building • Target submission of application for CCC • Expected commencement of installation of machinery and equipment • Expected approval and issuance of CCC • Target submission of manufacturing licence application to MIDA
1st half of 2022	• Expected approval and issuance of MIDA manufacturing licence • Expected commencement of operations

The total cost of construction is estimated to be RM2.500 million for Lot 29. These will be funded by the use of proceeds from the IPO.

(ii) Purchase and Upgrade of Machinery and Equipment for our Southern Factory and Lot 39

Part of our future plans is to purchase of machinery and equipment for existing Southern Factory partly to cater for existing products as well as new range of cables and wires including high voltage power cables and thermal resistant aluminium conductor cables, and industrial cables with synthetic rubber based sheathing.

In this respect, we plan to purchase the following new machinery and equipment for our existing Southern Factory between 2021 and 2022:-

- Extrusion lines with various sizes screw diameters for the manufacture of high voltage cables;
- Automated control system and related equipment to upgrade and automate existing extrusion machines;
- Drawing machine for copper wire;
- Continuous casting line for copper rods; and
- X-ray measuring system.

5. INFORMATION ON OUR GROUP (CONT'D)

In addition, we plan to purchase of additional machinery and equipment including extrusion lines and cabling machines for the newly completed Lot 39 factory between 2021 and 2022. This Lot 39 is expected to focus on the manufacture of low voltage power cables and wires for electrical wiring applications within buildings to serve both the local market in Malaysia as well as export markets such as Myanmar and Cambodia.

We expect to fund the purchase of the above machinery and equipment amounting to RM13.800 million from IPO proceeds and this will be utilised between 2021 and 2022. For further information, please refer to Section 3.5 of this Prospectus.

(iii) Purchase and installation of ERP Information Technology System

Part of our future plans includes investing in a new ERP information technology system to replace the existing system. The migration to a new ERP information technology system will streamline and integrate various production, inventory, financial and administration functions and processes into one complete system. This is aimed at increasing timely flow of data and information among different departments and business units to facilitate decision making and reporting.

The total cost of investing in an ERP information technology system is approximately RM4.000 million and will be funded through IPO proceeds. In this respect, we expect to purchase and commence installation of the new ERP information technology system by 2022.

5.8.2.2 Plastic Compounding Production Facilities

(i) Construction of New Factory for Our Plastic Compounding Operations

Nextol's Existing and New Planned Production Facilities

For FYE 31 December 2019, the total production output of PVC compounds was 5,530 tonnes, which gave us a utilisation rate of 71%. Part of our future plans is to expand our plastic compounding factory in PT 4845 to support the expansion of our cable and wire manufacturing operations. In this respect, we intend to construct a new factory next to our existing Nextol Factory 4846. This new factory will mainly be focusing on our new range of plastic compounds including PO, PE and XLPE compounds.

The new factory PT 4845 will provide us with an additional built-up area of approximately 32,000 sq. ft to house new machinery and equipment with a planned annual capacity of 4,200 tonnes. This will increase our annual production capacity by approximately 54% from 7,800 tonnes to 12,000 tonnes per year by 1st half of 2022 upon commencement of this new factory.

The key milestones in relation to the construction of new factory in PT 4845 are set-out as follows:-

Timing	Descriptions
1st half of 2021	• Submission of building plan to authorities and local council for approval • Expected approval of building plan from the relevant authorities • Expected commencement of construction
2nd half of 2021	• Expected completion of physical construction of building • Target submission of application for CCC • Expected commencement of installation of machinery and equipment • Expected approval and issuance of CCC • Target submission of manufacturing licence application to MIDA
1st half of 2022	• Expected approval and issuance of MIDA manufacturing licence • Expected commencement of operations

The total cost of construction of the new production facility for PT 4845 is estimated to be RM2.500 million which will be funded using proceeds from the IPO.

Purchase of new machinery and equipment

We intend to purchase extrusion compounding lines and testing equipment at a total cost of RM1.500 million. The purchase of equipment and compounding lines will be funded using proceeds from the IPO.

Please refer to Section 3.5 of this Prospectus for further details on the use of proceeds from the IPO.

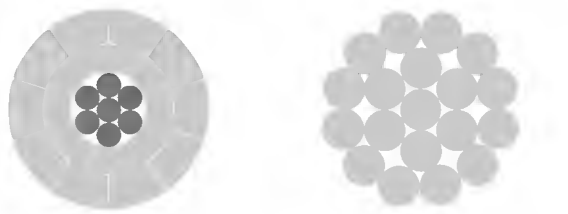
(ii) Upgrading of Machinery and Equipment for Nextol

As part of our expansion plans, we intend to purchase automated control systems to upgrade and automate our production facilities for our plastic compound manufacturing operations at Nextol Factory 4846 by 2022. We expect to fund the purchase of the above machinery and equipment amounting to RM0.200 million from IPO proceeds and this will be utilised by 2022.

5.8.3 Expansion in Product Range

5.8.3.1 New Range of Cables and Wires

Part of our future plans includes an expansion of our range of cables and wires to cater to the requirements of our existing customers as well as potential customers in the market and their respective sectors. We will manufacture high voltage thermal resistant aluminium conductor cables and industrial cables at Southern Factory, and automotive and elevator cables at the new factory in Lot 38. Following are the details relating to the type of cables and wires, product description, and target industries:-

Types of cables	Product description	Target industries
New range of power cables and wires		
High voltage thermal resistant aluminium conductor cable	Aluminium based overhead conductors in trapezoidal shaped thermal resistant aluminium alloy wires and high tensile aluminium clad steel for better capacity, corrosion resistance and reduction in power loss compared to conventional overhead conductors. This type of cable is designed for transmission of electrical power with voltage up to 500kV.  Trapezoidal shaped Conventional round shaped	Power
New range of other cables and wires		
Industrial cables with synthetic rubber based sheathing	Heavy duty cables insulated with flexible synthetic rubber to withstand abrasion and outdoor conditions.	Power
Automotive and elevator cables and wires	Internal electrical and control cabling mainly for passenger vehicles and elevators.	Automotive and elevator

5. INFORMATION ON OUR GROUP (CONT'D)

The expected commercialisation of the above new products is as follows:-

	Expected Timing of Commercialisation	
	1st half of 2021	2nd half of 2021
New range of power cables and wires		
High voltage thermal resistant aluminium conductor cable	√	
New range of other cables and wires		
Industrial cables with synthetic rubber based sheathing	√	
Automotive and elevator cables and wires		√

5.8.3.2 New Range of Plastic Compounds

We utilise mainly PVC, PE, HDPE, MDPE, XLPE and XLPO for insulation, bedding and sheathing in our cables and wires. We have our own PVC compounding facilities which are carried out by our subsidiary, Nextol. With the exception of PVC compounds, we source other plastic compounds including PE, HDPE, MDPE, XLPE and XLPO from external parties.

Part of our future plans is to manufacture new range of plastic compounds at the new factory PT 4845 We expect to commence the manufacture of the following new range of plastic compounds by second half of 2022:-

New range of plastic compounds	Description
PO compounds (halogen free and flame retardant)	This type of PO compound exhibits characteristics of low flammability, generates low amounts of smoke, and low emission of toxic fumes in the event of a fire. This type of compounds can be used for insulation and sheathing due to its mechanical properties, with a mixture of some additives and fillers to achieve the flame retardant characteristics.
PE compounds	PE compound exhibits various mechanical properties such as abrasive resistance, tensile strength, as well as dielectric strength. This will involve mixing required additives such as carbon black fillers or other UV inhibitors to assure the electrical and mechanical properties are preserved under a high temperature during the extrusion process to form insulation materials for cables and wires.
XLPE compounds	The use of cross-linked plastic compounds in insulated cables and wires offer water resistance, increased tensile strength, resistance to elevated temperatures, resistance to elongation, and impact resistance as compared to other types of insulation materials. As we are currently sourcing XLPE compound from external parties, we intend to develop this compound internally to be used for our low and medium voltage cables.

5.9 ADDITIONAL DISCLOSURE

Until 18 June 2019, Southern has been operating the lifting bucket for its aluminium furnace located in Lot 34 without a valid certificate of fitness issued by DOSH. Lifting bucket is a material handling equipment which is used to load the aluminium ingots into the aluminium furnace. On 26 February 2013 and 21 March 2018, Southern received two (2) prohibition orders in writing pursuant to the Factories and Machinery Act 1967 prohibiting the operation of the lifting bucket for the aluminium furnace located in Lot 34. According to the prohibition orders, Southern shall not operate the lifting bucket until a certificate of fitness for this machine is issued.

In between 2013 to 2019, there were site visits and discussions between DOSH and Southern to apply for a certificate of fitness. Consultants were appointed by Southern in 2014 to provide relevant advice and to submit the application for certificate fitness for and on behalf of Southern. Southern also appointed an engineering firm to do machine testing and to issue a test certificate to support the application for the certificate of fitness. In 2015, DOSH rejected the application by Southern. DOSH informed Southern's appointed consultant to obtain the verification of the design of lifting bucket from the headquarters of DOSH, Putrajaya, instead of DOSH, Kedah. Thereafter, there were continuing attempts by the management to procure relevant advice from other consultants to review the resubmission and to reapply for a certificate of fitness. These attempts were unsuccessful.

From 19 June 2019, Southern has stopped using the lifting bucket and replaced the loading of aluminium ingots using manual feed-in. Southern has on 19 June 2019 obtained an acknowledgement from DOSH that the notice of prohibition has been lifted and replaced with the manual feed-in process.

Based on the manual feed-in process, we require more time to manually feed the raw materials into the furnace. In this respect, our production capacity for aluminium rods reduced by approximately 19%, from a maximum of 18,000 tonnes per year to 14,500 tonnes per year. Our Group believes that this manual process will not materially affect the production of aluminium rods as we only produced an output of 6,776 tonnes of aluminium rods in FYE 31 December 2018. In the event that our production of aluminium rods are insufficient to meet the required volume for our cable and wire manufacturing, we will prioritise our production schedules to meet our internal requirements in place of selling the aluminium rods to external parties.

Southern has appointed another consultant to prepare the submission of the certificate of fitness application with a modified design of the lifting equipment and expect to obtain the certificate of fitness for this equipment in four (4) to nine (9) months from the date of said submission. Southern will only commence the operation of the modified lifting equipment upon obtaining certificate of fitness.

As at the LPD, Southern did not receive any approval, hence our Board has decided not to proceed with the certificate of fitness. In this respect, Southern will continue to use the manual feed-in process in view that Southern is still able to meet with its own requirement of aluminium rods as well as external demand. Please refer to Section 5.7(a) of this Prospectus for the information on the annual capacity of the manufacture of aluminium rods.

6. OTHER INFORMATION

6.1 INFORMATION ON MATERIAL LANDS AND BUILDINGS

6.1.1 Properties owned

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

	Registered/ Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Restrictions in Interest/Material Encumbrance(s)	Date of acquisition[(1)]/ Approximate Age of Building (years)	Land/ Gross Built-Up Area (sq. ft.)[(2)]	Date of Issuance of CF/ CCC	Net book value as at 30 June 2020 RM'000
1.	Southern	**Property Address** PTD 12913, 46 Jalan Alam Jaya 1, Taman Perindustrian Alam Jaya, 81500 Pekan Nanas, Johor Darul Takzim **Title Details** HS(M) 6499 PTD 12913, Mukim Jeram Batu, Daerah Pontian, Negeri Johor	**Description** Industrial land with a developer designed factory cum office premises comprising a one and a half (1½) storey semi-detached industrial factory and office **Existing Use** Used as an office and warehouse	**Category of Land Use** Industry **Tenure of Property** Freehold	**Restrictions in Interest** This land cannot be transferred unless the construction of the infrastructure for public usage has commenced as per the plan approved by the relevant local council **Material Encumbrance(s)** Charged to Public Bank Berhad	**Date of acquisition** 13 September 2017 **Approximate age of building** 4	12,680/ 7,650	31 October 2016	2,192

6. OTHER INFORMATION (CONT'D)

	Registered/ Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Restrictions in Interest/Material Encumbrance(s)	Date of acquisition[1]/ Approximate Age of Building (years)	Land/ Gross Built-Up Area (sq. ft.)[2]	Date of Issuance of CF/ CCC	Net book value as at 30 June 2020 RM'000
2.	Southern	**Property Address** No. 12A-G, Pusat Teknologi Sunsuria, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan **Title Details** HS(D) 267439, PT 12367, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor	**Description** Industrial land with a developer designed premises comprising a one and a half (1½) storey semi-detached industrial building **Existing Use** Vacant[3]	**Category of Land Use** Industry **Tenure of Property** 99 years expiring on 4 January 2110 (approximately 90 years unexpired lease term)	**Restrictions in Interest** This land can be transferred, leased or charged upon receipt the consent from the state authority **Material Encumbrance(s)** Charged to Public Islamic Bank Berhad	**Date of acquisition** 5 September 2018 **Approximate age of building** 10	11,055/ 5,202	13 July 2010	6,404

6. OTHER INFORMATION (CONT'D)

	Registered/ Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Restrictions in Interest/Material Encumbrance(s)	Date of acquisition[1]/ Approximate Age of Building (years)	Land/ Gross Built-Up Area (sq. ft.)[2]	Date of Issuance of CF/ CCC	Net book value as at 30 June 2020 RM'000
3.	Nextol	**Property Address** PT 4846, Kawasan Perusahaan Cendana, 08000 Sungai Petani, Kedah Darul Aman **Title Details** HS(D) 96243, PT 4846, Bandar Sungai Petani (formerly known as HS(D) 19790, PT 4846, Mukim Pinang Tunggal), Daerah Kuala Muda, Negeri Kedah	**Description** Industrial land with an individual designed factory premises comprising a single storey detached factory and office **Existing Use** Used as an office and factory to manufacture plastic compounds	**Category of Land Use** Industry **Tenure of Property** Freehold	**Restrictions in Interest** Nil **Material Encumbrance(s)** (i) Private caveat lodged by Public Bank Berhad[4] (ii) Charged to Public Bank Berhad	**Date of acquisition** 16 November 2008 **Approximate age of building** 16 for office and 4 for the factory	55,262/ 16.921	25 October 2016 and 20 February 2020[5]	1,380

6. OTHER INFORMATION (CONT'D)

	Registered/ Beneficial Owner	Property Address/Title Details	Description and Existing Use	Category of Land Use/ Tenure of Property	Restrictions in Interest/Material Encumbrance(s)	Date of acquisition[1]/ Approximate Age of Building (years)	Land/ Gross Built-Up Area (sq. ft.)[2]	Date of Issuance of CF/ CCC	Net book value as at 30 June 2020 RM'000
4.	Nextol	**Property Address** PT 4845, Mukim Sungai Pasir/Pinang Tunggal, 08600 Tikam Batu, Kedah Darul Aman **Title Details** HS(D) 99899, PT 4845, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah	**Description** Vacant land **Existing Use** Vacant[6]	**Category of Land Use** Industry **Tenure of Property** Freehold	**Restrictions in Interest** Nil **Material Encumbrance(s)** Charged to Public Bank Berhad	**Date of acquisition** 22 May 2013 **Approximate age of building** N/A	44,778/ N/A	N/A	656

6. OTHER INFORMATION (CONT'D)

Notes:-

(1) Based on the date of the sale and purchase agreement entered into between the companies within Southern Cable Group and the respective vendors.

(2) Conversion of original measurement for properties in sq. m to sq. ft. at 1 sq. m = 10.7639 sq. ft.

(3) Intended to be used as a sales office and warehouse.

(4) The private caveat lodged by Public Bank Berhad on 14 January 2009 had lapsed by virtue of Section 328 of the National Land Code 1965 which states a private caveat shall lapse at the expiry of six (6) years from the time from which it took effect, and the entry thereof may be cancelled accordingly by the Registrar or on an application by any person or body who has interest in the land.

(5) A temporary permit issued by the Majlis Perbandaran Sungai Petani, Kedah Darul Aman which expires on 31 December 2020 in respect of new roofing installed. The Majlis Perbandaran Sungai Petani, Kedah Darul Aman has the right to suspend or revoke such temporary permit as it has granted at any time without giving any compensation. We will comply with the conditions to the permit prescribed by the Majlis Perbandaran Sungai Petani, Kedah Darul Aman from time to time and periodically apply for renewal of the relevant permit before its expiry.

(6) Intended to be used for expansion of our plastic compounding factory to support expansion of our cable and wire manufacturing business.

6. OTHER INFORMATION (CONT'D)

6.1.2 Properties leased/rented

(i) Properties leased

The properties occupied by Southern are located on a few parcels of leasehold lands leased from Perbadanan Kemajuan Negeri Kedah. Perbadanan Kemajuan Negeri Kedah is the registered owner of these lands. The lease tenure for the lands is approximately 60 years, with remaining lease tenure of each of the land as provided in the table below. A summary of the properties (including buildings and land leases) as at the LPD is as follows:-

	Registered Owner / Landlord	Tenant	Property Address	Description and Existing Use	Land / Gross Built-Up Area (sq. ft.)(1)	Lease Tenure	Consideration for the Lease RM'000	Date of Issuance of CF / CCC
1.	Perbadanan Kemajuan Negeri Kedah	Southern	Lot 34, Lots 35 and 42, Lots 36 and 41, Lots 43 and 44, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	**Description** (i) Two (2) units of single storey detached factory with double storey office; (ii) One (1) unit of individual designed factory comprising a single storey and a three (3) storey production area; and (iii) One (1) unit of single storey detached factory. **Existing Use** (i) Head office; (ii) Manufacturing of aluminium rods and copper rods; (iii) Manufacturing of power cables, communication	696,651/ 416,487	Lease tenure of 60 years as follows: (i) Lots 43 and 44: from 15 June 1995 to 14 June 2055 (approximately 35 years unexpired lease term); (ii) Lot 34: from 17 April 2002 to 16 April 2062 (approximately 42 years unexpired lease term); (iii) Lots 35 and 42: from 11 December 1995 to 10 December	5,319(2)	14 May 2019

6. OTHER INFORMATION (CONT'D)

	Registered Owner / Landlord	Tenant	Property Address	Description and Existing Use	Land / Gross Built-Up Area (sq. ft.)[1]	Lease Tenure	Consideration for the Lease RM'000	Date of Issuance of CF / CCC
				cables, and control and instrumentation cables; and (iv) Storage of raw materials and finished goods, and routine test and factory acceptance test of the cables.		2055 and from 8 July 1995 to 7 July 2055 (approximately 35 years unexpired lease terms respectively); and (iv) Lots 36 and 41: from 17 April 2002 to 16 April 2062 (approximately 42 years unexpired lease term), with an option to renew for a further 39 years		
2.	Perbadanan Kemajuan Negeri Kedah	Southern	Lot 28, Kawasan Perindustrian Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	**Description** Vacant land **Existing Use** Vacant land[3]	119,307/ -	Lease from 17 April 2002 to 16 April 2062 (approximately 42 years unexpired lease term) with an option to renew for a further 39 years	1,133[4]	N/A

6. OTHER INFORMATION (CONT'D)

	Registered Owner / Landlord	Tenant	Property Address	Description and Existing Use	Land / Gross Built-Up Area (sq. ft.)[1]	Lease Tenure	Consideration for the Lease RM'000	Date of Issuance of CF / CCC
3.	Perbadanan Kemajuan Negeri Kedah	Southern	Lot 29, Kawasan Perindustrian Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	**Description** Vacant land **Existing Use** Vacant land[3][5]	115,206/ -	Lease from 17 April 2002 to 16 April 2062 (approximately 42 years unexpired lease term) with an option to renew for a further 39 years	1,094[4]	N/A
4.	Perbadanan Kemajuan Negeri Kedah	Southern	Lot 38, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	**Description** Vacant land **Existing Use** Vacant land[3]	93,797/ -	Lease from 7 September 2009 to 6 September 2069 (approximately 49 years unexpired lease term) with an option to renew for a further 39 years	1,200[6]	N/A
5.	Perbadanan Kemajuan Negeri Kedah	Southern	Lot 39, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	**Description** A single storey detached factory **Existing Use** Vacant[3][7]	93,797/ 31,780	Lease from 7 September 2009 to 6 September 2069 (approximately 49 years unexpired lease term) with an option to renew for a further 39 years	1,200[6]	30 December 2019

6. OTHER INFORMATION (CONT'D)

	Registered Owner / Landlord	Tenant	Property Address	Description and Existing Use	Land / Gross Built-Up Area (sq. ft.)[1]	Lease Tenure	Consideration for the Lease RM'000	Date of Issuance of CF / CCC
6.	Perbadanan Kemajuan Negeri Kedah	Southern	Lot 90, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	**Description** A one and a half (1½) storey semi-detached factory **Existing Use** Used as hostel for foreign workers	16,254/ 6,896	Lease from 4 November 1996 to 3 November 2056 (approximately 36 years unexpired lease term) with an option to renew for a further 39 years	450[8]	6 October 1998
7.	Perbadanan Kemajuan Negeri Kedah	Southern	Lot 91, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	**Description** A one and a half (1½) storey semi-detached factory **Existing Use** Used as hostel for foreign workers	18,234/ 6,896	Lease from 4 November 1996 to 3 November 2056 (approximately 36 years unexpired lease term) with an option to renew for a further 39 years	450[9]	6 October 1998

6. OTHER INFORMATION (CONT'D)

Notes:-

(1) Conversion of original measurement for properties in sq. m to sq. ft. at 1 sq. m = 10.7639 sq. ft.

(2) Purchase consideration paid for the residue unexpired 60 years lease tenure by virtue of the Sale and Purchase Agreements dated 8 July 1995 (Lot 42), 11 December 1995 (Lot 35), 9 May 2005 (Lot 34), 8 January 2007 (Lots 43 and 44), and 10 March 2011 (Lots 36 and 41).

(3) Intended to be used for future manufacturing activities.

(4) Purchase consideration paid for the residue unexpired 60 years lease tenure by virtue of the Sale and Purchase Agreement dated 18 June 2019.

(5) Intended to construct a new production facility in Lot 29. Please refer to Section 5.8.2.1(i)(b) of this Prospectus for further details on the establishment of a new production facility in Lot 29.

(6) Lot 38 and Lot 39 were transferred to Southern being settlement of a total outstanding amount of approximately RM1,200,000 owed by One Southwire Sdn Bhd (Registration No. 200801025329 (826653-P)) to Southern.

(7) We have obtained an approval from MIDA on 25 June 2020 for manufacturing licence and we have submitted the relevant supporting documents requested by MIDA. As at the LPD, we are following up with MIDA on the issuance of the manufacturing licence. Southern will only commence manufacturing activities upon obtaining the manufacturing licence.

(8) Purchase consideration paid for the residue unexpired 60 years lease tenure by virtue of the Sale and Purchase Agreement dated 6 November 2007.

(9) Purchase consideration paid for the residue unexpired 60 years lease tenure by virtue of the Sale and Purchase Agreement dated 8 April 2008.

6. OTHER INFORMATION (CONT'D)

(ii) Properties rented

A summary of the material properties rented by our Group for our operations as at the LPD is as follows:-

	Registered Owner/ Landlord	Tenant	Property Address	Description and Existing Use	Land/Gross Built-Up Area (sq. ft.)	Tenure	Rental per annum RM'000
1.	Evercoat Paints Sdn Bhd	Southern	C-2-03, Encorp Strand Garden, No. 12, Jalan PJU 5/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	**Description** An office unit on the second floor of a 7 storey shop office **Existing Use** Used as sales office	N/A/ 1,829(1)	Short term tenancy from 1 August 2020 to 31 December 2020(2)	48(3)

Notes:-

(1) Conversion of original measurement for property in sq. m to sq. ft. at 1 sq. m = 10.7639 sq. ft.

(2) Subsequent to the expiry of the tenancy from 1 August 2019 to 31 July 2020, Southern entered into a 4 months short term tenancy with the landlord.

(3) Based on monthly rental of RM0.004 million only.

Relocation of Daya Factory to Lot 41 of Southern Factory

Daya has been manufacturing wooden cable drums on Daya Factory since 2012. According to the land search results conducted on Daya Factory the category of land use is "agriculture" and the express condition provides that the land can only be used for rubber plantations. In view that Daya Factory is a property tenanted by Daya for manufacturing of its wooden cable drums, the Board has decided to relocate its wooden cable drum operations from Daya Factory to Lot 41, an existing site within Southern Factory which complies with all relevant land rules and building regulations. Prior to commencement of manufacturing of wooden cable drums on Lot 41, Daya requires the following licences:-

(a) Wood-Based Licence; and

(b) business licence.

On 11 July 2019, Daya submitted an application to apply for the Wood-Based Licence from the Jabatan Perhutanan Negeri Kedah. As of 1 March 2020, our Company had temporarily ceased all the manufacturing activities of wooden cable drums and sourced the supply of wooden cable drums directly from third party suppliers. The tenancy agreement for the tenancy of Daya Factory with Genting Ehsan (SP) Sdn Bhd had been terminated since 1 March 2020. There is no legal impact from the termination of the tenancy agreement up to the date of termination. The temporary cessation of Daya's operations does not have any material impact on our Group as the revenue contribution from Daya is relatively small (which is 0.01% of the total Group's revenue for the FYE 31 December 2019 and FPE 30 June 2020) and our Company is able to source the wooden cable drums directly from the external party suppliers.

As at the LPD, Daya has received an approval for the Wood-Based Licence for the manufacturing of wooden cable drums and is following up with the Jabatan Perhutanan Negeri Kedah on the issuance of the Wood-Based Licence. Upon receipt of the Wood-Based Licence, Daya will proceed to submit an application to apply for the business licence for Lot 41. Daya intends to commence manufacturing activities on Lot 41 by first quarter of 2021.

6.1.3 Regulatory Requirements and Environmental Issue

Save as disclosed in Section 6.1.2 of this Prospectus, as at the LPD, there is no breach of any property or land use conditions and/or non-compliance with any regulatory requirement, land rules, building regulations and environmental issue which may materially affect our Group's operation and usage of properties owned, leased and rented by our Group as set out in Sections 6.1.1 and 6.1.2 of this Prospectus.

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8 September 2020

The Board of Directors
Southern Cable Group Berhad
Lot 42, Jalan Merbau Pulas
Kawasan Perindustrian Kuala Ketil
09300 Kuala Ketil, Baling
Kedah

Dear Sirs/Madam

Independent Industry Assessment of Manufacture of Cables and Wires in Malaysia

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above subject for inclusion into the prospectus of Southern Cable Group Berhad in relation to its proposed listing on the ACE Market of Bursa Securities. We have prepared this report in an independent and objective manner 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, secondary statistics and information, 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 responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report includes 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, primary market research, and after careful analysis of data and information, the industry is subjected 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

Wong Wai Ling
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including initial public offering for companies seeking listing on Bursa Securities.

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INDEPENDENT INDUSTRY ASSESSMENT OF MANUFACTURE OF CABLES AND WIRES IN MALAYSIA

1. INTRODUCTION

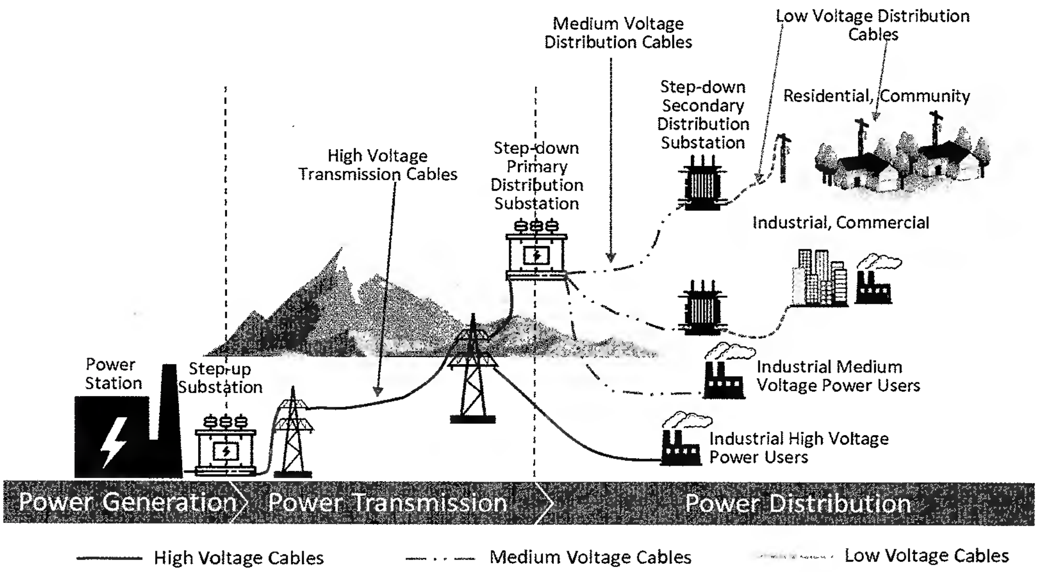
- Southern Cable Group Berhad and its group of subsidiaries (Southern Cable Group or the Group) is principally a manufacturer of cables and wires that are used for applications including power distribution, communications as well as control and instrumentation. For FYE 2019, the manufacture of cables and wires accounted for approximately 90% of total Group revenue. Within cables and wires, power cables and wires alone accounted for approximately 76% of total Group revenue for FYE 2019. Other types of cables and wires manufactured by the Group are namely communications cables and wires and control and instrumentation cables and wires. Therefore, power cables and wires will be the focus of this industry assessment while some discussions will cover the manufacture of communications, and control and instrumentation cables and wires.

- All references to cables and wires in this industry assessment are electric and electronic cables and wires, unless otherwise stated. The report excludes fibre optic cables as it is not manufactured by the Group. The term power and electricity are used interchangeably in this report. References to cables in this report may also include wires. For the past four financial years under review, Southern Cable Group derived at least 90% of its total revenue from Malaysia. As such, this industry assessment will cover Malaysia.

2. DESCRIPTION OF THE INDUSTRY

2.1 Power Cables and Wires

- Power is an essential service in all aspects of commercial, industrial and government operations, and the general population and community. Cables and wires are used to carry electricity from power generating facilities to end-users. As the economy and population continue to grow, they will drive the demand for power cables and wires.



- Power is generated at various locations, transmitted and distributed via national or state-wide power grid. Currently, most of the electricity is generated from power stations and to a lesser extent, hydropower plants. A small proportion also comes from solar photovoltaic facilities. The power grid comprises an interconnected network of transmission and distribution cables, which carry electricity to industries, commerce, buildings, amenities and infrastructures (including, among others, roads, railway systems, water treatment plants and ports). In Peninsular Malaysia, the power grid is under the purview of Tenaga Nasional Berhad (TNB) while Sarawak and Sabah are under Sarawak Energy Berhad and Sabah Electricity Sdn Bhd respectively.

- In Malaysia, electricity is transmitted at a voltage of 500 kilovolt (kV), 275kV and 132kV, whilst electricity is distributed at a voltage of 33kV, 11kV, and 400/230V. In certain parts of Johor and Perak, the electricity distribution voltage may include 22kV and 6.6kV.

- For the past four financial years under review, Southern Cable Group mainly manufactures medium and low voltage power cables and wires for distribution of electricity. It also manufactures low voltage power cables and wires used in buildings. The Group started manufacturing high voltage power cables in 2019.

2.2 Communications Cables and Wires

- Communications cables and wires are used in the telecommunications industry, particularly networks ranging from trunk networks linking two points over large distances, wide area networks linking different points within large geographical areas, and local area networks (LAN) linking devices within enclosed areas, usually within a building. The internet is an example where communications cables and wires link many networks globally such that the internet is able to connect billions of devices in the world. Networking and communications have become an essential service to daily living as well as in commerce and government.

- Generally, fibre optics can also be used as a substitute for copper based communication cables and wires. Fibre optics became popular due to its higher capacity and faster transmission rate compared to copper based communication cables and wires. Therefore, there is a risk that fibre optic cables may replace copper based communication cables and wires. Despite the said advantages of fibre optics cables, copper based communication cables and wires are still widely used as a cost effective medium of data transmission for example Ethernet based technologies and systems for use in LAN. Ethernet for LAN uses Category (Cat) 6, Cat 7 or Cat 8 copper based cables. Cat 8 cables operate at a frequency of 2 gigahertz and are able to support 25 gigabits per second (Gbps) and 40 Gbps data transfer rates.

- Additionally, in some situations wireless technologies including terrestrial and satellite wireless are substitutes for copper based communications cables and wires. Improved terrestrial wireless technologies, such as fifth generation (5G) networks which are focused on mobile applications, can also be used for fixed wireless applications.

2.3 Control and Instrumentation Cables and Wires

- Control and instrumentation cables and wires are similar to communication cables and wires in that they basically carry data or signals. However, they are specially designed to work in industrial and commercial settings where they are used to connect instruments and devices that monitor or measure certain situations or events (for example a thermometer measuring the temperature of liquid). Such data is then transmitted, often in real time, to another processor or device that will trigger an action or display analysed information.

- Control and instrumentation cables are essential in automated industrial and commercial environment. As processes and operations become more automated, they will continue to drive demand for these types of cables and wires. This is further reinforced by Malaysia Government's emphasis and move towards Industry 4.0, which promotes the use of automation, robotics and artificial intelligence.

2.4 Usage of Different Types of Conductors

- Power cables and wires use either copper or aluminium (or aluminium alloy) as conductors. Cost and applications are major considerations in choosing to use copper or aluminium. Aluminium has 61% of the conductivity and 30% of the weight of copper. Thus, for the same conductivity capacity, an aluminium conductor will weigh approximately half of a copper conductor. Aluminium also costs less compared to copper. In July 2020, the average copper price was USD6,372 per tonne while aluminium was USD1,644 per tonne, making copper approximately 3.88 times more expensive compared to aluminium.

- Generally, aluminium conductors are used in overhead transmission power cables as they are lighter compared to copper conductor cables. Therefore, aluminium conductor cables will have less cable sag due to lower weight compared to copper conductor cables. This allows for wider distances between transmission towers, which would reduce the number and cost of transmission towers.

- Distribution power cables, comprising medium and low voltage cables commonly have copper conductors. However, aluminium conductors are increasingly being used in medium and low voltage power cables due to lower cost compared to copper conductor cables.

- Power cables and wires within buildings and structures commonly use copper conductors because of its conductivity, tensile strength and flexibility. Cables and wires used within buildings commonly need to traverse round corners and are commonly bent or bunched together. This is where the flexibility or pliability and strength of copper is superior compared to aluminium.

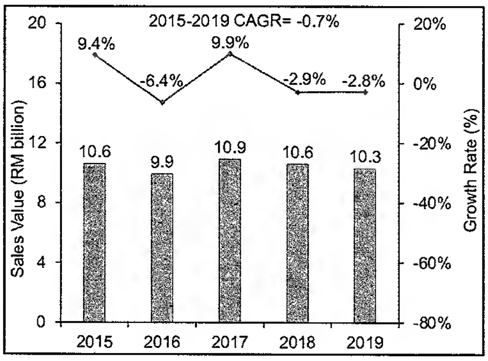
- Communications, and control and instrumentation cables and wires commonly use copper conductors for short and medium distances because they are relatively cheaper compared to fibre optic cables and wires. Such cables and wires commonly use copper as their conductors because of the copper's higher carrying capacity which allows for faster transmission rates compared to other metals like aluminium.

3. PERFORMANCE OF CABLES AND WIRES INDUSTRY

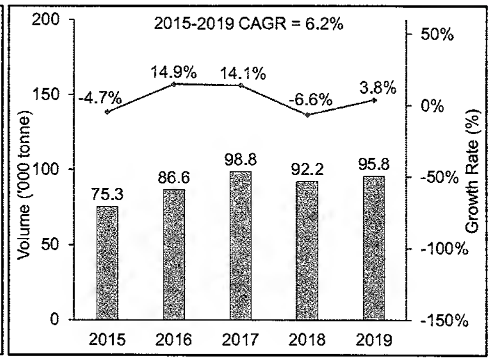
3.1 Manufacture of Electric and Electronic Cables and Wires

- The manufacture of cables and wires that are used for power distribution, communications as well as control and instrumentation applications is classified under the manufacture of electric and electronic cables. Overall, the sales value of the manufacture of electric and electronic cables and wires in Malaysia declined at an average annual rate of 0.7% between 2015 and 2019. In 2019, the sales value of manufacture of electric and electronic cables and wires declined by 2.8% to RM10.3 billion. Meanwhile, sales volume of the manufacture of electric and electronic cables and wires increased at a CAGR of 6.2% between 2015 and 2019. In 2019, sales volume grew by 3.8% to 95.8 thousand tonnes.

Sales Value of Manufacture of Electric and Electronic Cables and Wires (1)



Sales Volume of the Manufacture of Electric and Electronic Cables and Wires (1)



(1) Includes electric and electronic cables and wires, harnesses, wiring sets, telephone and computer cords, and copper rods, strips and bars. Excludes fibre optic cables and wires.
(Source: Department of Statistics, Malaysia)

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- The sales value of the manufacture of electric and electronic cables and wires contracted by 7.9% and 38.4% in the first quarter (Q1) and second quarter (Q2) of 2020 respectively as compared to the corresponding periods in 2019. Overall, the manufacturing industry in Malaysia contracted by 18.3% in Q2 2020 compared to a growth of 1.5% in Q1 2020. This was amidst Malaysia's real GDP which also contracted by 17.1% in Q2 2020 compared to a growth of 0.7% in Q1 2020. This was mainly due to the impact of the stringent containment measures for the COVID-19 pandemic. In 2020, the Malaysian economy is forecasted to register a contraction ranging between 3.5% and 5.5% before staging a rebound with a forecasted growth ranging between 5.5% and 8.0% in 2021.

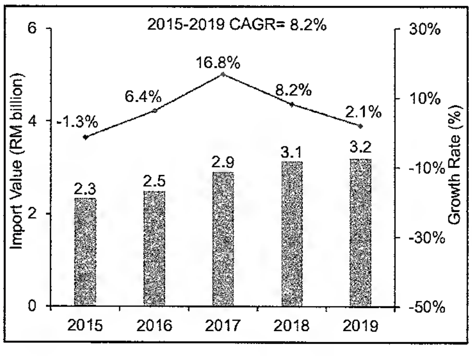
- According to Bank Negara Malaysia, Malaysia's economy is expected to gradually improve in the second half of 2020 underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial. The continuation of large-scale infrastructure projects namely MRT2, LRT3, Pan Borneo Highway, East Coast Rail Link project, Johor Bahru-Singapore rapid transit system, National Fiberisation and Connectivity Plan, ramp-up of upstream and downstream oil and gas projects, and power generation projects will also contribute to the improvement in Malaysia's economy.

- In addition, it is expected that there will be a gradual normalisation in economic activities and labour market conditions contributed by the rebound of key indicators such as wholesale and retail trade, industrial production, gross exports and electricity generation during the second half of 2020. The recovery of Malaysia's economy will be supported by the Malaysian Government's economic stimulus packages including the Prihatin Rakyat Economic Stimulus (PRIHATIN) with an allocation of RM250 billion, Prihatin SME Economic Stimulus Package (PRIHATIN SME+) with an allocation of RM10 billion and Short Term Economic Recovery Plan (PENJANA) with an allocation of an RM35 billion.

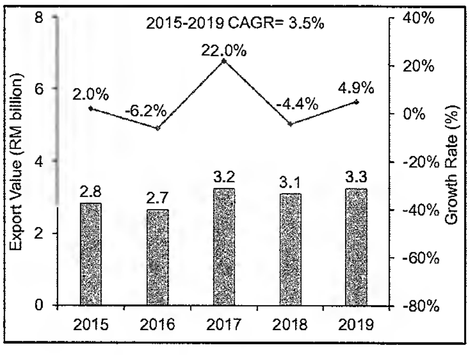
3.2 Imports and Exports of Electric and Electronic Cables and Wires

- Overall, import value and export value of electric and electronic cables and wires increased at a CAGR of 8.2% and 3.5% between 2015 and 2019 respectively. In 2019, Malaysia's export of this type of products increased by 4.9% to RM3.3 billion. The continuing growth in exports indicate that there are export opportunities for cable and wire manufacturers in Malaysia.

Import Value of Electric and Electronic Cables and Wires (1)



Export Value of Electric and Electronic Cables and Wires (1)



(1) *Includes electric and electronic cables and wires, harnesses, wiring sets, telephone and computer cords, and copper rods, strips and bars. Excludes fibre optic cables and wires.*
(Source: Department of Statistics, Malaysia)

4. SUPPLY AND PRICING EFFECTS OF KEY RAW MATERIALS

- Copper and aluminium are the main metals used as conductors for power, communications, as well as control and instrumentation cables and wires. The supply and prices of these key metals would have an impact on end-user industries including utility companies as well as service providers and

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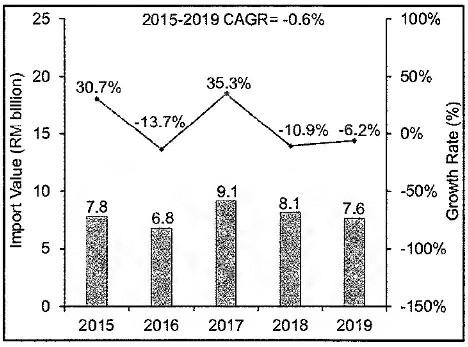
manufacturers who use these metals as input materials of cables and wires. Although power, communications, and control and instrumentation cables and wires are essential in their respective areas of applications, the high cost of these metal commodities can still dampen demand resulting in possible delays in implementation. Any shortages of these metals in the global market will also have an effect in increasing their prices.

4.1 Supply of Copper

- There was no copper production in Malaysia after the last production of 240 tonnes in 2009. As such, demand for copper was sourced externally through imports from other copper producing countries *(Source: Department of Mineral and Geoscience, Malaysia)*.

- Copper cathodes commonly represent one of the highest levels in the value chain in processing of copper products in Malaysia. As such, Malaysia is highly dependent on the imports of copper cathodes and other copper products for the manufacture of power cables and wires, as well as other copper and copper based products.

Import Value of Cathodes and Sections of Cathodes



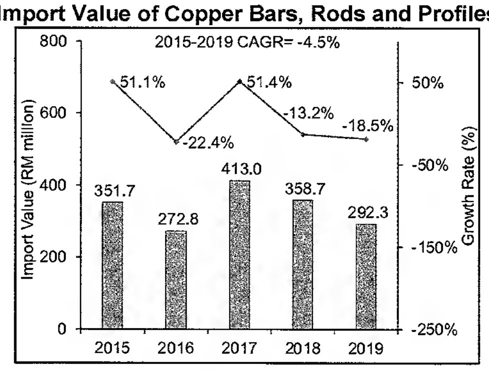
(Source: Department of Statistics, Malaysia)

- Between 2015 and 2019, imports of copper cathodes declined at an average annual rate of 0.6 %. In 2019, imports of copper cathodes declined by 6.2%. In 2019, imports of cathodes were mainly sourced from Australia, Indonesia and Korea, which represented 38.0%, 18.6% and 16.6% of the total import value respectively.

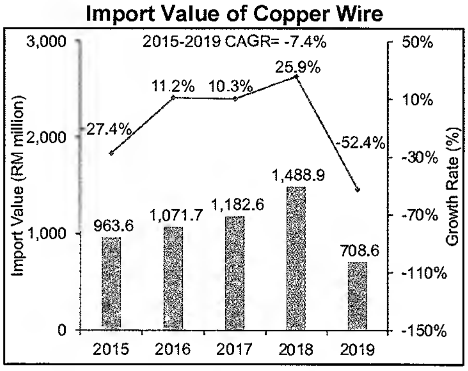
- Power, communications, and control and instrumentation cable and wire manufacturers who do not have their own furnace and casting facilities will rely on the purchase of copper rods and wires to be used as copper conductors. Copper rods and wires may be sourced locally from manufacturers of copper rods and wires or sourced from imports. Based on latest available information, sales value of locally manufactured copper bars, rods and profiles grew at a CAGR of 3.1%, whereas sales volume of this category declined at an average annual rate of 3.2% between 2014 and 2018.

- In 2019, imports of copper bars, rods and profiles were mainly sourced from Indonesia, Japan and China, which represented 24.6%, 16.8% and 15.8%, of the total import value of copper bars, rods and profiles respectively.

Import Value of Copper Bars, Rods and Profiles



Import Value of Copper Wire



(Source: Department of Statistics, Malaysia)

- In 2019, import of copper wires in Malaysia were mainly sourced from Indonesia, Thailand and Taiwan which represented 27.2%, 19.6% and 15.5%, of the total import value of copper wires respectively.

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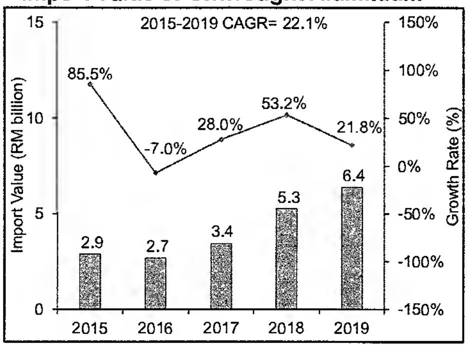
4.2 Supply of Aluminium

- Bauxite ore is the primary source of aluminium. Based on latest available information, local production of bauxite declined at an average annual rate of 11.5% between 2014 and 2018. The decline in production was due to the implementation of bauxite mining moratorium in Pahang since 2016 in response to the environmental issue raised by the public. In 2018, production of bauxite increased drastically by 211.8% from 189,131 tonnes in 2017 to 589,684 tonnes in 2018. The production came from three bauxite mines in Johor *(Source: Department of Mineral and Geoscience, Malaysia)*.

Import Value of Unwrought Aluminium [1]



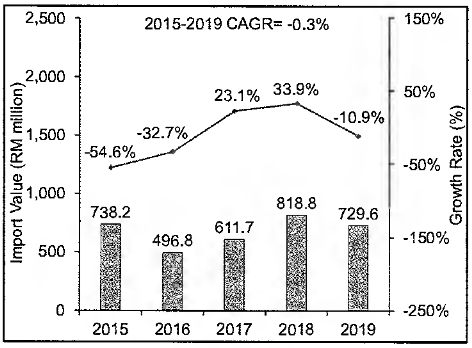
(1) Not alloyed and mainly in the form of ingots.
(Source: Department of Statistics, Malaysia)

- Unwrought aluminium, also referred as aluminium ingots, is commonly the upstream input material for those manufacturers who are not involved in mining or processing of bauxite and alumina. For power cable and wire manufacturers that have their own furnace and casting facilities, they would use aluminium ingots as their main input materials. The aluminium ingots will be melted down to produce aluminium rods, which are subsequently drawn to smaller diameter wires and used as conductors.

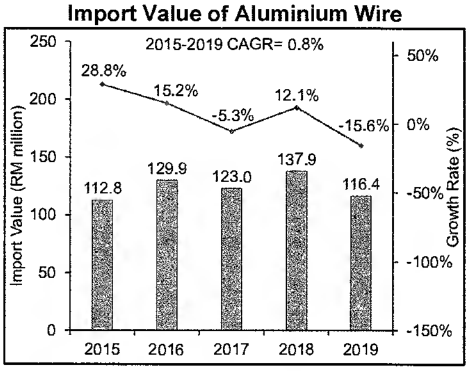
- Between 2015 and 2019, import value of unwrought aluminium grew at a CAGR of 22.1% and in 2019, import value of this said material grew by 21.8%. In 2019, imports of unwrought aluminium were mainly sourced from India, Bahrain and China, which represented 71.4%, 7.7% and 4.2 % of the total import value respectively.

- Power cable and wire manufacturers who do not have their own furnaces and casting facilities will rely on the supply of aluminium rods and wires to be used as conductors.

Import Value of Aluminium Bars, Rods and Profiles



Import Value of Aluminium Wire



(Source: Department of Statistics, Malaysia)

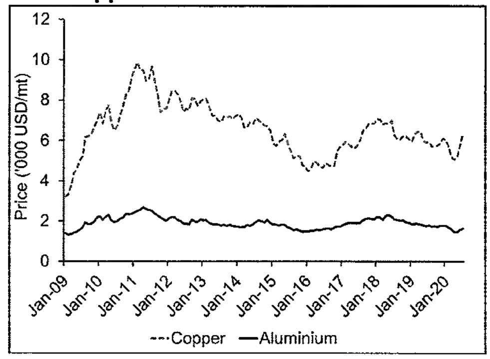
- In 2019, China continued to be the largest source of aluminium bars, rods and profiles which represented 61.6% of the total import value. This was followed by Korea and Taiwan, which accounted for 11.3% and 7.7% respectively.

- In 2019, imports of aluminium wire were mainly sourced from China, Japan and Indonesia which represented 29.5%, 22.0% and 17.9% of the total import value respectively.

5. COPPER AND ALUMINIUM PRICES

- Copper and aluminium are globally traded commodities and are subject to price fluctuations or volatility. Global prices affect local manufacturers as copper or aluminium conductors represent a significant proportion of the overall cost of cables and wires. For Southern Cable Group, purchases of copper and aluminium based materials including among others, copper cathode, copper rods, aluminium ingots and rods accounted for approximately 71% to 79% of the total purchases of input materials and services for the past four financial years under review.

Copper and Aluminium Global Price



(Source: Vital Factor analysis)

- Between 2009 and 2019, copper recorded the lowest global price at USD3,221 per tonne in January 2009 before it peaked at USD9,868 per tonne in February 2011. In July 2020, the global copper price was USD6,372 per tonne which was 7.3% higher compared to USD5,941 per tonne in July 2019.

- Global price of aluminium was relatively stable compared to the price of copper with the lowest price recorded at USD1,330 per tonne in February 2009 and highest price registered at USD2,678 per tonne in April 2011. In July 2020, the global aluminium price was USD1,644 per tonne which was 8.5% lower compared to USD1,797 per tonne in July 2019.

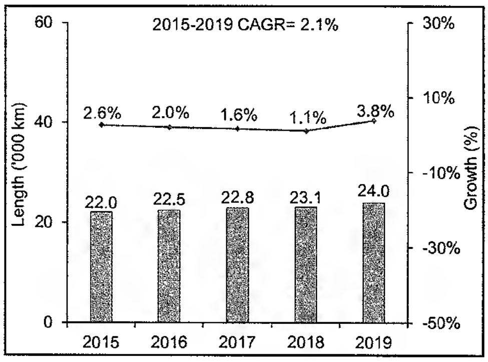
6. DEMAND FROM KEY END-USER INDUSTRIES

6.1 Power Transmission and Distribution

- Utility companies are the main buyers of power transmission and distribution cables particularly for the power grids. Length of power transmission cables in Peninsular Malaysia grew at a CAGR of 2.1% from 22,030km in 2015 to 23,964km in 2019.

- In Peninsular Malaysia, circuit length of power distribution cables grew by a CAGR of 3.9% from 632,929km in 2017 to 683,008km in 2019. *(Note: Circuit length is different from conductor length. For example, a 1 km of a 3-phased connection between two points would have one conductor for each phase plus one neutral conductor, which adds up to 4 km conductor length, but it is only 1 km circuit length.)*

Installed Power Transmission Cables (1)



(1) Peninsular Malaysia
(Source: Department of Statistics and TNB)

- Rural areas in the country recorded an electricity coverage of 98.2% in 2015. In the mid-term review of 11th Malaysia Plan, the government is targeting to provide electricity supply to an additional 41,160 houses to achieve 99% electricity coverage for rural area by 2020. Rural electrification programmes augur well for power cable and wire manufacturers as demand increases to meet national objectives.

- According to TNB, a capital expenditure of RM13 billion will be allocated for FYE2020. This includes RM11 billion capex investments as planned in 2020, and an accelerated implementation of some high value projects of around RM2 billion, which includes projects such as LED street lights, transmission and distribution network projects and rooftop solar installations. The capital expenditure is likely to enhance development in the power transmission and distribution industry which would drive demand for power cables and wires.

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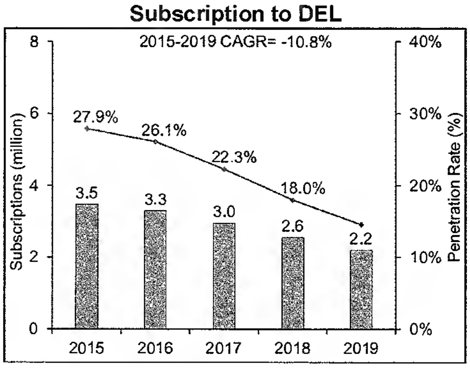
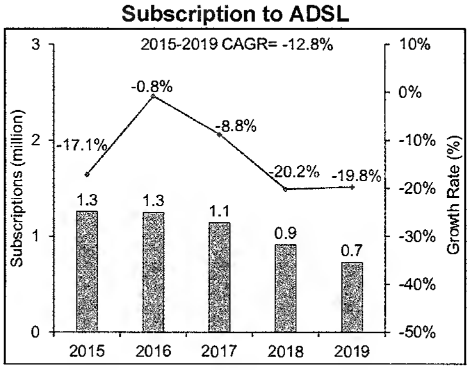
6.2 Communications

- Copper based communications cables and wires are still being used, although they are slowly being replaced by fibre optic cables. In particular, telephone lines (direct exchange lines (DEL)) and internet connections using asymmetrical digital subscriber lines (ADSL) are copper based cables and wires.

Subscription to DEL



Subscription to ADSL



(Source: Malaysia Communication and Multimedia Commission)

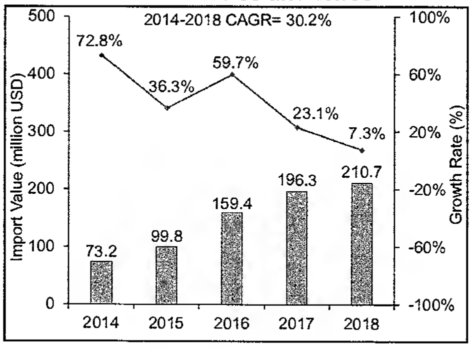
- DEL subscriptions declined by an average annual rate of 10.8% between 2014 and 2018. Similarly, ADSL subscription also declined at an average annual rate of 12.8% between 2015 and 2019. This indicates the trend towards mobile communications as well as the use of fibre optic based data transmission including broadband internet access.

- On 28 August 2019, the implementation of the five-year (2019 – 2023) National Fiberisation and Connectivity Plan (NFCP) amounting to an estimated RM21.6 billion, was approved by the Cabinet of Malaysian. The NFCP focuses on rolling out fibre networks together with alternative technologies such as wireless network including use of satellites. One main target of the NFCP includes availability of average speed of 30 Mbps in 98% of populated areas and gigabit speed in all state capitals by 2023. *(Source: Malaysian Communications and Multimedia Commission)*

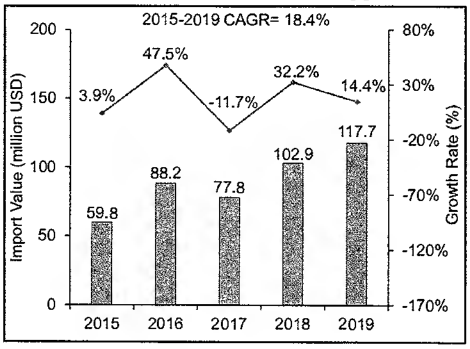
7. IMPORTS OF CABLES AND WIRES IN CAMBODIA AND MYANMAR

- Southern Cable Group plans to utilise its newly completed factory Lot 39 to expand its power cables and wires to continue serving the local market in Malaysia as well as export markets such as Myanmar and Cambodia. As such, this section will provide import statistics of cables and wires in the relevant countries.

Cambodia Import Value of Electric and Electronic Cables and Wires (1)



Myanmar Import Value of Electric and Electronic Cables and Wires (1)



(1) *Includes electric and electronic cables, wires, harnesses, wiring sets, telephone and computer cords, and copper rods, strips and bars. Excludes fibre optic cables and wires. (Source: Vital Factor analysis)*

- Based on the latest available statistics, import value of electric and electronic cables and wires grew at a CAGR of 30.2% between 2014 and 2018 in Cambodia. Between 2015 and 2019, import value of electric and electronic cables and wires grew at a CAGR of 18.4% in Myanmar. As Cambodia and Myanmar are developing countries, demand for cables and wires are likely to be supported by economic growth and development including infrastructure.

8. KEY REGULATIONS GOVERNING THE INDUSTRY

8.1 Electrical Equipment Certificate of Approval

- According to the Electricity Regulation 1994, manufacturers who are involved in the manufacture of electrical equipment (which includes power cables and wires) must obtain a Certificate of Registration (CoR) from the Energy Commission of Malaysia and hold valid Certificate of Approval (CoA). CoA is an approval granted by the Energy Commission of Malaysia that allows the certificate holder to manufacture, import, sell or advertise electrical appliances or equipment including non-armoured wire/cable/cord with a cross-sectional area of 0.5mm^2 to 35mm^2.

- The manufacture of electrical equipment is also subject to the Product Certification Scheme (PCS) developed by SIRIM Berhad (SIRIM) which requires the product to be affixed with label issued by SIRIM or bear the SIRIM Certification Mark before being sold to the market. *(Source: Energy Commission of Malaysia)*

- Southern Cable Group has obtained certificates of approval from the Energy Commission of Malaysia and product certification licences from SIRIM for their power cables and wires.

8.2 Registration with Construction Industry Development Board (CIDB)

- According to the Malaysian Construction Industry Development Board (CIDB) Act 1994, personnel involved in the construction or construction related activities such as electrical works are required to be registered and to hold a valid certificate of registration issued by the CIDB before undertaking any construction works in Malaysia. As Southern Cable Group is involved in the supply and installation of rectifier systems which includes on-site cabling and wiring works, the Group is registered with CIDB under category G7.

8.3 Registration with Tenaga Nasional Berhad and Telekom Malaysia Berhad (TMB)

- Companies intending to supply products or services to TNB and TMB including cables and wires are required to be an approved supplier of these respective companies. *(Source: TNB and TMB)*. Southern Cable Group is an approved supplier of TNB and TMB.

8.4 Environmental Regulation

- Manufacturing of cables and wires involving the use of furnace to melt copper and aluminium generate wastes in the form of dross and sludges which are listed in the First Schedule of the Environment Quality (Scheduled Wastes) Regulation 2005. The disposal of dross and sludges must be managed in accordance to the regulation *(Source: Department of Environment, Malaysia)*.

9. MARKET PLAYERS

- The following table is a selected list of public listed companies or their subsidiaries that are involved in the manufacture of cables and wires in Malaysia as well as Southern Cable Group (in descending order of revenue):

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Company name	FYE [6]	Rev [7] (RM mil)	NP[7] (RM mil)	GP Margin (%)	Gearing Ratio
Sarawak Cable Bhd[1]	31 Dec' 19	793.5	-86.6	4.5	3.35
Southern Cable Group	**31 Dec' 19**	**656.7**	**28.5**	**10.2**	**0.88**
Olympic Cable Company S/B[2]	31 Dec' 19	228.0	18.8	15.6	N/A
Sindutch Cable Manufacturer S/B[5]	31 Dec' 18	158.1	-0.8	N/A	1.15
Pan-International Wire & Cable (Malaysia) S/B[3]	31 Dec' 18	130.7	13.0	11.7	N/A
Tai Sin Electric Cables Malaysia S/B[4]	30 Jun' 19	101.2	-0.3	4.5	0.29

FYE = Financial year ended; Rev = Revenue; NP = Net profit; GP = Gross profit; mil = million; Bhd = Berhad; S/B = Sdn Bhd; N/A = not available.

Notes:

(1) A listed entity on Bursa Securities and the holding company for Leader Cable Industry Berhad, Universal Cable (M) Berhad and Universal Cable (Sarawak) Sdn Bhd.
(2) A subsidiary of OSK Holdings Berhad, a listed entity on Bursa Securities.
(3) A subsidiary of the P.I.E. Industrial Berhad, a listed entity on Bursa Securities.
(4) A subsidiary of Tai Sin Electric Limited, listed entity on Singapore Exchange Limited.
(5) A subsidiary of the Prysmian S.p.A., a listed entity on Borsa Italiana S.p.A.
(6) Latest available financial information. Audited figures from annual report, Companies Commission of Malaysia (CCM) and Southern Cable Group.
(7) May include other business activities.

- The above list of companies was selected based on the following criteria:
  - Public listed or subsidiaries of public listed companies with manufacture of cables and wires operations in Malaysia;
  - Availability of financial information;
  - Having an annual revenue of RM100 million and above for their latest available financial statements.

- The methodology used to compile the above list of companies is based on secondary market research, such as published documents, websites and industry directories. The companies listed above are some of the comparable companies to Southern Cable Group.

10. MARKET SIZE AND SHARE

Market Size

- In 2019, the market size for the manufacture of electric and electronic cables and wires in Malaysia was valued at RM10.3 billion (*Source: Department of Statistics, Malaysia)*. (Note: The market size above includes electric and electronic cables, wires, harnesses, wiring sets, telephone and computer cords, and copper rods, strips and bars. It excludes fibre optic cables).

Market Share

- In 2019, Southern Cable Group has an estimated market share of **6%** for the manufacture of electric and electronic cables and wires in Malaysia *(Source: Department of Statistics, Malaysia and Vital Factor analysis)*. (Note: Market share was calculated based on Southern Cable Group's revenue of RM589 million from the manufacture of cables and wires alone for FYE 2019, divided by the market size of RM10.3 billion in 2019.)

8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER, IN ADDITION TO THE OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS (WHICH MAY OCCUR EITHER INDIVIDUALLY OR IN COMBINATION, AT THE SAME TIME OR AROUND THE SAME TIME) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP BEFORE INVESTING IN OUR SHARES.

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

8.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

8.1.1 Fluctuations in the prices of copper and aluminium may affect our profitability if we are unable to pass through the costs increment to the customers

Our main raw materials consist of copper cathodes, aluminium ingots, copper and aluminium rods, and copper wires used to make conductors for our cables and wires. For FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, the total purchases of copper based materials include copper cathode, copper rods and wires, and annealed copper tapes accounted for 59.78%, 63.22%, 63.44%, 62.23% and 62.42% of our total purchases of materials and services respectively. Purchases of aluminium based materials including aluminium ingots and aluminium alloy rods constituted 12.45%, 7.93%, 11.25%, 16.62% and 18.42% of our total purchases of materials and services for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

As copper and aluminium are globally traded commodity metals, we are subject to global price fluctuations and the risk of any unfavourable price changes will directly affect our margins and profitability if we are unable to pass through the costs increment to the customers.

The prices of copper and aluminium are influenced by global macroeconomic factors including, among others, supply and demand for the metals, energy costs to process these metals, transportation costs and currency exchange rates, all of these factors are beyond our control. Although we engaged an external party to provide commodity advisory services including trends and information on metal prices, there is no assurance that we would not be adversely affected by fluctuations in the prices of copper and aluminium.

We have contractual agreements with customers that allow us to adjust the selling price of power and communications cables and wires taking into consideration, among others, the fluctuations in the prices of copper and aluminium within specified time indicated in the agreements for the contractual period. For FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, revenue from these types of customers accounted for 28.08%, 24.94% and 16.69% of our total revenue.

8.1.2 Our margins and profitability may be affected by claims arising from liquidated ascertained damages

We have contracts with certain customers where we have to deliver our products to the customers in accordance with the product specification and agreed delivery timelines stipulated in the contracts.

Any delays in delivery of our products may result in a disruption in the operations of our customers. In this respect, we are subject to the risk of claims and/or penalties pertaining to liquidated damages for late delivery.

The liquidated ascertained damages arising from defective products of our contract with our communications cables and wires customer is up to 10%. Hence, we may be subject to liquidated ascertained damages if our Group is unable to conform with the product specifications upon delivery. This may have an adverse effect on our financial performance including profitability and margins.

We have made provisions for the liquidated ascertained damages for the FYE 31 December 2016 to 2018 as follows:-

(i) A total net provision of liquidated ascertained damages of RM0.241 million in FYE 31 December 2016. This was mainly for the late delivery of our cables and wires to a utility operator in Sabah where we were unable to meet the agreed delivery timeline as our production was running at optimum capacity;

(ii) A total net provision of liquidated ascertained damages of RM12.527 million in FYE 31 December 2017. Out of the RM12.527 million, RM9.552 million was for the late delivery of our cables and wires to customers and this included a refinery and petrochemical process plant operator and a utility operator in Peninsular Malaysia. The late delivery of cables and wires was mainly due to our Group's difficulty in fulfilling conflicting scheduled deliveries as our production was running at optimum capacity. The remaining liquidated ascertained damages of RM2.975 million was pertaining to a dispute with a customer on the quality of our product notwithstanding that the customer had accepted the product after undergone the factory acceptance test. The dispute was subsequently resolved after we replaced the cables and wires by purchasing cables and wires from an external party in Korea; and

(iii) A total net reversal of provision of liquidated ascertained damages of RM1.096 million in FYE 31 December 2018. This was mainly due to a reversal of RM2.812 million that was previously provided for in FYE 31 December 2017 for the late delivery of cables and wires to a refinery and petrochemical process plant operator. In addition, we made provision of liquidated ascertained damages of RM1.716 million for late delivery to customers, including an EPCC contractor, a telecommunications company and a utility operator in FYE 31 December 2018. We were unable to meet the agreed delivery timeline as our production was running at optimum capacity in 2017.

Despite the abovementioned claims arising from liquidated ascertained damages, we continue to receive invitations to bid for new contracts directly with the said power utility operator and telecommunications company in FYE 31 December 2018. In addition, we continue to serve the said refinery and petrochemical process plant operator indirectly through a contractor in FYE 31 December 2018.

For FYE 31 December 2019, FPE 30 June 2020 and up to the LPD there were no claims made by our customers arising from liquidated ascertained damages.

Nevertheless, any material exposure to liquidated ascertained damages will adversely affect our profitability and financial position. There can be no assurance that we will be able to deliver our products on time as well as to ensure no complaints relating to defective products at all times. In the event we fail to maintain the required service levels which resulted in late delivery or defective manufacturing products, our business and financial performance including profitability and margins may be adversely affected.

8.1.3 We may suffer losses due to adverse foreign exchange fluctuations

Our business is exposed to the risk of foreign exchange fluctuations where 54.87%, 48.44%, 45.55%, 40.47% and 39.84% of our purchases of raw materials for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively were denominated in USD. Any adverse changes in the exchange rate between RM and USD would have a negative impact on our financial performance. Our Group has a policy to hedge all material foreign currency exposure against the transactions using a forward exchange contract as hedging instrument to manage the exposure.

Moving forward, any unfavourable foreign exchange fluctuations between RM and USD may have an impact on our financial performance including profitability and margins.

8.1.4 Our business was and may continue to be affected by the outbreak of COVID-19 pandemic or any contagious or virulent diseases

The spread or outbreak of COVID-19 pandemic or any contagious or virulent diseases may potentially affect our manufacturing operations. If any of our employees are infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily shut down our manufacturing operations for a period of time as advised by the Ministry of Health, Malaysia to contain the spread of the disease. In the event any of our employees are infected, all our employees would have to undergo COVID-19 swab test. As at the LPD, none of our employees are infected with COVID-19.

Furthermore, any MCO imposed by the Government including targeted enhanced MCO in a location resulting from a resurgence or a general containment measure has and may potentially interrupt and/or suspend our business operations. As a result of the implementation of an administrative enhanced MCO in Kota Setar District, Kedah from 11 September 2020 to 25 September 2020, one (1) of our employees, who is a process engineer, was unable to come to work in view that his residence is in this district. There is no material adverse impact on our business operations as there are three (3) other process engineers to carry out the roles in supporting the manufacturing processes. In the event of any outbreak of COVID-19 infections among our employees or any prolonged outbreak of diseases and/or MCO conditions, our manufacturing operations and our business and financial performance would be adversely affected.

On 16 March 2020, the Government announced a MCO as a measure to contain the spread of the COVID-19 pandemic in Malaysia. The MCO commenced from 18 March 2020 with several subsequent 14-day extensions up until 3 May 2020. The MCO was superseded by the CMCO from 4 May 2020 to 9 June 2020, where under the CMCO, certain restrictions previously gazetted under the MCO were gradually eased and some of the economic sectors were allowed to resume operations. Thereafter, the CMCO lapsed on 9 June 2020 and the RMCO took effect from 10 June 2020 to 31 August 2020 and further extended to 31 December 2020, where more economic sectors were allowed to resume operations with further easing of restrictions.

During the MCO, we obtained several approvals from MITI which allowed us to resume partial operations based on the conditions of the approvals. Please refer to Section 5.5.13 of this Prospectus for further details on our operating environment and conditions of the MITI approvals.

Impact on our production and financial performance

During the MCO, our manufacturing activities were temporarily suspended for 11 days from 18 March 2020 to 28 March 2020. Due to the restrictions imposed by the Government during the MCO, we were unable to deliver our products to our customers for 14 days from 18 March 2020 to 31 March 2020 and the estimated value of our products that we were unable to deliver during this period was RM23.219 million. The incoming orders via purchase orders had reduced substantially during the MCO save for orders from our customers who were operating in the essential services sector. Our revenue from the sales of cables and wires declined by 95.84% from RM37.096 million in March 2020 to RM1.543 million in April 2020. In this respect, we continued to receive call-up orders pursuant to the existing contracts with TNB and TMB. As a manufacturer of cables to our customers, who were operating in the essential sector, we were allowed to operate during the MCO. TNB and TMB are categorised under essential services in the respective Federal Gazettes of Prevention and Control of Infectious Diseases (Measures within Infected Local Areas) Regulations 2020 as companies that are allowed to operate during the MCO.

Upon the resumption of our operations, we continued to take the necessary precautions while working under the various constraints imposed by the authorities during the MCO. Please refer to Section 5.5.13 of this Prospectus for further details on measures and steps taken by our Group. Upon receiving the first approval from MITI on 28 March 2020, we resumed partial operations with a limited number of staff allowed in the factory. This affected the volume of our production output for cables and wires where it declined by 26.65% to 9,014 km in FPE 30 June 2020 as compared to 12,289 km for a 6-month period using the production volume in FYE 31 December 2019 as a basis.

As a result of the reduction in our production output, our delivery schedules were adversely affected during the MCO. In April 2020, we notified our customers in the utility sector pertaining to the constraints resulting from the MCO and they have acknowledged and agreed on the deferment of the delivery schedules. In this respect, we do not expect any liquidated ascertained damages to be imposed on us for the late delivery, if any, of those attributable to the MCO. At the same time, we were unable to deliver our products to our customers due to the lockdown during the MCO.

As a result of the above business interruptions during the MCO between March and April 2020, our financial performance was affected due to delays and/or reduction in our billings. This contributed to a decline in our revenue by 27.35% from RM331.842 million in FPE 30 June 2019 to RM241.086 million in FPE 30 June 2020. Please refer to Section 11.2 of this Prospectus for further details on the management discussion and analysis of our financial conditions and results of operations. The operations and financial performance of our customers may be affected and our customers may cancel their orders or request for a delay in payment. As at the LPD, we have not received any cancellations of orders from our customers. Furthermore, we continued to incur cash outflow from fixed operating expenses such as labour cost, factory overheads, and other administration expenses during the MCO amounting to RM2.497 million in April 2020. Our Group resumed full operations from 29 April 2020 onwards while continuing to adhere to SOP enforced by the authorities.

Impact on our supply chain

Furthermore, the COVID-19 pandemic or other virulent diseases may impact other countries where our suppliers source their materials and any movement control order or lockdown or similar measure implemented in these countries, we may face potential delays in sourcing imported materials. Any shortages in the supply of raw materials may impact on our manufacturing operations and our financial conditions.

For our manufacturing operations, it is our practice to ensure that we have sufficient level of raw materials mainly copper and aluminium based materials to meet our production schedule by buying ahead as these materials are imported. In this respect, this is one of the reasons which contributed to our higher inventory turnover period for the FPE 30 June 2020, as we purchased these main materials during the first quarter of 2020 prior to the MCO. This was planned to meet the initial production schedules. The lower production activities during COVID-19 pandemic and MCO conditions resulted in a lower usage of raw materials. As such we still have sufficient level of raw materials when we resumed our manufacturing operations.

In addition, this also affected our trade payable turnover days which increased from 10 days for the FYE 31 December 2019 to 20 days for the FPE 30 June 2020, which is still within the credit period given by our suppliers.

In addition, any possible future outbreak of viruses may have an adverse effect on our suppliers and may result in a deficit of raw materials and supplies necessary for our Group to carry out our manufacturing operations. If the spread of COVID-19 continues or increases, there is a risk that the Government may implement increased restrictions in movement and economic and social activities in the future. In such an event or if the MCO is reintroduced, we may not be able to complete the orders as scheduled, and we may be liable to pay liquidated ascertained damages. As a result of the foregoing, our business operations and cash flow may be disrupted, and our result of operations and financial performance may be adversely affected.

Impact on our customers

Further to the above, the Group may be adversely affected by the wider macroeconomic effects of the on-going COVID-19 pandemic and possible future outbreaks. While the final effects of the COVID-19 pandemic are difficult to assess at this stage, it is possible that it will have a substantial negative effect on the markets in which we and our customers operate. These effects may also impact the operations of our customers and consequently affect their demand for our products.

Pursuant to the impact of COVID-19 pandemic, our trade receivables turnover period increased from 93 days for FYE 31 December 2019 to 122 days for the FPE 30 June 2020. This was mainly due to slow payments from customers impacted by the COVID-19 pandemic.

Notwithstanding the above, there can be no assurance that the outbreak of COVID-19 pandemic in Malaysia can be effectively controlled, or that there would not be another resurgence of COVID-19 pandemic or other virulent diseases in the future. These adverse events, if materialise and persist for a substantial period of time, will significantly and adversely affect our business operations and financial performance.

Impact of business and earnings prospects

Our business is affected due the impact of COVID-19 pandemic resulting in a temporary suspension subsequently followed by partial operations during the MCO and CMCO periods. According to the Bank Negara Malaysia, the Malaysian economy contracted by 17.1% while the manufacturing sector contracted by 18.3% in the second quarter of 2020 due to the impact of the stringent containment measures to control the COVID-19 pandemic. Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in Malaysia in the long run.

As at LPD, we have an unbilled order book of RM405.429 million which is expected to be recognised between FYE 31 December 2020 and up to the 2022. Please refer to Sections 5.5.13 for further details on the interruptions to business and operations and 11.2.17 of this Prospectus for further details on our order book.

8.1.5 We are dependent on the supply of electricity and gas for our furnaces and any prolonged disruptions in the supply of electricity or gas would affect our production schedules and profitability

We have two (2) electric furnaces dedicated to the production of copper rods and one (1) gas-fired furnace for the production of aluminium rods. In this respect, we are dependent on the supply of electricity and gas to power our furnaces.

The purchase of electricity for our entire business operations including our electric furnaces accounted for RM7.653 million, RM7.053 million, RM8.033 million, RM8.984 million and RM3.943 million of our total purchases of input materials and services for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 respectively. For the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD, we have not encountered any material disruptions in the supply of electricity which affected our manufacturing operations. We have a backup power generator for our copper furnaces. This backup power generator would only be able to maintain the temperature of our copper furnaces but unable to generate adequate electricity for the production of copper rods.

On 31 October 2018, we entered into a Gas Supply Agreement with Gas Malaysia Berhad to supply and deliver an agreed daily quantity of gas for our business operations. This agreement, which is valid until 31 December 2022, would provide regular supply of gas for one (1) of our furnaces. Pursuant to the Gas Supply Agreement, in the event the supply of gas by PETRONAS or other suppliers to Gas Malaysia Berhad is terminated or the licence issued to Gas Malaysia Berhad pursuant to the Gas Supply Act 1993 is revoked, the Gas Supply Agreement will be terminated as this will give rise to an event of default as set out under Section 5.5.12 of this Prospectus. In the event the Gas Supply Agreement is terminated, there would be disruption in the supply of gas by Gas Malaysia Berhad to Southern.

Any disruption in the supply of electricity or gas would affect our production schedules and financial performance including profitability and margins.

8.1.6 We are dependent on the demand and performance of our main user-industries including power distribution and telecommunications sectors and any reduction in demand from these industry sectors will adversely affect our financial performance

Any changes in the power sector including government policies, regulations as well as government spending on electricity coverage will directly impact on the demand for power cables and wires. We are highly dependent on the demand and performance of user on power cables and wires as these products contributed 81.04%, 70.24%, 71.66%, 76.06% and 78.13% of our total revenue for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. One (1) of our top five (5) major customers, namely TNB has contributed RM93.875 million or 19.95%, RM56.109 million or 9.42%, RM103.159 million or 15.10%, RM113.731 million or 17.32% and RM30.028 million or 12.46% of our total revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. Our medium and low voltage power cables and wires are used for distribution of electricity while our low voltage power cables and wires are used in buildings.

Within the telecommunications sector, copper-based communications cables and wires are slowly being replaced by fibre optic cables due to its higher capacity and faster transmission rate. In addition, the continuing decline in demand for copper cables and wires in telecommunications was also partly due to mobile communications. On 28 August 2019, the implementation of the five-year (2019 – 2023) National Fiberisation and Connectivity Plan (NFCP) amounting to an estimated RM21.6 billion, was approved by the Cabinet of Malaysian. The NFCP focuses on rolling out fibre networks together with alternative technologies such as wireless network including use of satellites. (Source: Industry Overview) The implementation of the NFCP will increase the use of fibre optics as well as terrestrial and satellite wireless technologies, all of which will reduce the demand for copper-based communications cables and wires.

We are dependent on the demand from user for communications cables and wires. One (1) of our top five (5) major customers, namely TMB, contributed RM50.351 million or 10.70%, RM50.671 million or 8.51% and RM84.724 million or 12.40% of our total revenue in FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018. The revenue from TMB was lower in FYE 31 December 2019 amounting to RM25.004 million or 3.81% of our total revenue. In FPE 30 June 2020, TMB contributed RM10.357 million or 4.30% of our total revenue. As at the LPD, we have one (1) on-going contract of RM70.034 million with TMB for the supply of communications cables which is valid from October 2018 up to September 2021. We expect lower revenue to be recognised for FYE 31 December 2020 to FYE 31 December 2021 from this contract as compared to FYE 31 December 2016 to FYE 31 December 2018.

Although TNB has contributed more than 10% to our Group's total revenue for FYE 31 December 2016, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, whilst TMB has contributed more than 10% to our Group's total revenue for FYE 31 December 2016 and FYE 31 December 2018, we are not materially dependent on any of the contracts awarded by TNB and TMB.

8.1.7 Any delays, cancellations or reductions in contract value of our secured orders, and/or our inability to secure new contracts or purchase orders that are commercially favourable, would adversely affect our financial performance

As at the LPD, we have subsisting contracts with some of our top five (5) customers for cables and wires including TNB, TMB as well as a contract with a reseller. Generally, the contracts with TNB and TMB are not long term in nature and these contracts are only for a specific duration of one (1) to three (3) years based on issuance of purchase orders for the Group to supply the cables and wires, which is the core activity of Southern. In addition, we have a subsisting contract with TMB for the supply and installation of rectifiers. As at the LPD, we have ten (10) on-going contracts totalling of RM657.569 million. Out of RM657.569 million, contracts for cables and wires accounted for RM585.630 million or 89.06%, contract for aluminium rods accounted for RM66.476 million or 10.11%, while the remaining RM5.463 million or 0.83% was for the supply and installation of rectifiers. Please refer to Section 5.5.15 of this Prospectus for details on major customers.

Our Group's financial performance also depends on our ability to secure new contracts and purchase orders to sustain our business. Any delays or cancellation or reduction in the contract value of our orders secured or failure by the customer to raise any purchase orders, would affect our future financial performance, cash flow position and profitability. As at the LPD, our total unbilled order book was RM405.429 million which is expected to be recognised between financial year ending 2020 and up to 2022. Please refer to Section 11.2.17 of this Prospectus for details on our order book.

8.1.8 We may not be able to effectively execute some of our business strategies and plans

Our business strategies are focused on leveraging from our key strengths and capitalising on our core business in manufacturing cables and wires. This includes the expansion of our production facilities driven by our strategy to expand our range of cables and wires, and our new range of plastic compounds. Please refer to Section 5.8 of this Prospectus for further details on our business strategies.

The future growth of our business is dependent on our ability to implement and carry out our business strategies and plans in a timely manner including timely completion of new production facilities (i.e. new factories in Lot 38, Lot 29 and PT 4845) and timely delivery of machinery and equipment for our cable and wire manufacturing operations. These said new production facilities and new machinery and equipment will cater for our expansion. Hence, there is risk that we may not be able to successfully implement our business strategies and plans in a timely manner nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate all the business and operational risks associated with our strategies. Any failure in executing our business strategy effectively may lead to adverse effects on our future business and expected financial performance.

8.1.9 We are dependent on our Managing Director, Executive Director and key senior management for the continuing success of our Group

The continuing success of our Group's business is dependent, to a significant extent, on the efforts, commitment and abilities of our Managing Director, Executive Director and key senior management who play a significant role in the day-to-day operations as well as formulation and implementation of business strategies. Please refer to Section 5.8 of this Prospectus for further details of our business strategies.

Our Managing Director, Executive Director, and key senior management have been working in our Group for an average of 15 years. The loss of service from any of the above parties without any suitable and timely replacement may adversely affect our future business operations and financial performance.

8.1.10 We may be subject to stop work order or legal proceedings if our workers are injured due to workplace health and safety hazards

Our manufacturing operations are susceptible to certain workplace health and safety hazards. These risks include, but not limited to, exposure to fire, physical and mechanical hazards. We operate in an environment that is associated with high temperatures resulting from our furnaces as well as our casting line that involves molten metals. Therefore, our workers are subject to the risk of accidents and/or personal injuries when they are operating the equipment or carrying out certain manufacturing process.

Our workers also deal with heavy raw materials, semi-finished and finished products. All of these factors give rise to potential health and safety risks to the workplace if proper procedures are not followed or abide by our workers.

Although we generally supervise and monitor closely our workers in the implementation of all safety measures and procedures during the manufacturing process and that all our workers are provided proper training programmes on safety and health since March 2019, we cannot guarantee that our workers will follow our safety measures and/or will not breach any applicable guidelines, laws or regulations.

Any personal injuries, fatal accidents or health and safety issues to the workers of our Group may lead to stop work orders, claims or other legal proceedings against our Group.

For FYE 31 December 2018, our Group made an insurance claim of RM0.025 million for fatal accident to one (1) of our foreign workers and penalties for the sum of RM0.138 million by DOSH for breaches relating to occupational, safety and health as well as machinery handling.

8.1.11 We are subject to the risk of product liability arising from defective products and non-performance of our products

We are exposed to the risk of product liability claims including:-

(i) Warranty in connection with defects or non-conformity of our products

Our Group extends a product warranty period ranging from 12 to 60 months after the delivery or acceptance of our products by the customers ("**warranty period**"). During the product warranty period, if the customers discover any defect or non-conformity in our products resulting from any fault or defective or inadequate or non-conforming design and engineering, workmanship or materials, we are required to replace the products or repair the defects at our own costs. We are required to provide warranty bonds to our customers which are valid from the last delivery date of the products pursuant to the contracts until the end of the warranty period. In this respect, we are subject to claims by the customers against any defect or non-conformity in our products.

Failure to rectify the product defects satisfactorily during the warranty period would increase our operational costs and consequently, this may have an adverse effect on the overall profitability of the Group.

(ii) For warranty in connection with performance of our products

Our Group has rendered performance guarantee for the due execution and proper performance of the projects with our customers. If the functionality and performance of the products purchased by our customers are not in accordance with the provisions of the contracts, our performance guarantee will be called upon.

In such situations, this may impact adversely on our customer relationships and future business opportunities.

Furthermore, the possible consequences for any defect or malfunction in our products include widespread blackouts, or in cases of extreme overheating, fire breakouts that in turn could lead to damage and loss of property, as well as personal injuries or death. If such consequences result from the defects in our products, we could be required to compensate our customers and victims for such losses, damages, personal injuries or death. We may also have to spend a significant amount of resources to defend ourselves in the event where claims or legal proceedings are instituted against us.

8.1.12 We may not have adequate insurance to cover liabilities for claims and litigation

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities.

The total sum insured by the insurance policies procured by our Group amounted to approximately RM499.394 million as at the LPD. These insurance policies mainly cover against risks of fire, flood, burglary on factory, investment property, stock, plant, machineries and other assets as well as machinery breakdown (RM359.217 million). The sum insured also covers other risks such as on public liability, directors and officers liability and group personal accident.

However, this may be insufficient to cover all the risks that are associated with our business operations including product liability. Any losses or damages in excess of our insured limits or in areas for which we are not fully insured, could have an adverse effect on our business, financial conditions and results of operations.

For example, based on the existing contracts entered into with a telecommunications company, our Group is under an obligation to ensure that the products have a life span of up to 15 years and 40 years respectively. Our Group do not have a product liability insurance to protect against claims of personal injury or property damage caused by products sold or supplied. As such, our Group have to bear such costs and expenses in defending any claims or legal proceedings taken against our Group for breach of contract arising from failure to comply with the products life span or defective products.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are subjected to political, economic and regulatory conditions, as well as risk of outbreak of diseases in Malaysia and markets that we served

Any changes and/or developments in political, economic and regulatory conditions as well as outbreak of diseases including the COVID-19 pandemic in Malaysia and markets that we serve, could adversely affect our business and financial prospects. These uncertainties include, but are not limited to, changes in inflation rates, interest rates, civil unrest, terrorism, riots, expropriation, changes in political leadership, and unfavourable changes to the government policies and laws. Similarly, any prolonged and/or wide spread economic slowdown or any outbreak of diseases would affect the business confidence as well as public and/or private expenditure. The COVID-19 pandemic may cause interruptions in our supply chain which may adversely affect our business operations. Any economic slowdown may cause our customers to defer, reduce or terminate contracts/sales orders or reduce the price of our products. In addition, any changes in the fiscal and monetary policies of the Government or the foreign markets that we serve would also impact on our business and financial performance, including profitability and margins. There is no assurance that any adverse political, fiscal or monetary policies, regulatory or economic developments and outbreak of diseases, would not materially affect our financial performance or the industry as a whole.

Pursuant to the announcement from the Government including a freeze and restrictions on recruitment of foreign workers until end of 2020, this will have an impact on the operators of the cable and wire manufacturing industry. As at the LPD, we have 232 foreign employees (out of 629 employees). In the event that we are unable to source foreign workers due to the prolonged COVID-19 pandemic or encounter any shortage of foreign workers, we will substitute with local workers for our manufacturing operations. Nevertheless, any shortage of local or foreign workers will adversely affect our business operations.

8.3 RISKS RELATING TO INVESTING IN OUR SHARES

8.3.1 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

Our Promoters hold in aggregate approximately 38.32% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

8.3.2 There is no prior market for our Shares

There is no public market for our Shares prior to our Listing. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration various factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.3 Our Share Price and trading volume may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as 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 listed Shares.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:-

(i) Variations in our results and operations;

(ii) Success or failure in our management team in implementing business and growth strategies;

(iii) Changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) Changes in conditions affecting the industry, the prevailing local and global economic conditions or stock market sentiments or other events or factors;

(v) Additions or departures of key personnel;

(vi) Fluctuations in stock market prices and volumes; or

(vii) Involvement in litigation.

8.3.4 There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:-

(i) the Sole Underwriter's exercise of their rights under the Underwriting Agreement to discharge themselves of their obligations under such agreements;

(ii) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or

(iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:-

(a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) our Listing is aborted, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:-

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (aa) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or (bb) a solvency statement from the directors.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

9. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding six (6) months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12 month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation/asset or of various parcels of land contiguous to each other.

9.1 RELATED PARTY TRANSACTIONS

(i) Save as disclosed below, our Directors have confirmed that there are no other material related party transactions that we had entered into with related parties in respect of the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD:-

	Transacting Parties	Nature of Transaction	Nature of Relationship	Value for the FYE 31 December				Value for the FPE 30 June 2020 RM'000	Value up to the LPD RM'000
				2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000		
(a)	Southern and Ooi Gaik Bee and Tung Eng Hai	Disposal of a three (3) storey semi-detached house with a swimming pool bearing the postal address No. 41, Lorong PJU 3/12G, Pool Villas, Tropicana Indah, 47410 Petaling Jaya, Selangor Darul Ehsan by Southern to Ooi Gaik Bee and Tung Eng Hai	Tung Eng Hai:- • Promoter, substantial shareholder and Managing Director of Southern Cable. Ooi Gaik Bee:- • Promoter and substantial shareholder of Southern Cable.	-	-	-	5,200[(1)] *(represents 2.95% of our Group's NA)*	-	-

9. RELATED PARTY TRANSACTIONS (CONT'D)

	Transacting Parties	Nature of Transaction	Nature of Relationship	Value for the FYE 31 December 2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Value for the FPE 30 June 2020 RM'000	Value up to the LPD RM'000
(b)	Southern and Ooi Gaik Bee	Rental income payable to Ooi Gaik Bee by Southern in respect of one (1) unit of service apartment bearing the postal address B-35-09, Block B, Tropicana Avenue, No. 10, Jalan Persiaran Tropicana Golf & Country Resort, PJU 3, 47410 Petaling Jaya, Selangor Darul Ehsan used as accommodation for staff(2)	Ooi Gaik Bee:- • Promoter and substantial shareholder of Southern Cable.	32 *(represents 10.06% of our Group's rental expenses)*	42 *(represents 12.35% of our Group's rental expenses)*	42 *(represents 9.23% of our Group's rental expenses)*	42 *(represents 10.50% of our Group's rental expenses)*	21 *(represents 15.79% of our Group's rental expenses)*	28
(c)	Southern and Ooi Gaik Bee	Rental income payable to Ooi Gaik Bee by Southern in respect of a double storey semi-detached house bearing the postal address No. 42-A, Persiaran BLM 9, Bandar Laguna Merbok, 08000 Sungai Petani, Kedah Darul Aman used as accommodation for staff(3)	Ooi Gaik Bee:- • Promoter and substantial shareholder of Southern Cable.	-	11 *(represents 3.24% of our Group's rental expenses)*	42 *(represents 9.23% of our Group's rental expenses)*	12 *(represents 3.00% of our Group's rental expenses)*	6 *(represents 4.51% of our Group's rental expenses)*	8

9. RELATED PARTY TRANSACTIONS (CONT'D)

	Transacting Parties	Nature of Transaction	Nature of Relationship	Value for the FYE 31 December				Value for the FPE 30 June 2020 RM'000	Value up to the LPD RM'000
				2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000		
(d)	Nextol, and Ooi Gaik Bee and Tung XinYie	Disposal of a three (3) storey semi-detached house bearing the postal address 72A, Jalan PJU 3/20F, Tropicana Indah Resort Homes, 47410 Petaling Jaya, Selangor Darul Ehsan by Nextol to Ooi Gaik Bee and Tung XinYie	Ooi Gaik Bee:- • Promoter and substantial shareholder of Southern Cable. Tung XinYie:- • Daughter of Promoter and substantial shareholder of Southern Cable, namely Ooi Gaik Bee. • Daughter of Promoter, substantial shareholder and Managing Director of Southern Cable, namely Tung Eng Hai.	-	-	-	2,300[(4)] *(represents 1.31% of our Group's NA)*	-	-

9. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:-

(1) Total purchase consideration of RM5,200,000 for the disposal of the said property as per Section 13.5(v) of this Prospectus, which was completed on 1 October 2019.

(2) On 29 April 2016, we entered into a tenancy agreement with Ooi Gaik Bee for the rental of a unit of service apartment for two (2) years commencing from 15 April 2016 to 14 April 2018 and the tenancy agreement was renewed on 15 May 2018 for another one (1) year up to 14 May 2019. The tenancy agreement was further renewed on 15 May 2019 for another two (2) years up to 14 May 2021 with monthly rental rate of RM3,500 ("**Tenancy I**"). The tenure of Tenancy I is limited to two (2) years and has no option to renew.

Either party may prematurely terminate the Tenancy I by giving two (2) months' notice in writing to the other party. If our Group terminates the tenancy (other than for breach committed by Ooi Gaik Bee) before the expiry of the Tenancy I, the deposit sum of RM3,500 paid shall be forfeited absolutely by Ooi Gaik Bee. Furthermore, Ooi Gaik Bee shall be entitled to claim for any preceding breach, cost and expenses of repair for any damages done to the service apartment.

(3) On 1 October 2017, we entered into a tenancy agreement with Ooi Gaik Bee for the rental of the double storey semi-detached house for two (2) years commencing from 1 October 2017 to 30 September 2019 with monthly rental rate of RM3,500 ("**Tenancy II**") which was higher than the market rental rate and was therefore not on commercial terms. In view that the Tenancy II was not entered into on an arm's length basis and more favourable to the related party, the tenancy agreement for the Tenancy II was terminated on 31 December 2018. Subsequently on 1 January 2019, we entered into a new tenancy agreement for two (2) years from 1 January 2019 up to 31 December 2021 with monthly rental rate of RM1,000 ("**Tenancy III**"), which is on an arm's length basis. The tenure of Tenancy III is limited to two (2) years and has no option to renew.

Either party may prematurely terminate the Tenancy III by giving two (2) months' notice in writing to the other party. If our Group terminates the tenancy (other than for breach committed by Ooi Gaik Bee) before the expiry of the Tenancy III, the deposit sum of RM1,000 paid shall be forfeited absolutely by Ooi Gaik Bee. Furthermore, Ooi Gaik Bee shall be entitled to claim for any preceding breach, cost and expenses of repair for any damages done to the double storey semi-detached house.

(4) The balance consideration sum was released to Nextol on 30 May 2019 and the transaction has been completed.

9. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) Prior to our IPO, we have undertaken the following one-off related party transactions:-

	Transacting Parties	Nature of Transaction	Nature of relationship	Value transacted with related parties RM'000
(a)	Sino, Semangat, Tan Chin Keat, Chong Heang Sue and Yiam Chorng Yin and Southern Cable	Acquisition of Southern	Tung Eng Hai:- • Promoter, substantial shareholder and Managing Director of Southern Cable; and • Director and substantial shareholder of Sino Wong Meng Kee:- • Promoter, substantial shareholder and Executive Director of Southern Cable; and • Director and substantial shareholder of Sino. Ooi Gaik Bee:- • Promoter and substantial shareholder of Southern Cable; and • Substantial shareholder of Sino.	142,407

9. RELATED PARTY TRANSACTIONS (CONT'D)

	Transacting Parties	Nature of Transaction	Nature of relationship	Value transacted with related parties RM'000
(b)	Tung Siew Luan and Tung Cheng Im and Southern Cable	Acquisition of Nextol	Tung Cheng Im:- • Promoter and substantial shareholder of Southern Cable; • Costing Manager of Southern; • Director of Nextol; • Sister of Promoter of Southern Cable, namely Tung Siew Luan; and • Sister of Promoter, substantial shareholder and Managing Director of Southern Cable, namely Tung Eng Hai. Tung Siew Luan:- • Promoter of Southern Cable; • Director of Nextol and Daya; • Sister of Promoter and substantial shareholder of Southern Cable; Costing Manager of Southern, namely Tung Cheng Im; and • Sister of Promoter, substantial shareholder and Managing Director of Southern Cable, namely Tung Eng Hai.	3,432

9. RELATED PARTY TRANSACTIONS (CONT'D)

	Transacting Parties	Nature of Transaction	Nature of relationship	Value transacted with related parties RM'000
(c)	Tung Siew Luan and Wong Meng Kee and Southern Cable	Acquisition of Daya	Wong Meng Kee:- • Promoter, substantial shareholder and Executive Director of Southern Cable; and • Director of Daya. Tung Siew Luan:- • Promoter of Southern Cable; • Director of Nextol and Daya; • Sister of Promoter and substantial shareholder of Southern Cable; Costing Manager of Southern, namely Tung Cheng Im; and • Sister of Promoter, substantial shareholder and Managing Director of Southern Cable, namely Tung Eng Hai.	1,824

Save as disclosed in Section 9.1(i)(c) of this Prospectus, all the transactions under Sections 9.1(i) and (ii) of this Prospectus were carried out on an arm's length basis. Our Directors are of the opinion that the above transactions were transacted in the best interests of our Group's business. Our Directors have also confirmed that there are no other material related party transactions that we had entered into with related parties but not yet effected up to the date of this Prospectus.

Upon our Listing, our Directors, through our Audit and Risk Management Committee will review the terms of any related party transactions and ensure any related party transactions (including recurrent, if any) are:-

(i) carried out on an arm's length basis;

(ii) not more favourable to the related party than those generally available to third parties dealing at arm's length; and

(iii) not to the detriment of the interest of our Company's minority shareholders.

9. RELATED PARTY TRANSACTIONS (CONT'D)

9.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which our Company and/or any of our Subsidiaries was a party for the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD.

9.3 OUTSTANDING LOANS AND/OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) and/or financial assistance that have been granted by our Company and/or any of our Subsidiaries to or for the benefit of the related parties for the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD.

Our Group will not be providing any such advances (including loans and guarantees of any kind) to or for the benefit of the related parties.

10. CONFLICT OF INTEREST

10.1 CONFLICT OF INTEREST

Save as disclosed below, none of our Directors and/or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group.

Directors and/or substantial shareholders	**Company**	**Position Held**	**Principal Activities/ Remarks**	**Direct and Indirect Equity Interest (%)**
Ooi Gaik Bee	Synergy Cables Sdn Bhd	Director and shareholder	Struck-off[(1)]	Direct: 50.00 Indirect: -

Note:-

(1) Previously involved in the trading of all kinds of cables and wires. The company has submitted an application for striking-off of the company on 20 June 2019. On 7 October 2019, the company has been struck-off.

There is no conflict of interest situation arising from our substantial shareholder's interest in Synergy Cables Sdn Bhd as the company has been struck-off.

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

10.2.1 Principal Adviser, Sponsor, Sole Underwriter and Placement Agent

Malaysian Industrial Development Finance Berhad ("**MIDF**") is the holding company of MIDF Investment. MIDF, MIDF Investment and other subsidiaries of MIDF (collectively referred to as "**MIDF Group**") and its related and associated companies are involved in diversified financial activities. MIDF Group has been engaged, and may in the future be engage, in transactions with and/or perform services for Southern Cable Group and its affiliates, in addition to MIDF Investment's role as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent for the IPO. Further, in the ordinary course of business, any member of the MIDF Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of Southern Cable Group and its affiliates, or any other entity or transactions for its own account or the account of its customer. This is a result of the business of the MIDF Group generally acting independent of each other and accordingly, there may be situations where parts of the MIDF Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, the MIDF Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities, and Chinese wall between different business divisions.

MIDF Investment has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent for our IPO. The Underwriting Agreement, which certain details are set out in Section 3.7 of this Prospectus, was entered into on arm's length basis and on market terms.

10.2.2 Solicitors for the Listing

Azman Davidson & Co has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to the Listing.

10.2.3 External Auditors and Reporting Accountants

Baker Tilly Monteiro Heng PLT has confirmed that there is no existing or potential conflict of interest in its capacity as the External Auditors and Reporting Accountants to our Group in relation to the Listing.

10.2.4 Independent Business and Market Research Consultants

Vital Factor has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants to our Group in relation to the Listing.

10.2.5 Independent Internal Control Consultants

Sterling Business Alignment Consulting Sdn Bhd has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Internal Control Consultants to our Group in relation to the Listing.

11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the FYE 31 December 2016 to 2019 and FPE 30 June 2020 have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the same financial years and financial period under review. In addition, the unaudited combined financial information of our Group for the FPE 30 June 2019 has been prepared for comparison purpose only.

You should read the historical audited combined financial information below together with:-

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.2 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

(a) Historical audited combined statements of comprehensive income of our Group

	<-----------------------Audited----------------------->				Unaudited	Audited
	<-----------------FYE 31 December---------------->				FPE 30 June	FPE 30 June
	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2019 RM'000	2020 RM'000
Revenue	470,656	595,694	683,199	656,687	331,842	241,086
Cost of sales	(429,083)	(543,128)	(617,971)	(589,465)	(294,759)	(217,115)
GP	**41,573**	**52,566**	**65,228**	**67,222**	**37,083**	**23,971**
Other income	3,050	4,262	2,334	3,377	1,697	1,130
Distribution expenses	(9,152)	(11,590)	(12,557)	(10,888)	(5,107)	(3,970)
Administrative expenses	(6,924)	(10,912)	(12,831)	(12,688)	(5,791)	(4,285)
Other expenses	(588)	(1,062)	(320)	(330)	(458)	(3)
Operating profit	27,959	33,264	41,854	46,693	27,424	16,843
Finance costs	(7,773)	(8,212)	(8,722)	(7,369)	(3,776)	(3,405)
PBT	**20,186**	**25,052**	**33,132**	**39,324**	**23,648**	**13,438**
Income tax expense	(6,032)	(6,867)	(6,899)	(10,775)	(6,359)	(4,292)
Profit for the financial year/period, representing total comprehensive income for the financial year/period	**14,154**	**18,185**	**26,233**	**28,549**	**17,289**	**9,146**
Assumed number of Shares in issue[(1)] ('000)	590,652	590,652	590,652	590,652	590,652	590,652
Depreciation and amortisation (RM'000)	7,148	7,459	6,832	6,303	3,089	3,343
Basic and diluted EPS[(2)] (Sen)	2.40	3.08	4.44	4.83	2.93	1.55
GP margin[(3)] (%)	8.83	8.82	9.55	10.24	11.17	9.94
PBT margin[(4)] (%)	4.29	4.21	4.85	5.99	7.13	5.57
PAT margin[(5)] (%)	3.01	3.05	3.84	4.35	5.21	3.79
Effective tax rate[(6)] (%)	29.88	27.41	20.82	27.40	26.89	31.94

11. FINANCIAL INFORMATION (CONT'D)

Notes:-

(1) The number of issued ordinary shares after the Acquisitions and Share Split.

(2) Basic EPS is calculated based on profit for the financial year/period divided by the weighted average number of Shares. No dilution of EPS.

(3) GP margin is calculated based on GP divided by revenue.

(4) PBT margin is calculated based on PBT divided by revenue.

(5) PAT margin is calculated based on PAT divided by revenue.

(6) Effective tax rate is calculated based on income tax expense divided by PBT.

11. FINANCIAL INFORMATION (CONT'D)

(b) Historical audited combined statements of financial position of our Group

	<------------------------------Audited------------------------------>				
	<----------------As at 31 December------------>				As at 30 June
	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
ASSETS					
NON-CURRENT ASSET					
Property, plant and equipment	59,916	56,138	58,019	18,162	16,915
Right-of-use assets	-	-	-	53,275	52,592
Investment properties	6,347	7,117	5,734	536	533
TOTAL NON-CURRENT ASSET	**66,263**	**63,255**	**63,753**	**71,973**	**70,040**
CURRENT ASSETS					
Inventories	84,635	93,164	77,756	62,133	86,825
Current tax assets	67	14	228	97	157
Trade and other receivables	104,041	149,019	155,025	180,303	168,822
Derivative financial assets	3	-	-	-	-
Cash and short term deposits	41,418	48,674	77,989	56,600	78,049
	230,164	290,871	310,998	299,133	333,853
Assets held for sale	-	-	1,214	-	-
TOTAL CURRENT ASSETS	**230,164**	**290,871**	**312,212**	**299,133**	**333,853**
TOTAL ASSETS	**296,427**	**354,126**	**375,965**	**371,106**	**403,893**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Group					
Invested equity	26,900	26,900	26,900	147,663	147,663
Retained earnings	76,139	94,324	120,557	149,290	158,436
Reserves	-	-	-	(120,947)	(120,947)
TOTAL EQUITY	**103,039**	**121,224**	**147,457**	**176,006**	**185,152**
NON-CURRENT LIABILITIES					
Loans and borrowings	16,661	13,770	15,679	18,818	17,018
Lease liabilities	-	-	-	43	20
Deferred tax liabilities	3,343	1,840	1,660	1,793	2,434
TOTAL NON-CURRENT LIABILITIES	**20,004**	**15,610**	**17,339**	**20,654**	**19,472**

11. FINANCIAL INFORMATION (CONT'D)

	<----Audited----				---->
	<----As at 31 December----			---->	As at 30 June
	2016 RM'000	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**
CURRENT LIABILITIES					
Loans and borrowings	129,158	154,197	170,340	135,815	158,265
Lease liabilities	-	-	-	66	85
Provisions	50	11,989	1,079	257	115
Current tax liabilities	2,952	5,258	2,229	2,997	2,857
Trade and other payables	41,224	45,811	37,459	35,227	37,941
Derivative financial liabilities	-	37	62	84	6
TOTAL CURRENT LIABILITIES	**173,384**	**217,292**	**211,169**	**174,446**	**199,269**
TOTAL LIABILITIES	**193,388**	**232,902**	**228,508**	**195,100**	**218,741**
TOTAL EQUITY AND LIABILITIES	**296,427**	**354,126**	**375,965**	**371,106**	**403,893**
Number of issued Shares ('000)[(1)]	590,652	590,652	590,652	590,652	590,652
NA (RM'000)	103,039	121,224	147,457	176,006	185,152
NA per share (RM)	0.17	0.21	0.25	0.30	0.31

Note:-

(1) The number of issued ordinary shares after the Acquisitions and Share Split.

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the Accountants' Report and related notes as set out in Section 12 of this Prospectus.

11.2.1 Overview of Our Business Operations

We are principally a manufacturer of cables and wires that are used for power distribution, communications as well as control and instrumentation applications. We also provide related products and services including, among others, aluminium rods, plastic compounds and wooden cable drums; trading of cables and wires, and copper strips; and supply and installation of rectifiers.

Our key supporting activities for our cable and wire manufacturing operations include furnace and casting operations. We have two (2) electric furnaces and one (1) gas-fired furnace that melt copper and aluminium before casting them into rods to be used as core materials and transmitting medium for our cables and wires. Other supporting activities include the manufacture of plastic compound that are used as insulation and protective layer materials for our cables and wires. We were involved in the manufacturing of wooden cable drums used for packaging, storage and delivery of our manufactured cables and wires for the past four (4) financial years under review up to 29 February 2020, when we decided to relocate Daya Factory. We currently source the wooden cable drums from external parties for our cables and wires manufacturing operations. Please refer to Section 6.1.2 of this Prospectus for further information relating to the relocation of Daya Factory.

Please refer to Section 5 of this Prospectus for further information about our business activities.

11. FINANCIAL INFORMATION (CONT'D)

11.2.2 Overview of Our Financial Results

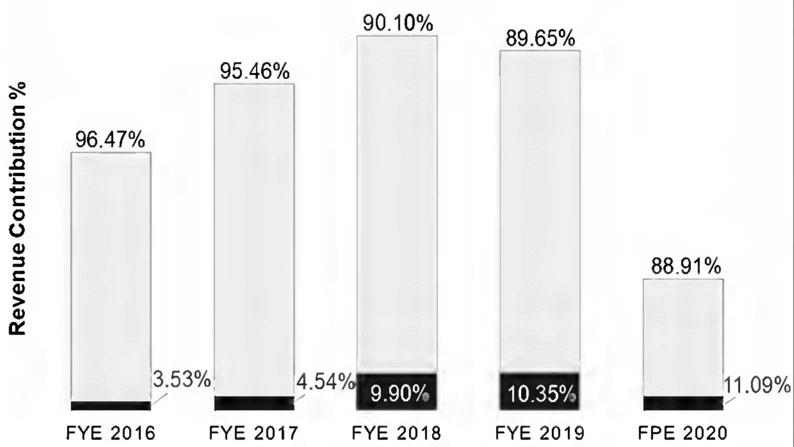
Our main revenue stream is derived from the manufacture of cables and wires that are used for power distribution, communications as well as control and instrumentation applications. Other revenue streams include sales of aluminium rods, plastic compounds and wooden cable drums; trading of cables and wires, and copper strips; and supply and installation of rectifiers.

Revenue from manufactured goods are recognised at the point in time when control of the products has been transferred, being when the customers accepts the delivery of the goods.

For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, products sold by our subsidiaries to customers in Malaysia are transacted in RM and USD, whereas products sold to customers in foreign countries are priced and transacted in various foreign currencies including USD, Singapore and Brunei dollars.

Between FYE 31 December 2016 and 2019, our Group's total revenue increased by a CAGR of 11.74%, from RM470.656 million in FYE 31 December 2016 to RM656.687 million in FYE 31 December 2019.

In FYE 31 December 2019 and FPE 30 June 2020, revenue from the manufacture of cables and wires represented RM588.717 million or 89.65% and RM214.350 million or 88.91% of our Group's revenue respectively. This includes cables and wires used for applications including power distribution, communications as well as control and instrumentation.



	FYE 2016 *RM'000*	FYE 2017 *RM'000*	FYE 2018 *RM'000*	FYE 2019 *RM'000*	FPE 2020 *RM'000*
Manufacturing of cables and wires	454,031	568,635	615,566	588,717	214,350
Related products and services	16,625	27,059	67,633	67,970	26,736
Total revenue	**470,656**	**595,694**	**683,199**	**656,687**	**241,086**

In FYE 31 December 2019 and FPE 30 June 2020, revenue from related products and services accounted for RM67.970 million or 10.35% and RM26.736 million or 11.09% of our Group's revenue respectively. This includes RM55.472 million and RM22.353 million from the sales of aluminium rods, plastic compounds and wooden cable drums for FYE 31 December 2019 and FPE 30 June 2020 respectively. The remaining RM12.498 million and RM4.383 million were from the trading of cables and wires, copper strips and polyamide compounds, as well as supply and installation of rectifiers for FYE 31 December 2019 and FPE 30 June 2020 respectively. Please refer to Section 11.2.3 of this Prospectus for further analysis of revenue by business activities and products.

For the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, our principal market was Malaysia, which accounted for 98.49%, 92.77%, 98.40%, 98.06% and 87.91% of our total revenue respectively.

11. FINANCIAL INFORMATION (CONT'D)

11.2.3 Revenue

The following is a segmental analysis of our financial results for the FYE 31 December 2016 to 2019, as well as FPE 30 June 2019 and FPE 30 June 2020,segmented by business activities and products as follows:-

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Manufacture of cables and wires	**454,031**	**96.47**	**568,635**	**95.46**	**615,566**	**90.10**	**588,717**	**89.65**	**301,547**	**90.87**	**214,350**	**88.91**
Power cables and wires	*381,434*	*81.04*	*418,431*	*70.24*	*489,589*	*71.66*	*499,462*	*76.06*	*252,375*	*76.06*	*188,368*	*78.13*
Communications cables and wires	*61,375*	*13.04*	*54,776*	*9.20*	*80,863*	*11.84*	*30,642*	*4.67*	*18,029*	*5.43*	*11,975*	*4.97*
Control and instrumentation cables and wires	*11,222*	*2.39*	*95,428*	*16.02*	*45,114*	*6.60*	*58,613*	*8.92*	*31,143*	*9.38*	*14,007*	*5.81*
Related products and services	**16,625**(1)	**3.53**	**27,059**(2)	**4.54**	**67,633**(3)	**9.90**	**67,970**(4)	**10.35**	**30,295**(5)	**9.13**	**26,736**(6)	**11.09**
TOTAL GROUP	**470,656**	**100.00**	**595,694**	**100.00**	**683,199**	**100.00**	**656,687**	**100.00**	**331,842**	**100.00**	**241,086**	**100.00**

Notes:-

(1) Include sales of aluminium rods, PVC compounds, wooden cable drums, and copper strips. In addition, this includes trading of cables and wires, cable accessories and batteries, as well as transportation services.

(2) Include sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips, and batteries, as well as supply and installation of rectifiers, and transportation services.

11. FINANCIAL INFORMATION (CONT'D)

(3) Include sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips, batteries and polyamide compounds, as well as supply and installation of rectifiers.

(4) Include sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips and polyamide compounds, as well as supply and installation of rectifiers.

(5) Include sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips and polyamide compounds.

(6) Include sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, and copper strips, as well as supply and installation of rectifiers.

11. FINANCIAL INFORMATION (CONT'D)

(a) FYE 31 December 2017 compared to FYE 31 December 2016

- **Manufacture of cables and wires**

Revenue from the manufacture of cables and wires increased by RM114.604 million or 25.24% to RM568.635 million in FYE 31 December 2017. This was mainly contributed by an increase in the sales of our cables and wires used for power, as well as control and instrumentation applications.

- Revenue from control and instrumentation cables and wires increased by RM84.206 million or 750.37% to RM95.428 million in FYE 31 December 2017. Sales volume of this control and instrumentation cables and wires increased by 137.70%, from 992 km in FYE 31 December 2016 to 2,358 km in FYE 31 December 2017. The increased orders from these customers were based on contracts which were mainly contributed by sales orders from new customers, namely PRPC Utilities and Facilities Sdn Bhd and Tecnicas Reunidas Malaysia Sdn Bhd, as well as additional sales to existing customers such as Petrofac E&C Sdn Bhd, Punj Lloyd Limited, Sinopec Engineering Group (Malaysia) Sdn Bhd, and Wabag-Muhibbah JV Sdn Bhd. The new and additional sales were for the supply of control and instrumentation cables and wires to the PIC incorporating the RAPID and power plant projects in Johor during FYE 31 December 2017.

- Revenue from power cables and wires increased by RM36.997 million or 9.70% to RM418.431 million in FYE 31 December 2017. This was contributed by an increase in our low voltage power cables and wires of RM34.641 million or 12.42% to RM313.601 million in FYE 31 December 2017. The increase was mainly due to sales of premium priced products to new customers, PRPC Utilities and Facilities Sdn Bhd and Technicas Reunidas Malaysia Sdn Bhd, as well as additional sales of these said products to existing customers namely Punj Llyod Limited, Sinopec Engineering Group (Malaysia) Sdn Bhd and Siemens Malaysia Sdn Bhd. These products were premium priced as they were required to comply with special requirements of the oil and gas project where the cables and wires were used in potentially hazardous environment. Some of these requirements include fire resistance and flame retardant, and anti-corrosion to various chemicals. The new and additional sales of low voltage power cables and wires were for the PIC incorporating the RAPID and power plant projects in Johor. Furthermore, the increase in revenue of power cables and wires was also partly contributed by additional sales of low voltage power cables and wires to contractors.

The increase was partially offset by the decrease in revenue from the sales of communications cables and wires by RM6.599 million or 10.75% to RM54.776 million in FYE 31 December 2017. This was mainly due to lower sales from TMB and contractors for our telephone cables which fell by RM6.165 million or 10.24% to RM54.034 million in FYE 31 December 2017. Sales volume of telephone cables decreased by 40.34%, from 34,044 km in FYE 31 December 2016 to 20,309 km in FYE 31 December 2017. The decline in sales of telephone cables was due to our focus on meeting scheduled deliveries for power, control and instrumentation cables and wires for the oil and gas project. As a result, we could not take on any more sales orders for telephone cables during the said period.

- **Related products and services**

Revenue from our related products and services increased by RM10.434 million or 62.76% to RM27.059 million in FYE 31 December 2017, which was mainly contributed by the following:-

- Increase in revenue of RM5.149 million or 437.47% to RM6.326 million for the supply of batteries to Digi Telecommunications Sdn Bhd. This was mainly to fulfill their orders for FYE 31 December 2017. Since then and up to the LPD there were no further orders for batteries from this customer.

- Increase in revenue from trading of cables and wires by RM3.771 million or 74.04% to RM8.864 million. This was mainly attributed to sales orders we received from our new customer, Technicas Reunidas Malaysia Sdn Bhd for control and instrumentation cables and wires, as well as an existing customer, TMB, for communications cables and wires. We sourced these cables and wires from external parties to fulfill part of the sales orders to complement our manufactured products when our production capacity was fully committed to meet scheduled deliveries.

- The increase was also partly contributed by revenue of RM0.933 million from the commencement of new business in supply and installation of rectifiers to TMB in 2017, as well as an increase in revenue of RM0.915 million from sales of PVC compounds to other cable and wire manufacturers.

(b) FYE 31 December 2018 compared to FYE 31 December 2017

- **Manufacture of cables and wires**

Revenue from manufacture of cables and wires increased by RM46.931 million or 8.25% to RM615.566 million in FYE 31 December 2018. This was mainly contributed by an increase in the sales of power and communications cables and wires.

- Revenue from power cables and wires increased by RM71.158 million or 17.01% in FYE 31 December 2018. This was mainly contributed by an increase in revenue of RM37.195 million from sales of medium voltage power cables and wires. The sales volume of medium voltage power cables and wires increased by 50.63%, from 1,025 km in FYE 31 December 2017 to 1,544 km in FYE 31 December 2018. The increase was mainly related to the sales of medium voltage power cables and wires to fulfill additional sales from TNB as well as an increase in demand for medium voltage power cables from Dominco Sdn Bhd, which was ultimately for a power utility operator in Sarawak.

  In addition, the increase in revenue for power cables and wires was due to an increase of RM33.963 million in sales of low voltage power cables and wires in FYE 31 December 2018. The sales volume of low voltage power cables and wires increased by 62.67%, from 61,286 km in FYE 31 December 2017 to 99,691 km in FYE 31 December 2018. This was mainly due to fulfilment in additional sales from TNB as well as an increase in demand of the said power cables and wires from resellers.

An increase in revenue of RM26.087 million or 47.62% from the sales of communications cables and wires. This was mainly attributed to an increase in revenue of RM26.270 million from the sales of telephone cables to TMB and contractors in FYE 31 December 2018. The sales volume of telephone cables increased by 22.00%, from 20,309 km in FYE 31 December 2017 to 24,776 km in FYE 31 December 2018. This was primarily due to fulfilment of additional sales from TMB.

The increase in revenue was partially offset by a decrease in revenue of RM50.314 million or 52.72% to RM45.114 million from control and instrumentation cables in FYE 31 December 2018. The sales volume of this type of cables and wires decreased by 41.90%, from 2,358 km in FYE 31 December 2017 to 1,370 km in FYE 31 December 2018. This was mainly attributed to the tail end of the fulfillment of orders of these said type of cables for the PIC projects incorporating the RAPID and power plant projects in FYE 31 December 2018.

- **Related products and services**

Revenue derived from related products and services increased by RM40.574 million or 149.95% to RM67.633 million in FYE 31 December 2018, mainly contributed by the following:-

- An increase in revenue from the trading of cables and wires of RM22.226 million or 250.74% to RM31.090 million in FYE 31 December 2018. This was mainly attributed to sales orders of power and communications cables and wires from our existing customers, namely TNB and TMB, where we purchased from external cable and wire manufacturers to fulfill part of these orders when our production capacity was fully committed to meet scheduled deliveries between July and September 2018. The surge in sales orders was due to the tax holiday period in 2018. Tax holiday period refers to zero-rated Goods and Services Tax period when the Ministry of Finance, Malaysia announced that all supplies of goods and services, and imports of goods subjected to Goods and Services Tax at 6% becomes 0% effective 1 June 2018 until 31 August 2018. This was prior to the implementation of Sales and Service Tax on 1 September 2018.

- An increase in revenue from sales of aluminium rods of RM20.896 million or 1,240.86%, from RM1.684 million in FYE 31 December 2017 to RM22.580 million in FYE 31 December 2018. These aluminium rods were primarily sold to other cable and wire manufacturers as well as sales to resellers in FYE 31 December 2018.

- An increase in revenue from trading of copper strips of RM2.883 million or 38.90% to RM10.295 million in FYE 31 December 2018. This was mainly to fulfil customers' purchase orders. Copper strips are mainly used for earthing purposes in equipment or lightning protection systems.

The increase was partially offset by a decrease in revenue from the supply of batteries by RM5.720 million or 90.42% in FYE 31 December 2018. This was mainly due to the tail end of the fulfillment of sales orders.

(c) FYE 31 December 2019 compared to FYE 31 December 2018

- **Manufacture of cables and wires**

Revenue from manufacture of cables and wires decreased by RM26.849 million or 4.36% to RM588.717 million in FYE 31 December 2019. This was mainly due to the decrease in the sales of communications cables and wires.

Revenue from communication cables and wires decreased by RM50.221 million or 62.11% in FYE 31 December 2019. This was mainly attributed to the decrease in sales of telephone cables to TMB due to lower demand from this customer.

The decrease was partially offset by the following:-

- Increase in revenue from the sales of control and instrumentation cables and wires by RM13.499 million or 29.92% to RM58.613 million in FYE 31 December 2019. The sales volume from this type of cables and wires increased by 35.62%, from 1,370 km in FYE 31 December 2018 to 1,858 km in FYE 31 December 2019. This was mainly contributed by increases in demand from EPCC contractors for utility as well as oil and gas projects.

- Increase in revenue from the sales of power cables and wires by RM9.873 million or 2.02% to RM499.462 million in FYE 31 December 2019. This was mainly contributed by an increase in revenue of RM4.210 million from sales of low voltage power cables and wires. The sales volume also increased by 16.87%, from 99,691 km in FYE 31 December 2018 to 116,505 km in FYE 31 December 2019. This was primarily due to an increase in demand from a reseller.

  The increase in power cables and wires also contributed by an increase in sales of medium voltage power cables and wires by RM2.498 million in FYE 31 December 2019. Sales volume from medium voltage power cables and wires increased by 21.44% from 1,544 km in FYE 31 December 2018 to 1,875 km in FYE 31 December 2019, mainly due to additional sales from TNB as well as resellers.

  In FYE 31 December 2019, we also recorded a revenue of RM3.164 million from the sales of high voltage power cables, mainly contributed by the sales to an EPCC contractor for utility project.

- **Related products and services**

Revenue derived from related products and services increased by RM0.337 million or 0.50% to RM67.970 million in FYE 31 December 2019. The increase in revenue was mainly contributed by the increase in sales of aluminium rods by RM28.926 million or 128.10% in FYE 31 December 2019, which was primarily due to the increase in sales to a reseller. The increase was partially offset by the decrease in trading of cables and wires by RM26.584 million or 85.51% to RM4.506 million in FYE 31 December 2019.

(d) FPE 30 June 2020 compared to FPE 30 June 2019

- **Manufacture of cables and wires**

Revenue from manufacture of cables and wires decreased by RM87.197 million or 28.92% to RM214.350 million in FPE 30 June 2020. This was mainly due to the decrease in sales of power cables and wires, which decreased by RM64.007 million or 25.36% in FPE 30 June 2020. In addition, sales of control and instrumentation cables decreased by RM17.136 million or 55.02%, while sales of communication cables and wires declined by RM6.054 million or 33.58% in FPE 30 June 2020.

This was mainly due to the drop in sales impacted by the COVID-19 pandemic during the MCO period in April 2020 which hindered our manufacturing operations. Our business operations were temporarily suspended for 11 days and were in partial operations for 31 days during the MCO period. In addition, due to the restrictions imposed during the MCO, we were unable to deliver our products to our customers during phase 1 of MCO. Our revenue from the sales of cables and wires declined by 95.84% from RM37.096 million in March 2020 to RM1.543 million in April 2020. Please refer to Section 5.5.13 of this Prospectus for further details on the interruptions to business and operations pursuant to the COVID-19 pandemic and the MCO conditions.

- **Related products and services**

Revenue derived from related products and services decreased by RM3.559 million or 11.75% to RM26.736 million in FPE 30 June 2020. This was mainly due to the decrease in sales of aluminium rods by RM3.785 million or 15.25% in FPE 30 June 2020, due to lower sales to resellers during the MCO period.

11. FINANCIAL INFORMATION (CONT'D)

11.2.4 Cost of Sales

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Materials for manufacturing operations	382,487	89.14	467,990	86.16	533,770	86.37	530,534	90.00	267,407	90.72	191,963	88.42
Input materials and finished goods for other business operations(1)	6,946	1.62	22,956	4.23	40,830	6.61	11,359	1.93	4,025	1.37	4,148	1.91
Labour cost(2)	16,006	3.73	17,170	3.16	17,222	2.79	18,613	3.16	9,200	3.12	8,256	3.80
Factory overhead and other cost(3)	23,644	5.51	35,012	6.45	26,149	4.23	28,959	4.91	14,127	4.79	12,748	5.87
Total	**429,083**	**100.00**	**543,128**	**100.00**	**617,971**	**100.00**	**589,465**	**100.00**	**294,759**	**100.00**	**217,115**	**100.00**

Notes:-

(1) Other input materials purchased for the other business operations include trading of cables and wires, copper strips as well as supply and installation of rectifiers.

(2) Includes direct and indirect staff costs.

(3) Includes amongst many others, electricity and water cost, depreciation and amortisation, upkeep of machinery and equipment, diesel and lubricant cost, product testing cost, and upkeep of factory for the FYE 31 December 2016 to 2019 as well as FPE 30 June 2019 and FPE 30 June 2020, and provision of liquidated ascertained damages for FYE 31 December 2016 and FYE 31 December 2017.

- **Materials for manufacturing operations**

Materials for manufacturing operations constitute the largest component of our cost of sales. Our main input materials include copper and aluminium based materials that we use for our cable and wire manufacturing operations, which include among others, copper cathodes, copper rods and wires, and aluminium ingots. Cost of sales of copper and aluminium based materials accounted for 63.58%, 64.92%, 71.29%, 74.95%, and 77.31% of our total cost of sales for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. This copper and aluminium based materials are globally traded, as such these said materials are subject to price fluctuations and volatility.

In this respect, we are subject to the risk of any unfavourable fluctuations in the prices of raw materials that we use. Please refer to Section 5.5.4 of this Prospectus for further details on types of copper and aluminium based materials that we purchased. In addition, please refer to Section 8.1.1 of this Prospectus for further details on risk factor relating to fluctuations in prices of copper and aluminium as raw materials.

The increasing trend in our cost of sales of materials between FYE 31 December 2016 and FYE 31 December 2018 is in line with the increase in the revenue from our manufacturing operations as follows:-

- In FYE 31 December 2017, cost of sales of materials for manufacturing operations increased by 22.35%. This was in line with the increase in revenue of 25.24% from our cable and wire manufacturing operations; and

- In FYE 31 December 2018, cost of sales of materials for manufacturing operations increased by 14.06%, mainly contributed by an increase in revenue of 8.25% from our cable and wire manufacturing operations, as well as an increase in sales of aluminium rods to customers. Please refer to Section 11.2.3(b) of this Prospectus for further details on revenue by business activities and products.

In FYE 31 December 2019, cost of sales of materials for manufacturing operations decreased by 0.61%, mainly due to decrease in revenue of 4.36% from our cable and wire manufacturing operations. This also partly attributed to lower average prices of our copper materials, where in FYE 31 December 2019, our average purchase price per tonne of copper materials was 5.75% lower compared to FYE 31 December 2018.

In FPE 30 June 2020, cost of sales of materials for manufacturing operations decreased by 28.21% which was reflected in the decrease of 28.92% in revenue from our cable and wire manufacturing operations. Please refer to Section 11.2.3(d) of this Prospectus for further details on revenue by business activities and products.

Cost of sales of other materials for manufacturing operations including plastic based materials such as PVC resins for the manufacture of PVC compounds, XLPE compounds, PE based compounds and additives. These compounds and additives are mainly used as input materials for insulation, bedding and sheathing for our cable and wire manufacturing operations. Cost of sales of plastic based materials accounted for 13.98%, 11.72%, 9.41%, 9.99% and 10.35% of our total cost of sales for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively.

- **Input materials and finished goods for other business operations**

  Cost of sales of input materials for other business operations mainly consist of (i) cables and wires that we purchase from external parties when our production was fully committed to meet scheduled deliveries as mentioned earlier; (ii) copper strips as a complementary product; and (iii) batteries for a mobile communication company in Malaysia. The cost of sales of input materials and finished goods increased by 230.49% and 77.86% in FYE 31 December 2017 and FYE 31 December 2018 respectively. This was mainly attributed to the supply of batteries to a mobile communication company in Malaysia in FYE 31 December 2017, and the purchase of finished goods for the trading of copper strips, cables and wires in FYE 31 December 2017 and FYE 31 December 2018. In FYE 31 December 2019, the cost of sales of input materials and finished goods for other business operations decreased by 72.18%, mainly due to the decrease in purchase of finished goods for trading of cables and wires. In FPE 30 June 2020, the cost of sales of input materials and finished goods for other business operations increased by 3.06%, mainly attributed to the purchase of rectifiers.

- **Labour cost**

  Labour costs include direct and indirect staff cost for our factory operations. Direct and indirect staff cost include salaries, bonuses and allowances, and staff related contributions. Labour cost increased by 7.27%, 0.30%,and 8.08% in FYE 31 December 2017, FYE 31 December 2018 and FYE 31 December 2019 respectively. The increase in FYE 31 December 2017 was mainly attributed to an increase in the number of factory workers from 476 personnel as at 31 December 2016 to 503 personnel in as at 31 December 2017. In FPE 30 June 2020, our labour cost decreased by 10.26%, mainly due to a decrease in allowance and overtime as a result of a lower activity impacted by the COVID-19 and the MCO conditions. In addition, we received a subsidy amounting to RM0.360 million under the wage subsidy programme, Prihatin Rakyat Economic Stimulus Package (PRIHATIN).

- **Factory overhead and other costs**

  Factory overhead and other costs includes amongst many others, electricity and water cost, depreciation and amortisation, upkeep of machinery and equipment, diesel and lubricant costs, product testing cost, and upkeep of factory for the past four (4) financial years under review and FPE 30 June 2020, and provision of liquidated ascertained damages for FYE 31 December 2016 and FYE 31 December 2017. Our factory overhead and other costs increased by 48.08% in FYE 31 December 2017, and subsequently decreased by 25.31% in FYE 31 December 2018. This was mainly attributed to a total net provision of liquidated ascertained damages of RM12.527 million in FYE 31 December 2017. Please refer to Section 8.1.2 of this Prospectus for further details on risk factors relating to claims arising from liquidated ascertained damages. In FYE 31 December 2019, our factory overhead and other costs increased by 10.75%, mainly attributed to the increase in workers' welfare, electricity and water cost as well as product testing cost. In FPE 30 June 2020, our factory overhead and other costs decreased by 9.76%, including the decrease in utilities cost as our business operations were in temporary suspension and thereafter in partial operations pursuant to the COVID-19 and the MCO conditions.

11.2.5 Our GP Performance

GP and GP Margin Segmented by Business Activities and Products

The following table represents the breakdown of our total GP segmented by business activities and products:-

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	GP RM'000	%	GP RM'000	%	GP RM'000	%	GP RM'000	%	GP RM'000	%	GP RM'000	%
GP												
Manufacture of cables and wires	**41,706**	**100.32**	**51,768**	**98.48**	**62,609**	**95.99**	**64,492**	**95.94**	**35,562**	**95.90**	**22,579**	**94.19**
Power cables and wires	*30,859*	*74.23*	*34,725*	*66.06*	*43,204*	*66.24*	*49,702*	*73.94*	*27,360*	*73.78*	*18,923*	*78.94*
Communications cables and wires	*9,103*	*21.90*	*7,500*	*14.27*	*12,412*	*19.03*	*4,882*	*7.26*	*2,780*	*7.50*	*1,885*	*7.86*
Control and instrumentation cables and wires	*1,744*	*4.19*	*9,543*	*18.15*	*6,993*	*10.72*	*9,908*	*14.74*	*5,422*	*14.62*	*1,771*	*7.39*
Related products and services	**(133)[(1)]**	**(0.32)**	**798[(2)]**	**1.52**	**2,619[(3)]**	**4.01**	**2,730[(4)]**	**4.06**	**1,521[(5)]**	**4.10**	**1,392[(6)]**	**5.81**
Group GP	**41,573**	**100.00**	**52,566**	**100.00**	**65,228**	**100.00**	**67,222**	**100.00**	**37,083**	**100.00**	**23,971**	**100.00**
GP Margin		**%**		**%**		**%**		**%**		**%**		**%**
Manufacture of cables and wires		**9.19**		**9.10**		**10.17**		**10.95**		**11.79**		**10.53**
Power cables and wires		*8.09*		*8.30*		*8.82*		*9.95*		*10.84*		*10.05*
Communications cables and wires		*14.83*		*13.69*		*15.35*		*15.93*		*15.42*		*15.74*
Control and instrumentation cables and wires		*15.54*		*10.00*		*15.50*		*16.90*		*17.41*		*12.64*
Related products and services		**(0.80)**		**2.95**		**3.87**		**4.02**		**5.02**		**5.21**
Overall GP Margin		**8.83**		**8.82**		**9.55**		**10.24**		**11.17**		**9.94**

11. FINANCIAL INFORMATION (CONT'D)

Notes:-

(1) Includes GP from the sales of aluminium rods, PVC compounds, wooden cable drums, and copper strips. In addition, this includes trading of cables and wires, cable accessories and batteries, as well as transportation services.

(2) Includes GP from the sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips, and batteries, as well as supply and installation of rectifiers, and transportation services.

(3) Includes GP from the sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips, batteries and polyamide compounds, as well as supply and installation of rectifiers.

(4) Includes GP from the sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips and polyamide compounds, as well as supply and installation of rectifiers.

(5) Includes GP from the sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, copper strips and polyamide compounds.

(6) Includes GP from the sales of aluminium rods, PVC compounds and wooden cable drums. In addition, this includes trading of cables and wires, and copper strips, as well as supply and installation of rectifiers.

(a) FYE 31 December 2017 compared to FYE 31 December 2016

- **Manufacture of Cables and Wires**

GP of the manufacture of cables and wires increased by RM10.062 million or 24.13% to RM51.768 million in FYE 31 December 2017, which was mainly contributed by our power cables and wires, as well as control and instrumentation cables and wires. Our GP margin decreased from 9.19% in FYE 31 December 2016 to 9.10% in FYE 31 December 2017, which was mainly attributed to a decrease in GP margin from our control and instrumentation cables.

Control and instrumentation cables and wires

- GP from the manufacture of control and instrumentation cables and wires increased by RM7.799 million or 447.19% to RM9.543 million in FYE 31 December 2017. This was mainly attributed to an increase in sales of this type of cables and wires to PRPC Utilities and Facilities Sdn Bhd, as well as EPCC contractors including Petrofac E&C Sdn Bhd, Punj Lloyd Limited, Tecnicas Reunidas Malaysia Sdn Bhd, Sinopec Engineering Group (Malaysia) Sdn Bhd, and Wabag-Muhibbah JV Sdn Bhd for the PIC projects including RAPID and power plant projects during FYE 31 December 2017. Revenue from this product segment increased by 750.37% in FYE 31 December 2017.

  GP margin from the manufacture of control and instrumentation cables and wires decreased from 15.54% in FYE 31 December 2016 to 10.00% in FYE 31 December 2017. This was mainly due to a total net provision of liquidated ascertained damages of RM12.527 million in FYE 31 December 2017. Out of the RM12.527 million, RM9.552 million was for the late delivery of our cables and wires to customers, mainly due to our Group's difficulty in fulfilling conflicting scheduled deliveries while our production was already running at optimum capacity. The remaining liquidated ascertained damages of RM2.975 million in FYE 31 December 2017 was pertaining to a dispute with a customer on the quality of our products. These same cables and wires had undergone factory acceptance testing which was accepted by the customer. The dispute was subsequently resolved when we replaced the cables and wires by purchasing cables and wires from an external party in Korea.

Power cables and wires

- GP from the manufacture of power cables and wires increased by RM3.866 million or 12.53% in FYE 31 December 2017. This was mainly attributed to an increase in GP of RM3.973 million or 20.50% from our low voltage power cables and wires for FYE 31 December 2017. This was in line with our revenue growth of 12.42% from the sales of low voltage power cables and wires in FYE 31 December 2017. This GP increase was mainly attributed to sales to EPCC contractors including PRPC Utilities and Facilities Sdn Bhd, Technicas Reunidas Malaysia Sdn Bhd, Punj Llyod Limited, Sinopec Engineering Group (Malaysia) Sdn Bhd and Siemens Malaysia Sdn Bhd for the PIC incorporating the RAPID and power plant projects, as well as other contractors.

  GP margin from the manufacture of power cables and wires improved from 8.09% in FYE 31 December 2016 to 8.30% in FYE 31 December 2017. This was mainly due to the improvement in GP margin from our low voltage power cables, from 6.95% in FYE 31 December 2016 to 7.45% in FYE 31 December 2017. This was due to an increase in the average selling price of low voltage power cables and wires, contributed by the sales of premium priced products to oil and gas projects.

Communications cables and wires

- GP from communications cables and wires decreased by RM1.603 million or 17.61% in FYE 31 December 2017. This was mainly attributed to a decrease in GP of RM1.543 million or 17.26% from the sales of telephone cables and wires, where revenue of this said cables and wires decreased by 10.24% in FYE 31 December 2017.

  GP margin decreased from 14.83% in FYE 31 December 2016 to 13.69% in FYE 31 December 2017. This was mainly due to decrease in GP margin from telephone cables from 14.85% in FYE 31 December 2016 to 13.69% in FYE 31 December 2017. This was contributed by a provision of liquidated ascertained damages of RM0.127 million in FYE 31 December 2017 due to late delivery to a telecommunications company in Malaysia.

- **Related products and services**

GP from related products and services improved from a gross loss of RM0.133 million to a GP of RM0.798 million in FYE 31 December 2017. GP margin from this segment improved from a gross loss margin of 0.80% in FYE 31 December 2016 to a GP margin of 2.95% in FYE 31 December 2017.

In FYE 31 December 2016, the gross loss was mainly due to unfavourable purchases of cables and wires with 14.82% higher than our selling price coupled with a depreciation in foreign exchange transaction in RM relative to USD by 3.49%. In this respect, this contributed to the gross loss incurred in FYE 31 December 2016. This was a one-off case where we purchased the cables and wires based on a customer's request for them to carry out the installation onsite in Korea.

In FYE 31 December 2017, the improvement in GP and GP margin was mainly contributed by the trading of cables and wires, and partly contributed by the GP from the commencement of supply and installation of rectifiers and supply of batteries.

(b) FYE 31 December 2018 compared to FYE 31 December 2017

Our total GP increased by RM12.662 million or 24.09% to RM65.228 million in FYE 31 December 2018. While GP margin improved from 8.82% in FYE 31 December 2017 to 9.55% in FYE 31 December 2018. The improvement was mainly attributed to the growth of our cable and wire manufacturing operations.

- **Manufacture of Cables and Wires**

Power cables and wires

- GP from power cables and wires increased by RM8.479 million or 24.42% to RM43.204 million in FYE 31 December 2018. This was mainly attributed to an increase in GP of medium voltage power cables and wires with a growth of RM4.890 million or 42.99% to RM16.266 million in FYE 31 December 2018. The increase in the sales of these said cables and wires were to TNB as well as to Dominco Sdn Bhd that ultimately supplies to a power utility operator in Sarawak.

  In addition, the increase in GP of RM3.589 million or 15.37% to RM26.938 million was partly contributed by low voltage power cables and wires to TNB and resellers in FYE 31 December 2018.

  GP margin from power cables and wires improved from 8.30% in FYE 31 December 2017 to 8.82% in FYE 31 December 2018. The improvement in GP margin was due to economies of scale resulting from the increase in sales volume without corresponding increase in labour and factory overhead costs, thus we were able to achieve a lower cost per km for our power cables and wires. The increase in the volume of sales for power cables and wires was from 62,312 km in FYE 31 December 2017 to 101,234 km in FYE 31 December 2018.

Communications cables and wires

- GP from communications cables and wires increased by RM4.912 million or 65.49% to RM12.412 million in FYE 31 December 2018. This was mainly contributed by an improvement in GP of RM4.938 million from the sales of telephone cables and wires to TMB as well as contractors in FYE 31 December 2018.

  GP margin of communications cables and wires increased from 13.69% in FYE 31 December 2017 to 15.35% in FYE 31 December 2018 due to an increase in the average selling prices of telephone cables. This was mainly resulted from an upward adjustment in the agreed pricing upon confirmed purchase orders by factoring in the increase in the price of raw materials such as prices of copper.

Control and instrumentation cables and wires

- The improvement in GP from our cable and wire manufacturing operations was partially offset by a decrease in GP from our control and instrumentation cables by RM2.550 million or 26.72% to RM6.993 million in FYE 31 December 2018. This was reflected in a decrease in our revenue of 52.72% for this type of cables and wires in FYE 31 December 2018. This was due to the tail end in the fulfillment of orders for these types of cables to customers for the PIC projects including RAPID and power plant projects.

  GP margin from the control and instrumentation cables and wires improved from 10.00% in FYE 31 December 2017 to 15.50% in FYE 31 December 2018. This was mainly attributed to a reversal of RM2.812 million from the previous provision of liquidated ascertained damage for the late delivery of our cables and wires to a customer for the RAPID project.

  However, the improvement in GP margin for these types of cables and wires was partially offset by provision of liquidated ascertained damages of RM0.848 million from an EPCC contractor. This was for the late delivery of instrumentation cables for the RAPID project site. Please refer to Section 8.1.2 of this Prospectus for further details on the liquidated ascertained damages.

- **Related products and services**

GP from related products and services increased by RM1.821 million or 228.20% to RM2.619 million in FYE 31 December 2018. GP margin improved from 2.95% in FYE 31 December 2017 to 3.87% in FYE 31 December 2018. This was mainly contributed by the following:-

- GP from trading of cables and wires increased by RM0.985 million or 975.25% to RM1.086 million in FYE 31 December 2018. This was a reflection of our revenue growth of 250.74% for the trading of cables and wires in FYE 31 December 2018. The surge in sales orders for the trading of cables and wires was due to the tax holiday period in 2018 as mentioned earlier. GP margin from trading of cables and wires improved from 1.14% in FYE 31 December 2017 to 3.49% in FYE 31 December 2018.

- GP from sales of aluminium rods increased by RM0.522 million or 1,213.95% to RM0.565 million in FYE 31 December 2018. This was in line with our revenue growth of 1,240.86% for the sales of aluminium rods in FYE 31 December 2018. GP margin decreased slightly from 2.55% in FYE 31 December 2017 to 2.50% in FYE 31 December 2018. This was mainly attributed to a lower average selling price for this said product.

(c) FYE 31 December 2019 compared to FYE 31 December 2018

- **Manufacture of Cables and Wires**

GP from the manufacture of cables and wires increased by RM1.883 million or 3.01% to RM64.492 million in FYE 31 December 2019, while GP margin improved from 10.17% in FYE 31 December 2018 to 10.95% in FYE 31 December 2019. The improvement was mainly contributed by the power cables and wires, as well as control and instrumentation cables and wires.

Power cables and wires

- GP from power cables and wires increased by RM6.498 million or 15.04% to RM49.702 million in FYE 31 December 2019. This was mainly attributed to an increase in GP of low voltage power cables and wires by RM5.199 million or 19.30% to RM32.137 million in FYE 31 December 2019, mainly contributed by the sales of this type of cables and wires to a reseller.

  GP margin from the manufacture of power cables and wires improved from 8.82% in FYE 31 December 2018 to 9.95% in FYE 31 December 2019. The improvement in GP margin was mainly attributed to lower copper prices contributing to lower average material cost per km in FYE 31 December 2019. In FYE 31 December 2019, the average purchase price per tonne of copper materials was 5.75% lower compared to FYE 31 December 2018.

Control and instrumentation cables and wires

- GP from control and instrumentation cables and wires increased by RM2.915 million or 41.68% to RM9.908 million in FYE 31 December 2019. This was reflected in our revenue growth of 29.92% from these types of cables and wires mainly from sales to EPCC contractors for utility as well as oil and gas projects.

GP margin from the manufacture of control and instrumentation cables and wires improved from 15.50% in FYE 31 December 2018 to 16.90% in FYE 31 December 2019. Similarly, the improvement was also attributed to lower copper prices contributing to lower material cost per km as mentioned earlier.

Communications cables and wires

- The increase in GP from the manufacture of cables and wires was partially offset by a decrease in GP from the manufacture of communications cables and wires of RM7.530 million or 60.67% in FYE 31 December 2019. This was also reflected in a decrease in sales of telephone cables and wires due to a lower demand from TMB, where revenue of communications cables and wires decreased by 62.11% in FYE 31 December 2019. GP margin from the manufacture of communications cables and wires improved from 15.35% in FYE 31 December 2018 to 15.93% in FYE 31 December 2019, mainly contributed by the higher margin telephone cables and wires sold to resellers.

- **Related products and services**

GP from related products and services increased by RM0.111 million or 4.24% to RM2.730 million in FYE 31 December 2019. GP margin improved from 3.87% in FYE 31 December 2018 to 4.02% in FYE 31 December 2019. This was mainly contributed by the following:-

- GP from sales of aluminium rods increased by RM0.723 million or 127.96% to RM1.288 million in FYE 31 December 2019, which was in line with our revenue growth of 128.10% for the sales of aluminium rods in FYE 31 December 2019. GP margin from sales of aluminium rods was 2.50% in FYE 31 December 2018 and FYE 31 December 2019.

- GP from supply and installation of rectifiers increased by RM0.470 million or 164.34% to RM0.756 million in FYE 31 December 2019. The supply and installation of rectifiers command high GP margin and this contributed to the improvement in GP margin of related products and services.

(d) FPE 30 June 2020 compared to FPE 30 June 2019

- **Manufacture of Cables and Wires**

GP from the manufacture of cables and wires declined by RM12.983 million or 36.51% to RM22.579 million in FPE 30 June 2020. The decrease in GP was reflected in the decrease of 28.92% in our revenue from manufacture of cables and wires in FPE 30 June 2020. This was mainly due to the slowdown in sales during the MCO period.

Our GP margin declined from 11.79% in FPE 30 June 2019 to 10.53% in FPE 30 June 2020. This was mainly due to the impact of COVID-19 and the MCO where we generated minimal revenue during these periods but continued to incur certain fixed costs such as staff cost and factory overhead cost including electricity which impacted our GP margin.

- **Related products and services**

GP from related products and services decreased by RM0.129 million or 8.48% to RM1.392 million in FPE 30 June 2020. This was mainly due to the decrease in GP of RM0.191 million or 15.39% from the sales of aluminium rods, which was also reflected in the decrease in revenue of 15.25% from this product. The increase in GP was partially offset by the GP of RM0.109 million from the supply and installation of rectifiers. The supply and installation of rectifiers command high GP margin and this contributed to the improvement in GP margin of related products and services.

11. FINANCIAL INFORMATION (CONT'D)

11.2.6 Other Income

The table below provides a breakdown of our other income:-

	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Other income	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income	1,121	36.75	1,097	25.74	1,573	67.40	1,564	46.31	332	19.56	365	32.30
Gains on foreign currency exchange	862	28.26	1,987	46.62	484	20.74	-	-	52	3.07	512	45.31
Others[(1)]	1,067	34.99	1,178	27.64	277	11.86	1,813	53.69	1,313	77.37	253	22.39
Total	**3,050**	**100.00**	**4,262**	**100.00**	**2,334**	**100.00**	**3,377**	**100.00**	**1,697**	**100.00**	**1,130**	**100.00**

Note:-

(1) Comprises sundry income and scrap sales for past four (4) financial years under review, FPE 30 June 2019 and FPE 30 June 2020, rental income for FYE 31 December 2016 to FYE 31 December 2018, recovery of bad debts for FYE 31 December 2016 and FPE 30 June 2020, gains on disposal of property, plant and equipment for FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, gains on disposal of assets held for sale for FYE 31 December 2019 and FPE 30 June 2019, gains on disposal of investment property for FYE 31 December 2019 and fair value gain on derivative financial instruments for FPE 30 June 2020.

11. FINANCIAL INFORMATION (CONT'D)

(a) FYE 31 December 2017 compared to FYE 31 December 2016

Other income increased by 39.74% or RM1.212 million in FYE 31 December 2017, primarily contributed by an increase in net realised gains on foreign currency exchange of RM1.125 million.

(b) FYE 31 December 2018 compared to FYE 31 December 2017

Other income decreased by 45.24% or RM1.928 million in FYE 31 December 2018, mainly due to a decrease in net gains on realised and unrealised foreign currency exchange of RM1.503 million, and a decrease in sundry and rental income.

(c) FYE 31 December 2019 compared to FYE 31 December 2018

Other income increased by 44.69% or RM1.043 million in FYE 31 December 2019, mainly due to the gain on disposal of a three (3) storey semi-detached house in Petaling Jaya, Selangor of RM0.987 million. The increase was also attributed by the increase in sundry income of RM0.460 million, which was contributed from the one-off expediting income for the delivery of cables and wires to meet the customer's urgent order.

(d) FPE 30 June 2020 compared to FPE 30 June 2019

Other income decreased by 33.41% or RM0.567 million in FPE 30 June 2020, mainly due to the one-off gain on disposal of a three (3) storey semi-detached house in Petaling Jaya, Selangor in FPE 30 June 2019 as mentioned above. The decrease was partially offset by an increase of RM0.460 million on the gains on foreign currency exchange.

11. FINANCIAL INFORMATION (CONT'D)

11.2.7 Operating Expenses

The table below provides a breakdown of our operating expenses:-

Operating expenses	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative[(1)]	6,924	41.55	10,912	46.31	12,831	49.91	12,688	53.07	5,791	51.00	4,285	51.89
Selling and distribution[(2)]	9,152	54.92	11,590	49.19	12,557	48.84	10,888	45.55	5,107	44.97	3,970	48.07
Other expenses[(3)]	588	3.53	1,062	4.50	320	1.25	330	1.38	458	4.03	3	0.04
Total	**16,664**	**100.00**	**23,564**	**100.00**	**25,708**	**100.00**	**23,906**	**100.00**	**11,356**	**100.00**	**8,258**	**100.00**

Notes:-

(1) Includes, among others, staff related costs including salaries and wages, bonuses, employee contributions, and other related expenses; directors' remunerations; consultancy fees; depreciation of property, plant and equipment; office related expenses as well as expenses relating to the IPO exercise.

(2) Includes, among others, transportation and forwarding charges, sales and marketing expenses such as commission, advertisement and exhibition expenses, travelling and accommodations, and related expenses.

(3) Includes unrealised losses on foreign currency exchange for FYE 31 December 2016 and FYE 31 December 2017 and FPE 30 June 2019, penalties in relation to underpayment of estimated tax for FYE 31 December 2016, FYE 31 December 2017 and FYE 31 December 2018, and a penalty payment relating to QSHE for FYE 31 December 2018, late submission fees in relation to CF/CCC of Southern Factory for FYE 31 December 2019 and FPE 30 June 2019.

11. FINANCIAL INFORMATION (CONT'D)

(a) FYE 31 December 2017 compared to FYE 31 December 2016

Our operating expenses increased by 41.41% or RM6.900 million to RM23.564 million in FYE 31 December 2017. This was mainly due to an increase in administrative expenses by 57.60% or RM3.988 million, contributed by an increase in directors' remunerations of RM2.548 million as well as increase in consultancy fees of RM0.877 million including legal and human resource consultancy fees, as well as commodity advisory service fees.

The increase was also partly contributed by an increase of RM2.438 million on our selling and distribution expenses in FYE 31 December 2017. This mainly comprises an increase in commission of RM1.043 million mainly payment to a director, an increase of RM0.881 million from transportation and forwarding charges, as well as an increase of RM0.238 million from staff related costs.

(b) FYE 31 December 2018 compared to FYE 31 December 2017

Our operating expenses increased by 9.10% or RM2.144 million to RM25.708 million in FYE 31 December 2018. This was mainly due to an increase in administrative expenses of RM1.919 million including:-

- Increase in consultancy fees of RM0.762 million including legal and human resource consultancy fees, as well as commodity advisory service fees;
- Increase in director's remuneration of RM0.703 million; and
- An impairment loss on trade receivables of RM0.316 million attributed to a customer which has been overdue since FYE 31 December 2015.

The increase in operating expenses was also partly contributed by an increase of RM0.967 million on our selling and distribution expenses in FYE 31 December 2018. This was mainly pertaining to an increase of RM0.463 million in transportation and forwarding charges as well as an increase of RM0.306 million in sales and marketing staff costs.

(c) FYE 31 December 2019 compared to FYE 31 December 2018

Our operating expenses decreased by 7.01% or RM1.802 million to RM23.906 million in FYE 31 December 2019. This was mainly due to a decrease of RM1.669 million in selling and distribution expenses mainly attributable to commission payment. The decrease was partially offset by an increase of RM0.868 million in sales and marketing staff costs.

(d) FPE 30 June 2020 compared to FPE 30 June 2019

Our operating expenses decreased by 27.28% or RM3.098 million in FPE 30 June 2020. This was mainly due to a decrease of RM1.506 million in administrative expenses including decrease of RM0.747 million in expenses relating to the IPO exercise as well as decrease in depreciation of property, plant and equipment of RM0.254 million. The decrease was also partly due to the decrease of RM1.137 million in our selling and distribution expense in FPE 30 June 2020, mainly attributable to the decrease of RM0.549 million in transportation and forwarding charges.

11. FINANCIAL INFORMATION (CONT'D)

11.2.8 Finance Cost

The table below provides a breakdown of our finance cost:-

Finance cost	FYE 2016		FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:-												
Bankers' acceptance	5,715	73.52	6,468	78.76	6,950	79.68	6,063	82.28	3,118	82.57	2,764	81.17
Term loans	689	8.86	608	7.40	578	6.63	500	6.79	287	7.60	260	7.64
Finance lease liabilities	600	7.72	609	7.42	515	5.90	578	7.84	293	7.76	308	9.05
Bank overdrafts	51	0.66	69	0.84	26	0.30	29	0.39	13	0.35	12	0.35
Lease liabilities	-	-	-	-	-	-	20	0.27	1	0.03	2	0.06
Others[(1)]	718	9.24	458	5.58	653	7.49	179	2.43	64	1.69	59	1.73
Total	**7,773**	**100.00**	**8,212**	**100.00**	**8,722**	**100.00**	**7,369**	**100.00**	**3,776**	**100.00**	**3,405**	**100.00**

Note:-

(1) Includes charges for bank guarantees.

Our finance cost consists primarily of interest charged on bank and trade facilities granted by banking and financial institutions, such as bankers' acceptance, term loans, finance lease liabilities, and bank overdrafts. Our finance cost for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 amounted to 1.65%, 1.38%, 1.28%, 1.12% and 1.41% of our Group's total revenue respectively.

Our interest coverage ratio improved from 3.60 times in FYE 31 December 2016 to 4.05 times in FYE 31 December 2017, continued improve to 4.80 times in FYE 31 December 2018 and 6.34 times in FYE 31 December 2019. This was mainly due to improvement in earnings contributed by the growth in our business operations. This indicates that we are able to service our interest payment obligations. Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the bank borrowings for the FYE 31 December 2016 to 2019 and FPE 30 June 2020, and up to the LPD. Our interest coverage ratio declined to 4.95 times in FPE 30 June 2020, mainly due to the decrease in earnings as a result of slowdown in sales impacted by the COVID-19 pandemic and MCO conditions.

(a) FYE 31 December 2017 compared to FYE 31 December 2016

Our finance cost increased by 5.65% or RM0.439 million to RM8.212 million in FYE 31 December 2017. This was mainly attributed to the interest expense on bankers' acceptance which increased by RM0.753 million or 13.18% to RM6.468 million in FYE 31 December 2017. These bankers' acceptance was mainly used to pay our suppliers for the purchases of input materials. As at 31 December 2017, our bankers' acceptance was RM148.428 million, which was higher compared to RM123.639 million as at 31 December 2016.

The increase was partially offset by a decrease in other finance costs by RM0.260 million or 36.21% in FYE 31 December 2017, mainly comprised charges for bank guarantees.

(b) FYE 31 December 2018 compared to FYE 31 December 2017

Our finance cost increased by 6.21% or RM0.510 million to RM8.722 million in FYE 31 December 2018, which was mainly attributed to an increase in interest expense of RM0.482 million on bankers' acceptance. As at 31 December 2018, our bankers' acceptance was RM164.283 million, which was higher compared to RM148.428 million as at 31 December 2017.

(c) FYE 31 December 2019 compared to FYE 31 December 2018

Our finance cost decreased by 15.51% or RM1.353 million to RM7.369 million in FYE 31 December 2019, which was mainly due to the decrease in interest expense of RM0.887 million on bankers' acceptance. As at FYE 31 December 2019, our bankers' acceptance was RM129.961 million, which was lower as compared to RM164.283 million in FYE 31 December 2018. The decrease was also due to a decrease in other finance costs by RM0.474 million in FYE 31 December 2019, mainly comprised charges for bank guarantees.

(d) FPE 30 June 2020 compared to FPE 30 June 2019

Our finance cost decreased by 9.83% or RM0.371 million in FPE 30 June 2020. This was mainly due to a decrease in interest expense of RM0.354 million on bankers' acceptance because of lower utilisation of bankers' acceptance facility during the FPE 30 June 2020.

11.2.9 PBT, PAT and Effective Tax Rate

The PBT, PAT and effective tax rate for the past financial years/period are as follows:-

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FPE 2019	FPE 2020
PBT (RM'000)	20,186	25,052	33,132	39,324	23,648	13,438
PBT margin	4.29%	4.21%	4.85%	5.99%	7.13%	5.57%
Total taxation (RM'000)	6,032	6,867	6,899	10,775	6,359	4,292
Effective tax rate	29.88%	27.41%	20.82%	27.40%	26.89%	31.94%
PAT (RM'000)	14,154	18,185	26,233	28,549	17,289	9,146
PAT margin	3.01%	3.05%	3.84%	4.35%	5.21%	3.79%

(a) FYE 31 December 2017 compared to FYE 31 December 2016

Our PBT increased by 24.11% or RM4.866 million in FYE 31 December 2017, which was in tandem with our GP growth of 26.44% in FYE 31 December 2017. This was mainly due to the growth in revenue from our cable and wire manufacturing operations. Meanwhile our PBT margin decreased from 4.29% in FYE 31 December 2016 to 4.21% in FYE 31 December 2017. This was mainly due to lower margin from our control and instrumentation cables and wires. In addition, the decrease in PBT margin also partly attributed to an increase in our operating expenses. Please refer to Section 11.2.5 of this Prospectus for further details on GP and GP margin by business activities and products, and Section 11.2.7 of this Prospectus for further details on operating expenses.

For FYE 31 December 2016 and FYE 31 December 2017, our effective tax rate was 29.88% and 27.41% that was higher than statutory tax rate of 24%. This was mainly attributed to the following:-

- RM1.455 million of non-deductible expenses in FYE 31 December 2016, including mainly RM0.496 million of unrealised gains and losses on foreign currency exchange, RM0.402 million of sales commission, and the remaining RM0.557 million comprising depreciation of property, plant and equipment, professional consultancy fees, and other miscellaneous expenses.

- RM2.955 million of non-deductible expenses in FYE 31 December 2017, including mainly RM1.938 million of the provision of liquidated ascertained damages, RM0.457 million of unrealised gains and losses on foreign currency exchange, and the remaining RM0.560 million comprising depreciation of property, plant and equipment and other miscellaneous expenses.

(b) FYE 31 December 2018 compared to FYE 31 December 2017

Our PBT increased by 32.25% or RM8.080 million in FYE 31 December 2018, which was in tandem with our GP growth of 24.09% in FYE 31 December 2018, while PBT margin improved from 4.21% in FYE 31 December 2017 to 4.85% in FYE 31 December 2018. The improvement was mainly attributed to the improvement in GP and GP margin from our cable and wire manufacturing operations in FYE 31 December 2018. Please refer to Section 11.2.5 of this Prospectus for further details on GP and GP margin by business activities and products.

For FYE 31 December 2018, our effective tax rate was 20.82%, which was lower than the statutory tax rate of 24%. This was mainly due to lower non-deductible expenses of RM0.214 million.

(c) FYE 31 December 2019 compared to FYE 31 December 2018

Our PBT increased by 18.69% or RM6.192 million in FYE 31 December 2019, while PBT margin improved from 4.85% in FYE 31 December 2018 to 5.99% in FYE 31 December 2019. This was partly attributed to the improvement in GP and GP margin from our cable and wire manufacturing operations in FYE 31 December 2019. Please refer to Section 11.2.5 of this Prospectus for further details on GP and GP margin by business activities and products. In addition, the increase in PBT in FYE 31 December 2019 was also contributed by an increase in other income coupled with the decrease in selling and distribution expenses and finance cost.

For FYE 31 December 2019, our effective tax rate was 27.40%, which was higher than the statutory tax rate of 24%. This was mainly due to higher non-deductible expenses of RM1.488 million.

(d) FPE 30 June 2020 compared to FPE 30 June 2019

Our PBT decreased by 43.17% or RM10.210 million in FPE 30 June 2020, which was in tandem with the drop in revenue and GP in the FPE 30 June 2020, coupled with the decrease of 33.41% in other income in FPE 30 June 2020. Our PBT margin decreased from 7.13% in FPE 30 June 2019 to 5.57% in FPE 30 June 2020, which was mainly attributed to the decrease in GP margin from our manufacturing operations. Please refer to Section 11.2.5 of this Prospectus for further details on GP and GP margin by business activities and products and Section 11.2.6 of this Prospectus for further details on other income.

For FPE 30 June 2020, our effective tax rate was 31.94%, which was higher than the statutory tax rate of 24%. This was mainly due to an adjustment of deferred tax of RM0.583 million.

11.2.10 Significant Factors Affecting Our Operations and Financial Performance

(a) Business expansion and growth

Our Group's financial results are, to a significant extent, dependent on business growth and expansion. For the FYE 31 December 2016 to 2019 and FPE 30 June 2020, our Group's revenue was mainly derived from the manufacture of cables and wires that are used for power, communications, as well as control and instrumentation applications. Our manufacturing of cables and wires was a major revenue contributor represented 96.47%, 95.46%, 90.10%, 89.65% and 88.91% of total Group's revenue for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. This segment has been growing at a CAGR of 9.05% between FYE 31 December 2016 and FYE 31 December 2019. Furthermore, Malaysia is our principal market which accounted for 98.49%, 92.77%, 98.40%, 98.06% and 87.91% for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. In this respect, our business expansion and growth would be subjected to the risk of any adverse industry performance and/or regulatory changes and developments in the cable and wire industry in Malaysia.

(b) Fluctuations in prices of copper and aluminium as raw materials

Our main raw materials consist of copper cathodes, aluminium ingots, copper and aluminium rods, and copper wires used to make core conductors for our cables and wires. For FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, the total purchases of copper-based materials include copper cathode, copper rods and wires, and annealed copper tapes which accounted for 59.78%, 63.22%, 63.44%, 62.23% and 62.42% of our total purchases of materials and services. Purchases of aluminium based materials including aluminium ingots and aluminium alloy rods constituted 12.45%, 7.93%, 11.25%, 16.62% and 18.42% of our total purchases of materials and services for FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively. Hence there are risks relating to the fluctuations in prices of raw materials, which could have an adverse impact on our Group's financial performance including profitability and margins. Please refer to Section 8.1.1 of this Prospectus for further details on risk factors.

(c) Foreign currency exchange rate fluctuations

Our business is exposed to the risk of foreign exchange fluctuations where 54.87%, 48.44%, 45.55%, 40.47% and 39.84% of our purchases for the FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020 respectively were denominated in USD. Our Group has a policy for all companies within our Group to manage their treasury activities and exposure. Any adverse changes in the exchange rate between RM and USD would have a negative impact on our financial performance including profitability and margins.

Our net gain and loss on foreign exchange for FYE 31 December 2016 to 2019 and FPE 30 June 2020 are as follows:-

	FYE 2016 RM'000	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FYE 2019 RM'000**	**FPE 2019 RM'000**	**FPE 2020 RM'000**
Realised gain/(loss) on foreign currency exchange	862	1,987	388	(40)	(51)	86
Unrealised (loss)/gain on foreign currency exchange	(532)	(1,024)	96	(97)	52	426
Net gain/(loss) on foreign currency exchange	330	963	484	(137)	1	512

Our Group has a policy to hedge all material foreign currency exposure against the transactions using a forward exchange contract as hedging instrument to manage the exposure. We have net gains on foreign currency exchange representing 1.63%, 3.84%, and 1.46% of total PBT for FYE 31 December 2016, FYE 31 December 2017 and FYE 31 December 2018 respectively. For the FYE 31 December 2019, we have a net loss on foreign currency exchange of approximately RM0.137 million. For the FPE 30 June 2020, we have net gains on foreign currency exchange representing 3.81% of our total PBT. Please refer to Section 8.1.3 of this Prospectus for further details on risk factors.

(d) Impact of claims arising from liquidated ascertained damages

We have contracts with certain customers where we have to deliver our products to the customers in accordance with the product specification and agreed delivery timelines stipulated in the contracts. Any delays in delivery of our products may result in a disruption in the operations of our customers. In this respect, we are subject to the risk of claims and/or penalties pertaining to liquidated ascertained damages for late delivery or defective products stipulated in the contracts, if any. We have made provisions for liquidated ascertained damages pertaining to late delivery and product complaints for the FYE 31 December 2016 to 2018. For FYE 31 December 2019, FPE 30 June 2020 and up to the LPD, there were no claims made by our customers arising from liquidated ascertained damages. Please refer to Section 8.1.2 of this Prospectus for further details on claims arising from liquidated ascertained damages.

Any material exposure to liquidated ascertained damages will adversely affect our profitability including margins and financial position. There can be no assurance that we will be able to deliver our products on time as well as to ensure no complaints or claims relating to defective products at all times. In the event we fail to maintain the required service levels which resulted in late delivery or defective products, our business and financial performance may be adversely affected.

(e) Impact of MCO, CMCO and RMCO as well as COVID-19 pandemic outbreak on business, results of operations and/or financial performance of our Group

During the MCO which commenced from 18 March 2020, we encountered disruptions to our operations where our manufacturing activities were temporarily suspended from 18 March 2020 to 28 March 2020 and partially operated from 29 March 2020 to 28 April 2020. Our business and manufacturing operations were fully operational from 29 April 2020 onwards. As a result of the restrictions imposed by the Government during the MCO, our Group's monthly production output of cables and wires has been affected as below:-

	February 2020	March 2020	April 2020	May 2020	June 2020
Production Output (km)	15,037	10,445	727	7,268	13,057
Change (%)		-30.54	-93.04	899.72	79.65

Please refer to Section 5.5.13 of this Prospectus for further details on the interruptions to business and operations due to MCO, CMCO and RMCO conditions and COVID-19 pandemic. Premised on the above, our business operations were affected between the months of March and April of 2020, which will adversely impact on our financial performance. Please refer to Section 8.1.4 of this Prospectus, the impact of the MCO, CMCO and RMCO as well as COVID-19 pandemic outbreak to our business, results of operations and financial performance.

(f) Impact of interest rates

As at 30 June 2020, our Group's total borrowings was RM175.283 million, consisting of bankers' acceptance, term loans, finance lease liabilities and bank overdraft. All of our borrowings are interest bearing, including RM164.713 million based on the prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with our banking institutions when respective loans and financing were granted. For FPE 30 June 2020, our borrowings are charged based on the following interest rates:-

- Bankers' acceptance at the interest rates ranging from 2.80% to 4.46%;
- Term loans at the interest rates ranging from 3.52% to 6.89%; and
- Bank overdraft at the interest rates of 6.22%.

The remaining RM10.570 million of borrowings are charged based on fixed rates ranging from 1.97% to 6.68% for FPE 30 June 2020. In this respect, we face financial risks relating to increase in interest rates that may have an impact on our financial performance including profitability and margins. For the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

(g) Impact of inflation

There was no material impact of inflation on our Group's historical financial results for the financial years/period under review. Nevertheless, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(h) Government/Economic/Fiscal/Monetary Policies

Our business is subject to risks relating to Government, economic, fiscal and monetary policies, as well as risks relating to trade policies such as changes in tariffs and related duties on raw materials, cables and wires, and corporate taxes. Any unfavourable changes in Government's policies, economic conditions, fiscal or monetary policies may materially affect our operations in Malaysia, as well as other foreign markets that we serve. In this respect, this may have an impact on our financial performance including profitability and margins.

11.2.11 Liquidity and Capital Resources

(i) 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 of funds consist of mainly banking facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

Based on the statements of financial position as at 30 June 2020, we have RM34.293 million cash and cash equivalents and total borrowings of RM175.283 million. As at 30 June 2020, our current ratio was 1.68 times. As at the LPD, our Group had available banking facilities amounting to RM294.170 million, of which RM119.856 million has yet to be utilised.

Our Directors are of the opinion that, after taking into consideration the outbreak of COVID-19 pandemic and the period our operations were temporarily suspended or partially operated during the MCO period as set out in Sections 5.5.13 and 8.1.4 of this Prospectus, the cash and cash equivalents, the expected profits to be generated for our operations, the amount that is available under our existing banking facilities and the proceeds expected to be raised from the Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus.

(ii) Cash Flow

The following is a summary of our combined statements of cash flow for the FYE 31 December 2016 to 2019 and FPE 30 June 2020. This should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

	FYE 2016 RM'000	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FYE 2019 RM'000**	**FPE 2019 RM'000**	**FPE 2020 RM'000**
Net cash (used in)/from operating activities	(7,327)	(2,771)	27,656	30,791	9,092	5,548
Net cash used in investing activities	(6,317)	(2,763)	(6,425)	(834)	(9,226)	(1,584)
Net cash from/(used in) financing activities	6,707	11,656	3,279	(52,437)	(17,993)	17,125
Net (decrease)/increase in cash and cash equivalents	(6,937)	6,122	24,510	(22,480)	(18,127)	21,089
Cash and cash equivalents at the beginning of the financial year	11,989	5,052	11,174	35,684	35,684	13,204
Cash and cash equivalent at end of the financial year/period [(1)]	**5,052**	**11,174**	**35,684**	**13,204**	**17,557**	**34,293**

Note:-

(1) The components of our cash and cash equivalents are as displayed below:-

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2019 RM'000	FPE 2020 RM'000
Cash and bank balances	5,784	11,861	37,773	13,528	18,243	34,294
Fixed deposits with licensed banks	35,634	36,813	40,216	43,072	42,997	43,755
Less:-						
Pledged deposits	35,634	36,813	40,216	43,072	42,997	43,755
Pledged cash and bank balances	521	350	1,748	-	350	-
Bank overdrafts	211	337	341	324	336	1
Total	**5,052**	**11,174**	**35,684**	**13,204**	**17,557**	**34,293**

FYE 31 December 2016

Net cash used in operating activities

Our Group recorded a net cash used in operating activities of RM7.327 million where cash receipts were from customers, offset by cash paid to suppliers and employees, and tax payments.

- Cash receipts from customers amounted to RM497.815 million (inclusive of goods and services tax). Some of the major cash receipts were RM171.669 million cash receipts from utility companies including TNB and TMB, RM168.597 million cash receipts from various resellers; and RM156.949 million cash receipts from various EPCC and other contractors.

- Cash paid amounted to RM505.142 million (inclusive of goods and services tax) in FYE 31 December 2016. Some of the major payments were RM329.307 million of cash payment to suppliers of metal-based materials including copper and aluminium based materials, RM63.027 million for plastic based materials; RM42.275 million of cash payment to suppliers of other materials as well as payment of RM44.910 million for operational related expenses.

We recorded a negative cash flow from operating activities in FYE 31 December 2016 which was mainly due to a net increase in inventories, which include, raw materials, work-in-progress materials and finished goods, for our cable and wire manufacturing operations as follows:-

- An increase of RM9.288 million in inventory of finished goods, mainly cables and wires manufactured in FYE 31 December 2016 for a customer based on sales orders received during FYE 31 December 2016. The said finished goods at the end of the financial year, were for the RAPID project and was only collected by the customer in the subsequent year from January 2017 onwards.

- An increase in inventory of raw materials and work-in-progress materials, mainly due to an increase of RM22.072 million from purchases of copper and aluminium based materials. The increase was mainly due to the stocking up of raw materials at the end of the financial year for the manufacture of power as well as control and instrumentation cables and wires pursuant to the contracts secured for RAPID project in FYE 31 December 2016 for delivery in subsequent years.

In this respect, the abovementioned situations have affected our cash flow position at the end of FYE 31 December 2016.

Net cash used in investing activities

In FYE 31 December 2016, our Group's net cash used in investing activities amounted to RM6.317 million. This was mainly attributed to RM2.828 million of cash used as part payment for the purchase of machinery and equipment, as well as RM1.772 million of cash for partial payment for the acquisition of a landed property in Selangor. The total cost of the landed property was RM4.568 million. On 30 April 2019, Southern disposed the said landed property to a director and promoters of our Group. In addition, RM1.205 million was for the placement of deposit that was pledged against our banking facilities, mainly comprising bank guarantees and bankers' acceptance.

Net cash from financing activities

Our Group's net cash from financing activities was RM6.707 million, mainly attributed to net cash of RM18.857 million received from the drawdown of bankers' acceptance. The net cash from financing was partially offset by RM7.004 million of interest payment, RM3.087 million for the repayment of finance lease liabilities mainly for machinery, equipment, and tools, and motor vehicles; and RM2.214 million for the repayment of term loans for land and buildings.

FYE 31 December 2017

Net cash used in operating activities

Our Group recorded a net cash used in operating activities of RM2.771 million where cash receipts were from customers, offset by cash paid to suppliers and employees, and tax payments.

- Cash receipts from customers amounted to RM586.791 million (inclusive of goods and services tax). Some of the major cash receipts were RM134.980 million cash receipts from utility companies including TNB and TMB, RM159.975 million cash receipts from various resellers; and RM289.893 million cash receipts from various EPCC and other contractors.

- Cash paid amounted to RM589.562 million (inclusive of goods and services tax) in FYE 31 December 2017. Some of the major payments were RM395.021 million of cash payment to suppliers of metal-based materials including copper and aluminium based materials; RM66.571 million for plastic based materials; RM42.573 million of cash payment to suppliers of other materials as well as payment of RM56.872 million for operational related expenses.

We recorded a negative operating cash flow of RM2.771 million in FYE 31 December 2017, mainly due to slow payment from some customers including EPCC and other contractors.

Net cash used in investing activities

In FYE 31 December 2017, our Group's net cash used in investing activities amounted to RM2.763 million. This was attributed primarily to RM1.497 million of cash used as part of payment for the purchase of machinery and equipment while the remaining payment were funded through bank borrowings, and RM1.353 million for the purchase of motor vehicles, forklifts, office furniture and equipment, and electrical installation and fire protection systems. Please refer to Section 5.4 of this Prospectus for further details on capital expenditure.

Net cash from financing activities

Our Group's net cash from financing activities of RM11.656 million was mainly attributed to net cash of RM24.790 million received from the drawdown of bankers' acceptance. The net cash from financing activities was partially offset by RM7.685 million of interest payment; RM2.243 million for the repayment of term loans mainly for land and buildings; and RM3.287 million for the repayment of finance lease liabilities mainly for machinery and equipment, motor vehicles, and factory tools and equipment.

FYE 31 December 2018

Net cash from operating activities

Our Group recorded net cash from operating activities of RM27.656 million where cash receipts were from customers, offset by cash paid to suppliers and employees, and tax payments.

- Cash receipts from customers amounted to RM701.404 million (inclusive of goods and services tax and sales and services tax). Some of the major cash receipts were RM205.840 million cash receipts from utility companies including TNB and TMB; RM231.233 million cash receipts from various resellers; and RM261.568 million of cash receipts from PRPC Utilities and Facilities Sdn Bhd, and various EPCC and other contractors.

- Cash paid amounted to RM673.748 million (inclusive of goods and services tax and sales and services tax) in FYE 31 December 2018. Some of the major payments were RM445.039 million of cash payment to suppliers of metal-based materials including copper and aluminium based materials; RM60.057 million for plastic based materials; and RM70.262 million of cash payment to suppliers of other materials as well as payment of RM58.497 million for operational related expenses.

Net cash used in investing activities

In FYE 31 December 2018, our Group's net cash used in investing activities amounted to RM6.425 million. This was mainly attributed to RM3.402 million of net placements of deposits pledged for additional banking facilities, and RM1.633 million of cash used as partial payment for the purchase of new machinery and equipment including drawing and stranding machines for Lot 39, and other machinery and equipment to expand our production facilities, as well as purchase of JB Warehouse.

Please refer to Section 5.4 of this Prospectus for further details on capital expenditure.

Net cash from financing activities

Our Group's net cash from financing activities of RM3.279 million, was primarily attributed to net cash of RM15.854 million received from the drawdown of bankers' acceptance. The net cash from financing activities was partially offset by RM8.043 million of interest payment; RM3.494 million for the repayment of finance lease liabilities mainly for machinery, equipment, and tools, and motor vehicles; as well as RM1.231 million for the repayment of term loans mainly for land and buildings including JB Warehouse in Johor.

FYE 31 December 2019

Net cash from operating activities

Our Group recorded a net cash from operating activities of RM30.791 million, where cash receipts were from customers, offset by cash paid to suppliers and employees, and tax payments.

- Cash receipts from customers amounted to RM692.521 million (inclusive of sales and services tax). Some of the major cash receipts were RM167.755 million cash receipts from utility companies including TNB and TMB; RM247.607 million cash receipts from various EPCC and other contractors; and RM273.423 million cash receipts from various resellers.

- Cash paid amounted to RM661.730 million (inclusive of sales and services tax). Some of the major payments were RM431.825 million of cash payment to suppliers of metal-based materials including copper and aluminium based materials; RM59.195 million for plastic based materials; and RM23.185 million of cash payment to suppliers of other materials as well as payment of RM111.543 million for operational related expenses.

Net cash used in investing activities

Our Group's net cash used in investing activities of RM0.834 million. This was mainly attributed to the following:-

- RM5.141 million used as partial payment for the purchase of right-of-use assets which includes the Kota Damansara Warehouse, Lot 28, Lot 29 and the construction of the new factory at Lot 39 as well as purchase of machinery and equipment for our cable and wire manufacturing operations;

- RM2.856 million of net placements of deposits pledged for additional banking facilities; and

- RM2.114 million mainly for the upgrade of aluminium rods production facilities including the gas piped-in system and related equipment as well as the purchase of testing equipment.

The net cash used in investing activities was partially offset by RM5.191 million received from the disposal of a three (3) storey semi-detached house with a swimming pool in Petaling Jaya, Selangor, RM2.201 million received from the disposal of a three (3) storey semi-detached house in Petaling Jaya, Selangor, as well as the release of RM1.748 million which was previously pledged with banks as a sinking fund for performance guarantee issued to customers.

Net cash used in financing activities

Our Group's net cash used in financing activities of RM52.437 million was mainly attributed to the following:-

- net cash of RM34.322 million for the repayment of bankers' acceptance;

- RM7.161 million of interest payment;

- RM5.014 million for the repayment of term loans mainly for land and buildings including Kota Damansara Warehouse; and

- RM4.377 million for the repayment of finance lease liabilities mainly for machinery and equipment, motor vehicles and factory tools and equipment;

FPE 30 June 2020

Net cash from operating activities

Our Group recorded a net cash from operating activities of RM5.548 million, where cash receipts were from customers, offset by cash paid to suppliers and employees, and tax payments.

- Cash receipts from customers amounted to RM264.632 million (inclusive of sales and services tax). Some of the major cash receipts were RM36.825 million cash receipts from utility companies including TNB and TMB; RM108.203 million cash receipts from various EPCC and other contractors; and RM119.604 million cash receipts from various resellers.

- Cash paid amounted to RM259.084 million (inclusive of sales and services tax). Some of the major payments were RM167.067 million of cash payment to suppliers of metal-based materials including copper and aluminium based materials; RM21.228 million for plastic based materials; and RM9.074 million of cash payment to suppliers of other materials as well as payment of RM45.944 million for operational related expenses.

Net cash used in investing activities

Our Group's net cash used in investing activities of RM1.584 million. This was mainly attributed to the following:-

- RM0.682 million of net placements of deposits pledged for additional banking facilities;

- RM0.672 million mainly for the installation of machinery and equipment for our cables and wires manufacturing operations, as well as installation of additional electrical and fire protection system; and

- RM0.230 million used as partial payment for the purchase of right-of-use assets mainly for the purchase of motor vehicles.

Net cash from financing activities

Our Group's net cash used in financing activities of RM17.125 million was mainly attributed to net cash of RM23.210 million received from the drawdown of bankers' acceptance. The net cash from financing activities was partially offset RM3.334 million of interest payment; RM2.011 million for the repayment of finance lease liabilities mainly for machinery and equipment, motor vehicles and factory tools and equipment; and RM0.697 million for the repayment of term loans mainly for land and buildings including Kota Damansara Warehouse.

11. FINANCIAL INFORMATION (CONT'D)

(iii) Borrowings

As at 30 June 2020, our Group's total borrowings was RM175.283 million, all of which were interest bearing and denominated in RM. Our bank borrowing details are set out below:-

	Notes	As at 30 June 2020 Payable within 12 months RM'000	 Payable after 12 months RM'000	 Total RM'000
Bankers' acceptance	(1)	153,172	-	153,172
Finance lease liabilities	(2)	3,551	7,019	10,570
Term loans	(3)	1,541	9,999	11,540
Bank overdraft	(1)	1	-	1
Total		**158,265**	**17,018**	**175,283**
Gearing Ratio*				**0.95**

Notes:-

* Calculated based on total borrowings divided by total equity.

(1) Bankers' acceptance and bank overdraft were mainly used for working capital purposes.

(2) This refers to finance lease commitments mainly for the purchase of motor vehicles, and machinery and equipment.

(3) Term loans were mainly utilised for the purchase of land and buildings.

The bankers' acceptance is mainly used to pay our suppliers for purchases of raw materials. Our main raw materials include copper and aluminium based materials that we use for our cable and wire manufacturing operations, which include, among others, copper cathode, copper rods and wires, and aluminium ingots. The purchases of these said raw materials are based on cash terms either cash on delivery or letter of credit or advance payment in order to secure the raw materials.

The bankers' acceptance drawn down as borrowings are generally payable within 4 months. Please refer to Section 11.2.4 of this Prospectus for further details on materials for manufacturing operations.

11. FINANCIAL INFORMATION (CONT'D)

As at 30 June 2020, our Group's floating and fixed rate borrowings are set out below:

	As at 30 June 2020		
	Floating Rate Borrowings(1) RM'000	**Fixed Rate Borrowings(2) RM'000**	**Total RM'000**
Total borrowings	164,713	10,570	175,283

Notes:-

(1) Include bankers' acceptance, term loans and bank overdraft.

(2) Include finance lease liabilities.

As at the LPD, all of our Group's borrowings were interest bearing borrowings. As at the LPD, we do not have any foreign currency borrowings. Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the borrowings for the FYE 31 December 2016 to 2019 and FPE 30 June 2020, and up to the LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investments by holders of securities in the Company.

As at the LPD, save as disclosed above, our Group did not use any other financial instruments.

11.2.12 Treasury policies and objectives

Our Group's operations have been funded through shareholder's equity, cash generated from our operations, and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit terms granted by our suppliers ranges from 30 days to 90 days.

As at the LPD, our Group's banking facilities from financial institutions mainly consist of the following:-

- bank overdrafts and bankers' acceptance for working capital purposes;
- term loans used to fund purchase of land and buildings; and
- finance lease liabilities used for the purchase of motor vehicles, and machinery and equipment.

The interest rates for our bank borrowings are based on the market rates prevailing at the dates of the respective transactions. As at the LPD, our Group had available banking facilities amounting to RM294.170 million, of which RM119.856 million has yet to be utilised.

The main objective of our capital management is to ensure sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

11.2.13 Financial Instruments for Hedging Purposes

For the FYE 31 December 2016 to 2019, FPE 30 June 2020 and up to the LPD, we have forward exchange contracts to manage our foreign currency exposure in relation to sales and purchases that are transacted and denominated in foreign currency. This forward exchange contract refers to agreement with banking institutions to buy certain amount of foreign currency on a specific future date, while the purchase is made at a predetermined exchange rate.

Generally, our forward exchange contracts are valid up to 12 months. The principal amount of the outstanding forward exchange contracts is set-out as below:-

	FYE 2016	**FYE 2017**	**FYE 2018**	**FYE 2019**	**FPE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Principal amount	3,404	8,868	10,686	10,929	11,843

Save as disclosed above, for the FYE 31 December 2016 to 2019 and FPE 30 June 2020, we do not use any other financial instrument for hedging purposes.

11.2.14 Material Litigation, Contingent Liabilities and Material Commitment for Capital Expenditure

(i) Material Litigation

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our position or business as at the LPD.

(ii) Contingent Liabilities

As at the LPD, the details of our Group's contingent liabilities are as follows:-

	RM'000
Bank guarantees	
- Trade facilities	19,490
- Contract financing for performance bonds and guarantees	7,842
Total	**27,332**

As at the LPD, the bank guarantees of RM27.332 million above mainly for the performance and warranty bonds for the supply of our cables and wires to customers with contractual agreements. These mainly comprise utility companies, refinery and petrochemical processing plant operator, as well as EPCC and other contractors.

(iii) Material Commitment for Capital Expenditure

As at the LPD, our Group's material capital commitments are summarised as follows:-

		Source of funds	
	Capital commitment RM '000	Internal generated funds/Bank borrowings RM'000	IPO proceeds RM'000
Approved and/or contracted for(1):-			
Cable and wire, as well as aluminium rods production facilities	156	156	-
Approved and/or not contracted for(2):-			
Cable and wire production facilities	25,800	-	25,800
Plastic compounds production facilities	4,200	-	4,200
Total	**30,156**	**156**	**30,000**

Notes:-

(1) Between July 2020 and up to the LPD, we have placed orders for the purchase of machinery and equipment with a total estimated cost of RM1.709 million. Of the total RM1.709 million, RM1.553 million has been paid through cash and bank borrowings, and the remaining RM0.156 million which was for the aluminium rods production facilities will be funded by internal generated funds and/or bank borrowings.

(2) Total estimated cost of RM30.000 million for future expansion of production facilities will be funded through IPO proceeds. Please refer to Section 5.8 of this Prospectus for further details on our future expansion of production facilities.

The above capital commitment will be financed through a combination of IPO proceeds and internal generated funds and/or bank borrowings. Further details on the use of proceeds are set-out in Section 3.5 of this Prospectus, and details on our business strategies are set-out in Section 5.8 of this Prospectus.

As at the LPD, save as disclosed in the table above, there were no other material capital commitments incurred or known to be incurred by our Group.

11.2.15 Key Financial Ratios

The following table provides the key financial ratios based on our combined financial statements for the financial years/period indicated below:-

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FPE 2020
Trade receivables turnover period (days)(1)	79	86	78	93	122
Trade payables turnover period (days)(2)	22	19	9	10	20
Inventory turnover period (days)(3)	72	63	46	38	73
Current ratio (times)(4)	1.33	1.34	1.48	1.71	1.68
Gearing ratio (times) (5)	1.42	1.39	1.26	0.88	0.95

Notes:-

(1) Based on trade receivables less impairment of doubtful debts of the respective financial years/period over total revenue of the respective financial years/period, and multiply by 365/182 days.

(2) Based on trade payables of the respective financial years/period over total cost of sales of the respective financial years/period, and multiply by 365/182 days.

(3) Based on inventory value of the respective financial years/period over the cost of sales of the respective financial years/period, and multiply by 365/182 days.

(4) Based on current assets divided by current liabilities of the respective financial years/period.

(5) Based on total borrowings divided by total equity of the respective financial years/period.

For FYE 31 December 2018, FYE 31 December 2019 and FPE 30 June 2020, our trade payables turnover period was low, mainly due to the timing of payment settlement. This is primarily for the purchases of copper cathode and aluminium ingot which mainly involves advance payment prior to receipt of the said materials.

(i) Trade Receivables

The breakdown of our Group's trade receivables is as summarised in the table below:-

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Trade receivables	**101,259**	**141,069**	**147,114**	**166,735**	**162,167**
Less:-					
Impairment of doubtful debts	-	-	(316)	-	-
Net trade receivables	**101,259**	**141,069**	**146,798**	**166,735**	**162,167**
Revenue	470,656	595,694	683,199	656,687	241,086
Trade receivables turnover period (days)(1)	79	86	78	93	122

Note:-

(1) Based on trade receivables less impairment of doubtful debts of the respective financial years/period over total revenue of the respective financial years/period, and multiply by 365/182 days.

We deal with our customers either on cash terms or on credit terms. The credit terms that we generally grant to our customers range from 30 to 120 days.

We grant credit terms to our customers on a case-by-case basis, based on factors such as our relationships with the customers, payment history, credit worthiness, quantum of amount owing to us, and any reasons behind customers' failure to pay within the normal credit period.

Our trade receivables turnover period increased from 79 days for FYE 31 December 2016 to 86 days for FYE 31 December 2017. This was mainly attributed to RM101.320 million or 71.82% of total trade receivables which was overdue from delays in payment from some of our customers including EPCC and other contractors. Generally, our customers of oil and gas projects require us to collate more supporting documents, which include, among others, purchase orders, delivery orders and invoices. This will enable our customers involved in oil and gas projects to verify all the supporting documents submitted by us. As such, our customers involved in oil and gas projects generally need more time for their internal verification processes before they can proceed for payment processing. In FYE 31 December 2017 we had more billings for customers of oil and gas projects. This is demonstrated by the increase in our revenue from customers of oil and gas projects for FYE 31 December 2017. Please refer to Section 11.2.3(a) of this Prospectus for further information.

Our trade receivables turnover period improved in FYE 31 December 2018, where it decreased from 86 days for FYE 31 December 2017 to 78 days for FYE 31 December 2018. This was mainly attributed to the improvement in collection from overdue outstanding payments from customers. This was also reflected on our total cash receipts from customers where it increased from RM586.791 million in FYE 31 December 2017 to RM701.404 million in FYE 31 December 2018.

Our trade receivables turnover period increased from 78 days for FYE 31 December 2018 to 93 days for FYE 31 December 2019. As at 31 December 2019, 64.68% or RM107.839 million of total trade receivables were overdue mainly due to slow payments from customers. As at the LPD, RM99.078 million of the overdue receivables have already settled.

Our trade receivables turnover period increased from 93 days for FYE 31 December 2019 to 122 days for the FPE 30 June 2020. This was mainly due to slow payments from customers. Please refer to the trade ageing analysis as at 30 June 2020 below for further details.

The ageing analysis of our Group's trade receivables as at 30 June 2020 is as follows:-

		Past due						
	Not past due	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91–120 days**	**121–365 days**	**>365 days[(1)]**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade receivables	75,769	21,095	15,284	14,559	17,924	16,967	569	**162,167**
% of trade receivables	*46.73*	*13.01*	*9.42*	*8.98*	*11.05*	10.46	0.35	***100.00***
Subsequent collections as at the LPD	24,360	16,578	4,671	10,014	7,019	6,537	-	**69,179**
Net trade receivables after subsequent collections	**51,409**	**4,517**	**10,613**	**4,545**	**10,905**	**10,430**	**569**	**92,988**

Note:-

(1) More than 365 days and up to 25 months.

As at the LPD, RM69.179 million or 42.66% of total trade receivables as at 30 June 2020, has been subsequently collected. The remaining outstanding amount was RM92.988 million, representing 57.34% of total trade receivables still outstanding as at the LPD.

The remaining outstanding amount that falls within the credit period was RM51.409 million. This represented 55.29% of the remaining outstanding amount, while RM41.579 million has exceeded the credit period. This was primarily due to slow payments from customers impacted by the COVID-19 pandemic.

Further information on outstanding trade receivables that exceeded credit period of 91 days and more is as follows:-

- 11.05% (RM17.924 million) of trade receivables exceeded credit period of 91 days and up to 120 days. Approximately 73% of the RM17.924 million were from an EPCC contractor. As at the LPD, RM7.019 million was subsequently collected. The remaining RM10.905 million is still outstanding mainly from this EPCC contractor due to the delay in payment processing approvals;

- 10.46% (RM16.967 million) of trade receivables exceeded credit period of 121 days and up to 365 days. Approximately 85% of the RM16.967 million were from seven (7) companies comprising EPCC contractors, engineering contractor and distributors. As at the LPD, RM6.537 million was subsequently collected. The remaining RM10.430 million is still outstanding mainly from a few of these companies; and

- 0.35% (RM0.569 million) of trade receivables exceeded credit period of more than 1 year and up to 25 months, which were from two (2) EPCC contractors and an electrical contractor. As at the LPD, RM0.569 million is still outstanding which are mainly retention sums.

Southern Cable has not encountered any major disputes with our debtors. With respect to overdue trade receivables in the past, Southern Cable has generally been able to recover payment eventually. As such, the Board is of the view that the net trade receivables are collectible. The management has taken constant efforts to recover the amount outstanding including follow-up calls, direct negotiations and issuance of letters of reminders. After taking into consideration of Southern Cable's on-going relationship with most of these customers, the Board is of the opinion that the overdue trade receivables are collectible.

In addition, there was an impairment amount of RM0.316 million in FYE 31 December 2018 pertaining to a remaining outstanding amount that was overdue since FYE 31 December 2015. This outstanding amount from a customer was considered non-recoverable after several collection attempts from the management between 2015 and 2018. The outstanding amount was impaired in FYE 31 December 2018 after our Group performed an impairment review for the FYE 31 December 2018. The impairment amount of RM0.316 million was subsequently written off in FYE 31 December 2019.

11. FINANCIAL INFORMATION (CONT'D)

(ii) Trade Payables

The breakdown of our Group's trade payables is summarised in the table below:-

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Trade payables	25,657	27,909	14,416	16,389	23,339
Cost of sales	429,083	543,128	617,971	589,465	217,115
Trade payables turnover period (days) [(1)]	22	19	9	10	20

Note:-

(1) Based on trade payables of the respective financial years/period over total cost of sales of the respective financial years/period, and multiply by 365/182 days.

We deal with our suppliers either on cash or on credit terms. Our suppliers generally grant us credit terms ranging from 30 to 90 days.

Our average trade payables turnover period, which ranges from 9 days to 22 days, fell within the credit period given by our suppliers.

Our average trade payables turnover period improved from 22 days for FYE 31 December 2016 to 19 days for FYE 31 December 2017 and continued to improve to 9 days for FYE 31 December 2018 and subsequently increased to 10 days and 20 days for FYE 31 December 2019 and FPE 30 June 2020 respectively. Our Group is of the view that timely settlement of payment enables us to strengthen our business relationships with suppliers to gain better service such as timely delivery of our input materials and also places us in a better position to negotiate price for future purchases. In addition, purchases of metal based materials including copper and aluminium materials are based on cash terms including cash on delivery, letter of credit or advance payment in order to secure these materials.

11. FINANCIAL INFORMATION (CONT'D)

Our Group's trade payables ageing analysis as at 30 June 2020 is as follows:-

	Not past due	Past due				Total
		1 - 30 days	31 - 60 days	61 - 90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	12,088	9,878	752	496	125	**23,339**
Subsequent payments as at the LPD	9,145	9,742	752	460	-	20,099
Net trade payables after subsequent payments	**2,943**	**136**	**-**	**36**	**125**	**3,240**

As at the LPD, RM20.099 million or 86.12% of the total net trade payables outstanding as at 30 June 2020 has been paid. The remaining RM3.240 million, representing 13.88% of total net trade payables, is still outstanding.

The remaining outstanding amount that is within our suppliers' credit period is RM2.943 million or 90.83% of the remaining outstanding amount, while RM0.297 million or 9.17% of the remaining outstanding amount exceeded the credit period.

(iii) Inventory Turnover

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Inventory	84,635	93,164	77,756	62,133	86,825
- *Finished goods*	*31,945*	*35,235*	*27,007*	*32,094*	*43,639*
- *Work-in-progress*	*15,367*	*16,313*	*22,130*	*12,445*	*16,628*
- *Raw materials*	*37,323*	*41,616*	*28,619*	*17,136*	*26,236*
- *Others*(1)	-	-	-	*458*	*322*
Cost of sales	429,083	543,128	617,971	589,465	217,115
Inventory turnover period (day)(2)	72	63	46	38	73

Notes:-

(1) Includes trading products and packing materials.

(2) Based on inventory value of the respective financial years/period over the cost of sales of the respective financial years/period, and multiply by 365/182 days.

Our inventory mainly comprises the following:-

- We have finished goods consisting mainly of cables and wires, stored prior to final delivery to customers and pending collection by the customers;

- Work-in-progress products that are partially finished before undergoing further processing into finished goods; and

- Raw materials consisting mainly copper and aluminium based materials such as copper cathodes, copper rods and wires, aluminium ingots, and aluminium alloy rods; plastic based materials including PVC resins and other plastic compounds; additives; and steel wires for armouring. We need to keep these raw materials in view that our production run on a 24 hours basis. As such, we need to ensure that we have sufficient level of raw materials as these are mainly imported.

Our average inventory turnover period improved for the past four (4) financial years under review, where it decreased from 72 days in FYE 31 December 2016 to 63 days in FYE 31 December 2017, and continued to decrease to 46 days in FYE 31 December 2018, and further improved to 38 days in FYE 31 December 2019. The improvement was mainly due to lower stock of raw materials which are sufficient to meet committed delivery schedules. In particular, our finished goods in inventory as a percentage of cost of sales fell from 7.44% in FYE 31 December 2016 to 6.49% in FYE 31 December 2017, and 4.37% in FYE 31 December 2018. The improvement in FYE 31 December 2019 was mainly attributed to the lower proportion of raw materials and work-in-progress products that have been used for our manufacturing operations. There was an increase in inventory of finished goods as at FYE 31 December 2019 mainly cables and wires which were expected to be delivered by January 2020.

Our average inventory turnover period increased from 38 days in FYE 31 December 2019 to 73 days in FPE 30 June 2020. This was mainly attributed to higher inventory held due to the impact of COVID-19 pandemic and temporary suspension of our business operations and various restrictions imposed during the MCO and CMCO periods. This was reflected in the decrease in our revenue by 27.35% in FPE 30 June 2020 compared to FPE 30 June 2019. In addition, as at FPE 30 June 2020, the finished goods in inventory mainly cables and wires were expected to be delivered in the next two (2) to three (3) months. In addition, the higher inventory of raw materials in FPE 30 June 2020 was mainly purchases made during the first quarter of 2020 prior to the MCO, which was planned to meet the initial production schedules. However, our production was affected by the impact of COVID-19 pandemic and MCO conditions.

(iv) Current Ratio

The table below provides a summary of our Group's current ratio:-

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Current assets	230,164	290,871	312,212	299,133	333,853
Current liabilities	173,384	217,292	211,169	174,446	199,269
Current ratio (times)[(1)]	1.33	1.34	1.48	1.71	1.68

Note:-

(1) Based on current assets divided by current liabilities of the respective financial years/period.

As at 31 December 2017, our current ratio was 1.34 times, which was slightly higher compared to 1.33 times as at 31 December 2016. This was mainly due to an improvement on our current asset position resulting from higher trade receivables in tandem with our business growth and increase in sales of power as well as control and instrumentation cables and wires. Please refer to Section 11.2.3 of this Prospectus for further details on revenue by business activities and products.

As at 31 December 2018, our current ratio was 1.48 times, which was higher compared to 1.34 times as at 31 December 2017. This was mainly attributed to an improvement on our current asset position resulting from improvements in cash collections from customers. Our total cash receipts from customers increased from RM586.791 million in FYE 31 December 2017 to RM701.404 million in FYE 31 December 2018.

As at 31 December 2019, our current ratio was 1.71 times, which was higher compared to 1.48 times as at 31 December 2018. This was mainly due to lower bankers' acceptance as at 31 December 2019 of RM129.961 million as compared to RM164.283 million in FYE 31 December 2018.

As at 30 June 2020, our current ratio was 1.68 times, which was slightly lower compared to 1.71 times as at 31 December 2019. This was mainly due to lower trade receivables as at 30 June 2020 because the business was affected between the MCO and RMCO period where incoming orders had reduced substantially during MCO period. This was reflected in the decrease in revenue by 27.35% in FPE 30 June 2020 compared to FPE 30 June 2019.

11. FINANCIAL INFORMATION (CONT'D)

(v) Gearing Ratio

The table below provides a summary of our gearing ratio:-

	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Total borrowings	145,819	167,967	186,019	154,633	175,283
Total equity	103,039	121,224	147,457	176,006	185,152
Gearing ratio (times)[(1)]	1.42	1.39	1.26	0.88	0.95

Note:-

(1) Based on total borrowings divided by total equity of the respective financial years/period.

Our borrowings mainly consist of bankers' acceptance as trade financing to support our operations, and term loans to fund our expansion of production facilities, and purchases of land and buildings such as JB Warehouse, as well as finance lease liabilities to finance our motor vehicles, machinery and equipment.

Despite the increase in our borrowings during the financial years under review, our gearing ratio improved from 1.42 times in FYE 31 December 2016 to 1.39 times in FYE 31 December 2017, and continued to improve to 1.26 times in FYE 31 December 2018.

This was mainly attributed to the result of our PAT which contributed to an increase in our retained earnings over the three (3) financial years under review. Our retained earnings increased by 23.88% to RM94.324 million in FYE 31 December 2017, and continued to increase by 27.81% to RM120.557 million in FYE 31 December 2018.

Our gearing ratio further improved to 0.88 times in FYE 31 December 2019, mainly attributed to the lower bankers' acceptance as at 31 December 2019 of RM129.961 million as compared to RM164.283 million in FYE 31 December 2018.

Our gearing ratio was 0.95 times in FPE 30 June 2020, which was slightly higher compared to 0.88 times in FYE 31 December 2019. This was mainly due to higher bankers' acceptance as at 30 June 2020 of RM153.172 million compared to RM129.961 million as at 31 December 2019, as this was mainly used as working capital to pay our suppliers for purchases of raw materials.

11.2.16 Trend Analysis

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and risk factors in Section 8 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 5.4(a) of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and risk factors in Section 8 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 7 of this Prospectus and business strategies as set out in Section 5.8 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 8 of this Prospectus;

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and risk factors in Section 8 of this Prospectus; and

(vii) known trends, demands, commitments, events or uncertainties that are likely to have a material impact on our financial condition, results of operations (including revenue and profitability), liquidity and capital resources, as set out in Sections 5.5.13 and 8.1.4 of this Prospectus in relation to interruptions to business and operations pursuant to the COVID-19 pandemic and the MCO conditions as well as impact of the outbreak of COVID-19 pandemic or any contagious or virulent diseases on our business.

11.2.17 Order Book

Generally, our sales are based on purchase orders from customers, including those customers where we have entered into contractual agreements.

As at the LPD, our order book is based on the total unbilled amount from contracts secured which has not yet been recognised in our revenue. The order book amount is expected to be recognised between FYE 31 December 2020 and up to 2022.

	Order book as at the LPD RM'000	Order book duration
Cables and wires	**357,432**	
Power cables and wires	*319,666*	*Up to FYE 2022*
Communications cables and wires	*37,766*	*Up to FYE 2021*
Other related products and services	**47,997**	
Aluminium rods	*43,843*[(1)]	*FYE 2020*
Supply and installation of rectifiers	*4,154*	*FYE 2022*
Total	**405,429**	

Note:-

(1) This is computed based on a balance quantity secured of aluminium rods for FYE 2020 multiplied by the average selling price per tonne.

As at the LPD, we have three (3) on-going contracts with TNB and two (2) on-going contracts with TMB. In addition, we have three (3) on-going contracts for the supply of aluminium rods with resellers and a cable and wire manufacturer. Out of the order book amount of RM405.429 million, the total unbilled amount from the contracts secured from TNB and TMB are RM289.548 million and RM41.920 million, respectively. However, we are not materially dependent on any one (1) of these contracts awarded by TNB and TMB. These contracts are not long term in nature and are only for a specific duration of one (1) to three (3) years for the Group to supply the cables and wires, which is the core activity of Southern. Please refer to Section 5.5.15 of this Prospectus for further details on the on-going contracts with TNB and TMB.

11.2.18 Significant Changes

Save as disclosed in Sections 5.5.13 and 8.1.4 of this Prospectus in relation to interruptions to business and operations pursuant to the COVID-19 pandemic and the MCO conditions as well as impact of the outbreak of COVID-19 pandemic or any contagious or virulent diseases on our business, there are no significant changes that have occurred which may have material effect on the financial position and results of our Group subsequent to the FPE 30 June 2020 and up to the LPD.

11.3 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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11 September 2020

The Board of Directors
Southern Cable Group Berhad
Lot 42, Jalan Merbau Pulas
Kawasan Perusahaan Kuala Ketil
09300 Kuala Ketil
Kedah Darul Aman
Malaysia

Dear Sirs/Madam,

SOUTHERN CABLE GROUP BERHAD

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of Southern Cable Group Berhad ("Southern Cable" or the "Company") and its subsidiaries, namely Southern Cable Sdn. Bhd., Nextol Polymer Sdn. Bhd. and Daya Forwarding Sdn. Bhd. (the "Group") for which the directors of Southern Cable are solely responsible. The pro forma consolidated statements of financial position consist of the pro forma consolidated statements of financial position as at 30 June 2020 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Southern Cable have compiled the pro forma consolidated statements of financial position are as described in Note 2 to the pro forma consolidated statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated statements of financial position of the Group has been compiled by the directors of Southern Cable, for illustrative purposes only, for inclusion in the prospectus of Southern Cable ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of Southern Cable on the ACE Market of Bursa Malaysia Securities Berhad ("Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of the Group as at 30 June 2020 adjusted for the public issue, offer for sale and the use of proceeds as described in Notes 1.2, 1.3 and 3.2.2 to the pro forma consolidated statements of financial position.

SOUTHERN CABLE GROUP BERHAD
Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 30 June 2020 Included in A Prospectus

As part of this process, information about the Group's pro forma consolidated statements of financial positions has been extracted by the directors of Southern Cable from the audited financial statements of the Group.

The audited financial statements of the Group for the financial period ended ("FPE") 30 June 2020 were reported by us to its members without any modifications.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The directors of Southern Cable are responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institutes of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the directors of Southern Cable based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of Southern Cable have compiled, in all material respects, the pro forma consolidated statements of financial position based on the Applicable Criteria.

Reporting Accountants' Responsibilities (continued)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma 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 the pro forma consolidated statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Southern Cable in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to Listing, and to obtain sufficient appropriate evidence about whether:

(a) The pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of the Group for the FPE 30 June 2020, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FPE 30 June 2020; and

(b) Each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statements of financial position have 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.

SOUTHERN CABLE GROUP BERHAD
Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 30 June 2020 Included in A Prospectus

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Our opinion

In our opinion:

(a) the pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of the Group for the FPE 30 June 2020 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FPE 30 June 2020; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

Other matters

This report has been prepared for inclusion in the Prospectus of Southern Cable in connection with Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

SOUTHERN CABLE GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statements of financial position of Southern Cable Group Berhad ("Southern Cable" or the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been compiled by the directors of Southern Cable, for illustrative purposes only, for inclusion in the prospectus of Southern Cable in connection with the listing of and quotation for the entire enlarged issued share capital of Southern Cable on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.1 Southern Cable is undertaking a listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Securities. The Listing comprises the following:

1.2 **Public Issue**

The public issue of 209,348,000 new ordinary shares in Southern Cable ("Shares"), at the initial public offering ("IPO") price of RM0.34 per Share, representing approximately 26.17% of the enlarged number of shares of Southern Cable, to be allotted in the following manner:

(i) 40,000,000 new Shares available to the Malaysian public;

(ii) 22,000,000 new Shares available for application by the eligible directors, employees and persons who have contributed to the success of the Group;

(iii) 67,348,000 new Shares by way of private placement to selected investors; and

(iv) 80,000,000 new Shares by way of private placement to identified Bumiputera investors approved by Ministry of International Trade and Industry of Malaysia.

(Collectively hereinafter referred to as "Public Issue").

1.3 **Offer for Sale**

Offer for Sale of 20,000,000 existing Shares at the IPO price of RM0.34 per Share representing 2.50% of the enlarged number of Shares of Southern Cable by way of placement to selected investors ("Offer for Sale").

1.4 **Listing on Bursa Securities**

Upon completion of the Public Issue and Offer for Sale, Southern Cable will seek listing of and quotation for its entire enlarged issued share capital of RM218,841,320 comprising 800,000,000 Shares on the ACE Market of Bursa Securities.

SOUTHERN CABLE GROUP BERHAD

2. **BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

2.1 The pro forma consolidated statements of financial position has been prepared to illustrate that the audited consolidated statements of financial position of the Group as at 30 June 2020, adjusted for the Public Issue, Offer for Sale and the use of proceeds as described in Notes 1.2, 1.3 and 3.2.2 respectively.

2.2 The audited financial statements of the Group for the financial period under review were reported by the auditors to its respective members without any modifications.

2.3 The pro forma consolidated statements of financial position of the Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.

2.4 The pro forma consolidated statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma consolidated statements of financial position based on the audited financial statements of the Group for the FPE 30 June 2020 which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

SOUTHERN CABLE GROUP BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

3.1 The pro forma consolidated statements of financial position of the Group as set out below, for which the directors of the Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 30 June 2020, had the Public Issue, Offer for Sale and the use of proceeds as described in the Notes 1.2, 1.3 and 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Consolidated Statements of Financial Position as at 30 June 2020 RM'000	Pro Forma I After Public Issue and Offer for Sale RM'000	Pro Forma II After Pro Forma I and the Use of Proceeds RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	16,915	16,915	16,915
Right-of-use assets	52,592	52,592	52,592
Investment properties	533	533	533
Total non-current assets	70,040	70,040	70,040
Current assets			
Inventories	86,825	86,825	86,825
Current tax assets	157	157	157
Trade and other receivables	168,822	168,822	168,277
Cash and short-term deposits	78,049	149,227	137,991
Total current assets	333,853	405,031	393,250
TOTAL ASSETS	403,893	475,071	463,290
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	147,663	218,841	217,663
Reorganisation reserve	(120,947)	(120,947)	(120,947)
Retained earnings	158,436	158,436	157,021
TOTAL EQUITY	185,152	256,330	253,737

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SOUTHERN CABLE GROUP BERHAD

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.1 (Continued)

	Audited Consolidated Statements of Financial Position as at 30 June 2020 RM'000	Pro Forma I After Public Issue and Offer for Sale RM'000	Pro Forma II After Pro Forma I and the Use of Proceeds RM'000
Non-current liabilities			
Loans and borrowings	17,018	17,018	8,636
Lease liabilities	20	20	20
Deferred tax liabilities	2,434	2,434	2,434
Total non-current liabilities	19,472	19,472	11,090
Current liabilities			
Loans and borrowings	158,265	158,265	157,459
Lease liabilities	85	85	85
Provisions	115	115	115
Current tax liabilities	2,857	2,857	2,857
Trade and other payables	37,941	37,941	37,941
Derivative financial liabilities	6	6	6
Total current liabilities	199,269	199,269	198,463
TOTAL LIABILITIES	218,741	218,741	209,553
TOTAL EQUITY AND LIABILITIES	403,893	475,071	463,290
Number of ordinary shares assumed to be in issue ('000)	590,652	800,000	800,000

NA^ (RM'000)	185,152	256,330	253,737
NA per ordinary share (RM)	0.31	0.32	0.32

^ attributable to owners of the Company

SOUTHERN CABLE GROUP BERHAD

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 Notes to the pro forma consolidated statements of financial position are as follows:

3.2.1 The pro forma consolidated statements of financial position of the Group, for which the directors of the Group are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of the Group as at 30 June 2020, had the Public Issue, Offer for Sale and the use of proceeds as described in Notes 1.2, 1.3 and 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be utilised in the following manner:

	RM'000	%
Repayment of bank borrowings	9,188	12.91%
Capital expenditure and expansion (1)	30,000	42.15%
Working capital (1)	27,490	38.62%
Estimated listing expenses	4,500	6.32%
	71,178	100.00%

(1) As at the latest practicable date, the Group has yet to enter into any contractual binding agreements or issue any purchase orders in relation to the capital expenditure and expansion. The Group has also yet to issue any purchase orders for the purchase of raw materials in relation to the amount earmarked for the purpose of working capital. Accordingly, the use of proceeds earmarked for capital expenditure and expansion and working capital is not reflected in the pro forma consolidated statements of financial position.

3.2.3 The pro forma consolidated statements of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporate the effects of the Public Issue and Offer for Sale as described in Notes 1.2 and 1.3.

The Public Issue and Offer for Sale will have the following impact on the pro forma consolidated statements of financial position of the Group as at 30 June 2020:

	Increase/(Decrease) Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	71,178	-
Share capital	-	71,178
	71,178	71,178

SOUTHERN CABLE GROUP BERHAD

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(b) **Pro Forma II**

Pro Forma II incorporates the cumulative effects of Pro Forma I and the use of proceeds from the Public Issue of RM71.178 million after netting off RM4.500 million for estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM66.678 million will be utilised in the manner as described in Note 3.2.2.

The proceeds arising from the Public Issue earmarked for repayment of the Group's bank borrowings totalling to RM9.188 million will be debited to Loan and Borrowings Account under current and non-current liabilities.

As at 30 June 2020, out of the RM4.500 million listing expenses, RM2.452 million has already been incurred of which RM1.907 million is charged to Retained Earnings Account and RM0.545 million has been recognised as prepayment. The RM0.545 million is recognised as prepayment as these are directly attributable expenses relating to the new issuance of shares which will be capitalised under Share Capital Account upon Listing.

Out of the remaining estimated listing expenses to be incurred of RM2.048 million, RM1.415 million will be charged to Retained Earnings Account and RM0.633 million is recognised in Share Capital Account as these are directly attributable expenses relating to the new issuance of shares. Together with the amount previously recorded as prepayment of RM0.545 million, a total of RM1.178 million will be capitalised under Share Capital Account.

SOUTHERN CABLE GROUP BERHAD

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(c) **Pro Forma II (continued)**

The use of proceeds will have the following impact on the pro forma consolidated statements of financial position of the Group as at 30 June 2020:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	**Effects on Total Liabilities/ Equity RM'000**
Cash and short-term deposits	(11,236)	-
Trade and other receivables	(545)	-
Share capital	-	(1,178)
Loan and borrowings		
- Non-current	-	(8,382)
- Current	-	(806)
Retained earnings	-	(1,415)
	(11,781)	(11,781)

SOUTHERN CABLE GROUP BERHAD

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000
Audited consolidated statements of financial position of Southern Cable as at 30 June 2020	147,663	(120,947)	158,436
Arising from the Public Issue and Offer for Sale	71,178	-	-
Per Pro Forma I	218,841	(120,947)	158,436
Arising from the defrayment of remaining estimated listing expenses	(1,178)	-	(1,415)
Per Pro Forma II	217,663	(120,947)	157,021

SOUTHERN CABLE GROUP BERHAD

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.5 Movements in cash and short-term deposits are as follows:

	RM'000
Audited consolidated statements of financial position of Southern Cable as at 30 June 2020	78,049
Arising from the Public Issue and Offer for Sale	71,178
Per Pro Forma I	149,227
Arising from the use of proceeds:	
- Repayment of bank borrowings	(9,188)
- Estimated listing expenses	(2,048)
Per Pro Forma II	137,991

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SOUTHERN CABLE GROUP BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted on behalf of the Board of Directors of Southern Cable Group Berhad in accordance with a resolution dated 11 SEP 2020

....
Tung Eng Hai
Director

....
Wong Meng Kee
Director

BAKER TILLY MONTEIRO HENG PLT
10
(LLP0019411-LCA)
AF 0117
For Identification Purposes Only

11. FINANCIAL INFORMATION (CONT'D)

11.4 CAPITALISATION AND INDEBTEDNESS

Our Group's capitalisation and indebtedness as at 31 July 2020 and after taking into account the effects of our Public Issue and the utilisation of proceeds of our Public Issue are set-out in the following table.

	Unaudited As at 31 July 2020 RM'000	Pro Forma after the Public Issue and use of proceeds[(2)] RM'000
Indebtedness		
Current		
Secured and guaranteed		
Term loans	1,382	1,107
Bankers' acceptance	136,696	136,696
Bank overdraft	279	279
	138,357	138,082
Secured		
Finance lease liabilities	3,492	3,096
Guaranteed		
Term loans	180	26
	142,029	141,204
Non-current		
Secured and guaranteed		
Term loans	7,917	3,092
Secured		
Finance lease liabilities	6,742	5,043
Guaranteed		
Term loans	1,839	-
	16,498	8,135
Total indebtedness	**158,527**	**149,339**
Capitalisation		
Shareholders' equity	162,292	230,878
Total capitalisation	**162,292**	**230,878**
Total capitalisation and indebtedness	**320,819**	**380,217**
Gearing ratio (times)[(1)]	0.98	0.65

Notes:-

(1) Gearing ratio is calculated based on total borrowings divided by total equity.

(2) After the Public Issue of RM71.178 million of which RM9.188 million is utilised to repay the borrowings and RM4.500 million for estimated listing expenses.

11.5 DIVIDEND POLICY

As we are a holding company, our Company's income and ability to pay dividends are dependent upon the dividends received from our Subsidiaries. The payment of dividends by our Subsidiaries is dependent upon its distributable profits, operating results, financial condition, capital expenditure plans as well as other factors.

It is the intention of our Board's policy to recommend and distribute minimum dividends of 15.00% of our annual audited PAT attributable to the shareholders of our Company. Any dividends declared will be subject to confirmation of our Board as well as any applicable law, license conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Save for certain banking restrictive covenants which our Subsidiaries are subject to, there are no dividend restrictions imposed on our Subsidiaries as at the LPD.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels.

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11 September 2020

The Board of Directors
Southern Cable Group Berhad
Lot 42, Jalan Merbau Pulas
Kawasan Perusahaan Kuala Ketil
09300 Kuala Ketil
Kedah Darul Aman

Dear Sirs/Madam,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Southern Cable Group Berhad ("Southern Cable" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Company as defined in Note 2 to the combined financial statements (the "Group"), which comprise of:

i) The combined statements of financial position as at 31 December 2016, 31 December 2017 and 31 December 2018, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended;
ii) The consolidated statements of financial position as at 31 December 2019 and 30 June 2020, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial year/period then ended; and
iii) Notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 117.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of the Company gives a true and fair view of the combined financial positions of the Group as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020, and of their financial performance and their cash flows for the financial years/period then ended in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards and paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guideline as issued by the Securities Commission Malaysia.

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SOUTHERN CABLE GROUP BERHAD
(Incorporated in Malaysia)

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report.

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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the combined financial statements contained in the Accountants' Report of the Company for the financial years ended 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and the financial period ended 30 June 2020, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

bakertilly

SOUTHERN CABLE GROUP BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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SOUTHERN CABLE GROUP BERHAD
(Incorporated in Malaysia)

Other Matters

This report is made solely to the board of directors of the Company and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purpose. We do not assume responsibility to any other person for the content of this report.

Baker Tilly Monteiro Heng PLT	Dato' Lock Peng Kuan
201906000600 (LLP0019411-LCA) & AF 0117	No. 02819/10/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 11 September 2020

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **TUNG ENG HAI** and **WONG MENG KEE**, being two of the directors of SOUTHERN CABLE GROUP BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 and of its financial performance and cash flows for the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 and financial period ended 30 June 2020.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
TUNG ENG HAI
Director

....
WONG MENG KEE
Director

Kuala Lumpur

Date: 11 SEP 2020

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Audited as at 31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
ASSETS						
Non-current assets						
Property, plant and equipment	5	59,916	56,138	58,019	18,162	16,915
Right-of-use assets	6	-	-	-	53,275	52,592
Investment properties	7	6,347	7,117	5,734	536	533
Total non-current assets		**66,263**	**63,255**	**63,753**	**71,973**	**70,040**
Current assets						
Inventories	8	84,635	93,164	77,756	62,133	86,825
Current tax assets		67	14	228	97	157
Trade and other receivables	9	104,041	149,019	155,025	180,303	168,822
Derivative financial assets	10	3	-	-	-	-
Cash and short-term deposits	11	41,418	48,674	77,989	56,600	78,049
		230,164	290,871	310,998	299,133	333,853
Assets held for sale	12	-	-	1,214	-	-
Total current assets		**230,164**	**290,871**	**312,212**	**299,133**	**333,853**
TOTAL ASSETS		**296,427**	**354,126**	**375,965**	**371,106**	**403,893**
EQUITY AND LIABILITIES						
Equity attributable to owners of the Group						
Invested equity	13	26,900	26,900	26,900	147,663	147,663
Reserves	14	76,139	94,324	120,557	28,343	37,489
TOTAL EQUITY		**103,039**	**121,224**	**147,457**	**176,006**	**185,152**
Non-current liabilities						
Loans and borrowings	15	16,661	13,770	15,679	18,818	17,018
Lease liabilities	16	-	-	-	43	20
Deferred tax liabilities	17	3,343	1,840	1,660	1,793	2,434
Total non-current liabilities		**20,004**	**15,610**	**17,339**	**20,654**	**19,472**
Current liabilities						
Loans and borrowings	15	129,158	154,197	170,340	135,815	158,265
Lease liabilities	16	-	-	-	66	85
Provisions	18	50	11,989	1,079	257	115
Current tax liabilities		2,952	5,258	2,229	2,997	2,857
Trade and other payables	19	41,224	45,811	37,459	35,227	37,941
Derivative financial liabilities	10	-	37	62	84	6
Total current liabilities		**173,384**	**217,292**	**211,169**	**174,446**	**199,269**
TOTAL LIABILITIES		**193,388**	**232,902**	**228,508**	**195,100**	**218,741**
TOTAL EQUITY AND LIABILITIES		**296,427**	**354,126**	**375,965**	**371,106**	**403,893**

The accompanying notes form an integral part of these combined financial statements.

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Audited				Audited	Unaudited
		FYE 31 December				FPE 30 June	
		2016	2017	2018	2019	2020	2019
	Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	20	470,656	595,694	683,199	656,687	241,086	331,842
Cost of sales		(429,083)	(543,128)	(617,971)	(589,465)	(217,115)	(294,759)
Gross profit		41,573	52,566	65,228	67,222	23,971	37,083
Other income	21	3,050	4,262	2,334	3,377	1,130	1,697
Distribution expenses		(9,152)	(11,590)	(12,557)	(10,888)	(3,970)	(5,107)
Administrative expenses		(6,924)	(10,912)	(12,831)	(12,688)	(4,285)	(5,791)
Other expenses		(588)	(1,062)	(320)	(330)	(3)	(458)
Operating profit		27,959	33,264	41,854	46,693	16,843	27,424
Finance costs	22	(7,773)	(8,212)	(8,722)	(7,369)	(3,405)	(3,776)
Profit before tax	23	20,186	25,052	33,132	39,324	13,438	23,648
Income tax expense	25	(6,032)	(6,867)	(6,899)	(10,775)	(4,292)	(6,359)
Profit for the financial year/period, representinig total comprehensive income for the financial year/period		**14,154**	**18,185**	**26,233**	**28,549**	**9,146**	**17,289**

The accompanying notes form an integral part of these combined financial statements.

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Group				
	Invested equity RM '000	Reorganisation reserve RM '000	Retained earnings RM '000	Total reserves RM '000	Total equity RM '000
At 1 January 2016	**26,900**	**-**	**61,985**	**61,985**	**88,885**
Profit for the financial year, representing total comprehensive income for the financial year	-	-	14,154	14,154	14,154
At 31 December 2016	**26,900**	**-**	**76,139**	**76,139**	**103,039**
Profit for the financial year, representing total comprehensive income for the financial year	-	-	18,185	18,185	18,185
At 31 December 2017	**26,900**	**-**	**94,324**	**94,324**	**121,224**
Profit for the financial year, representing total comprehensive income for the financial year	-	-	26,233	26,233	26,233
At 31 December 2018	**26,900**	**-**	**120,557**	**120,557**	**147,457**
Profit for the financial year, representing total comprehensive income for the financial year	-	-	28,549	28,549	28,549
Transactions with owners					
Issuance of shares at date of incorporation	*	-	-	*	*
Issuance of shares pursuant to acquisition of subsidiaries	120,763	(120,947)	184	(120,763)	-
Total transactions with owners	120,763	(120,947)	184	(120,763)	-
At 31 December 2019	**147,663**	**(120,947)**	**149,290**	**28,343**	**176,006**
Profit for the financial period, representing total comprehensive income for the financial period	-	-	9,146	9,146	9,146
At 30 June 2020	**147,663**	**(120,947)**	**158,436**	**37,489**	**185,152**

* RM2

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Group				
	Invested equity RM '000	Reorganisation reserve RM '000	Retained earnings RM '000	Total reserves RM '000	Total equity RM '000
At 1 January 2019	**26,900**	**-**	**120,557**	**120,557**	**147,457**
Profit for the financial period, representing total comprehensive income for the financial period	-	-	17,289	17,289	17,289
At 30 June 2019	**26,900**	**-**	**137,846**	**137,846**	**164,746**

The accompanying notes form an integral part of these combined financial statements.

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

		Audited				Audited	Unaudited
		FYE 31 December				FPE 30 June	
		2016	2017	2018	2019	2020	2019
	Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Cash flows from operating activities							
Profit before tax		20,186	25,052	33,132	39,324	13,438	23,648
Adjustments for:							
Amortisation/depreciation of investment properties		44	163	168	92	3	75
Amortisation/depreciation of property, plant and equipment		7,104	7,296	6,664	2,746	1,610	1,643
Depreciation of right-of-use assets		-	-	-	3,465	1,730	1,371
Bad debts written off		-	-	30	-	-	-
Bad debts recovered		-	-	-	-	(20)	-
Fair value loss on derivative financial instruments		293	40	25	22	(78)	-
Loss/(gain) on disposal of property, plant and equipment		5	66	(5)	(41)	@	12
Gain on disposal of assets held for sale		-	-	-	(987)	-	(987)
Gain on disposal of investment property		-	-	-	(85)	-	-
Impairment losses on trade receivables		-	-	316	-	-	-
Impairment losses on other receivables		55	-	-	-	-	-
Interest expense		7,773	8,212	8,722	7,369	3,405	3,776
Interest income		(1,121)	(1,097)	(1,573)	(1,564)	(365)	(332)
Provision for employee benefit (net)		(97)	155	24	27	(141)	-
Provision of liquidated ascertained damages		214	12,527	(1,096)	-	-	-
Property, plant and equipment written off		-	*	3	33	1	31
Unrealised loss/(gain) on foreign exchange		532	1,024	(96)	97	(426)	(52)
Operating profit before changes in working capital		**34,988**	**53,438**	**46,314**	**50,498**	**19,157**	**29,185**
Changes in working capital:							
Inventories		(31,195)	(8,529)	15,408	15,623	(24,692)	3,548
Trade and other receivables		370	(44,979)	(6,352)	(25,356)	11,911	(33,842)
Trade and other payables		(6,486)	3,483	(8,449)	(739)	2,729	14,673
Provision of liquidated ascertained damages		(214)	(744)	(9,838)	(849)	-	(849)
Net cash (used in)/generated from operations		(2,537)	2,669	37,083	39,177	9,105	12,715
Income tax paid		(5,142)	(6,010)	(10,321)	(9,742)	(3,851)	(3,878)
Interest received		1,121	1,097	1,573	1,564	365	332
Interest paid		(769)	(527)	(679)	(208)	(71)	(77)
Net cash (used in)/from operating activities		**(7,327)**	**(2,771)**	**27,656**	**30,791**	**5,548**	**9,092**

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

		Audited FYE 31 December				Audited FPE 30 June	Unaudited
		2016	2017	2018	2019	2020	2019
	Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Cash flows from investing activities							
Purchase of property, plant and equipment	(a)	(2,828)	(1,497)	(1,633)	(2,114)	(672)	(1,102)
Purchase of right-of-use assets	(b)	-	-	-	(5,141)	(230)	(9,079)
Purchase of investment properties	(c)	(1,772)	(933)	-	-	-	-
Proceeds from disposal of property, plant and equipment		9	676	8	137	&	137
Proceeds from disposal of assets held for sale		-	-	-	2,201	-	2,202
Proceeds from disposal of investment property		-	-	-	5,191	-	-
Change in pledged deposits		(1,205)	(1,180)	(3,402)	(2,856)	(682)	(2,782)
Change in pledged bank balances		(521)	171	(1,398)	1,748	-	1,398
Net cash used in investing activities		**(6,317)**	**(2,763)**	**(6,425)**	**(834)**	**(1,584)**	**(9,226)**
Cash flows from financing activities	(d)						
Interest paid		(7,004)	(7,685)	(8,043)	(7,161)	(3,334)	(3,699)
Repayment of term loans		(2,214)	(2,243)	(1,231)	(5,014)	(697)	(1,605)
Repayment of finance lease liabilities		(3,087)	(3,287)	(3,494)	(4,377)	(2,011)	(2,097)
Repayment of lease liabilities		-	-	-	(49)	(43)	(17)
Drawdown of bankers' acceptance		485,838	575,542	607,531	565,184	232,060	282,565
Repayment of bankers' acceptance		(466,981)	(550,752)	(591,677)	(599,506)	(208,850)	(291,626)
Net change in amount owing to directors		155	81	193	(1,514)	-	(1,514)
Proceeds from issuance of share capital upon incorporation		-	-	-	#	-	-
Net cash from/(used in) financing activities		**6,707**	**11,656**	**3,279**	**(52,437)**	**17,125**	**(17,993)**
Net (decrease)/increase in cash and cash equivalents		(6,937)	6,122	24,510	(22,480)	21,089	(18,127)
Cash and cash equivalents at the beginning of the financial year/period		11,989	5,052	11,174	35,684	13,204	35,684
Cash and cash equivalents at the end of the financial year/period	11	**5,052**	**11,174**	**35,684**	**13,204**	**34,293**	**17,557**

* RM380
# RM2
@ RM151
& RM400

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Purchase of property, plant and equipment:

		Audited				Audited	Unaudited
		FYE 31 December				FPE 30 June	
		2016	2017	2018	2019	2020	2019
	Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Purchase of property, plant and equipment	5	7,007	4,260	8,551	2,114	672	1,102
Financed by way of finance lease arrangements		(4,179)	(2,763)	(4,518)	-	-	-
Financed by way of term loans		-	-	(2,400)	-	-	-
Cash payments on purchase of property, plant and equipment		2,828	1,497	1,633	2,114	672	1,102

(b) Purchase of right-of-use assets:

		Audited				Audited	Unaudited
		FYE 31 December				FPE 30 June	
		2016	2017	2018	2019	2020	2019
	Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Purchase of right-of-use assets	6	-	-	-	17,624	739	9,487
Financed by way of term loans		-	-	-	(7,000)	-	-
Financed by way of finance lease arrangements		-	-	-	(5,346)	(470)	(292)
Operating lease recognised as right-of-use assets		-	-	-	(137)	(39)	(116)
Cash payments on purchase of right-of-use assets		-	-	-	5,141	230	9,079

(c) Purchase of investment properties:

		Audited				Audited	Unaudited
		FYE 31 December				FPE 30 June	
		2016	2017	2018	2019	2020	2019
	Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Purchase of investment properties	7	4,568	933	-	-	-	-
Financed by way of term loans		(2,796)	-	-	-	-	-
Cash payments on purchase of investment properties		1,772	933	-	-	-	-

(d) Changes in liabilities arising from financing activities comprise of net changes in loans and borrowings, net changes in lease liabilities, amount owing to directors and proceeds from issuance of share capital upon incorporation during the financial years/periods. There have been no non-cash changes in liabilities arising from financing activities.

The accompanying notes form an integral part of these combined financial statements.

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated on 4 April 2019 under Companies Act 2016, as a private limited liability company, and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 27 May 2019. The registered office of the Company is located at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Lot 42, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman.

The principal activity of the Company is investment holding. The details of the operating entities are as follows:

Operating entities	Principal place of business/ country of incorporation	Principal activities
Southern Cable Sdn. Bhd.	Malaysia	Manufacture of cables and wires, and related products and services includings aluminium rods, trading of cables and wires, and copper strips and supply and installation of rectifiers.
Nextol Polymer Sdn. Bhd.	Malaysia	Manufacture of plastic compunds.
Daya Forwarding Sdn. Bhd.	Malaysia	Manufacture and trading of wooden cable drums.

There have been no significant changes in the nature of these activities during the financial years/period under review.

Daya Forwarding Sdn. Bhd. ceased its manufacturing operations since 29 February 2020.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 September 2020.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION

The combined financial statements of the Company (as defined herein) for the financial years ended ("FYE") 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 and financial periods ended ("FPE") 30 June 2019 and 30 June 2020 have been prepared pursuant to the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control for each of the financial years/periods.

	FYE 31 December				FPE 30 June	
Operating Entities	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
Southern Cable Group Berhad	*	*	*	&	#	&
Southern Cable Sdn. Bhd.	√ , ^	√ , ^	√ , ^	&	#	&
Nextol Polymer Sdn. Bhd.	√ , @	√ , @	√ , ^	&	#	&
Daya Forwarding Sdn. Bhd.	√ , @	√ , @	√ , ^	&	#	&

√ *The combined financial statements of the Group include the financial statements of these operating entities for the respective financial years.*

* *No financial statements available for Southern Cable Group Berhad as the company was incorporated on 4 April 2019.*

^ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*

@ *The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

& *The consolidated financial statements of the Group for the financial year/period have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*

The combined financial statements which includes combined statements of comprehensive income, combined statements of changed in equity, combined statements of cash flows and notes to the combined financial statements were prepared based on the financial statements of these operating entities.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Combined financial statements of the Group for FYE 31 December 2016, 31 December 2017 and 31 December 2018 and FPE 30 June 2019

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years/period. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years/period.

Consolidated financial statements of the Group for FYE 31 December 2019 and FPE 30 June 2020

The consolidated financial statements of the Group for FYE 31 December 2019 and FPE 30 June 2020 were prepared based on the audited consolidated financial statements of the Company for FYE 31 December 2019 and FPE 30 June 2020.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years/periods presented in these combined financial statements.

2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

SOUTHERN CABLE GROUP BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of amendments/improvements to MFRSs

The Group has adopted the following amendments/improvements to MFRSs that are mandatory for the current financial period:

Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the combined financial statements of the Group, and did not result in significant changes to the Group's existing accounting policies.

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

(a) The Group has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operation	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 116	Property, Plant and Equipment	1 January 2022/ January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRSs 2018-2020*

* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

(b) The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

Annual Improvements to MFRSs 2018-2020

Annual Improvements to MFRSs 2018-2020 covers amendments to:
- MFRS 1 *First-time Adoption of MFRSs* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combinations

The amendments also update by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirement in MFRS 10 and those in MFRS 128, in dealing with sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus ("COVID-19") pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while an entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, unless stated otherwise.

2.5 Basis of measurement

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.6 Use of estimates and judgement

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's combined financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years/periods presented in the combined financial statements of the Group.

3.1 Basis of combination/consolidation

Combined financial statements of the Group for FYE 31 December 2016, 31 December 2017 and 31 December 2018 and FPE 30 June 2019

The combined financial statements comprise the financial statements of Southern Cable Sdn. Bhd., Nextol Polymer Sdn. Bhd. and Daya Forwarding Sdn. Bhd.. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as Southern Cable. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings, and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination/consolidation (continued)

Combined financial statements of the Group for FYE 31 December 2016, 31 December 2017 and 31 December 2018 and FPE 30 June 2019 (continued)

(a) Business combination

The Group apply the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Combining entities acquired which have met the criteria for pooling of interest are accounted for using merger accounting policies. Under the merger method of accounting, the results of combining entities are presented as if the business combination had been affected throughout the current and previous financial years/period. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between the costs of acquisition over the nominal value of share capital of the combining entities is taken to reorganisation reserve or merger deficit.

(b) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

Consolidated financial statements of the Group for FYE 31 December 2019 and FPE 30 June 2020

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries is included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination/consolidation (continued)

Consolidated financial statements of the Group for FYE 31 December 2019 and FPE 30 June 2020 (continued)

(a) Subsidiaries and business combination (continued)

Acquisition of entities under a reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions

Translation of foreign currency transactions

Foreign currency transactions are translated to the presentation functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.3 Financial instruments

Financial instruments are recognised in the combined statement of financial position when, and only when, the Group become a party to the contract provisions of the financial instrument.

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

(i) Financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through profit or loss (FVPL)**
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(a) Subsequent measurement (continued)

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability at FVPL.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire; or
(ii) the Group has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 January 2018 (continued)

(d) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

(f) Derivatives

The Group uses interest swap contracts to hedge the exposure of floating interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at FVPL, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

Financial assets at FVPL

Financial assets are classified as financial assets at FVPL when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) Financial assets (continued)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows:

(i) Financial assets (continued)

Available-for-sale financial assets (continued)

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a).

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 December 2017 (continued)

(f) Derivatives

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(c) Depreciation (continued)

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Freehold buildings	50 years
Leasehold land	
- Long-term leasehold land	51-56 years
- Short-term leasehold land	46-47 years
Leasehold buildings	50 years
Furniture, fittings and office equipment	4-10 years
Plant and machineries	10-20 years
Motor vehicles	5 years
Factory tools and equipment	10 years
Electrical installation and renovation	10 years
Fire protection system	10 years

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases

Accounting policies applied from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the combined statements of financial position.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied from 1 January 2019 (continued)

Right-of-use asset (continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liability (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the combined statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(a) Lessee accounting (continued)

Accounting policies applied until 31 December 2018

If the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs.

The Group uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use.

Leasehold condominium and leasehold building are amortised over its lease period of 83 and 85 years respectively. Renovation is depreciated on a straight-line basis to write of the cost of the asset to its residual values over their estimated useful lives at an annual rate of 10%.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Non-current asset held for sale

Non-current asset are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Assets and liabilities classified as held for sale are presented separately as current items in the combined statements of financial position.

3.9 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand, bank balance, 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 change of value. For the purpose of combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and bank and short-term deposits pledged to financial institutions.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

* debt securities that are determined to have low credit risk at the reporting date; and
* other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when:

* the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
* the contractual payment of the financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

* significant financial difficulty of the issuer or the borrower;
* a breach of contract, such as a default of past due event;
* the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
* it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
* the disappearance of an active market for that financial asset because of financial difficulties; or
* the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised at FVPL) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable date indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Loans and receivables and held-to-maturity investments (continued)

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group uses its judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and it current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.11 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.14 Revenue and other income

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group reasonably expect that the effects on the combined financial statements would not differ materiality from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income (continued)

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

(a) Sale of goods

The Group manufactures and sells manufactured cables, wires, related products and services including aluminium rods, trading of cables and wires and copper strips, manufacture and supply plastic compounds and wooden drum to customers. Revenue from sale of manufactured goods are recognised at the point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with credit term of 30 to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income (continued)

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised on an accrual basis.

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

3.16 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3.18 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:
(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the combined statements of financial position.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial years/periods include the following:

4.1 Provision

The Group uses a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Group's historical experience and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. In the case when a provision relates to large population of customers (such as warranty provision), a probability-weighted estimate of the outflows required to settle the obligation is used. In the case of a single estimate (such as a provision for site restoration cots), a reference contractor's price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimate made.

The carrying amounts of the Group's provision are disclosed in Note 18.

4.2 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4(c), the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

4.3 Measurement of income taxes

Significant judgement is required in determining the Group's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group is disclosed in Note 25.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.4 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group uses a provisional matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the impairment losses on the Group's financial assets are disclosed in Note 26(b).

4.5 Impairment of non-financial assets

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group.

The carrying amounts of the non-financial assets are disclosed in Notes 5, 6 and 7.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.6 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The input to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Any changes in these assumptions will have an impact on the carrying amounts of the derivatives and other financial instruments.

The carrying amounts of the derivatives and other financial instruments are disclosed in Note 10.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land RM '000	Freehold buildings RM '000	Leasehold land RM '000	Leasehold buildings RM '000	Furniture, fittings and office equipment RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Electrical installation and renovation RM '000	Fire protection system RM '000	Capital work-in-progress RM '000	Total RM '000
Cost													
At 1 January 2016		956	611	4,862	26,012	3,195	60,063	4,363	10,306	4,077	260	9,427	124,132
Additions		-	-	-	162	199	3,944	1,309	1,086	113	183	11	7,007
Transfers		-	624	-	644	17	6,645	-	210	145	-	(8,285)	-
Disposals		-	-	-	-	(5)	-	(20)	-	-	-	-	(25)
At 31 December 2016		956	1,235	4,862	26,818	3,406	70,652	5,652	11,602	4,335	443	1,153	131,114
Accumulated depreciation													
At 1 January 2016		-	93	731	4,411	2,147	46,059	2,813	5,429	2,310	112	-	64,105
Depreciation charge for the financial year	23	-	25	92	519	345	4,277	572	857	389	28	-	7,104
Disposals		-	-	-	-	(3)	-	(8)	-	-	-	-	(11)
At 31 December 2016		-	118	823	4,930	2,489	50,336	3,377	6,286	2,699	140	-	71,198
Carrying amount													
At 1 January 2016		**956**	**518**	**4,131**	**21,601**	**1,048**	**14,004**	**1,550**	**4,877**	**1,767**	**148**	**9,427**	**60,027**
At 31 December 2016		**956**	**1,117**	**4,039**	**21,888**	**917**	**20,316**	**2,275**	**5,316**	**1,636**	**303**	**1,153**	**59,916**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Leasehold land RM '000	Leasehold buildings RM '000	Furniture, fittings and office equipment RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Electrical installation and renovation RM '000	Fire protection system RM '000	Capital work-in-progress RM '000	Total RM '000
Cost													
At 1 January 2017		956	1,235	4,862	26,818	3,406	70,652	5,652	11,602	4,335	443	1,153	131,114
Additions		-	-	-	-	180	2,157	1,116	750	22	35	-	4,260
Disposals		-	-	-	-	(6)	(2,096)	(353)	-	-	-	-	(2,455)
Written off		-	-	-	-	(2)	-	-	-	-	-	-	(2)
At 31 December 2017		956	1,235	4,862	26,818	3,578	70,713	6,415	12,352	4,357	478	1,153	132,917
Accumulated depreciation													
At 1 January 2017		-	118	823	4,930	2,489	50,336	3,377	6,286	2,699	140	-	71,198
Depreciation charge for the financial year	23	-	25	92	526	351	4,182	820	870	384	46	-	7,296
Disposals		-	-	-	-	(4)	(1,356)	(353)	-	-	-	-	(1,713)
Written off		-	-	-	-	(2)	-	-	-	-	-	-	(2)
At 31 December 2017		-	143	915	5,456	2,834	53,162	3,844	7,156	3,083	186	-	76,779
Carrying amount													
At 1 January 2017		**956**	**1,117**	**4,039**	**21,888**	**917**	**20,316**	**2,275**	**5,316**	**1,636**	**303**	**1,153**	**59,916**
At 31 December 2017		**956**	**1,092**	**3,947**	**21,362**	**744**	**17,551**	**2,571**	**5,196**	**1,274**	**292**	**1,153**	**56,138**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Leasehold land RM '000	Leasehold buildings RM '000	Furniture, fittings and office equipment RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Electrical installation and renovation RM '000	Fire protection system RM '000	Capital work-in-progress RM '000	Total RM '000
Cost													
At 1 January 2018		956	1,235	4,862	26,818	3,578	70,713	6,415	12,352	4,357	478	1,153	132,917
Additions		1,369	864	-	135	343	1,329	874	310	44	-	3,283	8,551
Disposals		-	-	-	-	(8)	(339)	-	-	-	-	-	(347)
Written off		-	-	-	-	(510)	(7,351)	-	(166)	(67)	-	-	(8,094)
At 31 December 2018		2,325	2,099	4,862	26,953	3,403	64,352	7,289	12,496	4,334	478	4,436	133,027
Accumulated depreciation													
At 1 January 2018		-	143	915	5,456	2,834	53,162	3,844	7,156	3,083	186	-	76,779
Depreciation charge for the financial year	**23**	-	41	91	527	315	3,460	969	878	340	43	-	6,664
Disposals		-	-	-	-	(5)	(339)	-	-	-	-	-	(344)
Written off		-	-	-	-	(507)	(7,351)	-	(166)	(67)	-	-	(8,091)
At 31 December 2018		-	184	1,006	5,983	2,637	48,932	4,813	7,868	3,356	229	-	75,008
Carrying amount													
At 1 January 2018		**956**	**1,092**	**3,947**	**21,362**	**744**	**17,551**	**2,571**	**5,196**	**1,274**	**292**	**1,153**	**56,138**
At 31 December 2018		**2,325**	**1,915**	**3,856**	**20,970**	766	**15,420**	**2,476**	**4,628**	**978**	**249**	**4,436**	**58,019**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Leasehold land RM '000	Leasehold buildings RM '000	Furniture, fittings and office equipment RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Electrical installation and renovation RM '000	Fire protection system RM '000	Capital work-in-progress RM '000	Total RM '000
Cost													
At 1 January 2019		2,325	2,099	4,862	26,953	3,403	64,352	7,289	12,496	4,334	478	4,436	133,027
Adjustment on initial application of MFRS 16		-	-	(4,862)	(26,953)	-	(12,737)	(4,338)	(92)	-	-	(4,392)	(53,374)
At 1 January 2019 (adjusted)		2,325	2,099	-	-	3,403	51,615	2,951	12,404	4,334	478	44	79,653
Additions		-	51	-	-	551	586	-	662	58	206	-	2,114
Disposals		-	-	-	-	(43)	-	(141)	(9)	-	-	-	(193)
Written off		-	-	-	-	(168)	-	-	-	(49)	-	-	(217)
Transfers from right-of-use assets	6	-	-	-	-	-	3,451	230	-	-	-	-	3,681
At 31 December 2019		2,325	2,150	-	-	3,743	55,652	3,040	13,057	4,343	684	44	85,038

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Leasehold land RM '000	Leasehold buildings RM '000	Furniture, fittings and office equipment RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Electrical installation and renovation RM '000	Fire protection system RM '000	Capital work-in-progress RM '000	Total RM '000
Accumulated depreciation													
At 1 January 2019		-	184	1,006	5,983	2,637	48,932	4,813	7,868	3,356	229	-	75,008
Adjustment on initial application of MFRS 16		-	-	(1,006)	(5,983)	-	(2,691)	(2,301)	(25)	-	-	-	(12,006)
At 1 January 2019 (adjusted)		-	184	-	-	2,637	46,241	2,512	7,843	3,356	229	-	63,002
Depreciation charge for the financial year	23	-	43	-	-	307	1,104	118	889	244	41	-	2,746
Disposals		-	-	-	-	(27)	-	(66)	(4)	-	-	-	(97)
Written off		-	-	-	-	(165)	-	-	-	(19)	-	-	(184)
Transfers from right-of-use assets	6	-	-	-	-	-	1,207	202	-	-	-	-	1,409
At 31 December 2019		-	227	-	-	2,752	48,552	2,766	8,728	3,581	270	-	66,876
Carrying amount													
At 1 January 2019 (adjusted)		**2,325**	**1,915**	-	-	**766**	**5,374**	**439**	**4,561**	**978**	**249**	**44**	**16,651**
At 31 December 2019		**2,325**	**1,923**	-	-	**991**	**7,100**	**274**	**4,329**	**762**	**414**	**44**	**18,162**

SOUTHERN CABLE GROUP BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Leasehold land RM '000	Leasehold buildings RM '000	Furniture, fittings and office equipment RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Electrical installation and renovation RM '000	Fire protection system RM '000	Capital work-in-progress RM '000	Total RM '000
Cost													
At 1 January 2020		2,325	2,150	-	-	3,743	55,652	3,040	13,057	4,343	684	44	85,038
Additions		-	-	-	-	74	383	-	97	53	65	-	672
Disposals		-	-	-	-	(2)	-	-	-	-	-	-	(2)
Written off		-	-	-	-	-	-	-	(3)	-	-	-	(3)
Transfer from right-of-use assets	6	-	-	-	-	-	66	1,138	-	-	-	-	1,204
At 30 June 2020		2,325	2,150	-	-	3,815	56,101	4,178	13,151	4,396	749	44	86,909
Accumulated depreciation													
At 1 January 2020		-	227	-	-	2,752	48,552	2,766	8,728	3,581	270	-	66,876
Depreciation charge for the financial period	23	-	21	-	-	149	826	53	436	92	33	-	1,610
Disposals		-	-	-	-	(2)	-	-	-	-	-	-	(2)
Written off		-	-	-	-	-	-	-	(2)	-	-	-	(2)
Transfer from/(to) right-of-use assets	6	-	-	-	-	-	428	1,096	(12)	-	-	-	1,512
At 30 June 2020		-	248	-	-	2,899	49,806	3,915	9,150	3,673	303	-	69,994
Carrying amount													
At 1 January 2020		**2,325**	**1,923**	**-**	**-**	**991**	**7,100**	**274**	**4,329**	**762**	**414**	**44**	**18,162**
At 30 June 2020		**2,325**	**1,902**	**-**	**-**	**916**	**6,295**	**263**	**4,001**	**723**	**446**	**44**	**16,915**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance lease

The carrying amounts of assets under finance lease arrangements are as follows:

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Plant and machineries	10,341	9,759	10,010	-	-
Furniture, fittings and office equipment	209	-	-	-	-
Factory tools and equipment	1,462	1,277	1,092	-	-
Motor vehicles	2,212	2,492	2,157	-	-
Capital work-in-progress	1,109	1,109	4,392	-	-
	15,333	14,637	17,651	-	-

(b) Assets pledged as security

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Freehold land	956	956	2,325	2,325	2,325
Freehold buildings	1,117	1,092	1,916	1,923	1,902
Leasehold land	4,040	3,948	3,857	-	-
Leasehold buildings	21,887	21,361	20,969	-	-
	28,000	27,357	29,067	4,248	4,227

Freehold and leasehold land and building have been pledged as security to secure credit facilities of the Group as disclosed in Note 15(a).

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 15(b).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS

	Note	Leasehold land RM '000	Leasehold buildings RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Workers' accommodation RM '000	Capital work-in-progress RM '000	Total RM '000
Cost									
At 1 January 2019		4,862	26,953	12,737	4,338	92	20	4,392	53,394
Additions		7,428	4,017	5,619	423	-	137	-	17,624
Transfers		-	-	3,283	-	-	-	(3,283)	-
Transfers to property, plant and equipment	5	-	-	(3,451)	(230)	-	-	-	(3,681)
At 31 December 2019		12,290	30,970	18,188	4,531	92	157	1,109	67,337
Accumulated depreciation									
At 1 January 2019		1,006	5,983	2,691	2,301	25	-	-	12,006
Depreciation charge for the financial year	23	153	532	1,838	884	9	49	-	3,465
Transfers to property, plant and equipment	5	-	-	(1,207)	(202)	-	-	-	(1,409)
At 31 December 2019		1,159	6,515	3,322	2,983	34	49	-	14,062
Carrying amount									
At 1 January 2019		**3,856**	**20,970**	**10,046**	**2,037**	**67**	**20**	**4,392**	**41,388**
At 31 December 2019		**11,131**	**24,455**	**14,866**	**1,548**	**58**	**108**	**1,109**	**53,275**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS (CONTINUED)

	Note	Leasehold land RM '000	Leasehold buildings RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Factory tools and equipment RM '000	Workers' accommodation RM '000	Capital work-in-progress RM '000	Total RM '000
Cost									
At 1 January 2020		12,290	30,970	18,188	4,531	92	157	1,109	67,337
Additions		-	178	-	522	-	39	-	739
Transfers to property, plant and equipment	5	-	-	(66)	(1,138)	-	-	-	(1,204)
At 30 June 2020		12,290	31,148	18,122	3,915	92	196	1,109	66,872
Accumulated depreciation									
At 1 January 2020		1,159	6,515	3,322	2,983	34	49	-	14,062
Depreciation charge for the financial period	23	101	301	916	363	5	44	-	1,730
Transfers from/(to) property, plant and equipment	5	-	15	(431)	(1,096)	-	-	-	(1,512)
At 30 June 2020		1,260	6,831	3,807	2,250	39	93	-	14,280
Carrying amount									
At 1 January 2020		**11,131**	**24,455**	**14,866**	**1,548**	**58**	**108**	**1,109**	**53,275**
At 30 June 2020		**11,030**	**24,317**	**14,315**	**1,665**	**53**	**103**	**1,109**	**52,592**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS (CONTINUED)

(a) Workers' accommodation

The right-of-use assets represent operating lease agreements entered into by the Group for rental of workers' accommodation. The leases are mainly for a lease period of two (2) years.

(b) Assets under finance lease

The Group leased plant and machineries, motor vehicles, factory tools and equipment and capital work-in-progress with lease term of three (3) to five (5) years and have options to purchase the assets at the end of the contract term.

The carrying amounts of assets under finance lease arrangements are as follows:

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Plant and machineries	-	-	-	14,866	14,315
Motor vehicles	-	-	-	1,548	1,665
Factory tools and equipment	-	-	-	58	53
Capital work-in-progress	-	-	-	1,109	1,109
	-	-	-	17,581	17,142

(c) Assets pledged as security

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Leasehold land	-	-	-	11,131	11,030
Leasehold buildings	-	-	-	24,455	24,317
	-	-	-	35,586	35,347

Leasehold land and buildings have been pledged as security to secure credit facilities of the Group as disclosed in Note 15(a).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT PROPERTIES

	Note	Leasehold land RM '000	Leasehold buildings RM '000	Freehold land RM '000	Freehold building RM '000	Renovation RM '000	Total RM '000
Cost							
At 1 January 2016		520	1,013	199	216	-	1,948
Additions		3,250	1,318	-	-	-	4,568
At 31 December 2016		3,770	2,331	199	216	-	6,516
Accumulated amortisation and depreciation							
At 1 January 2016		35	68	-	22	-	125
Amortisation/depreciation for the financial year	**23**	22	18	-	4	-	44
At 31 December 2016		57	86	-	26	-	169
Carrying amount							
At 1 January 2016		**485**	**945**	**199**	**194**	**-**	**1,823**
At 31 December 2016		**3,713**	**2,245**	**199**	**190**	**-**	**6,347**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT PROPERTIES (CONTINUED)

	Note	Leasehold land RM '000	Leasehold buildings RM '000	Freehold land RM '000	Freehold building RM '000	Renovation RM '000	Total RM '000
Cost							
At 1 January 2017		3,770	2,331	199	216	-	6,516
Additions		-	-	-	-	933	933
At 31 December 2017		3,770	2,331	199	216	933	7,449
Accumulated amortisation and depreciation							
At 1 January 2017		57	86	-	26	-	169
Amortisation/depreciation for the financial year	23	44	27	-	4	88	163
At 31 December 2017		101	113	-	30	88	332
Carrying amount							
At 1 January 2017		**3,713**	**2,245**	**199**	**190**	-	**6,347**
At 31 December 2017		**3,669**	**2,218**	**199**	**186**	**845**	**7,117**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT PROPERTIES (CONTINUED)

	Note	Leasehold land RM '000	Leasehold buildings RM '000	Freehold land RM '000	Freehold building RM '000	Renovation RM '000	Total RM '000
Cost							
At 1 January 2018		3,770	2,331	199	216	933	7,449
Transfers to asset held for sale		(520)	(833)	-	-	-	(1,353)
At 31 December 2018		3,250	1,498	199	216	933	6,096
Accumulated amortisation and depreciation							
At 1 January 2018		101	113	-	30	88	332
Amortisation/depreciation for the financial year	**23**	44	27	-	4	93	168
Transfers to asset held for sale		(53)	(85)	-	-	-	(138)
At 31 December 2018		92	55	-	34	181	362
Carrying amount							
At 1 January 2018		**3,669**	**2,218**	**199**	**186**	**845**	**7,117**
At 31 December 2018		**3,158**	**1,443**	**199**	**182**	**752**	**5,734**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT PROPERTIES (CONTINUED)

	Note	Leasehold land RM '000	Leasehold buildings RM '000	Freehold land RM '000	Freehold building RM '000	Renovation RM '000	Total RM '000
Cost							
At 1 January 2019		3,250	1,498	199	216	933	6,096
Disposal		(3,250)	(1,318)	-	-	(933)	(5,501)
At 31 December 2019		-	180	199	216	-	595
Accumulated amortisation and depreciation							
At 1 January 2019		92	55	-	34	181	362
Amortisation/depreciation for the financial year	**23**	22	12	-	4	54	92
Disposal		(114)	(46)	-	-	(235)	(395)
At 31 December 2019		-	21	-	38	-	59
Carrying amount							
At 1 January 2019		**3,158**	**1,443**	**199**	**182**	**752**	**5,734**
At 31 December 2019		**-**	**159**	**199**	**178**	**-**	**536**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT PROPERTIES (CONTINUED)

	Note	Leasehold land RM '000	Leasehold buildings RM '000	Freehold land RM '000	Freehold building RM '000	Renovation RM '000	Total RM '000
Cost							
At 1 January 2020/ 30 June 2020		-	180	199	216	-	595
Accumulated amortisation and depreciation							
At 1 January 2020		-	21	-	38	-	59
Amortisation/depreciation for the financial period	**23**	-	1	-	2	-	3
At 30 June 2020		-	22	-	40	-	62
Carrying amount							
At 1 January 2020		-	**159**	**199**	**178**	-	**536**
At 30 June 2020		-	**158**	**199**	**176**	-	**533**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT PROPERTIES (CONTINUED)

Investment properties with a carrying amount of RM373,483 (31.12.2019: RM375,641; 31.12.2018: RM4,819,002; 31.12.2017: RM6,106,505 and 31.12.2016: RM6,179,513) has been pledged as security to secure credit facilities of the Group as disclosed in Note 15.

The strata title for a leasehold building has yet to be obtained as at the financial period ended 30 June 2020.

The following are recognised in profit or loss in respect of investment properties:

	Audited				
	FYE 31 December				FPE 30 June
	2016	2017	2018	2019	2020
	RM '000	RM '000	RM '000	RM '000	RM '000
Rental income	32	28	11	-	-
Direct operating expenses:					
- Income generating investment properties	137	60	61	-	-
- Non-income generating investment properties	22	307	291	191	10

Fair value information

The directors estimated the fair value of investment property of approximately RM738,631 (31.12.2019: RM738,631; 31.12.2018: RM8,710,000; 31.12.2017: RM8,730,000 and 31.12.2016: RM7,680,000) is categorised at Level 3 of the fair value hierarchy.

There are no Level 1 and Level 2 investment properties or transfers between levels during the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 and financial period ended 30 June 2020.

8. INVENTORIES

	Audited as at				
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020
	RM '000	RM '000	RM '000	RM '000	RM '000
At cost:					
Raw materials	37,323	41,616	28,619	17,136	26,236
Work-in-progress	15,367	16,313	22,130	12,445	16,628
Finished goods	31,945	35,235	27,007	32,094	43,639
Packing materials	-	-	-	35	23
Trading products	-	-	-	423	299
	84,635	93,164	77,756	62,133	86,825

The cost of inventories of the Group recognised as an expense in cost of sales during the financial years/period was RM196,200,422 (31.12.2019: RM542,068,504; 31.12.2018: RM574,791,604; 31.12.2017: RM491,114,803 and 31.12.2016: RM389,567,083).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES

	Note	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
		Audited as at				
Trade						
Trade receivables	(a)	101,259	141,069	147,114	166,735	162,167
Less: Impairment losses		-	-	(316)	-	-
		101,259	141,069	146,798	166,735	162,167
Non-trade						
Other receivables		714	351	567	58	35
Less: Impairment losses	(b)	(55)	-	-	-	-
		659	351	567	58	35
Deposits		275	277	269	371	398
Advance payments	(c)	-	5,131	2,800	10,323	2,283
Prepayments		1,848	2,191	4,591	2,816	3,939
		2,782	7,950	8,227	13,568	6,655
Total trade and other receivables		104,041	149,019	155,025	180,303	168,822

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 120 days from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables are as follows:

	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
	Audited as at				
Neither past due nor impaired	46,318	39,749	44,819	58,896	75,769
Past due but not impaired:	54,941	101,320	101,979	107,839	86,398
1 to 30 days past due not impaired	30,751	45,036	38,062	40,439	21,095
31 to 60 days past due not impaired	9,884	23,175	30,982	26,093	15,284
61 to 90 days past due not impaired	9,738	17,651	7,918	15,996	14,559
91 to 120 days past due not impaired	1,605	6,457	12,643	7,162	17,924
More than 120 days past due not impaired	2,963	9,001	12,374	18,149	17,536
Impaired	-	-	316	-	-
Total trade receivables	101,259	141,069	147,114	166,735	162,167

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

		Audited as at				
	Note	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
At 1 January		-	-	-	316	-
Charge for the financial year/period	23	-	-	316	-	-
Written off		-	-	-	(316)	-
At 31 December/30 June		-	-	316	-	-

(b) Other receivables

Receivables that are impaired

		Audited as at				
	Note	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
At 1 January		-	55	-	-	-
Charge for the financial year/period	23	55	-	-	-	-
Written off		-	(55)	-	-	-
At 31 December/30 June		55	-	-	-	-

(c) Advance payments

Being advance payment for the purchase of raw materials.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Audited as at									
	31.12.2016		31.12.2017		31.12.2018		31.12.2019		30.06.2020	
	Assets RM '000	Liabilities RM '000	Assets RM '000	Liabilities RM '000	Assets RM '000	Liabilities RM '000	Assets RM '000	Liabilities RM '000	Assets RM '000	Liabilities RM '000
Derivatives used for hedging:										
Forward foreign exchange contracts	3	-	-	(37)	-	(62)	-	(84)	-	(6)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity. The notional principal amounts of the Group's outstanding forward foreign exchange contracts as at 30 June 2020 were RM11,842,617 (31.12.2019: RM10,929,338; 31.12.2018: RM10,686,355; 31.12.2017: RM8,867,561 and 31.12.2016: RM3,403,761).

(a) Fair value hedge

	Carrying amount RM '000	Change in fair value RM '000	Nominal value RM '000	Line item in the financial statements
31 December 2016				
Derivatives used for hedging:				
Forward foreign exchange contracts	3	(293)	3,404	Derivative assets
31 December 2017				
Derivatives used for hedging:				
Forward foreign exchange contracts	(37)	(40)	(8,868)	Derivative liabilities
31 December 2018				
Derivatives used for hedging:				
Forward foreign exchange contracts	(62)	(25)	(10,686)	Derivative liabilities
31 December 2019				
Derivatives used for hedging:				
Forward foreign exchange contracts	(84)	(22)	(10,929)	Derivative liabilities
30 June 2020				
Derivatives used for hedging:				
Forward foreign exchange contracts	(6)	78	(11,843)	Derivative liabilities

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. CASH AND SHORT-TERM DEPOSITS

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Cash and bank balances	5,784	11,861	37,773	13,528	34,294
Short-term deposits	35,634	36,813	40,216	43,072	43,755
	41,418	48,674	77,989	56,600	78,049

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Short-term deposits	35,634	36,813	40,216	43,072	43,755
Less: Pledged deposits	(35,634)	(36,813)	(40,216)	(43,072)	(43,755)
	-	-	-	-	-
Cash and bank balances	5,784	11,861	37,773	13,528	34,294
Less: Pledged cash and bank balances	(521)	(350)	(1,748)	-	-
	5,263	11,511	36,025	13,528	34,294
Bank overdraft	(211)	(337)	(341)	(324)	(1)
	5,052	11,174	35,684	13,204	34,293

Short-term deposits placed with licensed banks of the Group have been pledged to the licensed banks to secure credit facilities granted to the Group as disclosed in Note 15.

Included in cash and bank balances is an amount of RM Nil (31.12.2019: RM Nil; 31.12.2018: RM1,748,085; 31.12.2017: RM349,948 and 31.12.2016: RM520,517) being sinking fund pledged with licensed bank for performance guarantee issued to customers, hence are not available for general use and with no interest earned.

12. ASSETS HELD FOR SALE

On 6 December 2018, the Board of Directors approved and entered into sales and purchase agreement to dispose one of the Group's investment property with carrying amount of RM1,214,446 as at 31 December 2018. The disposal was completed 13 May 2019.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. INVESTED EQUITY

	Audited as at				
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020
	Number of shares ('000)				
At 1 January	26,900	26,900	26,900	26,900	295,326
Issuance of ordinary shares	-	-	-	*	-
Adjustment pursuant to restrucuring exercise	-	-	-	(26,900)	-
Issuance of shares pursuant to acquisition of subsidiaries	-	-	-	295,326	-
Issuance of shares pursuant to share split	-	-	-	-	295,326
At 31 December/30 June	26,900	26,900	26,900	295,326	590,652

	Audited as at				
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020
	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 January	26,900	26,900	26,900	26,900	147,663
Issuance of ordinary shares	-	-	-	#	-
Adjustment pursuant to restrucuring exercise	-	-	-	(26,900)	-
Issuance of shares pursuant to acquisition of subsidiaries	-	-	-	147,663	-
At 31 December/30 June	26,900	26,900	26,900	147,663	147,663

* 4
# RM2

For the purpose of this report, the total number of shares as at 31 December 2016, 31 December 2017 and 31 December 2018 represent the aggregate number of issued shares of all entities within the Group. Pursuant to the Pre-Initial Public Offering Reorganisation, the total number of shares as at 31 December 2019 and 30 June 2020 represents the number of issued shares of the Group.

During the financial year ended 31 December 2019, the Company issued 295,325,996 new ordinary shares of RM0.50 each for the acquisition of subsidiaries as disclosed in Note 31.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. INVESTED EQUITY (CONTINUED)

During the financial period ended 30 June 2020, the Company increased its number of ordinary shares from 295,326,000 to 590,652,000 by way of subdivision of every one (1) existing ordinary share held after the acquisition into two (2) shares ("Share Split"). The Share Split were issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

The new ordinary shares issued during the financial years/period rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

14. RESERVES

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Reorganisation reserve	-	-	-	(120,947)	(120,947)
Retained earnings	76,139	94,324	120,557	149,290	158,436
	76,139	94,324	120,557	28,343	37,489

Reorganisation reserve

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
At 1 January	-	-	-	-	(120,947)
Effect of acquisition of subsidaries	-	-	-	(120,947)	-
At 31 December/30 June	-	-	-	(120,947)	(120,947)

As detailed in Note 31, the Company completed its Pre-Initial Public Offering Reorganisation on 26 December 2019. Consequently, reorganisation reserve represents the difference between the purchase consideration to acquire Southern Cable Sdn. Bhd., Nextol Polymer Sdn. Bhd. and Daya Forwarding Sdn. Bhd. and the share capital of said companies as at 31 December 2019 and 30 June 2020.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS

		Audited as at				
	Note	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Non-current:						
Term loans		9,075	7,044	8,533	10,553	9,999
Finance lease liabilities		7,586	6,726	7,146	8,265	7,019
		16,661	13,770	15,679	18,818	17,018
Current:						
Term loans		2,250	2,038	1,718	1,684	1,541
Finance lease liabilities		3,058	3,394	3,998	3,846	3,551
Bankers' acceptance		123,639	148,428	164,283	129,961	153,172
Bank overdraft		211	337	341	324	1
		129,158	154,197	170,340	135,815	158,265
Total loans and borrowings:						
Term loans	(a)	11,325	9,082	10,251	12,237	11,540
Finance lease liabilities	(b)	10,644	10,120	11,144	12,111	10,570
Bankers' acceptance	(c)	123,639	148,428	164,283	129,961	153,172
Bank overdraft	(d)	211	337	341	324	1
		145,819	167,967	186,019	154,633	175,283

(a) Term loans

Term loans of the Group bears interests ranged from 3.52% to 6.89% (31.12.2019: 4.77% to 7.72%; 31.12.2018: 4.77% to 7.40%; 31.12.2017: 4.21% to 7.40% and 31.12.2016: 3.30% to 7.35%) per annum and is secured and supported as follows:

(i) Legal charge over the leasehold land and building of an operating entity as disclosed in Notes 5 and 6;
(ii) Legal charge over the freehold land and building of an operating entity as disclosed in Note 5;
(iii) Letter of set-off over first party short-term deposits as disclosed in Note 11;
(iv) Joint and several guarantee by several directors of the Group; and
(v) Corporate guarantee by holding company.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(b) Finance lease liabilities

Certain property, plant and equipment of the Group as disclosed in Notes 5 and 6 are pledged for finance leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of the lease term. The effective interest at rates ranging from 1.97% to 6.68% (31.12.2019: 1.97% to 6.68%; 31.12.2018: 4.50% to 6.86%; 31.12.2017 and 31.12.2016: 4.46% to 6.86%) per annum.

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Minimum lease payments:					
- Not later than one year	3,597	3,879	4,515	4,471	4,014
- Later than one year and not later than five years	8,208	7,193	7,728	8,973	7,589
	11,805	11,072	12,243	13,444	11,603
Less: Future finance charges	(1,161)	(952)	(1,099)	(1,333)	(1,033)
Present value of minimum lease payments	10,644	10,120	11,144	12,111	10,570
Present value of minimum lease payments payable:					
- Not later than one year	3,058	3,394	3,998	3,846	3,551
- Later than one year and not later than five years	7,586	6,726	7,146	8,265	7,019
	10,644	10,120	11,144	12,111	10,570
Less: Amount due within twelve months	(3,058)	(3,394)	(3,998)	(3,846)	(3,551)
Amount due after twelve months	7,586	6,726	7,146	8,265	7,019

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(c) Bankers' acceptance

Bankers' acceptance bears interests ranging from 2.80% to 4.46% (31.12.2019: 3.27% to 4.94%; 31.12.2018: 3.27% to 6.67%; 31.12.2017: 4.07% to 6.42% and 31.12.2016: 2.00% to 4.90%) and is secured and supported as follows:
(i) Legal charge over leasehold land and building of the Group as disclosed in Notes 5 and 6;
(ii) Letter of set-off over first party short-term deposits as disclosed in Note 11; and
(iii) Joint and several guarantee by certain directors of the Group.

(d) Bank overdraft

Bank overdraft bears interest at 6.22% (31.12.2019: 7.22%; 31.12.2018: 7.29%; 31.12.2017 and 31.12.2016: 7.20%) per annum and is secured and supported as follows:
(i) Legal charge over freehold land and building of the Group as disclosed in Note 5; and
(ii) Joint and several guarantee by certain directors of the Group.

16. LEASE LIABILITIES

	Audited as at				
	31.12.2016 RM '000	**31.12.2017 RM '000**	**31.12.2018 RM '000**	**31.12.2019 RM '000**	**30.06.2020 RM '000**
Non-current	-	-	-	43	20
Current	-	-	-	66	85
	-	-	-	109	105

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. DEFERRED TAX LIABILITIES

	At 1 January 2016 RM '000	Recognised in profit or loss (Note 25) RM '000	At 31 December 2016 RM '000	Recognised in profit or loss (Note 25) RM '000	At 31 December 2017 RM '000	Recognised in profit or loss (Note 25) RM '000	At 31 December 2018 RM '000	Recognised in profit or loss (Note 25) RM '000	At 31 December 2019 RM '000	Recognised in profit or loss (Note 25) RM '000	At 30 June 2020 RM '000
Deferred tax liabilities:											
Property, plant and equipment	3,235	108	3,343	(1,503)	1,840	(180)	1,660	133	1,793	641	2,434

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Unused tax losses	-	-	74	8	-
Unabsorbed capital allowance	-	16	58	17	31
Unclaimed finance lease liabilities	38	58	34	41	24
Unclaimed lease liabilities	-	-	-	*	-
	38	74	166	66	55

* RM40

The availability of unused tax losses for offsetting against future taxable profits in Malaysia are subject to requirements under the Income Tax, 1967 and guidelines issued by the tax authority.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessment 2019 to 2025).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

18. PROVISION

	Liquidated ascertained damages RM '000	Short-term compensated leaves RM '000	Total RM '000
At 1 January 2016	-	147	147
Recognised/(reversed) in profit or loss	-	50	50
Paid/utilised during the financial year	-	(147)	(147)
At 31 December 2016	-	50	50
Recognised/(reversed) in profit or loss	12,527	206	12,733
Paid/utilised during the financial year	(744)	(50)	(794)
At 31 December 2017	11,783	206	11,989
Recognised/(reversed) in profit or loss	(1,096)	230	(866)
Paid/utilised during the financial year	(9,838)	(206)	(10,044)
At 31 December 2018	849	230	1,079
Recognised in profit or loss	-	27	27
Paid/utilised during the financial year	(849)	-	(849)
At 31 December 2019	-	257	257
Recognised in profit or loss	-	115	115
Utilised during the financial period	-	(257)	(257)
At 30 June 2020	-	115	115

(a) Short-term compensated leaves

The provision is made for short-term compensated leaves for employees and is based on the number of days of outstanding compensated leaves of each employee multiplied by their respective salary/wages as at year/period end.

(b) Liquidated ascertain damages

The provision is made for late delivery on cables and wires to contracted customers and is based on the applicable rates prescribed in the contracts to supply multiplied by the number of days of late deliverables days.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. TRADE AND OTHER PAYABLES

	Note	Audited as at 31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Trade						
Trade payables	(a)	25,657	27,909	14,416	16,389	23,339
Non-trade						
Other payables		6,465	7,403	13,840	14,444	12,105
Accruals		5,756	8,778	6,829	4,394	2,497
Deposits payable		-	12	-	-	-
Advances from customer		2,105	387	860	-	-
Amount owing to directors	(b)	1,241	1,322	1,514	-	-
		15,567	17,902	23,043	18,838	14,602
Total trade and other payables		41,224	45,811	37,459	35,227	37,941

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group ranges from 30 to 90 days.

(b) Amount owing to directors

Amount owing to directors are unsecured, non-interest bearing and repayable upon demand.

For explanation on the Group's liquidity risk management processes, refer to Note 26(b)(ii).

20. REVENUE

	Audited FYE 31 December 2016 RM '000	2017 RM '000	2018 RM '000	2019 RM '000	Audited FPE 30 June 2020 RM '000	Unaudited FPE 30 June 2019 RM '000
At a point in time:						
Manufacturing of cables and wires	454,031	568,635	615,566 *	652,569	239,760	330,522
Related products and services	16,625	27,059	67,633	4,118	1,326	1,320
	470,656	595,694	683,199	656,687	241,086	331,842

* During the financial year ended 31 December 2018, the Group reached a settlement agreement which resulted in an overprovision in liquidated ascertained damages amounting to RM1,095,514, which is a variable consideration and is presented as an increase in revenue.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. OTHER INCOME

	Audited				Audited	Unaudited
	FYE 31 December				FPE 30 June	
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Interest income	1,121	1,097	1,573	1,564	365	332
Net realised foreign exchange gain	862	1,987	388	-	86	-
Net unrealised foreign exchange gain	-	-	96	-	426	52
Rental income	32	31	9	-	-	-
Gain on disposal of assets held for sale	-	-	-	987	-	987
Gain on disposal of property, plant and equipment	-	-	5	41	*	-
Gain on disposal of investment property	-	-	-	85	-	-
Fair value gain on derivative financial instruments					78	-
Bad debts recovered	295	-	-	-	20	-
Sundry income	660	1,008	93	553	21	215
Scrap sales	80	139	170	147	134	111
	3,050	4,262	2,334	3,377	1,130	1,697

* RM151

22. FINANCE COSTS

	Audited				Audited	Unaudited
	FYE 31 December				FPE 30 June	
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Interest expense on:						
- Term loans	689	608	578	500	260	287
- Finance lease liabilities	600	609	515	578	308	293
- Lease liabilities	-	-	-	20	2	1
- Bankers' acceptance	5,715	6,468	6,950	6,063	2,764	3,118
- Bank overdrafts	51	69	26	29	12	13
- Others	718	458	653	179	59	64
	7,773	8,212	8,722	7,369	3,405	3,776

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. PROFIT BEFORE TAX

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

		← Audited			→	Audited	Unaudited
		FYE 31 December				FPE 30 June	
		2016	2017	2018	2019	2020	2019
	Note	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Auditors' remuneration							
- Current year		57	57	76	97	30	30
- Prior year		-	1	-	-	3	-
- Others		-	-	9	-	38	-
Amortisation/depreciation of property, plant and equipment	5	7,104	7,296	6,664	2,746	1,610	1,643
Depreciation of right-of-use assets	6	-	-	-	3,465	1,730	1,371
Amortisation/depreciation of investment properties	7	44	163	168	92	3	75
Bad debts written off		-	-	30	-	-	-
Fair value loss on derivative financial instruments		293	40	25	22	-	-
Loss on disposal of property, plant and equipment		5	66	-	-	-	12
Property, plant and equipment written off		-	*	3	33	1	31
Provision for liquidated ascertained damages		214	12,527	-	-	-	-
Impairment loss on trade receivables	9	-	-	316	-	-	-
Impairment loss on other receivables	9	55	-	-	-	-	-
Employee benefits expense	24	20,503	26,498	27,600	28,305	12,002	12,123
Rental expense on:							
- Premise		42	42	42	-	-	-
- Equipment		1	5	3	7	#	7
- Forklift		9	14	2	-	2	-
- Hostel		16	92	110	112	43	74
- Land		19	5	-	-	-	-
- Motor vehicles		5	3	-	-	-	-
- Factory		149	143	223	229	43	112
Net realised foreign exchange loss		-	-	-	40	-	51
Net unrealised foreign exchange loss		532	1,024	-	97	-	-

* RM380
# RM309

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS EXPENSE

	Audited				Audited	Unaudited
	FYE 31 December				FPE 30 June	
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Salaries, wages, allowances and bonuses	18,065	19,905	20,719	23,968	10,531	10,915
Defined contribution plans	1,330	1,298	1,418	1,710	778	678
Provision for employee benefit (net)	(97)	156	24	27	(142)	-
Other staff related benefits	1,205	5,139	5,439	2,600	835	530
	20,503	26,498	27,600	28,305	12,002	12,123

Employee benefits expense include staff cost under cost of sales, administrative expenses and distribution expenses.

	Audited				Audited	Unaudited
	FYE 31 December				FPE 30 June	
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Included in employee benefits expenses are:						
Directors' remuneration						
- Salaries, allowances and bonuses	610	838	901	2,467	991	922
- Defined contribution plans	69	100	109	292	110	129
- Other staff related benefits	1,081	4,998	5,272	11	5	5
	1,760	5,936	6,282	2,770	1,106	1,056

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 and financial periods ended 30 June 2020 and 30 June 2019 are as follows:

	Audited FYE 31 December				Audited FPE 30 June	Unaudited FPE 30 June
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Combined statements of comprehensive income						
Current income tax:						
- Current income tax charge	5,936	8,953	7,947	10,277	3,651	6,111
- Adjustment in respect of prior years	(12)	(583)	(868)	365	-	365
	5,924	8,370	7,079	10,642	3,651	6,476
Deferred tax (Note 17):						
- Origination/(reversal) of temporary diference	218	(272)	18	306	58	56
- Adjustment in respect of prior years	(110)	(1,231)	(198)	(173)	583	(173)
	108	(1,503)	(180)	133	641	(117)
Income tax expense recognised in profit or loss	6,032	6,867	6,899	10,775	4,292	6,359

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. INCOME TAX EXPENSE (CONTINUED)

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory tax rate of 17% (31.12.2019: 17%; 31.12.2018 & 31.12.2017: 18% and 31.12.2016: 19%) on chargeable income up to RM600,000 (31.12.2019, 31.12.2018, 31.12.2017 & 31.12.2016: RM500,000). For chargeable income in excess of RM600,000, statutory rate of 24% is still applicable.

The Group has paid-up capital of more than RM2,500,000 for the financial year ended 31 December 2019 and financial period ended 30 June 2020. Hence, domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial year/period.

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	Audited FYE 31 December				Audited FPE 30 June	Unaudited FPE 30 June
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Profit before tax	20,186	25,052	33,132	39,324	13,438	23,648
Tax at Malaysian statutory income tax rate of 24%	4,845	6,012	7,952	9,438	3,225	5,676
SME tax savings	(43)	(30)	(23)	-	-	-
Adjustments:						
Income not subject to tax	(129)	(44)	(6)	(264)	(1)	(259)
Non-deductible expenses	1,455	2,955	214	1,488	493	782
Deferred tax not recognised on temporary differences	26	36	110	(79)	(8)	(32)
Utilisation of reinvestment allowance claimed	-	(248)	(281)	-	-	-
Adjustment in respect of current income tax in prior years	(12)	(583)	(868)	365	-	365
Adjustment in respect deferred tax in prior years	(110)	(1,231)	(199)	(173)	583	(173)
Income tax expense	6,032	6,867	6,899	10,775	4,292	6,359

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018:
(i) Amortised cost
(ii) Designated FVPL

On or before 31 December 2017:
(i) Loans and receivables ("L&R")
(ii) FVPL
- Held for trading ("HFT")
(iii) Other financial liabilities ("FL")

	Carrying amount RM '000	L&R/(FL) RM '000	FVPL - HFT RM '000
At 31 December 2016			
Financial assets			
Trade and other receivables, less prepayments	102,193	102,193	-
Derivative financial assets	3	-	3
Cash and short-term deposits	41,418	41,418	-
	143,614	143,611	3
Financial liabilities			
Loans and borrowings	(145,819)	(145,819)	-
Trade and other payables	(41,224)	(41,224)	-
	(187,043)	(187,043)	-
At 31 December 2017			
Financial assets			
Trade and other receivables, less prepayments	146,828	146,828	-
Cash and short-term deposits	48,674	48,674	-
	195,502	195,502	-
Financial liabilities			
Loans and borrowings	(167,967)	(167,967)	-
Trade and other payables	(45,811)	(45,811)	-
Derivative financial liabilities	(37)	-	(37)
	(213,815)	(213,778)	(37)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM '000	Amortised cost RM '000	FVPL RM '000
At 31 December 2018			
Financial assets			
Trade and other receivables, less prepayments	150,434	150,434	-
Cash and short-term deposits	77,989	77,989	-
	228,423	228,423	-
Financial liabilities			
Loans and borrowings	(186,019)	(186,019)	-
Trade and other payables	(37,459)	(37,459)	-
Derivative financial liabilities	(62)	-	(62)
	(223,540)	(223,478)	(62)
At 31 December 2019			
Financial assets			
Trade and other receivables, less prepayments	177,487	177,487	-
Cash and short-term deposits	56,600	56,600	-
	234,087	234,087	-
Financial liabilities			
Loans and borrowings	(154,633)	(154,633)	-
Lease liabilities	(109)	(109)	-
Trade and other payables	(35,227)	(35,227)	-
Derivative financial liabilities	(84)	-	(84)
	(190,053)	(189,969)	(84)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM '000	Amortised cost RM '000	FVPL RM '000
At 30 June 2020			
Financial assets			
Trade and other receivables, less prepayments	164,883	164,883	-
Cash and short-term deposits	78,049	78,049	-
	242,932	242,932	-
Financial liabilities			
Loans and borrowings	(175,283)	(175,283)	-
Lease liabilities	(105)	(105)	-
Trade and other payables	(37,941)	(37,941)	-
Derivative financial liabilities	(6)	-	(6)
	(213,335)	(213,329)	(6)

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's overall financial risk management objective is to optimise value for its shareholders.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by their carrying amounts in the combined statements of financial position.

The carrying amounts of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group has no significant concentration of credit risk from its receivables.

The Group applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. As there is no evidence of impairment for the years/period under review, the expected credit loss is assessed as 0%.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

* internal credit rating
* external credit rating (as far as available)
* actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
* actual or expected significant changes in the operating results of the borrower
* significant increases in credit risk on other financial instruments of the same borrower
* significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
* significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

Some intercompany loans between related entities are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.10(a) for the Group's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arises principally from trade and other payables, loan and borrowings and lease liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group's treasury department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM '000	Contractual cash flows: On demand or within one year RM '000	Between one and five years RM '000	More than five years RM '000	Total RM '000
At 31 December 2016					
Trade and other payables	41,224	41,224	-	-	41,224
Term loans	11,325	2,852	6,503	4,766	14,121
Finance lease liabilities	10,644	3,597	8,208	-	11,805
Bankers' acceptance	123,639	123,639	-	-	123,639
Bank overdraft	211	211	-	-	211
	187,043	171,523	14,711	4,766	191,000
At 31 December 2017					
Trade and other payables	45,811	45,811	-	-	45,811
Term loans	9,082	2,505	4,623	5,162	12,290
Finance lease liabilities	10,120	3,879	7,193	-	11,072
Bankers' acceptance	148,428	148,428	-	-	148,428
Bank overdraft	337	337	-	-	337
Derivative financial liabilities	37	37	-	-	37
	213,815	200,997	11,816	5,162	217,975

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

		Contractual cash flows			
	Carrying amount RM '000	On demand or within one year RM '000	Between one and five years RM '000	More than five years RM '000	Total RM '000
At 31 December 2018					
Trade and other payables	37,459	37,459	-	-	37,459
Term loans	10,251	2,084	4,939	6,101	13,124
Finance lease liabilities	11,144	4,515	7,728	-	12,243
Bankers' acceptance	164,283	164,283	-	-	164,283
Bank overdraft	341	341	-	-	341
Derivative financial liabilities	62	62	-	-	62
	223,540	208,744	12,667	6,101	227,512
At 31 December 2019					
Trade and other payables	35,227	35,227	-	-	35,227
Term loans	12,237	2,252	6,110	7,142	15,504
Finance lease liabilities	12,111	4,471	8,973	-	13,444
Lease liabilities	109	78	34	-	112
Bankers' acceptance	129,961	129,961	-	-	129,961
Bank overdraft	324	324	-	-	324
Derivative financial liabilities	84	84	-	-	84
	190,053	172,397	15,117	7,142	194,656
At 30 June 2020					
Trade and other payables	37,941	37,941	-	-	37,941
Term loans	11,540	2,062	5,736	6,469	14,267
Finance lease liabilities	10,570	4,014	7,589	-	11,603
Lease liabilities	105	86	20	-	106
Bankers' acceptance	153,172	153,172	-	-	153,172
Bank overdraft	1	1	-	-	1
Derivative financial liabilities	6	6	-	-	6
	213,335	197,282	13,345	6,469	217,096

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's trade and other receivables, cash at banks and trade and other payables.

Management has set up a policy that requires all companies within the Group to manage their treasury activities and exposures. The Group's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group also take advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's unhedged financial assets and liabilities that are not denominated in their presentation currencies are as follows:

	Audited as at				
	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Financial assets and (liabilities) not held in functional currency:					
Trade receivables					
United States Dollar ("USD")	5,533	22,369	1,058	4,717	22,808
Cash and short-term deposits					
USD	6	1,529	185	258	7,493
Trade payables					
USD	2,787	3,899	2,964	1,746	974
Other payables					
USD	1,353	115	481	151	117

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates to USD.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant on the Group's total equity and profit for the financial years.

	Change in rate	Effect on profit for the financial year/ period/equity RM '000
31 December 2016		
- USD	+15%	159
	-15%	(159)
31 December 2017		
- USD	+15%	2,267
	-15%	(2,267)
31 December 2018		
- USD	+15%	(251)
	-15%	251
31 December 2019		
- USD	+15%	351
	-15%	(351)
30 June 2020		
- USD	+15%	3,330
	-15%	(3,330)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial years/period.

	Carrying amount RM '000	Change in basis point	Effect on profit for the financial year/period/ equity RM '000
31 December 2016			
Term loans	(11,325)	+ 50	(43)
		- 50	43
Bankers' acceptance	(123,639)	+ 50	(470)
		- 50	470
Bank overdraft	(211)	+ 50	(1)
		- 50	1
Short-term deposits	35,634	+ 50	135
		- 50	(135)
31 December 2017			
Term loans	(9,082)	+ 50	(35)
		- 50	35
Bankers' acceptance	(148,428)	+ 50	(564)
		- 50	564
Bank overdraft	(337)	+ 50	(1)
		- 50	1
Short-term deposits	36,813	+ 50	140
		- 50	(140)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

Sensitivity analysis for interest rate risk (continued)

	Carrying amount RM '000	Change in basis point	Effect on profit for the financial year/period/ equity RM '000
31 December 2018			
Term loans	(10,251)	+ 50	(39)
		- 50	39
Bankers' acceptance	(164,283)	+ 50	(624)
		- 50	624
Bank overdraft	(341)	+ 50	(1)
		- 50	1
Short-term deposits	40,216	+ 50	153
		- 50	(153)
31 December 2019			
Term loans	(12,237)	+ 50	(47)
		- 50	47
Bankers' acceptance	(129,961)	+ 50	(494)
		- 50	494
Bank overdraft	(324)	+ 50	(1)
		- 50	1
Short-term deposits	43,072	+ 50	164
		- 50	(164)
30 June 2020			
Term loans	(11,540)	+ 50	(44)
		- 50	44
Bankers' acceptance	(153,172)	+ 50	(582)
		- 50	582
Bank overdraft	(1)	+ 50	(0)
		- 50	0
Short-term deposits	43,755	+ 50	166
		- 50	(166)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

The carrying amount of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial years/period.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount	Fair value of financial instruments carried at fair value — Fair Value				Fair value of financial instruments not carried at fair value — Fair Value			
	RM '000	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000
At 31 December 2016									
Financial assets									
Derivative financial assets	3	-	3	-	3	-	-	-	-
Financial liabilities									
Term loans	(11,325)	-	-	-	-	-	-	(9,561)	(9,561)
Finance lease liabilities	(10,644)	-	-	-	-	-	-	(7,711)	(7,711)
At 31 December 2017									
Financial liabilities									
Term loans	(9,082)	-	-	-	-	-	-	(6,535)	(6,535)
Finance lease liabilities	(10,120)	-	-	-	-	-	-	(6,719)	(6,719)
Derivative financial liabilities	(37)	-	(37)	-	(37)	-	-	-	-

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments (continued):

	Carrying amount	Fair value of financial instruments carried at fair value — Fair Value				Fair value of financial instruments not carried at fair value — Fair Value			
	RM '000	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000
At 31 December 2018									
Financial liabilities									
Term loans	(10,251)	-	-	-	-	-	-	(7,943)	(7,943)
Finance lease liabilities	(11,144)	-	-	-	-	-	-	(8,023)	(8,023)
Derivative financial liabilities	(62)	-	(62)	-	(62)	-	-	-	-
At 31 December 2019									
Financial liabilities									
Term loans	(12,237)	-	-	-	-	-	-	(9,578)	(9,578)
Finance lease liabilities	(12,111)	-	-	-	-	-	-	(8,190)	(8,190)
Lease liabilities	(109)	-	-	(109)	(109)	-	-	-	-
Derivative financial liabilities	(84)	-	(84)	-	(84)	-	-	-	-
At 30 June 2020									
Financial liabilities									
Term loans	(11,540)	-	-	-	-	-	-	(9,376)	(9,376)
Finance lease liabilities	(10,570)	-	-	-	-	-	-	(6,943)	(6,943)
Lease liabilities	(105)	-	-	(105)	(105)	-	-	-	-
Derivative financial liabilities	(6)	-	(6)	-	(6)	-	-	-	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

Level 3 fair value

Fair value of financial instruments not carried at fair value

The fair value of liability component of term loans and finance lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

27. COMMITMENTS

The Group has made commitments for the following capital expenditures:

	Audited as at				
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020
	RM '000	RM '000	RM '000	RM '000	RM '000
Capital expenditures contracted but not provided for:					
- Construction of building	1,393	1,255	100	45	-
- Purchase of factory building	-	2,541	5,850	-	-
- Purchase of plant and machineries	-	1,144	-	111	1,907
Capital expenditures not contracted and not provided for:					
- Purchase of plant and machineries	-	-	-	30,000	30,000
	1,393	4,940	5,950	30,156	31,907

28. CONTINGENCIES

Contingent liabilities

	Audited as at				
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020
	RM '000	RM '000	RM '000	RM '000	RM '000
Bank guarantee					
- Trade facilities	29,247	34,656	29,042	26,479	21,659
- Contract financing for performance bonds and guarantees	5,202	4,690	4,619	7,842	7,842
	34,449	39,346	33,661	34,321	29,501

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

29. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Entities in which directors have substantial financial interests;
(ii) A person(s) connected to a director; and
(iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the combined financial statements are as follows:

	Audited				Audited	Unaudited
	FYE 31 December				FPE 30 June	
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Rental expense charged by						
A person connected to a director	32	53	84	54	27	27
Disposal of investment property						
Persons connected to a director	-	-	-	5,200	-	-
Disposal of assets held for sale						
Persons connected to a director	-	-	-	2,300	-	2,300

(c) Compensation of key management personnel

	Audited				Audited	Unaudited
	FYE 31 December				FPE 30 June	
	2016	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Salaries, allowances and bonuses	1,506	1,827	1,960	3,681	1,620	1,528
Defined contribution plans	171	215	233	456	182	211
Other staff related benefits	1,099	5,021	5,311	210	15	14
	2,776	7,063	7,504	4,347	1,817	1,753

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies and processes during the financial years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 and financial period ended 30 June 2020.

The Group monitors capital using net gearing ratio. The net gearing ratio is calculated as net debts divided by equity attributable to the owners of the Group. The net gearing ratio as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 are as follows:

		Audited as at				
	Note	31.12.2016 RM '000	31.12.2017 RM '000	31.12.2018 RM '000	31.12.2019 RM '000	30.06.2020 RM '000
Loans and borrowings	15	145,819	167,967	186,019	154,633	175,283
Less: Cash and short-term deposits	11	(41,418)	(48,674)	(77,989)	(56,600)	(78,049)
Total net debts		104,401	119,293	108,030	98,033	97,234
Total equity		103,039	121,224	147,457	176,006	185,152
Net gearing ratio (times)		1.01	0.98	0.73	0.56	0.53

There were no changes in the Group's approach to capital management during the financial years/period under review.

The Group is required to comply with externally imposed capital requirements on current ratio, leverage ratio and maintain certain net worth in respect of its bank borrowings. The Group has complied with those capital requirements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIODS

(a) Acquisition of Southern Cable Sdn. Bhd.

On 23 May 2019, the Company entered into a conditional share sale agreement to acquire the entire equity interest of Southern Cable Sdn. Bhd. for a total purchase consideration of RM142,406,998 which will be wholly satisfied by the issuance of 284,813,996 shares in the Company at RM0.50 per share.

The purchase consideration of RM142,406,998 was arrived at on a willing buyer-willing seller basis based on the adjusted net assets of Southern Cable Sdn. Bhd. as at 31 December 2018. The acquisition was completed on 26 December 2019.

(b) Acquisition of Nextol Polymer Sdn. Bhd.

On 23 May 2019, the Company entered into a conditional share sale agreement to acquire the entire equity interest of Nextol Polymer Sdn. Bhd. for a total purchase consideration of RM3,432,000 which will be wholly satisfied by the issuance of 6,864,000 shares in the Company at RM0.50 per share.

The purchase consideration of RM3,432,000 was arrived at on a willing buyer-willing seller basis based on the adjusted net assets of Nextol Polymer Sdn. Bhd. as at 31 December 2018. The acquisition was completed on 26 December 2019.

(c) Acquisition of Daya Forwarding Sdn. Bhd.

On 23 May 2019, the Company entered into a conditional share sale agreement to acquire the entire equity interest of Daya Forwarding Sdn. Bhd. for a total purchase consideration of RM1,824,000 which will be wholly satisfied by the issuance of 3,648,000 shares in the Company at RM0.50 per share.

The purchase consideration of RM1,824,000 was arrived at on a willing buyer-willing seller basis based on the adjusted net assets of Daya Forwarding Sdn. Bhd. as at 31 December 2018. The acquisition was completed on 26 December 2019.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIODS (CONTINUED)

(d) COVID-19 outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus Disease ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the movement control order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

The Group has performed an assessment of the overall impact of the situation on the Group's operation, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial period ended 30 June 2020.

The Group is unable to reasonably estimate the financial impact of these events on its financial position, results of operations or cash flows in the next financial period due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the coronavirus will have direct and indirect effects on its operations. The Group will continuously monitor the impact of Covid-19 on its operations and financial performance and will be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the directors for the purpose of making decisions about resource allocation and performance assessment.

The four reportable operating segments are as follows:

Segments	Product and services
Power cables and wires	Used in electrical systems for the distribution of power.
Communications cables and wires	Used to transmit data including text, sound and images by using electrical current of various frequencies.
Control and instrumentation cables and wires	Used to transmit electrical signals and data to measure, monitor, control and regulate industrial process automation plants.
Related products and services	Includes manufacture of copper and aluminiums rod, plastic compound, wooden cable drum, trading and supply of cables and wires.

Inter-segment pricing is determined on negotiated basis.

Segments profit

Segment performance is used to measure performance as Group's Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segments assets

Segments assets information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segments assets.

Segments liabilities

Segments liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segments liabilities.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Note	Power cables and wire RM '000	Communication cables and wires RM '000	Control and instrumentation cables and wires RM '000	Others RM '000	Adjustments and eliminations RM '000	Total RM '000
31 December 2016							
Revenue:							
Revenue from external customers		381,434	61,375	11,222	16,625	-	470,656
Inter-segment revenue	A	-	-	-	26,275	(26,275)	-
		381,434	61,375	11,222	42,900	(26,275)	470,656
Segment profit		29,885	8,816	1,690	2,413	(1,231)	41,573
Other income							3,050
Unallocated expenses							(16,664)
Finance costs							(7,773)
Income tax expense							(6,032)
Profit for the financial year							14,154
Results:							
Included in the measure of segments profit are:							
Employee benefits expense							20,503
Depreciation and amortisation							7,148

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Note	Power cables and wire RM '000	Communication cables and wires RM '000	Control and instrumentation cables and wires RM '000	Others RM '000	Adjustments and eliminations RM '000	Total RM '000
31 December 2017							
Revenue:							
Revenue from external customers		418,431	54,776	95,428	27,059	-	595,694
Inter-segment revenue	A	-	-	-	30,877	(30,877)	-
		418,431	54,776	95,428	57,936	(30,877)	595,694
Segment profit		33,410	7,215	9,183	3,015	(257)	52,566
Other income							4,262
Unallocated expenses							(23,564)
Finance costs							(8,212)
Income tax expense							(6,867)
Profit for the financial year							18,185
Results:							
Included in the measure of segments profit are:							
Employee benefits expense							26,498
Depreciation and amortisation							7,459

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Note	Power cables and wire RM '000	Communication cables and wires RM '000	Control and instrumentation cables and wires RM '000	Others RM '000	Adjustments and eliminations RM '000	Total RM '000
31 December 2018							
Revenue:							
Revenue from external customers		489,589	80,863	45,114	67,633	-	683,199
Inter-segment revenue	A	-	-	-	25,366	(25,366)	-
		489,589	80,863	45,114	92,999	(25,366)	683,199
Segment profit		42,321	12,159	6,850	3,823	75	65,228
Other income							2,334
Unallocated expenses							(25,708)
Finance costs							(8,722)
Income tax expense							(6,899)
Profit for the financial year							26,233
Results:							
Included in the measure of segments profit are:							
Employee benefits expense							27,600
Depreciation and amortisation							6,832

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Note	Power cables and wire RM '000	Communication cables and wires RM '000	Control and instrumentation cables and wires RM '000	Others RM '000	Adjustments and eliminations RM '000	Total RM '000
31 December 2019							
Revenue:							
Revenue from external customers		499,462	30,642	58,613	67,970	-	656,687
Inter-segment revenue	A	-	-	-	27,843	(27,843)	-
		499,462	30,642	58,613	95,813	(27,843)	656,687
Segment profit		48,125	4,727	9,594	4,796	(20)	67,222
Other income							3,377
Unallocated expenses							(23,906)
Finance costs							(7,369)
Income tax expense							(10,775)
Profit for the financial year							28,549
Results:							
Included in the measure of segments profit are:							
Employee benefits expense							28,305
Depreciation and amortisation							6,303

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Note	Power cables and wire RM '000	Communication cables and wires RM '000	Control and instrumentation cables and wires RM '000	Others RM '000	Adjustments and eliminations RM '000	Total RM '000
30 June 2020							
Revenue:							
Revenue from external customers		188,368	11,975	14,007	26,736	-	241,086
Inter-segment revenue	A	-	-	-	12,010	(12,010)	-
		188,368	11,975	14,007	38,746	(12,010)	241,086
Segment profit		18,923	1,885	1,771	1,402	(10)	23,971
Other income							1,130
Unallocated expenses							(8,258)
Finance costs							(3,405)
Income tax expense							(4,292)
Profit for the financial period							9,146
Results:							
Included in the measure of segments profit are:							
Employee benefits expense							12,002
Depreciation and amortisation							3,343

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Note	Power cables and wire RM '000	Communication cables and wires RM '000	Control and instrumentation cables and wires RM '000	Others RM '000	Adjustments and eliminations RM '000	Total RM '000
30 June 2019							
Revenue:							
Revenue from external customers		252,375	18,029	31,143	30,295	-	331,842
Inter-segment revenue	A	-	-	-	14,442	(14,442)	-
		252,375	18,029	31,143	44,737	(14,442)	331,842
Segment profit		27,360	2,780	5,422	2,859	(1,338)	37,083
Other income							1,697
Unallocated expenses							(11,356)
Finance costs							(3,776)
Income tax expense							(6,359)
Profit for the financial period							17,289
Results:							
Included in the measure of segments profit are:							
Employee benefits expense							12,123
Depreciation and amortisation							3,089

A. Inter-segment revenue

Inter-segment revenues are eliminated on combination.

Geographical information

Revenue and non-current assets information based on the geographical location of customers are as follows:

	Revenue RM '000	Non-current assets RM '000
31 December 2016		
Local	463,534	66,263
Overseas	7,122	-
	470,656	66,263

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

Revenue and non-current assets information based on the geographical location of customers are as follows (continued):

	Revenue RM '000	Non-current assets RM '000
31 December 2017		
Local	552,606	63,255
Overseas	43,088	-
	595,694	63,255
31 December 2018		
Local	672,262	63,753
Overseas	10,937	-
	683,199	63,753
31 December 2019		
Local	643,927	71,973
Overseas	12,760	-
	656,687	71,973
30 June 2020		
Local	211,947	70,040
Overseas	29,139	-
	241,086	70,040
30 June 2019		
Local	324,748	71,092
Overseas	7,094	-
	331,842	71,092

The Group operates predominantly in Malaysia and hence, non-current assets is all held in Malaysia.

Information about major customers

For power cables and wires, communication cables and wires and control and instrumentation cables and wires, revenue from one (1) (31.12.2019: one (1); 31.12.2018: two (2); 31.12.2017: one (1) and 31.12.2016: two (2)) customer represented approximately RM30,028,000 (31.12.2019: RM113,731,000; 31.12.2018: RM187,883,000; 31.12.2017: RM68,234,000 and 31.12.2016: RM144,226,000) of the Group's total revenue.

13. ADDITIONAL INFORMATION

13.1 SHARE CAPITAL

(i) As at the date of this Prospectus, we only have one (1) class of shares, namely ordinary shares, all of which rank equally with one another.

(ii) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option.

(iii) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.

(iv) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.

(v) Save as disclosed in Sections 3.1, 5.1.3 and 5.2 of this Prospectus, no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus.

(vi) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

13.2 EXTRACT OF OUR CONSTITUTION

The following provisions relating to the selected matters are reproduced from our Constitution which comply with the Listing Requirements, the Act and the Rules.

The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires:-

(i) REMUNERATION OF DIRECTORS

The provisions in our Company's Constitution in respect of the remuneration of Directors are as follows:-

Clause 93 – Directors' Remuneration

The fees of the directors and any benefits payable to the directors shall from time to time be determined by way of an ordinary resolution of the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office provided always that:-

(a) salaries, benefits and other emoluments payable to executive Director(s) pursuant to an employment contract or a contract of service need not be determined by the Company in general meeting but such salaries 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 way of a commission on or percentage of profits or turnover; and

(c) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

13. ADDITIONAL INFORMATION (CONT'D)

(ii) VOTING AND BORROWING POWERS OF DIRECTORS

Clause 115 – Power to vote

A Director may vote in respect of:-

(a) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security;

(c) any contract by a director to subscribe for or underwrite shares or debentures of the Company; or

(d) any contract or arrangement with any other company in which he is interested only as an officer of the Company or as a holder of shares or other securities in that company.

Clause 114 – Restriction on voting

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 111 – Votes by majority Directors and Chairman to have casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes of the Directors present and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote except where at the meeting only two (2) Directors form a quorum and only such a quorum is present at the meeting or only two (2) Directors are competent to vote on the question at issue.

Clause 98 – Directors' borrowing powers

(a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or any related company as may be thought fit.

(b) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' 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.

13. ADDITIONAL INFORMATION (CONT'D)

(iii) CHANGES IN CAPITAL OR VARIATION OF CLASS RIGHTS

Clause 53 – Power to increase share capital

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.

Clause 6 – 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, the Act, any Applicable Laws, and to 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:-

(i) in the case of shares, 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;

(ii) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meetings;

(iii) 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;

(iv) except in the case of an issue of Securities on a pro-rata basis to all Members, placements undertaken in compliance with the Listing Requirements or issuance pursuant to a dividend reinvestment scheme, there shall be no issue of Securities to a Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive (hereinafter referred to as the interested Director", "interested major shareholder", "interested chief executive" or "interested person connected with a Director, major shareholder or chief executive" respectively) unless the members in general meeting have approved of the specific allotment to be made to such aforesaid interested Director, interested major shareholder, interested chief executive or interested person connected with a Director, major shareholder or chief executive, as the case may be. In this Constitution, "major shareholder", "chief executive" and "person connected with any Director, major shareholder or chief executive" shall have the meaning ascribed thereto in the Listing Requirements; and

(v) in the case of shares offered to the public or under a prospectus that is registered under the Capital Markets and Services Act 2007 for subscription, the amount payable on application on each share shall not be less than five per centum (5%) of the offer price of the share.

Clause 7 – Rights of preference shareholders

Subject to the Act and the Listing Requirements, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have:-

(a) the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company; and

(b) the right to vote at any meeting convened for the purpose of reducing the capital of the Company or on a proposal to wind up or during the winding up of the Company, or sanctioning a sale of the whole of the Company's undertaking, property or business, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares or part of the dividend is in arrears for more than six (6) months.

Clause 9 – Variation of class rights

Subject to Section 91 of the Act, 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, whether or not the Company is being wound up, be varied with:-

(a) the consent in writing of the holders of not less than seventy-five per centum (75%) of the total voting rights of the shareholders in that class; or

(b) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons holding or representing by proxy at least one-third of the number of the issued shares of the class excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him. For adjourned meetings, quorum is one (1) person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

Clause 5 – Class of shares and alteration of share capital

The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise. The Company shall have the power to increase or reduce the capital, to consolidate or subdivide the shares into shares of larger or smaller amounts and to issue all or any part of the original or any additional capital as fully paid or partly paid shares, and with any special or preferential rights or privileges, or subject to any special terms or conditions and either with or without any special designation, and also from time to time to alter, modify, commute, abrogate or deal with any such privileges, terms, conditions or designations in accordance with the regulations for the time being of the Company.

Clause 56 – Power to alter capital

Subject to the provisions of this Constitution and the Act, the Company may by special resolution:-

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) subdivide its share capital or any part thereof into shares of smaller amounts by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act;

(c) convert and/or re-classify any class of shares into any other class of shares; or

(d) 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.

Clause 57 – 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 Act and the Applicable Laws.

(iv) TRANSFER OF SECURITIES

Clause 29 – Transfer in writing

Subject to this Constitution, the Central Depositories Act and the Rules, any Member may transfer all or any of his Securities (except those Deposited Securities which are for the time being designated as securities in suspense) by instrument in writing in the form prescribed and approved by the Stock Exchange. The instrument shall have been executed by or on behalf of the transferor and the transferee and the transferor shall remain the holder of the Securities transferred until the transfer is registered and the name of the transferee is entered in the Record of Depositors.

Clause 30 – Transfer of securities

The transfer of any Deposited Securities shall be made by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such Securities.

Clause 31 – No restriction on the transfer of fully paid Securities

Subject to the Central Depositories Act and the Rules, there shall be no restriction on the transfer of fully paid Securities except where required by law.

13. ADDITIONAL INFORMATION (CONT'D)

Clause 33 – Suspension of registration

Subject to the provisions of the Act, the Depositories Act, the Rules and the Listing Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine PROVIDED ALWAYS that such registration shall not be suspended for more than thirty (30) days in any year. At least ten (10) clear Market Days' notice (or such other period as may from time to time be prescribed by Bursa Securities) prior to such closure shall be published in a daily newspaper circulating in Malaysia and shall also be given to Bursa Securities. The said notice shall state the period and purpose or purposes of such closure. The Company shall give notice in accordance with the requirements of the Rules to the Depository to prepare the appropriate Record of Depositors.

Clause 35 - Renunciation

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

13.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation imposed by law or by the constituent documents of our Company 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.

13.4 MATERIAL LITIGATION

Our Group is not engaged in any material litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business as at the LPD.

13.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:-

(i) Sale and Purchase Agreement dated 13 September 2017 between Southern and Jelita Heights Sdn Bhd for the acquisition of all that piece of land held under HS(M) 6499, PTD 12913, Mukim Jeram Batu, Daerah Pontian, Negeri Johor measuring approximately 12,680 sq. ft. together with a one and half (1 ½) storey semi-detached industrial factory measuring approximately 7,649.79 sq. ft. in area erected thereon and bearing the postal address of PTD 12913, 46 Jalan Alam Jaya 1, Taman Perindustrian Alam Jaya, 81500 Pekan Nanas, Johor Darul Takzim a total cash consideration of RM2,992,804. This transaction has been completed on 30 January 2018;

(ii) Sale and Purchase Agreement dated 5 September 2018 between Southern and Herbal Revival Sdn Bhd for the acquisition of all that piece of land held under HS(D) 267439, PT 12367, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor measuring approximately 1,027 square metres in area together with a one and half (1 ½) storey semi-detached industrial building erected thereon and bearing the postal address of No.12A-G, Pusat Teknologi Sunsuria, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan for a total cash consideration of RM6,500,000. This transaction has been completed on 5 March 2019;

(iii) Sale and Purchase Agreement dated 6 December 2018 and Supplemental Agreement dated 13 May 2019 between Nextol and Ooi Gaik Bee and Tung XinYie for the disposal of a three (3) storey semi-detached house measuring approximately 3,498.27 sq. ft. in area bearing the postal address 72A, Jalan PJU 3/20F, Tropicana Indah Resort Homes, 47410 Petaling Jaya, Selangor Darul Ehsan and held under HS(D) 132415, PT 38291, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor for a total cash consideration of RM2,300,000. This transaction has been completed on 16 May 2019;

(iv) Gas Supply Agreement dated 31 October 2018 between Southern and Gas Malaysia Berhad ("**Gas Malaysia**") ("**Gas Supply Agreement**") wherein Gas Malaysia supplies and delivers to Southern gas in the agreed quantities as stipulated in the Gas Supply Agreement. The tariff payable by Southern for the gas delivered is as set out in accordance with the base tariff and its calculation as set out in the Gas Supply Agreement for the contract period from 1 October 2018 to 31 December 2022. This transaction is still ongoing;

(v) Sale and Purchase Agreement dated 30 April 2019 between Southern and Ooi Gaik Bee and Tung Eng Hai for the disposal of a three (3) storey semi-detached house with a swimming pool, measuring approximately 6,565.99 sq. ft. in area bearing the postal address No. 41, Lorong PJU 3/12G, Pool Villas, Tropicana Indah, 47410 Petaling Jaya, Selangor Darul Ehsan Tropicana Pool Villas and held under HS(D) 179924, PT 32455, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor for a total cash consideration of RM5,200,000. This transaction has been completed on 1 October 2019;

13. ADDITIONAL INFORMATION (CONT'D)

(vi) Distribution Agreement dated 1 January 2019 between Southern and Southern Cable (Cambodia) Co., Ltd. for the distribution of "Southern Cable" brand of cables and wires within Cambodia at the minimum order of USD100,000 per month for the initial contract period of one (1) year from 1 January 2019 to 31 December 2019 and shall be renewed automatically at the end of the expiry. This transaction is ongoing;

(vii) Distribution Agreement dated 1 January 2019 between Southern and Southern Cable Company Limited for the distribution of "Southern Cable" brand of cables and wires within Myanmar at the minimum order of USD100,000 per month for the initial contract period of one (1) year from 1 January 2019 to 31 December 2019 and shall be renewed automatically at the end of the expiry. This transaction is ongoing;

(viii) Distribution Agreement dated 1 January 2019 between Southern and PT Ceramic Asia Indonesia for the distribution of "Southern Cable" brand of cables and wires within Indonesia at the minimum order of USD100,000 per month for the initial contract period of one (1) year from 1 January 2019 to 31 December 2019 and shall be renewed automatically at the end of the expiry. This transaction is ongoing;

(ix) Conditional Share Sale Agreement dated 23 May 2019 between Sino, Semangat, Tan Chin Keat, Chong Heang Sue and Yiam Chorng Yin and Southern Cable for the Acquisition of Southern. This transaction has been completed on 26 December 2019;

(x) Conditional Share Sale Agreement dated 23 May 2019 between Tung Siew Luan and Tung Cheng Im and Southern Cable for the Acquisition of Nextol. This transaction has been completed on 26 December 2019;

(xi) Conditional Share Sale Agreement dated 23 May 2019 between Tung Siew Luan and Wong Meng Kee and Southern Cable for the Acquisition of Daya. This transaction has been completed on 26 December 2019;

(xii) Sale and Purchase Agreement dated 18 June 2019 between Sunrise Phoenix Sdn Bhd and Southern for the acquisition of 60 years lease tenure in respect of Lot 28 and Lot 29 for a purchase consideration of RM2,227,876.35 to be satisfied by cash. This transaction has been completed on 10 October 2019; and

(xiii) Underwriting agreement dated 6 March 2020 and supplemental underwriting agreement dated 24 August 2020 entered into between our Company and the Sole Underwriter for the underwriting of up to 62,000,000 Issue Shares under the Public Issue, for the underwriting commission at the rate set out in Section 3.6.2 of this Prospectus. Please refer to Section 3.7 of this Prospectus for further details of the Underwriting Agreement.

13.6 PUBLIC TAKE-OVERS

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

(i) public take-over offers by third parties in respect of our Group's shares; and

(ii) public take-over offers by our Group in respect of other companies' shares.

13.7 REPATRIATION OF CAPITAL AND PROFITS

As our Group does not physically operate in other countries other than in Malaysia, there are no governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profit by or to our Group.

13.8 CONSENTS

(i) The written consents of the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, Solicitors for the Listing, Share Registrar, Issuing House and Company Secretary for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issuance of this Prospectus, and have not subsequently been withdrawn.

(ii) The written consent of the External Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.

(iii) The written consent of the Independent Business and Market Research Consultants for the inclusion in this Prospectus of its name and the Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.

(iv) The written consent of the Independent Internal Control Consultants for the inclusion in this Prospectus of its name has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.

13.9 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six (6) months from the date of this Prospectus:-

(i) Our Constitution;

(ii) The Industry Overview referred to in Section 7 of this Prospectus;

(iii) The Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position of our Group as at 30 June 2020 referred to in Section 11.3 of this Prospectus;

(iv) The Accountants' Report as included in Section 12 of this Prospectus;

(v) The material contracts referred to in Sections 5.5.12 and 13.5 of this Prospectus;

(vi) The letters of consent referred to in Section 13.8 of this Prospectus; and

(vii) The audited financial statements of:-

(a) Southern Cable for the financial period from 4 April 2019 (date of Southern Cable's incorporation) to 31 December 2019 and FPE 30 June 2020;

(b) Southern for the FYE 31 December 2016 to 2019 and FPE 30 June 2020;

(c) Nextol for the FYE 31 December 2016 to 2019 and FPE 30 June 2020; and

(d) Daya for the FYE 31 December 2016 to 2019 and FPE 30 June 2020.

13.10 RESPONSIBILITY STATEMENTS

(i) MIDF Investment 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 relating to the IPO.

(ii) This Prospectus has been seen and approved by our Directors, Promoters and Offeror and they collectively and individually accept full responsibility for the accuracy of the information and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

14. 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 COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used 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.

14.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD:- 10.00 A.M., 29 SEPTEMBER 2020

CLOSING OF THE APPLICATION PERIOD:- 5.00 P.M., 6 OCTOBER 2020

Applications for the IPO Shares will open and close at the times and dates stated above.

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia. The dates for the ballot of the applications for our Issue Shares, the allotment of our Issue Shares/transfer of Offer Shares and our Listing would then be extended accordingly.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATIONS

14.2.1 Application for our Issue Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to our success

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and category of investors			Application Method
(a)	Applications by the Malaysian Public:-		
	(i)	Individuals	White application form or Electronic Share Application or Internet Share Application
	(ii)	Corporation or institution	White application form only
(b)	Our eligible Directors, employees and persons who have contributed to our success		Pink application forms only

14.2.2 Application by selected investors and identified Bumiputera investors approved by MITI via private placement

Types of Application		Application Method
Applications by:-		
(a)	Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b)	Identified Bumiputera investors approved by the MITI	MITI will contact the identified Bumiputera investors directly. They should follow MITI's instructions.

Selected investors and identified Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:-

(i) You must be one of the following:-

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or

(b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:-

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

14.3.3 Application by eligible Directors, employees and persons who have contributed to our success (pink application form)

Our eligible Directors, employees and persons (including any entities, wherever established) who have contributed to our success will be provided with pink application forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Eligible Directors, employees and persons who have contributed to our success may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, MIDF Investment, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.34 for each IPO Share.

Payment must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NUMBER 602"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd
Registration Number: 199301003608 (258345-X)
11th Floor, Menara Symphony
No.5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 p.m. on 6 October 2020 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.

14.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

14.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB 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.

14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

(i) reject Applications which:-

  (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 of this Prospectus.

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.

14.8 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 the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.mih.com.my) within one (1) business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

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 our success, subject to the underwriting arrangements and reallocation as set out in Section 3.1.3 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.

14.9 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.

14.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be refunded to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, 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 documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten (10) Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by 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 (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5^{th} Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

14.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:-

(i) Our IPO Shares allotted to you will be credited into your CDS account;

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application;

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository; and

(iv) 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.

14.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

Mode of application	Parties to direct the enquiries
Application Form	MIH Enquiry Services Telephone at telephone no. 03-7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as 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.