

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF ECONFRAME BERHAD ("ECONFRAME" OR THE "COMPANY") DATED 5 OCTOBER 2020 ("ELECTRONIC PROSPECTUS")

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

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's ("**Bursa Securities**") website at www.bursamalaysia.com ("**Website**").

Availability and Location of Paper/Printed Prospectus

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

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

Jurisdictional Disclaimer

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

Close of Application

Applications will be accepted from **10.00 a.m. on 5 October 2020** and will close at **5.00 p.m. on 12 October 2020**. In the event the Closing Date is extended, Econframe will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original Closing Date.

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

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

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

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



ECONFRAME BERHAD

Registration No. 201901042935 (1352265-T)
(Incorporated in Malaysia under the Companies Act, 2016)

No. 1, Jalan Sungai Rasau 27A
Kaw. 16, Kaw. Perindustrian Sungai Rasa
41300 Klang, Selangor Darul Ehsan
Malaysia

Tel: +603 3348 7268

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www.econframe.com



ECONFRAME BERHAD
(Registration No. 201901042935 (1352265-T))
(Incorporated in Malaysia under the Companies Act, 2016)

PROSPECTUS



ECONFRAME BERHAD
(Registration No. 201901042935 (1352265-T))
(Incorporated in Malaysia under the Companies Act, 2016)

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

- (I) PUBLIC ISSUE OF 65,000,000 NEW ORDINARY SHARES IN OUR COMPANY (“**SHARES**”) IN THE FOLLOWING MANNER:
- 16,250,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 3,250,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES;
 - 13,000,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
 - 32,500,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY MALAYSIA
- (II) OFFER FOR SALE OF 32,500,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS, AT AN ISSUE PRICE OF RM0.28 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT



M&A SECURITIES SDN BHD
(Registration No. 197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA (“**SC**”). THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT. THE SC 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. NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

YOU 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 154.

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. 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 SC.

THIS PROSPECTUS IS DATED 5 OCTOBER 2020

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

M&A Securities Sdn Bhd, being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

Admission to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") is not to be taken as an indication of the merits of our IPO, our Company, or our shares.

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

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

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

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on 10 July 2020. Our admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The Securities Commission Malaysia ("SC") has on 29 July 2020 approved the resultant equity structure of our Company under the equity requirements of public listed companies pursuant to our Listing (as defined herein).

Our securities are classified as Shariah compliant by the Shariah Advisory Council of the SC based on the audited combined financial statements for the financial year ended 31 August 2019. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review is undertaken by the Shariah Advisory Council of the SC. The new status will be released in the updated list of Shariah compliant securities, on the last Friday of May and November.

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

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

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

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

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

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

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

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

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Adviser or Issuing House (as defined herein), a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the electronic and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

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

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

- (ii) We and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and
- (iii) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

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

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

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

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INDICATIVE TIMETABLE

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

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

Event	Date
Issuance of this Prospectus/Opening of Application	5 October 2020
Closing Date / Closing of Application	12 October 2020
Balloting of Application	15 October 2020
Allotment of IPO Shares to successful applicants	22 October 2020
Date of Listing	27 October 2020

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

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

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

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" and "Technical Glossary" appearing after this section. Words denoting singular shall include plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

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

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

This Prospectus includes statistical data provided by our management and various third-parties and cites third-party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from the internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, such information can be assumed to originate from the Management. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

- (i) Demand for our products;
- (ii) Our business strategies;
- (iii) Our future plans;
- (iv) Our financial position;
- (v) Our future earnings, cash flows and liquidity; and
- (vi) Our ability to pay future dividends.

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

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

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 – "Risk Factors" and Section 11 – "Financial Information". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

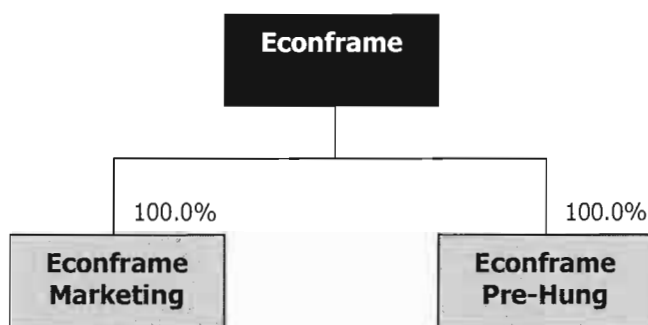
DEFINITIONS

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

COMPANIES WITHIN OUR GROUP:

Econframe or Company	:	Econframe Berhad (Registration No. 201901042935 (1352265-T))
Econframe Group or Group	:	Econframe and its subsidiaries, collectively
Econframe Marketing	:	Econframe Marketing Sdn Bhd (Registration No. 200101021288 (557046-U)), a wholly-owned subsidiary of Econframe
Econframe Pre-Hung	:	Econframe Pre-Hung Doors Sdn Bhd (Registration No. 201001002657 (887237-V)), a wholly-owned subsidiary of Econframe

A diagrammatic illustration of our Group structure is as follows:



INTERNAL RESTRUCTURING:

Acquisitions	:	Collectively, the following: <ul style="list-style-type: none">(i) Acquisition of Econframe Marketing; and(ii) Acquisition of Econframe Pre-Hung
Acquisition of Econframe Marketing	:	Acquisition by Econframe of the entire equity interest of Econframe Marketing for a purchase consideration of RM24,230,000.00 which was wholly satisfied by the issuance of 242,300,000 new Econframe Shares at an issue price of RM0.10 each, which was completed on 1 August 2020
Acquisition of Econframe Pre-Hung	:	Acquisition by Econframe of the entire equity interest of Econframe Pre-Hung for a purchase consideration of RM1,769,990.00 which was wholly satisfied by the issuance of 17,699,900 new Econframe Shares at an issue price of RM0.10 each, which was completed on 1 August 2020

DEFINITIONS (Cont'd)

GENERAL:

ACE Market	:	ACE Market of Bursa Securities
Act	:	Companies Act, 2016 as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
Adviser or Sponsor or Placement Agent or Underwriter	:	M&A Securities
AGM	:	Annual General Meeting
Application	:	Application for Issue Shares by way of Application Form, Electronic Share Application or Internet Share Application
Application Form	:	Printed application form for the application of Issue Shares accompanying this Prospectus
ATM(s)	:	Automated Teller Machine(s)
Board	:	Board of Directors of Econframe
Building By-Laws	:	Uniform Building By-Laws, 1984
Bursa Depository or Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
BOMBA	:	Malaysian Fire and Rescue Services Department
CAGR	:	Compound annual growth rate
CCC	:	Certificate of completion and compliance issued by the principal submitting person
CDS	:	Central Depository System
CDS Account	:	Account established by Bursa Depository for a depositor for the recording and dealing in securities by the depositor
CF	:	Certificate of fitness for occupation issued by the local authorities
Closing Date	:	The date adopted in this Prospectus as last date for acceptance and receipt of Application
CMSA	:	Capital Markets and Services Act, 2007 as amended from time to time and any re-enactment thereof
Constitution	:	Constitution of our Company

DEFINITIONS (*Cont'd*)

Depository Rules	:	Rules of Bursa Depository and any appendices thereto as they may be amended from time to time
Director(s)	:	An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
D&D	:	Design and development
EBIT	:	Earnings before interest and tax
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
Econframe Marketing Vendors	:	Lim Chin Horng and Lim Saw Nee, collectively
Econframe Pre-Hung Vendors	:	Lim Chin Horng and Khoo Soon Beng, collectively
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
Electronic Share Application	:	Application for our Issue Shares through a Participating Financial Institution's ATM(s)
EPF	:	Employees Provident Fund
EPS	:	Earnings per share
FPE(s)	:	Financial periods ended 31 May, as the case may be
FYE(s)	:	Financial years ended/ending 31 August, as the case may be
GP	:	Gross profit
IFRS	:	International Financial Reporting Standards
IMR or Smith Zander	:	Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)), our Independent Market Researcher
IMR Report	:	IMR Report dated 7 September 2020 on the metal door frame and door industry in Malaysia prepared by Smith Zander
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for Internet Share Application as listed in Section 15.6
Internet Share Application	:	Application for Issue Shares through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	:	Our initial public offering comprising the Public Issue and Offer for Sale
IPO Price	:	Issue/offer price of RM0.28 per Issue/Offer Share

DEFINITIONS (Cont'd)

IPO Share(s)	:	The Issue Share(s) and Offer Share(s), collectively
Issuing House	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
Issue Share(s)	:	New Share(s) to be issued under the Public Issue
ISO	:	International Organisation for Standardisation
Listing	:	Listing of and quotation for our entire enlarged share capital of RM44,200,090 comprising 325,000,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
Listing Scheme	:	Comprising the Public Issue, Offer for Sale and Listing, collectively
LPD	:	6 September 2020, being the latest practicable date for ascertaining certain information contained in this Prospectus
M&A Securities	:	M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
Malaysian Public	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Market Day(s)	:	Any day(s) between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
MFRS	:	Malaysian Financial Reporting Standards
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry Malaysia
mm	:	Millimetre
MPK	:	Majlis Perbandaran Klang
MT	:	Metric tonne
NA	:	Net assets
NBV	:	Net book value
Offer of Sale	:	Offer for sale of 32,500,000 Offer Shares by our Selling Shareholders at the IPO Price
Offer Share(s)	:	Existing Share(s) to be offered under the Offer for Sale
Participating Financial Institution(s)	:	Participating financial institution(s) for Electronic Share Application as listed in Section 15.5

DEFINITIONS (Cont'd)

PAT	:	Profit after tax
PATMI	:	Profit after tax after minority interest
PBT	:	Profit before tax
PE Multiple	:	Price-to-earnings multiple
Pink Form Allocations	:	Allocation of 3,250,000 Issue Shares to our eligible Directors and employees, which forms part of our Public Issue
PPE	:	Property, plant and equipment
Promoters	:	Lim Chin Horng and Lim Saw Nee, collectively
Prospectus	:	This prospectus dated 5 October 2020 in relation to our IPO
Public Issue	:	Public issue of 65,000,000 Issue Shares at our IPO Price
ROC	:	Registrar of Companies
SC	:	Securities Commission Malaysia
SOCSSO	:	Social Security Organisation, Malaysia
Selling Shareholders	:	Collectively, Lim Chin Horng and Lim Saw Nee, who are undertaking the Offer for Sale
Share(s) or Econframe Share(s)	:	Ordinary share(s) in Econframe
SICDA	:	Securities Industry (Central Depositories) Act, 1991 as amended from time to time
SIRIM	:	SIRIM QAS International Sdn Bhd (Registration No. 199601037981 (410334-X))
sq ft	:	Square feet
Structure Permit	:	Temporary structure permit issued by MPK under the Building By-Laws on the extension to the front, side and back portions of the original structure of Factory 1, Factory 2, Factory 3 and Factory 4, which include, but not limited to metal decking roofs over the existing factories, metal louvers, metal frame partition walls, storage cabins, septic tanks and toilet as permitted temporary structures for a period of 10 years pursuant to a letter dated 11 June 2019. The permit is to be renewed annually
Underwriting Agreement	:	Underwriting agreement dated 25 August 2020 entered into between Econframe and M&A Securities for the purpose of our IPO
Vendors	:	Collectively, Econframe Marketing Vendors and Econframe Pre-Hung Vendors

DEFINITIONS (Cont'd)

FACTORIES OWNED BY OUR GROUP:

- Factory 1 : A freehold factory owned by Econframe Marketing with a postal address at No. 1, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor that we currently utilise as the manufacturing facility for our metal door frames and head office. It is located next to Factory 2
- Factory 2 : A freehold factory owned by Econframe Marketing with a postal address at No. 3, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor that we currently utilise as the manufacturing facility for our metal door frames and head office. It is located next to Factory 1
- Factory 3 : A freehold factory owned by Econframe Marketing with a postal address at No. 4, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor that we currently utilise as the manufacturing facility for our metal door frames. It is located opposite Factory 1 and Factory 2
- Factory 4 : A freehold factory owned by Econframe Marketing with a postal address at No. 102, Jalan 27, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor that we currently utilise as the manufacturing facility for our fire resistant door sets, metal doors and warehouse. It is located within close proximity to Factory 1, Factory 2 and Factory 3




CURRENCIES:

- RM and sen : Ringgit Malaysia and sen respectively
- RMB : Renminbi

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TECHNICAL GLOSSARY

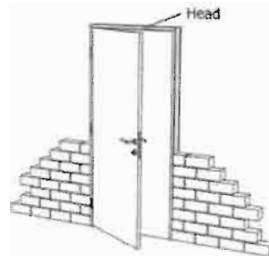
This glossary contains an explanation of certain terms used throughout this Prospectus in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms:

Bill of Quantities ("BQ")	: A bill of quantities is a document prepared by the quantity surveyor that lists out the quantities of supplies required for a specific project in accordance with the building design as stipulated by the architect, engineers and/or property developer. The BQ is also used for tendering purposes by main contractors to prepare the tender based on the quantities of supplies specified. The quantities may be measured in number, length, area, volume, weight or time	
Computer-Aided Design ("CAD")	: A computer software used in creating drawings or technical illustrations of metal door frames	
Computer Numerically Controlled ("CNC")	: A computer software with programmed instructions used in machines to perform tasks in a precise manner such as bending and shaping of metal sheets	
Cylindrical lock	: A lockset designed to be installed through the door with a knob on either side of the door that retracts the latch when the knob is turned	
Deadbolt lock	: A lockset that can only be locked or unlocked by a key, a knob or both	
Door viewer	: A door viewer is a small peephole opening through a door allowing an individual to look from the inside to the outside	
Drywall	: A board made of multiple thick sheets with a layer of plaster pressed in between, used in the construction of walls and ceilings	
Electro-galvanised steel coil	: A roll of steel sheet coated with a layer of zinc through an electrochemical process for resistance against corrosion	
Euro profile cylinder	: A lockset which uses a single piece of cylindrical metal to connect both sides of the lock	
Fire seal (i.e. intumescent strip)	: A strip used to seal around the edges of a fire resistant door and sealing the gap between the door and the door frame in the event of a fire to trap smoke in the area, preventing it from spreading	
Flush frame	: A frame that is completely level and even with the surface of a wall	
Galvanised steel sheet	: A steel sheet coated with a layer of zinc by dipping the steel sheets into molten zinc for resistance against corrosion	

TECHNICAL GLOSSARY (Cont'd)

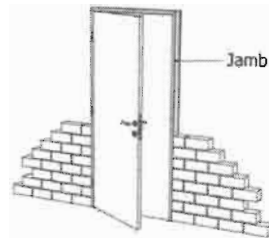
Galvanneal : A type of galvanised steel sheet that passes through a low pressure and high volume jet of air which blows off excess zinc coating and then heated in a furnace to induce stronger bonding of the layer of zinc with the surface of the steel sheets

Head : A horizontal plank that spans the top of a door frame

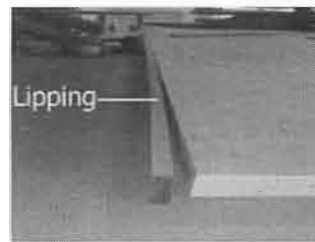


Ironmongery : A door system component made from steel, stainless steel, brass or aluminium comprising locksets and door accessories

Jamb : A vertical part of a door frame where the door (swinging panel of the door) is attached on

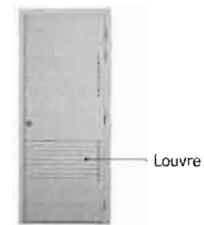


Lipping : A strip of wood that covers the edge of a door to conceal the inner core



Lockset : A set of ironmongery which forms the locking mechanism of the door

Louvre : A window with flat sloping pieces made of wood, metal or glass that are angled to allow light and air in while keeping rain out



Metalworking : A process of making or shaping individual components or structures out of metal

TECHNICAL GLOSSARY (*Cont'd*)

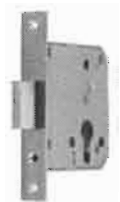

Mortise lock	: A lockset that is embedded into a mortise (also known as a pocket) which is a hole cut out of the edge of the door which can only be locked and unlocked using a key	
Original Equipment Manufacturer ("OEM")	: A contract manufacturer who manufactures products to be sold by their customers under their customers' own brands	
Panic device	: A door opening mechanism which allows users to open a door by pushing a bar	
Press brake	: A machine for bending and shaping metal sheets	
Protruding frame	: A frame that extends above the surface of a wall	
Punch press	: A machine for cutting and shaping metal sheets	
Shear wall	: A wall which is reinforced and made of rigid vertical panels built to withstand lateral forces (i.e. forces that acts in the direction parallel to the ground) acting on it, usually used as exterior walls of multi-storeyed or tall buildings	
Silicone sealant	: A liquid form of adhesive which is resistant to water and air penetration, used to seal the joints of the welded edges of a metal door frame and metal door	
SuperDyma®	: A type of galvanised steel coated with a layer of zinc-aluminium coating of 86.0% zinc, 11.0% aluminium, 3.0% magnesium and trace amount of silicon	
Vision panel	: A vision panel is a small window in a door which allows people to look through without opening the door	
Welding	: A process of joining metal parts together through heating and melting	
Zincalume®	: A type of galvanised steel coated with a layer of zinc-aluminium coating of 43.5% zinc, 55.0% aluminium and 1.5% silicon	
2 hours FRD	: 2 hours fire resistance duration	

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Residential address	Nationality/ Profession	Gender
Robert Koong Yin Leong	Independent Non- Executive Chairman	B1-106 Lily & Rose Apartment Jalan SS26/12 Taman Mayang Jaya 47301 Petaling Jaya Selangor	Malaysian/ Director	Male
Lim Chin Horng	Managing Director	59, Jalan Makyong 6B/KU5 Bandar Bukit Raja 41050 Klang Selangor	Malaysian/ Director	Male
Khoo Soon Beng	Executive Director	17, Jalan Makyong 6B/KU5 Bandar Bukit Raja 41050 Klang Selangor	Malaysian/ Director	Male
Lim Saw Nee	Non-Independent Non-Executive Director	3, Jalan Kelicap 41 Kawasan 17 Off Jalan Meru 41050 Klang Selangor	Malaysian/ Director	Female
Tan Hock Soon	Independent Non- Executive Director	51, Jalan BU 6/13 Bandar Utama 47800 Petaling Jaya Selangor	Malaysian/ Director	Male
Ilham Fadilah Binti Sunhaji	Independent Non- Executive Director	24, Jalan Timah 7/25 Seksyen 7 40000 Shah Alam Selangor	Malaysian/ Director	Female

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1. CORPORATE DIRECTORY (Cont'd)

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Tan Hock Soon	Chairman	Independent Non-Executive Director
Robert Koong Yin Leong	Member	Independent Non-Executive Chairman
Ilham Fadilah Binti Sunhaji	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Robert Koong Yin Leong	Chairman	Independent Non-Executive Chairman
Tan Hock Soon	Member	Independent Non-Executive Director
Ilham Fadilah Binti Sunhaji	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Ilham Fadilah Binti Sunhaji	Chairman	Independent Non-Executive Director
Tan Hock Soon	Member	Independent Non-Executive Director
Robert Koong Yin Leong	Member	Independent Non-Executive Chairman

REGISTERED OFFICE

: Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

HEAD OFFICE

: No. 1, Jalan 27A
Kawasan 16
Sungai Rasau Industrial Area
41300 Klang, Selangor

Telephone number: 03-3348 7268

EMAIL ADDRESS AND WEBSITE

: Email address: sales@econframe.com
Website: <http://www.econframe.com>

ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT

: **M&A Securities Sdn Bhd**
(Registration No. 197301001503 (15017-H))

Level 11, 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: 03-2284 2911

1. CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES	:	<p>Chua Siew Chuan (MAICSA 0777689) SSM PC No. 201908002648 <i>(Chartered Secretary, Fellow of Malaysian Institute of Chartered Secretaries and Administrators)</i></p> <p>Cheng Chia Ping (MAICSA 1032514) SSM PC No. 202008000730 <i>(Chartered Secretary, Associate of Malaysian Institute of Chartered Secretaries and Administrators)</i></p> <p>Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur</p> <p>Telephone number: 03-2084 9000 Fax number: 03-2094 9940/ 03-2095 0292</p>
AUDITORS AND REPORTING ACCOUNTANTS FOR OUR IPO	:	<p>Baker Tilly Monteiro Heng PLT (LLP number: 201906000600 (LLP0019411-LCA)) (Firm number: AF 0117)</p> <p>Baker Tilly Tower Level 10, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur</p> <p>Partner-in-charge: Dato' Lock Peng Kuan Approval number: 02819/10/2020 J <i>(Chartered Accountant of the Malaysian Institute of Accountants and Fellow Member of the Association of Chartered Certified Accountants)</i></p> <p>Telephone number: 03-2297 1000</p>
INDEPENDENT MARKET RESEARCHER	:	<p>Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V))</p> <p>15-01, Level 15 Menara MBMR 1, Jalan Syed Putra 58000 Kuala Lumpur</p> <p>Telephone number: 03-2732 7537</p> <p>Managing Partner's name: Dennis Tan Tze Wen <i>(Bachelor of Science from Memorial University of Newfoundland, Canada)</i></p>

1. CORPORATE DIRECTORY (Cont'd)

ISSUING HOUSE : **Tricor Investor & Issuing House Services Sdn Bhd**
(Registration No. 197101000970 (11324-H))

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone number: 03-2783 9299

SHARE REGISTRAR : **Securities Services (Holdings) Sdn Bhd**
(Registration No. 197701005827 (36869-T))

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Telephone number: 03-2084 9000/ 03-2084 9168

SOLICITORS FOR OUR IPO : **Ilham Lee**

C3-5-2, Solaris Dutamas
1, Jalan Dutamas 1
50480 Kuala Lumpur

Telephone number: 03-6211 3221

LISTING SOUGHT : ACE Market

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

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2. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

2.1 PRINCIPAL DETAILS RELATING TO OUR IPO

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

Allocation	No. of Shares	% ⁽¹⁾
Public Issue		
Malaysian Public ⁽²⁾	16,250,000	5.0
Eligible Directors and employees	3,250,000	1.0
Private placement to selected investors	13,000,000	4.0
Private placement to Bumiputera investors approved by MITI	32,500,000	10.0
Offer for sale		
Private placement to selected investors	32,500,000	10.0
Enlarged number of Shares upon Listing	325,000,000	
IPO Price per Share	RM0.28	
Market capitalisation (calculated based on our IPO Price and enlarged no. of Shares upon Listing)	RM91,000,000	

Notes:

(1) Based on our enlarged share capital of 325,000,000 Shares after our IPO.

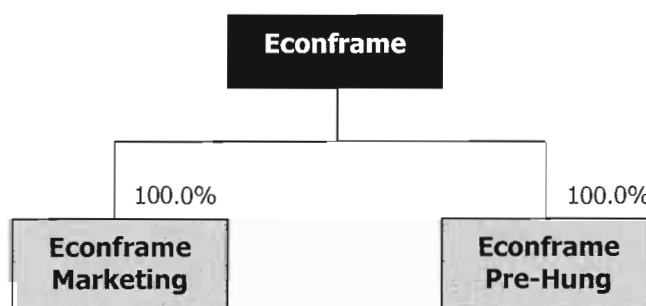
(2) 8,125,000 Shares will be set aside strictly for Bumiputera public investors.

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters. Further details of the moratorium are set out in Section 3.2. Save for the moratorium imposed on the Shares held by our Promoters, there is no other moratorium imposed on our Shares.

Further details of our IPO are set out in Section 4.3.

2.2 GROUP STRUCTURE AND BUSINESS MODEL

We were incorporated in Malaysia on 27 November 2019 under the Act as a private limited company, and subsequently converted into a public limited company on 21 February 2020. We were incorporated to facilitate the Listing. After the Acquisitions, our Group structure is as follows:

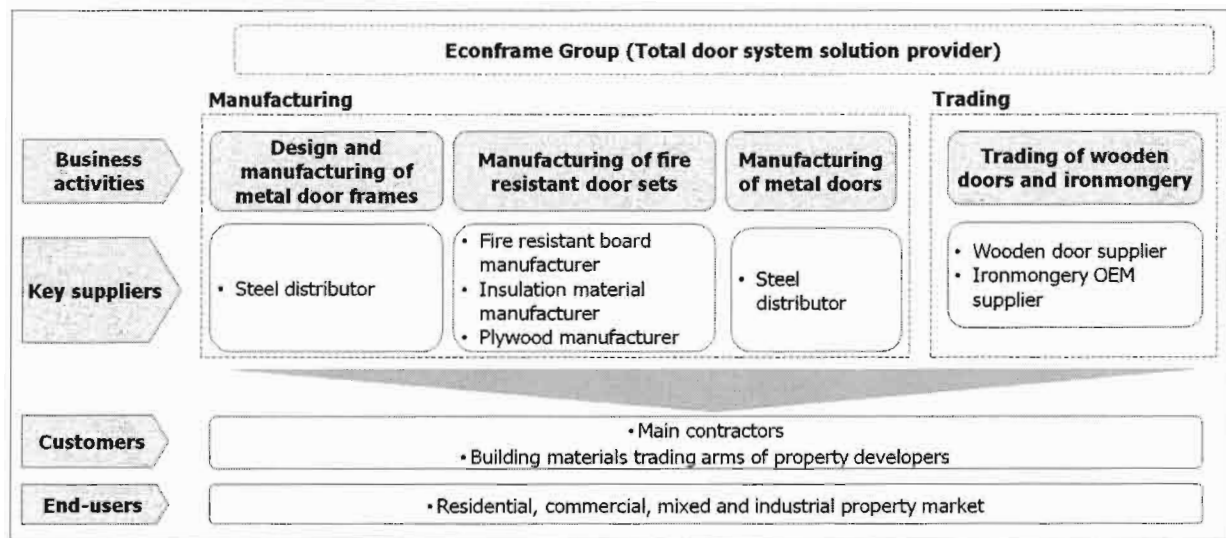


2. PROSPECTUS SUMMARY (Cont'd)

Through our subsidiaries, we are principally involved in the following activities:

- (i) Design and manufacturing of metal door frames;
- (ii) Manufacturing of fire resistant door sets;
- (iii) Manufacturing of metal doors; and
- (iv) Trading of wooden doors and ironmongery.

The following diagram illustrates our Group's business model:



Our principal market is Malaysia. Our products are mainly sold on project basis to main contractors and building materials trading arms of property developers in Malaysia.

Further details of our Group and our business overview are set out in Sections 6 and 7 respectively.

2.3 COMPETITIVE STRENGTHS

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

- (i) **We are a total door system solution provider for residential, commercial, mixed and industrial properties**

We are able to provide complete door sets as a one-stop provider, allowing our customers to purchase complete door sets for use in different parts of the property which saves them time and effort from having to deal with multiple suppliers.

- (ii) **We have a strong portfolio with notable property developers and construction companies**

We have accumulated a keen interest of end customers who are notable property developers and a strong portfolio of direct customers who are construction companies. As a supplier to property developments by notable property developers and construction companies, we are required to comply to their product and quality control requirements, which is the evidence of our standing as an industry player with proven credentials.

2. PROSPECTUS SUMMARY (*Cont'd*)

(iii) **We have the technical capabilities to design and manufacture metal door frames with customised profiles and dimensions**

Our customers can choose from our broad range of off-the-shelf profile selection of 34 profiles or request for customised profile designs. We are able to customise our metal door frames to suit various wall configurations and door specifications.

(iv) **Our proven industry track record and reputation is backed by our in-house brands ECONFRAME® and DUROE®**

Our in-house brands, namely ECONFRAME® and DUROE®, are recognised by property developers, architects and other professionals involved in construction projects in relation to metal door frames, fire resistant door sets and ironmongery. This provides assurance to our customers on the reliability and quality of our products and serves to further enhance our industry reputation.

(v) **We have a management team with strong industry experience**

Our Group is led by our Managing Director, Lim Chin Horng who has over 30 years of experience in the metalworking industry, including 19 years in the metal door frame business and backed by a key management team with strong industry experience.

For further details, please refer to Section 7.16.

2.4 BUSINESS STRATEGIES

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over a period of 18 to 24 months from our Listing:

- (i) We intend to capitalise on our fire resistant door manufacturing experience and skills to expand our capabilities to manufacture wooden doors in-house; and
- (ii) We intend to expand our manufacturing capacity by constructing a new factory and upgrade our manufacturing technology through automation with the adoption of advanced robotic technology.

For further details, please refer to Section 7.17.

2.5 INTERRUPTION IN BUSINESS AS A RESULT OF THE MOVEMENT CONTROL ORDER

The government's imposition of the Movement Control Order nationwide from 18 March 2020 to 3 May 2020, as a measure to curb the spread of the Covid-19 virus has halted most economic activities in Malaysia, including our manufacturing operations as we were not considered a critical sector for the supply of essential goods. As at the LPD, we have fully resumed operations at full workforce. The suspension had affected our operations due to the delay in the deliveries of our products as our deliveries are dependent on the progress of the construction of the property developments, which construction was halted during the Movement Control Order. In addition, we also recorded slower generation and close of sales due to limitations in the execution of our sales and marketing activities during the Movement Control Order. Notwithstanding the above, as at the LPD, we have not encountered any cancellation of orders from our customers or disruption in supply from our suppliers.

2. PROSPECTUS SUMMARY (Cont'd)

We expect our financial performance to be affected in terms of delayed revenue recognition for the period of the Movement Control Order, resulting in lower recognition of revenue for the current FYE 2020. At the height of the Covid-19 pandemic, we incurred a loss after tax of approximately RM0.38 million in April 2020 as we still had to incur fixed overhead costs during the period our business was suspended. Nonetheless, with the easing and relaxation of restrictions imposed during the Movement Control Order, we are seeing a gradual recovery in the production and deliveries of our products.

Please refer to Section 7.6 for further details on the interruption in our business arising from the Movement Control Order, Section 9.1.1 for the risk relating to our business operations and profit and Section 11.2.1(xi)(a) for the significant factors affecting our business.

2.6 RISK FACTORS

An investment in our Shares is subject to risks. A summary of some of the more important risks is set out below. Please refer to Section 9 for further details and the full list of our risk factors. Investors should read and understand all the risk factors before making a decision to invest in our Shares.

- (i) Our business operations and profit was affected by the outbreak of the Covid-19 virus and imposition of the Movement Control Order. As we are unable to conduct our business operations during the Movement Control Order, this would result in a lower recognition of revenue for the current financial year as well as delays in the deliveries of our products. At the height of the Covid-19 pandemic, we incurred loss after tax of approximately RM0.38 million in April 2020.
- (ii) We have not entered into any long term contracts with our customers due to the nature of our business. We manufacture based on confirmed orders, which is based on the specific requirements of our customers for different property developments. Any adverse economic conditions or slowdown in the property development industry in which our customers operate may negatively impact our revenue, which will subsequently result in a decline in our financial performance.
- (iii) We rely on skilled workers for our manufacturing operations. As at the LPD, we have 13 foreign workers (who account for 19.4% of our total workforce), all of whom we considered skilled workers. The limited supply of foreign workers imposes a challenge to us and we have found it increasingly difficult to hire local production workers for our manufacturing operations. Any unfavourable changes in the policies on foreign workers and delays in foreign worker registrations may have a material and adverse effect on our operations and financial performance.
- (iv) We are subject to risk of non-renewal or revocation of the Structure Permit issued by MPK to our factories where we have made certain additions to the original structure (which include, but not limited to metal decking roofs over the existing factories, metal louvers, metal frame partition walls, storage cabins, septic tanks and toilets) if there is a breach in any of the conditions attached to the Structure Permit.
- (v) Our fire resistant door sets are tested and certified by SIRIM and approved by BOMBA. As such, failure to renew or maintain these certifications and approvals may result in us being unable to sell our fire resistant door sets.

2. PROSPECTUS SUMMARY (Cont'd)

- (vi) We are subject to fluctuation in price of steel coils as a result of the fluctuation in global steel prices. Steel coil is the key material used in the manufacturing of our metal door frames, constituting 71.1% of our cost of sales for metal door frames in the FPE 2020. Any unfavourable changes in the price of steel, may lead to a rise in our cost of production for metal door frames as well as carrying cost for maintaining inventories. If we are unable to pass on the increase in our cost of production to our customers, we will need to bear the increasing costs and this will have a material impact on our financial results.
- (vii) Our Group's manufacturing activities are dependent on various machineries and equipment that allow for shearing, bending, welding, as well as cutting, amongst others. Hence, our business is exposed to sudden and unexpected machineries and equipment failures, flood or fires and burglary, which may lead to interruptions to our manufacturing activities and affect our business operations and financial performance.
- (viii) Our business operations and financial performance is dependent on the performance of the property market in Malaysia. The outlook of the Malaysian property market may be affected by market risks such as political and economic instability of the country, increasing financing cost and fluctuating demand for real estate properties. As such, any adverse changes in the above factors will have a direct impact on the movement and development in the property market in Malaysia.
- (ix) The occurrence of unexpected crises such as political crisis, natural disasters, and disease outbreaks (outbreak of Covid-19 virus), amongst others, in the countries of origin for our required purchases may temporarily disrupt the supply chain for our raw materials purchases. If disruptions persist, we may be required to purchase our raw material supplies from other suppliers which may be at a higher cost, and which will adversely affect our financial performance.

2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Robert Koong Yin Leong	Independent Non-Executive Chairman
Lim Chin Horng	Managing Director
Khoo Soon Beng	Executive Director
Lim Saw Nee	Non-Independent Non-Executive Director
Tan Hock Soon	Independent Non-Executive Director
Ilham Fadilah Binti Sunhaji	Independent Non-Executive Director
Key Senior Management	
Yong Wai Kin	Chief Financial Officer
Lai Shu San	Senior Operation Manager
Yong Chaw Ang	Production Manager
Soi Wen Li	Purchasing Manager
Ang Sze Cie	Production Controller

Details of our Directors and key senior management are set out in Section 5.

2. PROSPECTUS SUMMARY (*Cont'd*)

2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

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

Name	Nationality	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of		No. of		No. of		No. of	
		Shares	%	Shares	%	Shares	%	Shares	%
Promoters and substantial shareholders									
Lim Chin Horng ⁽³⁾	Malaysian	132,412,735	50.9	-	-	112,912,735	34.7	-	-
Lim Saw Nee ⁽³⁾	Malaysian	121,392,300	46.7	-	-	108,392,300	33.4	-	-

Notes:

- (1) Based on our issued share capital of 260,000,000 Shares after completion of the Acquisitions and the transfer of the subscriber's 100 Shares in Econframe to Lim Chin Horng before our IPO.
- (2) Based on our enlarged issued share capital of 325,000,000 Shares after our IPO.
- (3) Lim Chin Horng and Lim Saw Nee are siblings. Lai Shu San is the spouse of Lim Chin Horng.

Details of our Promoters and substantial shareholders are set out in Section 5.

Our Promoters' entire shareholdings after IPO will be held under moratorium for 6 months from the date of Listing. Thereafter, our Promoters' shareholdings amounting to 45.0% of our share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of their shares held under moratorium upon expiry of the second 6-month period.

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

2. PROSPECTUS SUMMARY (Cont'd)**2.9 UTILISATION OF PROCEEDS**

The total estimated gross proceeds to be raised by our Company from the Public Issue of RM18.20 million shall be utilised in the following manner:

	Estimated time frame for utilisation from Listing	RM'000	%
Land acquisition and construction of new manufacturing facility	Within 24 months	5,000	27.5
Automation of manufacturing process	Within 24 months	4,000	22.0
Working capital	Within 6 months	6,200	34.1
Estimated listing expenses	Within 1 month	3,000	16.4
Total		18,200	100.0

There is no minimum subscription to be raised from our IPO. Detailed information on our utilisation of proceeds is set out in Section 4.9.

2.10 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The selected historical financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

2.10.1 Combined statements of profit or loss and other comprehensive income

The following table sets out the financial highlights based on our combined statements of profit or loss and other comprehensive income for the FYEs 2017 to 2019 and FPE 2020 as well as the unaudited combined statements of comprehensive income for the FPE 2019:

	Audited			Unaudited	Audited
	FYE 2017	FYE 2018	FYE 2019	FPE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	35,494	39,834	44,089	33,265	29,977
GP	8,843	9,877	14,614	10,617	9,628
PBT	4,302	6,633	10,607	7,318	5,512
PAT/PATMI	3,110	5,097	8,135	5,600	4,211
GP margin (%)	24.9	24.8	33.1	31.9	32.1
PBT margin (%)	12.1	16.7	24.1	22.0	18.4
PAT/PATMI margin (%)	8.8	12.8	18.5	16.8	14.0
Basic EPS (sen) ⁽¹⁾	1.20	1.96	3.13	2.15	1.62
Diluted EPS (sen) ⁽²⁾	0.96	1.57	2.50	1.72	1.30

Further details on the financial information are set out in Sections 11, 12 and 13.

Notes:

- (1) Calculated based on PAT/PATMI of our Company and issued share capital of 260,000,000 Shares before our IPO.
- (2) Calculated based on PAT/PATMI of our Company and enlarged share capital of 325,000,000 Shares after our IPO.

2. PROSPECTUS SUMMARY (Cont'd)

There were no exceptional or extraordinary items during the financial years/period under review. Our audited financial statements for the financial years/period under review were not subject to any audit qualifications.

2.10.2 Pro forma consolidated statements of financial position

The following table sets out a summary of the pro forma consolidated statements of financial position of our Group based on our audited statements of financial position as at 31 May 2020 to show the effects of the Internal Restructuring, Public Issue and utilisation of proceeds. It is presented for illustrative purposes only and should be read in conjunction with the pro forma consolidated financial information in Section 13.

	Econframe	I	II	III
	As at 31 May 2020	After Acquisitions	After I and Public Issue	After II and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Total non-current assets	-	10,068	10,068	10,068
Total current assets	440	23,402	41,602	39,089
TOTAL ASSETS	440	33,470	51,670	49,157
EQUITY AND LIABILITIES				
Equity				
Share capital	(3)	26,000	44,200	43,300
Reorganisation reserve	-	(25,399)	(25,399)	(25,399)
Other reserve	-	4,220	4,220	4,220
Retained earnings	(499)	25,399	25,399	23,786
TOTAL EQUITY	(499)	30,220	48,420	45,907
Total non-current liabilities	-	2,012	2,012	2,012
Total current liabilities	939	1,238	1,238	1,238
TOTAL LIABILITIES	939	3,250	3,250	3,250
TOTAL EQUITY AND LIABILITIES	440	33,470	51,670	49,157
NA per Share (RM)	(4,992.93)	0.12	0.15	0.14
Borrowings (All interest bearing debts)	-	787	787	787
Gearing (times) ⁽¹⁾	-	0.03	0.02	0.02
Current ratio (times) ⁽²⁾	0.47	18.90	33.60	31.57

Notes:

(1) Calculated based on total borrowings divided by total equity.

(2) Calculated based on total current assets divided by total current liabilities.

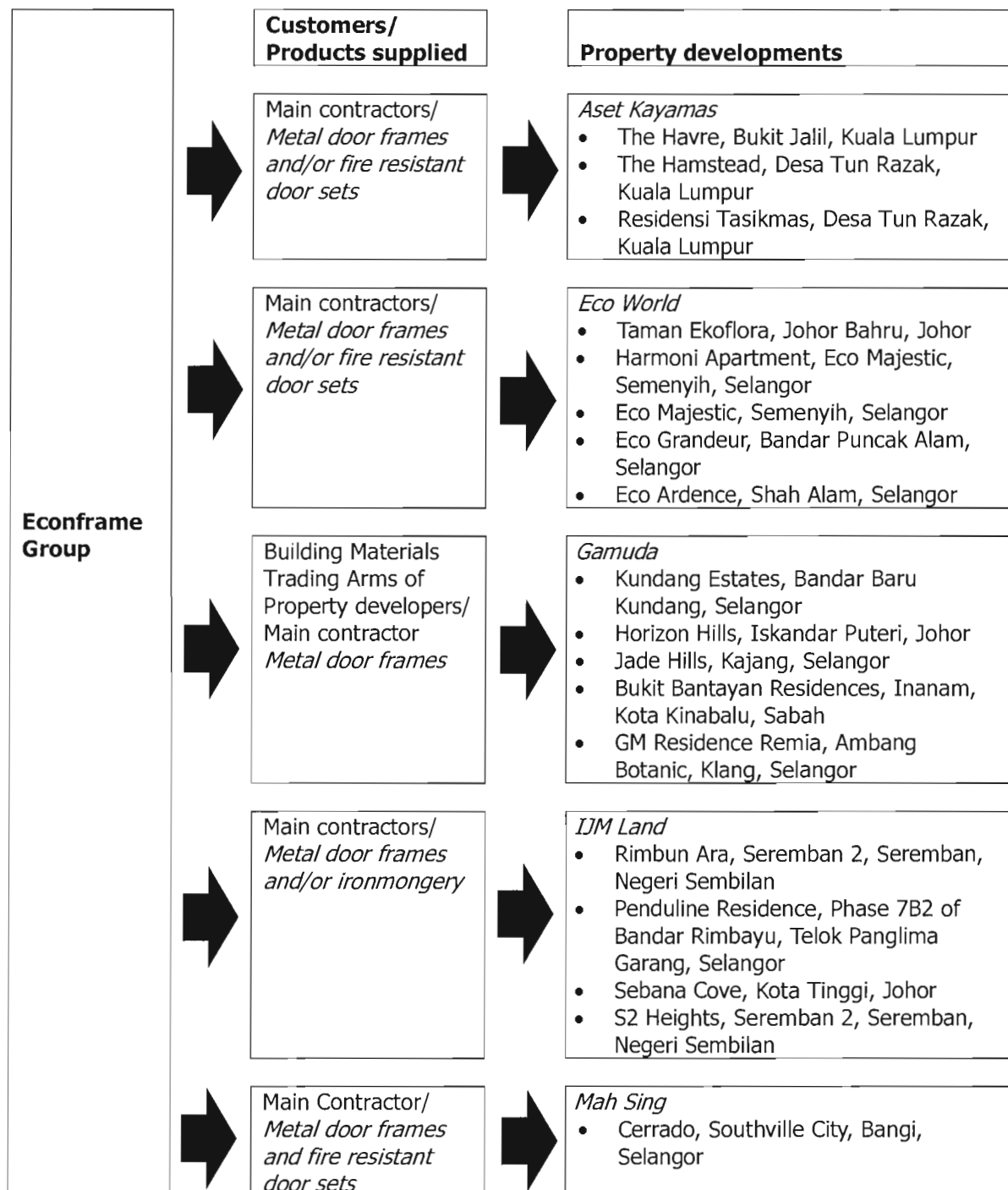
(3) RM100.

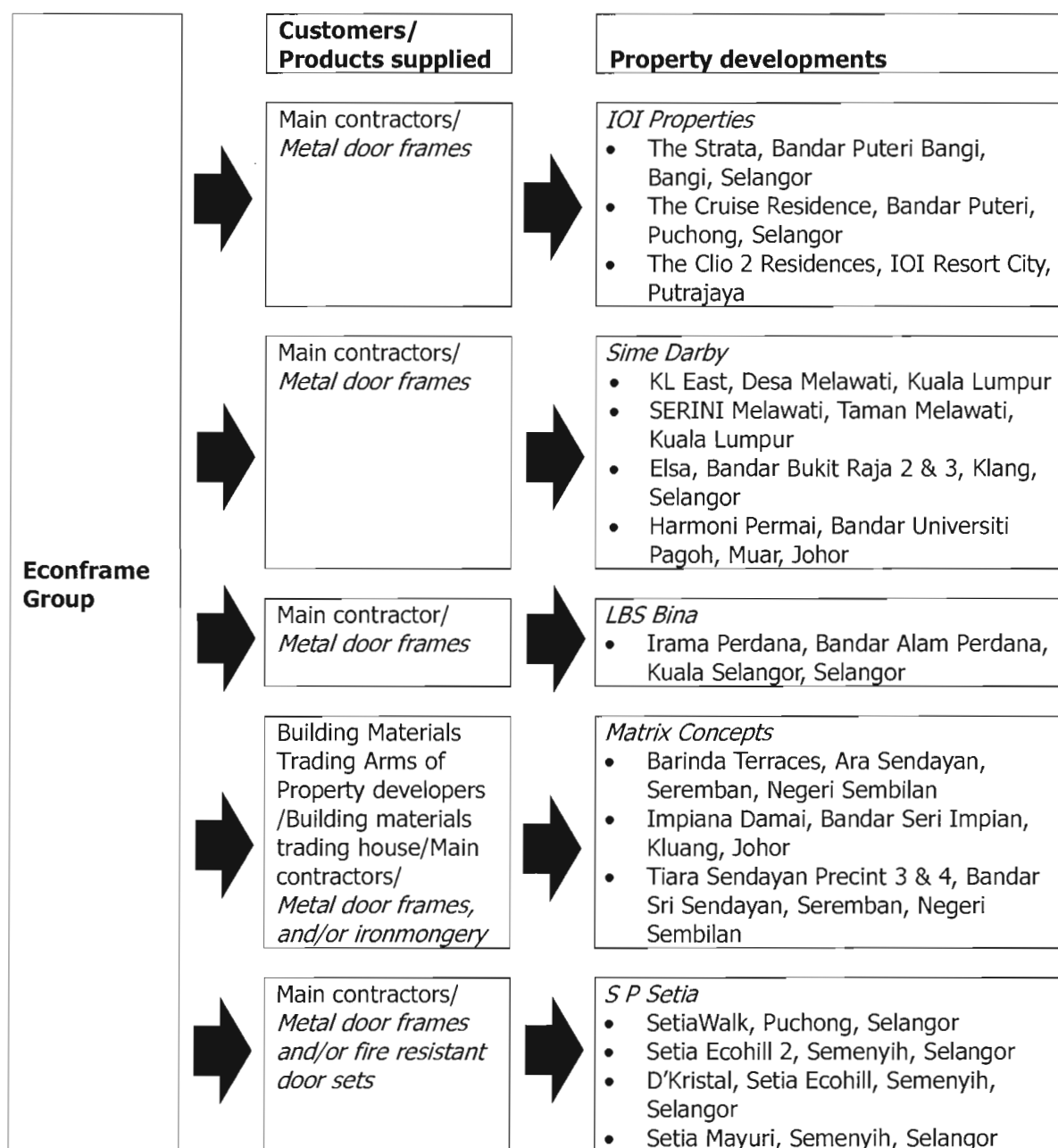
2. PROSPECTUS SUMMARY (Cont'd)

2.10.3 Operational highlights

Our metal door frames, fire resistant door sets, wooden or metal doors and ironmongery are mainly sold to main contractors and building materials trading arms of property developers. Our in-house brands ECONFRAME® and DUROE® are specified in the BQ by certain property developers, architects or contractors on a project-to-project basis as their preferred brand of metal door frames, fire resistant door sets, wooden or metal doors, and/or ironmongery.

Our Group's track record based on some of the various property developments by notable property developers where we supplied our products:



2. PROSPECTUS SUMMARY (Cont'd)

A detailed list of the various property developments by notable property developers where we supplied our products can be found in Section 7.3.

2.11 DIVIDEND POLICY

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent on upon the dividends we receive from our subsidiaries, present or future. The payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Further details of our dividend policy are set out in Section 11.15.

3. APPROVALS AND CONDITIONS**3.1 APPROVALS AND CONDITIONS****3.1.1 Bursa Securities**

Bursa Securities had, vide its letter dated 10 July 2020, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Submit the following information in respect to the moratorium on the shareholdings of the Promoters 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 the Listing Requirements;	To be complied
4.	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Econframe on the first day of listing;	To be complied
5.	Ensure 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 Econframe, to announce at least 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 as per the format prescribed; and (iv) Disclosure of placees who become substantial shareholders of Econframe arising from the public offering, if any.	To be complied

3. APPROVALS AND CONDITIONS (Cont'd)

No.	Details of conditions imposed	Status of compliance
7.	Econframe/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission to the Official List of the ACE Market.	To be complied

3.1.2 SC

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

The SC had, vide its letter dated 29 July 2020, approved the resultant equity structure of Econframe under the equity requirement for public listed companies pursuant to our Listing. The approval from the SC is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(i)	Econframe to allocate Shares equivalent to at least 12.5% of its enlarged issued 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 50.0% are to be offered to Bumiputera investors.	To be complied

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

Category of shareholders	As at 14 February 2020		After the Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera	-	-	⁽¹⁾ 40,625,000	12.5
Non-Bumiputera	100	100.0	284,375,000	87.5
Malaysian	100	100.0	325,000,000	100.0
Foreigners	-	-	-	-
Total	100	100.0	325,000,000	100.0

Note:

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

Category	No. of Shares
Bumiputera investors via public balloting	8,125,000
Private placement to identified Bumiputera investors approved by MITI	32,500,000
Total	40,625,000

The Shariah Advisory Council of the SC had, vide its letter dated 12 August 2020 classified our Shares as shariah-compliant based on the audited combined financial statements for the FYE 2019.

3. APPROVALS AND CONDITIONS (Cont'd)**3.1.3 MITI**

The MITI had, vide its letter dated 29 July 2020, taken note and has no objection to our Listing.

3.2 MORATORIUM ON OUR SHARES

In accordance with Rule 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those Econframe Shares held by our Promoters as follows:

- (i) The moratorium applies to the entire shareholdings of our Promoters for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");
- (ii) Upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to at least 45.0% the total number of issued ordinary shares remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and
- (iii) On the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of those Econframe Shares held under moratorium.

Details of our Promoters and their respective Econframe Shares which will be subject to the abovesaid moratorium are set out below:

Promoters	Moratorium shares during the First 6-Month Moratorium⁽¹⁾		Moratorium shares during the Second 6-Month Moratorium	
	No. of Econframe Shares	⁽²⁾%	No. of Econframe Shares	⁽²⁾%
Lim Chin Horng ⁽³⁾	112,912,735	34.7	74,618,735	23.0
Lim Saw Nee ⁽³⁾	108,392,300	33.4	71,631,300	22.0
Total	221,305,035	68.1	146,250,035	45.0

Notes:

- (1) After the Offer for Sale.
- (2) Based on the enlarged share capital of 325,000,000 Shares after the Public Issue.
- (3) Lim Chin Horng and Lim Saw Nee are siblings.

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

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

4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on 5 October 2020 and will remain open until 5.00 p.m. on 12 October 2020. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.2 INDICATIVE TIMETABLE

Events	Indicative Dates
Opening of Application	5 October 2020
Closing Date of Application	12 October 2020
Balloting of Application	15 October 2020
Allotment of Issue Shares to successful applicants	22 October 2020
Date of Listing	27 October 2020

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

4.3 DETAILS OF OUR IPO

4.3.1 Listing Scheme

(i) Public Issue

A total of 65,000,000 Issue Shares representing 20.0% of our enlarged share capital are offered at the IPO Price and shall be allocated in the following manner:

(a) Malaysian Public

16,250,000 Issue Shares, representing 5.0% of our enlarged share capital are made available for application by the Malaysian Public, to be allocated via balloting process as follows:

(aa) 8,125,000 Issue Shares made available to public investors; and

(bb) 8,125,000 Issue Shares made available to Bumiputera public investors.

(b) Eligible Directors and employees

3,250,000 Issue Shares, representing 1.0% of our enlarged share capital are reserved for our eligible Directors and employees under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.2.

(c) Private placement to selected investors

13,000,000 Issue Shares, representing 4.0% of our enlarged share capital are reserved for private placement to selected investors.

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

(d) Private placement to Bumiputera investors approved by MITI

32,500,000 Issue Shares, representing 10.0% of our enlarged share capital are reserved for private placement to selected Bumiputera investors approved by MITI.

The basis of allocation of our Issue Shares shall take into account the distribution of the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements and to establish a liquid market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors. There is no over-allotment or 'greenshoe' option that will result in an increase in the number of our Issue Shares.

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

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4. DETAILS OF OUR IPO (Cont'd)

(ii) Offer for Sale

The Selling Shareholders will undertake an offer for sale of 32,500,000 Offer Shares, representing approximately 10.0% of our enlarged share capital at the IPO Price, by way of private placement to selected investors. The details of our Selling Shareholders are as follows:

Name/ Residential address	Relationship with our Group	As at the LPD		Offer Shares offered		After IPO	
		No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Lim Chin Horng ⁽³⁾ / 59, Jalan Makyong 6B/KU 5 Bandar Bukit Raja 41050 Klang Selangor	Promoter, substantial shareholder and Managing Director	132,412,735	50.9	19,500,000	6.0	112,912,735	34.7
Lim Saw Nee ⁽³⁾ / 3, Jalan Kelicap 41 Kawasan 17 Off Jalan Meru 41050 Klang Selangor	Promoter, substantial shareholder and Non- Independent Non- Executive Director	121,392,300	46.7	13,000,000	4.0	108,392,300	33.4

Notes:

- (1) Based on the share capital of 260,000,000 Shares after completion of the Acquisitions and the transfer of the subscriber's 100 Shares in Econframe to Lim Chin Horng before our IPO.
- (2) Based on the enlarged share capital of 325,000,000 Shares after our IPO.
- (3) Lim Chin Horng and Lim Saw Nee are siblings.

4. DETAILS OF OUR IPO (Cont'd)

The Offer for Sale is expected to raise gross proceeds of approximately RM9.10 million which will accrue entirely to the Selling Shareholders and we will not receive any of the proceeds. The Selling Shareholders shall bear all expenses such as stamp duty, placement fee, registration and share transfer fee relating to the Offer Shares, the aggregate of which is estimated to be approximately RM0.25 million.

The Offer for Sale is subject to the terms and conditions of the Prospectus.

Further details of our Selling Shareholders, who are also our Promoters, substantial shareholders and Directors are set out in Sections 5.1 and 5.2.

(iii) Listing

Upon completion of our IPO, our Company's entire enlarged share capital of RM44,200,090 comprising 325,000,000 Shares shall be listed on the ACE Market.

4.3.2 Pink Form Allocations

We have allocated 3,250,000 Issue Shares to eligible Directors and employees of our Group under Pink Form Allocations as follows:

Category	No. of eligible persons	Aggregate no. of Issue Shares
Eligible Directors	4	550,000
Eligible employees	30	2,700,000
Total	34	3,250,000

Pink Form Allocations which are not accepted by certain eligible Directors and employees of our Group will be re-allocated to our other eligible Directors as set out in the table below and eligible employees at the discretion of our Board.

Allocation to eligible Directors

The criteria for allocation to our eligible Directors are based on amongst others, length of their service and their anticipated contribution to our Group. Our Managing Director (Lim Chin Horng) and Non-Independent Non-Executive Director (Lim Saw Nee) have opted not to participate in the Pink Form Allocations.

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

Name	Designation	No. of Issue Shares
Directors		
Robert Koong Yin Leong	Independent Non-Executive Chairman	50,000
Khoo Soon Beng	Executive Director	400,000
Tan Hock Soon	Independent Non-Executive Director	50,000
Ilham Fadilah Binti Sunhaji	Independent Non-Executive Director	50,000
		550,000

4. DETAILS OF OUR IPO (Cont'd)

Allocation to eligible employees

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

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

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

Name	Designation	No. of Issue Shares
Key senior management		
Yong Wai Kin	Chief Financial Officer	100,000
Lai Shu San	Senior Operation Manager	400,000
Yong Chaw Ang	Production Manager	400,000
Soi Wen Li	Purchasing Manager	300,000
Ang Sze Cie	Production Controller	300,000
		1,500,000

4.3.3 Underwriting arrangement

Our Underwriter will underwrite 19,500,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 45,500,000 Issue Shares and 32,500,000 Offer Shares reserved for private placement to selected investors and Bumiputera investors approved by MITI have been placed out by our Placement Agent and will not be underwritten.

Any of our Issue Shares not subscribed for by the Malaysian Public or Pink Form Allocations (after the re-allocation) will be made available to selected investors via private placement.

Any of our Issue Shares not subscribed or accepted by Bumiputera investors approved by MITI under the private placement as stated in Section 4.3.1(d) above will be made available for subscription by the Bumiputera general public via the balloting process. The said Issue Shares may also be offered to institutional investors before being made available to the Bumiputera general public, depending on the prevailing interest on our Shares by institutional investors.

However, if all Issue Shares offered to the Malaysian Public are oversubscribed, the Issue Shares not subscribed for under the Pink Form Allocations (if any), will be made available for application by the Malaysian Public. Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

4. DETAILS OF OUR IPO (Cont'd)

4.3.4 Minimum and over-subscription

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

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Directors. Our Board will ensure that any excess Issue Shares will be allocated on a fair and equitable manner.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

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

Details	No. of Shares	RM
Share capital		
As at the date of this Prospectus	260,000,000	26,000,090
To be issued under Public Issue	65,000,000	18,200,000
Enlarged share capital upon Listing	325,000,000	44,200,090

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

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

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus if our Company is liquidated in accordance with our Constitution.

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

4. DETAILS OF OUR IPO (Cont'd)

4.5 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) To enable our Group to raise funds for the purposes specified in Section 4.9;
- (ii) To gain recognition through our listing status which will enhance our Group's reputation in the marketing of our products, retention of our employees, expansion of our client base, and to attract new talents;
- (iii) To increase the brand visibility of ECONFRAME® and DUROE® in the metal door frame and door industry in Malaysia;
- (iv) To provide an opportunity for the Malaysian Public, including our eligible Directors and employees to participate in our equity; and
- (v) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise.

4.6 BASIS OF ARRIVING AT OUR IPO PRICE

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

- (i) PE Multiple of approximately 11.2 times based on our audited combined EPS of 2.50 sen for the FYE 2019, calculated based on our audited combined PAT of RM8.14 million and enlarged share capital of 325,000,000 Shares upon Listing;
- (ii) Our pro forma consolidated NA per Share as at 31 May 2020 after the Acquisitions, Public Issue and utilisation of proceeds of RM0.14, calculated based on our pro forma audited consolidated NA as at 31 May 2020 of RM45.91 million and enlarged share capital of 325,000,000 Shares upon Listing;
- (iii) Our historical financial track record as summarised below:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	35,494	39,834	44,089	29,977
GP	8,843	9,877	14,614	9,628
PAT/PATMI	3,110	5,097	8,135	4,211
EPS (sen) ⁽¹⁾	1.20	1.96	3.13	1.62

Note:

- (1) Calculated based on PAT/PATMI of the respective FYEs and FPE over our enlarged number of shares of 260,000,000 Shares in issuance before our IPO.
- (iv) Our competitive strengths as set out in Section 7.16; and
- (v) Our Group's business strategies as set out in Section 7.17.

4. DETAILS OF OUR IPO (Cont'd)

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

4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and enlarged share capital of 325,000,000 Shares, our total market capitalisation is estimated to be RM91,000,000 upon Listing.

4.8 DILUTION

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

	RM
IPO Price	0.28
Pro forma consolidated NA per Share as at 31 May 2020 after Acquisitions before Public Issue	0.12
Pro forma consolidated NA per Share as at 31 May 2020 after Acquisitions, Public Issue and utilisation of proceeds	0.14
Increase in pro forma consolidated NA per Share attributable to existing shareholders	0.02
Dilution in pro forma consolidated NA per Share to new public investors	0.14
Dilution in pro forma consolidated NA per Share as a percentage of IPO Price	50.0%

Further details of our pro forma consolidated NA per Share as at 31 May 2020 is set out in Section 13.

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

Shareholders	⁽¹⁾ No. of Shares received	Total consideration RM	Average effective cost per Share RM
Lim Chin Horng	⁽²⁾ 132,412,735	13,241,263.50	0.10
Lim Saw Nee	121,392,300	12,139,230.00	0.10
Khoo Soon Beng	6,194,965	619,496.50	0.10
	260,000,000	25,999,990.00	

Notes:

4. DETAILS OF OUR IPO (Cont'd)

Save for the:

- (i) Transfer of the subscriber's 100 Shares in Econframe to Lim Chin Horng; and
- (ii) Shares received by our Promoters (Lim Chin Horng and Lim Saw Nee) and Executive Director (Khoo Soon Beng) under the Acquisitions,

there has been no acquisition or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to the LPD.

4.9 UTILISATION OF PROCEEDS

The estimated gross proceeds arising from our Public Issue of RM18.20 million will accrue entirely to us and are planned to be utilised in the following manner:

Utilisation of proceeds	Note	RM'000	%	Estimated timeframe for utilisation from Listing
Land acquisition and construction of new manufacturing facility	(i)	5,000	27.5	Within 24 months
Automation of manufacturing process	(ii)	4,000	22.0	Within 24 months
Working capital	(iii)	6,200	34.1	Within 6 months
Estimated listing expenses	(iv)	3,000	16.4	Within 1 month
		18,200	100.0	

Notes:**(i) Land acquisition and construction of new manufacturing facility**

As at the LPD, our Group operates out of Factory 1, Factory 2, Factory 3 and Factory 4 located in Sungai Rasau Industrial Area, Klang with a combined built-up area of approximately 39,000 sq ft, currently utilised by our Group as follows:

Office (sq ft)	Manufacturing (sq ft)	Warehousing (sq ft)	Total (sq ft)
7,000	25,000	7,000	39,000

Our current manufacturing set-up in Factory 1, Factory 2, Factory 3 and Factory 4 is not optimised for the manufacturing of our products, which are generally bulky, due to the following:

- Machines for different stages of the manufacturing process are located in separate factories.

4. DETAILS OF OUR IPO (Cont'd)

- Limited production floor space which restricts our manufacturing workflow as machines are placed close to one another with limited space for manufacturing, storing and movement of work-in-progress products from one machine to another through each stage of the manufacturing process. This affects our manufacturing workflow as unnecessary time and manpower is utilised to maneuver our products within the limited space in our factories. Besides, the limited production floor space also increases the chances of any potential safety hazards which may be disruptive to our manufacturing operation.

Further, we made certain additions to the front, side and back portions of the original structure of Factory 1, Factory 2, Factory 3 and Factory 4 which include, but not limited to metal decking roofs over our existing factories, metal louvers, metal frame partition walls, storage cabins, septic tanks and toilets ("Additions"). While these Additions have been approved as permitted temporary structures for a period of 10 years, the Structure Permit is subject to annual renewals. Kindly refer to Section 9.1.4 for further details.

In view of the above and coupled with the expansion in our business in recent years, we have earmarked RM5.00 million of our gross proceeds from the Public Issue to partly finance the acquisition and construction of a new manufacturing facility with built-up area of approximately 65,000 sq ft comprising areas for warehouse, manufacturing, D&D and office areas. The total floor space for manufacturing activities will be approximately 55,000 sq ft.

The approximate costs required for the acquisition of land and construction of new manufacturing facility is as follows:

	RM'000
Land cost	(1)5,000
Building and infrastructure works	3,400
Professional and authority fees	200
	8,600

Note:

- (1) The amount excludes stamp duty and other incidental costs which will be funded via internally-generated funds and/or bank borrowings.

The remaining RM3.60 million required for the above will be funded via our internally-generated funds and/or bank borrowings. If the actual cost exceeds the amount budgeted as above, the deficit will be funded from our internally-generated funds and/or bank borrowings.

Upon completion of the new manufacturing facility, we will relocate all our business operation to the new manufacturing facility. Depending on the property market condition, we may sell or rent out our current manufacturing facility.

As at the LPD, we have identified the land (located in Kapar, Klang) in which we intend to purchase for the construction of the new manufacturing facility. We expect to complete the acquisition of the land within 3 months upon Listing. The construction is expected to be completed within 12 months from the commencement of construction. We expect our new factory to be in full operation by second half of 2022.

4. DETAILS OF OUR IPO (Cont'd)**(ii) Automation of manufacturing process**

We intend to utilise RM4.00 million of our gross proceeds from the Public Issue to increase the automation of our metal door frame manufacturing process by integrating robotic equipment in our welding and profile forming processes.

Currently, our welding and profile forming processes involve a great extent of manual labour, which takes up a significant portion of our manufacturing time. Please refer to Sections 7.5.1(b) and 7.17(ii)(b) for further details on our current welding and profile forming processes.

The automation will increase the overall productivity of our welding and profile forming processes and minimise human error to ensure the consistency of the quality of our products.

The RM4.00 million allocated will be utilised for the following:

Details	No. of units	Total estimated cost (RM'000)
Robotic welding line	4	3,000
CNC bending machine in-built with robotic arms	2	1,000
		4,000

The estimated cost for the acquisition of robotic equipment is inclusive of the installation and integration cost. In the event that the actual cost of the above is higher than the budget allocated from the gross proceeds of the Public Issue, we will fund the deficit out of the portion allocated for working capital and vice versa.

(iii) Working capital

A total of RM6.20 million of the gross proceeds from Public Issue will be used to finance our working capital requirements in tandem with our expected growth and business strategies. The following is a breakdown of the utilisation of proceeds for our working capital requirements:

Details	Amount (RM'000)
Working capital requirements for the manufacturing of wooden doors ⁽¹⁾	3,200
Raw materials for the manufacturing of fire resistant door sets ⁽²⁾	2,000
Increase in inventory level of ironmongery products ⁽³⁾	1,000
	6,200

Notes:

- (1) RM3.20 million of the proceeds are earmarked for the purchase of raw materials and operating expenditure for the production of wooden doors that we intend to commence during the 4th quarter of 2020. Please refer to Section 7.17(i) for further details on our plan for the manufacturing of wooden doors.
- (2) In view of the increasing demand of our fire resistant door sets since the commencement of production in 2017, RM2.00 million of the proceeds are earmarked for the purchase of raw materials of our fire resistant doors such as fire resistant boards and insulation materials.

4. DETAILS OF OUR IPO (Cont'd)

- (3) To improve our stock availability and lead time for delivery to our customers, RM1.00 million of the proceeds are earmarked to increase our inventory level of ironmongery products.

(iv) Estimated listing expenses

An amount of RM3.00 million is allocated to meet the estimated expenses of our Listing. If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our working capital requirements. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Utilisation	RM'000
Professional fees ⁽¹⁾	2,000
Fees payable to the authorities	100
Underwriting, placement and brokerage fees	600
Printing, advertising fees and contingencies ⁽²⁾	300
	3,000

Notes:

- (1) Includes advisory/professional fees for, amongst others, our Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.

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

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

The financial impact of the utilisation of proceeds from the Public Issue on our pro forma consolidated financial information is set out in Section 13.

4.10 BROKERAGE, PLACEMENT AND UNDERWRITING COMMISSION**Underwriting commission**

Our Underwriter, M&A Securities has agreed to underwrite 19,500,000 Issue Shares available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter an underwriting commission of 3.0% of the total value of underwritten Shares at the IPO Price.

Placement fees

Our Placement Agent has placed out a total of 45,500,000 Issue Shares to selected investors and Bumiputera investors approved by MITI.

We are obliged to pay our Placement Agent a placement fee of 2.5% of the value of Issue Shares placed out by our Placement Agent, at the IPO Price.

4. DETAILS OF OUR IPO (Cont'd)

Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.0% of the IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association in Malaysia or Issuing House.

4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the Underwriting Agreement are as follows:

- 1.1 Subject to the terms and conditions of the Underwriting Agreement, M&A Securities has agreed to underwrite 19,500,000 Issue Shares ("Underwritten Shares") as set out in Section 4.10.
- 1.2 The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon *inter-alia* the following ("Conditions Precedent"):
 - (i) The Underwriter being provided with such reports or confirmation and being satisfied on the Closing Date that:
 - (a) no material adverse change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Group from the date of the Underwriting Agreement; or
 - (b) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings by our Company materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;
 - (ii) the Underwriter receiving a certificate dated the Closing Date signed by the duly authorised officers of our Company stating *inter-alia* that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in the Underwriting Agreement;
 - (iii) the Underwriter receiving copies certified by a Director of our Company or the secretary of our Company to be a true and accurate copy and in full force and effect of a resolution of the Directors and the shareholders of our Company in general meeting:
 - (a) approving the issue of the Issue Shares;
 - (b) approving the Prospectus and the application forms, the Public Issue, Offer for Sale, the Listing the Underwriting Agreement and the transactions contemplated by it; and
 - (c) authorising a person(s) to sign and deliver the Underwriting Agreement on behalf of our Company and the issuance of the Prospectus;

4. DETAILS OF OUR IPO (Cont'd)

- (iv) the issue and subscription of the Issue Shares is not being prohibited or impeded by any statute, order, rule, directive, guideline (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the IPO Shares and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the Public Issue, Offer for Sale and the Listing have been obtained, complied with and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;
 - (v) the offering of, listing of and quotation for the Issue Shares / issued and paid-up share capital of our Company on the ACE Market of Bursa Securities having been approved by Bursa Securities and any other relevant authority or authorities and remaining in full force and effect and that all conditions to the approvals (except for any which can only be complied with after the Retail Offering has been completed) have been complied with or subject only to conditions which are acceptable to the Underwriter and such approval is not withdrawn;
 - (vi) the launching of Prospectus taking place within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing;
 - (vii) the Prospectus having been lodged with the Registrar of Companies and registered with the SC together with all the required documents in accordance with the CMSA, the Act and the relevant laws and regulations;
 - (viii) the Underwriting Agreement and the required agreements/letters of undertaking in relation to the Offer for Sale in the form acceptable to the Underwriter have been duly executed by all relevant parties and are in full force and effect, valid and enforceable (and not amended or supplemented, save as agreed in writing by the Underwriter), there shall not have occurred any breach or non-compliance by any of the parties thereto of their obligations and agreements under such documents and each of the conditions precedent (save for this condition precedent) in each of these documents shall have been satisfied or waived (in accordance with the provisions therein);
 - (ix) the Listing occurs within 1 month from the Closing Date or any later date as may be approved by the authorities and agreed in writing by the Underwriter; and
 - (x) Upon the Underwriter's (in this regard, in its capacity as the placement agent for the shares to be placed out by the placement agent) receipt of the full subscription monies for the shares to be placed out by the placement agent on or before the last date for payment of the same.
- 1.3 If after the Conditions Precedent has been complied with and our Company decides not to proceed with the IPO, the Underwriter may treat itself as so released or discharged from its obligations and the Underwriting Agreement shall terminate and be of no further force or effect provided that our Company shall remain liable for the payment of the sum as set out in the Underwriting Agreement and all other costs and expenses incurred by the Underwriter in connection with the underwriting of the Underwritten Shares (including late interest payment, if applicable).

4. DETAILS OF OUR IPO (Cont'd)

- 1.4 The Underwriter reserves the right to waive or modify all or any of the conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.
- 1.5 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the Closing Date, terminate its obligations under the Underwriting Agreement if:
- (i) any of the Conditions Precedent under the Underwriting Agreement is not duly satisfied by the Closing Date; or
 - (ii) there is any material breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the reasonable satisfaction of the Underwriter within 10 Market Days from the date our Company is notified by the Underwriter of such breach; or
 - (iii) there is withholding of material information by our Company which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of our Group, the success of the IPO, or the distribution or sale of the Issue Shares; or
 - (iv) the approval of Bursa Securities in respect of the Listing or the approval-in-principle of Bursa Securities for the listing and quotation of its entire issued and paid-up share capital on the ACE Market is withdrawn; or
 - (v) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Company or our Group; or
 - (vi) our Company or any of its subsidiaries becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or
 - (vii) there shall have occurred, or happened any of the force majeure event including, but not limited to:
 - (a) any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriter seriously affects or will seriously affect the business and/or financial position of the Group;
 - (b) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing which, would have or can reasonably be expected to have, in the reasonable

4. DETAILS OF OUR IPO (Cont'd)

opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or our Group as a whole, the success of the IPO, or the distribution or sale of the Issue Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

- (c) any new law or regulation or any change in existing laws or regulations, 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 Underwriter has or is likely to have a material adverse effect on the condition (financial or otherwise) or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Group; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market due to exceptional financial circumstances or otherwise; or
- (e) there having been on or prior to the Closing Date and in the reasonable opinion of the Underwriter, any adverse and material change or development reasonably likely to involve a prospective adverse and material change in the financial or business condition of the Group from that set out in the Prospectus which is material in the context of the offering of the Issue Shares and/or Offer Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the warranties and representations of our Company under the Underwriting Agreement as though given or made on such date; or
- (f) any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of government, national disorder, declaration of a state of national emergency, pandemics, acts of terrorism, strikes, lockouts, fire, explosion, earthquake, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which would have, or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or the Group as a whole, the success of the IPO, or the distribution or sale of the Issue Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (g) if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day on or after the date of the Underwriting Agreement and prior to the allotment of the Issue Shares, lower than 90% 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 3 Market Days.

4. DETAILS OF OUR IPO (Cont'd)

- (viii) there is any failure on the part of our Company to perform any of its obligations under the Underwriting Agreement.
- 1.6 In the event that the Underwriting Agreement is terminated pursuant to the terms and conditions therein, the Underwriter and our Company may confer with a view to deferring the Public Issue by amending its terms or the terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Underwriter nor our Company shall be under any obligation to enter into a fresh agreement.
- 1.7 If the Underwriter terminates its obligation pursuant to item 1.5 above, the parties shall be released and discharged from their respective obligations under the Underwriting Agreement save for the Underwriter's rights to the following:
 - (i) the payment of the underwriting commission;
 - (ii) costs and expenses incurred by the Underwriter in connection with the underwriting of the Underwritten Shares (including late interest payment, if applicable); and
 - (iii) right to be indemnified by our Company.

4.12 TRADING AND SETTLEMENT IN SECONDARY MARKET

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

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

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

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

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

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

Name	Nationality	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and substantial shareholders									
Lim Chin Horng ⁽³⁾	Malaysian	132,412,735	50.9	-	-	112,912,735	34.7	-	-
Lim Saw Nee ⁽³⁾	Malaysian	121,392,300	46.7	-	-	108,392,300	33.4	-	-

Notes:

- (1) Based on our issued share capital of 260,000,000 Shares after completion of the Acquisitions and the transfer of the subscriber's 100 Shares in Econframe to Lim Chin Horng before our IPO.
- (2) Based on our enlarged issued share capital of 325,000,000 Shares after our IPO.
- (3) Lim Chin Horng and Lim Saw Nee are siblings. Lai Shu San is the spouse of Lim Chin Horng.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Group.

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

5.1.2 Profiles of Promoters and substantial shareholders

Lim Chin Horng

Managing Director, Promoter and substantial shareholder

Lim Chin Horng, a Malaysian, aged 51, is our Promoter, substantial shareholder and our Managing Director. He was appointed to the Board on 13 February 2020.

He completed his 6th form education in 1989 at Sekolah Menengah Kebangsaan Tinggi Klang, Klang, Malaysia and commenced his career in 1990 with Amalgamated Containers Berhad (subsequently listed on the then Main Board of Bursa Securities in 1993 and now known as Parkson Holdings Berhad) in the quality control department as a Supervisor for manufacturing of steel cargo containers and related metal parts. He was tasked with monitoring the factory operations and ensuring that the production standards were met. In 1992, he was promoted to an Executive in the engineering department, where he was responsible for the continuous improvements and extension to the production line system. Subsequently, in 1994, he was promoted to the position of Senior Executive in the production department, where he was primarily tasked with the scheduling and planning of raw materials and manpower for the production lines.

In 1996, he left Amalgamated Containers Berhad to join Era Ace Sdn Bhd as a Project Manager, a company involved in the provision of mechanical and electrical engineering services. His responsibilities, which were primarily in the business development and operations of the company, included developing strategic business and marketing plans and coordinating the different departments in the company. He left Era Ace Sdn Bhd in 1999 to set up Era Ace Engineering and Trading, a sole proprietorship, where he undertook the business of trading in mechanical electronic parts and components, to collaborate with Era Ace Sdn Bhd. Era Ace Engineering and Trading ceased operations in 2004.

In August 2001, he co-founded Econframe Marketing with 3 other founding shareholders (2 of whom exited Econframe Marketing by 2005) to undertake the business of manufacturing of metal door frames and metal window frames. In 2006, Lim Saw Nee (our Non-Independent Non-Executive Director and Promoter) invested in Econframe Marketing and became the majority shareholder in 2007. In 2010, the 3rd founding shareholder exited Econframe Marketing.

In 2010, he set up Econframe Pre-Hung together with Khoo Soon Beng (our Executive Director) for the trading of wooden doors to complement the metal door frames business of Econframe Marketing. Over the years, he played an integral role in the growth and development of our Group, developing and implementing our Group's strategy, with particular focus on operational strategies and product development.

Currently he also sits on the boards of the subsidiaries of our Group. Please refer to Section 5.2.3 below for details of Mr Lim's other directorship and principal business activities performed outside our Group.

He is the spouse of Lai Shu San and brother of Lim Saw Nee.

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

Lim Saw Nee

Non-Independent Non-Executive Director, Promoter and substantial shareholder

Lim Saw Nee, a Malaysian, aged 53, is our Promoter, substantial shareholder and our Non-Independent Non-Executive Director. She was appointed to the Board on 13 February 2020.

She obtained her Diploma in Interior Design at the Modern Institute of Interior Design, Petaling Jaya, Malaysia (which has since ceased operation) in 1988. Upon graduation, she joined Sun Swee Productions Sdn Bhd as a Junior Production Designer, assisting in the film set designs produced by the company. She left the company after a year in 1989 to join United Tradewind Trading Sdn Bhd as an Administrative Executive, a company co-founded by her spouse, which provides mechanical and electrical engineering services in the construction industry.

In 2006, she invested in Econframe Marketing to eventually become a majority shareholder of the company in support of her brother, Lim Chin Horng.

She has remained at United Tradewind Trading Sdn Bhd since 1989 and currently holds the position of General Manager, where she oversees various departments including the human resource department and procurement department. She is also tasked with ensuring effective internal communication with the sales, operations and project team.

Currently, she sits on the board of Econframe Marketing.

She is the sister of Lim Chin Horng and sister-in-law of Lai Shu San.

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

5.1.3 Changes in the Promoters' and substantial shareholders' shareholdings

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

Promoter / Shareholder	As at incorporation				⁽²⁾ After the Acquisition				⁽³⁾ After IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Chin Horng ⁽⁴⁾	-	-	-	-	132,412,735	50.9	-	-	112,912,735	34.7	-	-
Lim Saw Nee ⁽⁴⁾	-	-	-	-	121,392,300	46.7	-	-	108,392,300	33.4	-	-
Tham Kok Leong	⁽¹⁾ 1	100.0	-	-	-	-	-	-	-	-	-	-
Total	1	100.0	-	-	253,805,035	97.6	-	-	221,305,035	68.1	-	-

Notes:

- (1) Being the subscriber shareholder of our Company. His shareholding increased to 100 Shares following the subsequent allotment of 99 Shares on 10 February 2020.
- (2) Based on our issued share capital of 260,000,000 Shares after completion of the Acquisitions and the transfer of the subscriber's 100 Shares in Econframe to Lim Chin Horng before our IPO.
- (3) Based on our enlarged issued share capital of 325,000,000 Shares after our IPO.
- (4) Lim Chin Horng and Lim Saw Nee are siblings. Lai Shu San is the spouse of Lim Chin Horng.

5.1.4 Persons exercising control over the corporation

Save for our Promoters, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

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

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO assuming our Directors will fully subscribe for their Pink Form Allocations are set out below:

Name	Designation/ Nationality	As at the LPD				After IPO ^{(1) (2)}			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Robert Koong Yin Leong	Independent Non-Executive Chairman / Malaysian	-	-	-	-	50,000	~	-	-
Lim Chin Horng ⁽³⁾	Managing Director / Malaysian	132,412,735	50.9	-	-	112,912,735	34.7	-	-
Khoo Soon Beng	Executive Director / Malaysian	6,194,965	2.4	-	-	6,594,965	2.0	-	-
Lim Saw Nee ⁽³⁾	Non-Independent Non-Executive Director / Malaysian	121,392,300	46.7	-	-	108,392,300	33.4	-	-
Tan Hock Soon	Independent Non-Executive Director / Malaysian	-	-	-	-	50,000	~	-	-
Ilham Fadilah Binti Sunhaji	Independent Non-Executive Director / Malaysian	-	-	-	-	50,000	~	-	-

Notes:

~ Less than 0.1%

(1) Based on our enlarged issued share capital of 325,000,000 Shares after completion of the Acquisitions, transfer of the subscriber's 100 Shares in Econframe to Lim Chin Horng and our IPO.

(2) Assuming our Directors will fully subscribe for their Pink Form Allocations.

(3) Lim Chin Horng and Lim Saw Nee are siblings. Lai Shu San is the spouse of Lim Chin Horng.

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

5.2.2 Profiles of Directors

The profiles of our Directors are as follows:

Robert Koong Yin Leong

Independent Non-Executive Chairman

Robert Koong Yin Leong, a Malaysian, aged 52, is our Independent Non-Executive Chairman. He was appointed to our Board on 11 February 2020 and he is the Chairman of our Remuneration Committee. He is also a member of our Audit and Risk Management Committee and Nomination Committee.

In 1988, he graduated with a London Chamber of Commerce and Industry (LCCI) Higher Diploma in Accounting from Systematic College, Kuala Lumpur Malaysia. He is an Associate Member of the Chartered Institute of Management Accountants, United Kingdom since 1995.

He commenced his career as a Staff Accountant at Arthur Andersen & Co in 1990 in the Corporate Recovery and Corporate Finance Division and left in February 1994. During his tenure at Arthur Andersen & Co, he was involved in handling forensic audit, general receivership as well as corporate finance activities such as fund-raising exercises and debt restructuring. In March 1994, he joined Electroscon Sdn Bhd, a company involved in telecommunication engineering and infrastructure as the Finance Manager where he led the accounting, finance, administrative and human resource departments. In 1998, he left the company and joined Tanco Resorts Berhad, a subsidiary company of Tanco Holdings Berhad (listed on the Main Market of Bursa Securities) which was involved in property development and resort management, as Finance and Administration Manager. His role at Tanco Resorts Berhad included compliance with accounting standards, group policies and timely reporting to Bursa Securities. He left Tanco Resorts Berhad in 2002.

In 2003, he joined Hicom-Teck See Sdn Bhd and was posted to Thailand to be the General Manager, Finance of its associate company, Hicom-Automotive Plastics (Thailand) Ltd where he remained until May 2005. During his tenure in Thailand, he was responsible for the monthly reporting, compliance with statutory requirements, annual budget and tax planning. From June 2005 to September 2006, he joined Nakamichi Corporation Berhad (then listed on the Main Market of Bursa Securities), a company involved in manufacturing of audio-visual products as the Manager, Finance and Administration where his role included preparing the monthly reports and planning and overseeing the budget and cash flow. He was also a Non-Independent Non-Executive Director of Nakamichi Corporation Berhad from 12 February 2008 until 28 July 2008.

In October 2006, he joined SMIS Corporation Berhad (listed on the Main Market of Bursa Securities), a company involved in manufacturing of automotive parts, and trading of industrial supplies, as the Group Financial Controller, a position he holds until today. Currently, his responsibilities at SMIS Corporation Berhad includes overseeing all the quarterly and annual reporting to Bursa Securities, ensuring the timely statutory reporting of the group companies and assisting the group in its strategic planning.

He is currently the Independent Non-Executive Chairman of Systech Bhd (listed on the ACE Market of Bursa Securities), a position he was appointed to on 20 May 2011. He is also a director of several private limited companies and corporations. Please refer to Section 5.2.3 below for details of Mr Koong's other directorships and other principal business activities performed outside our Group.

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

He has no family relationship with our Promoters, substantial shareholders, Directors and key senior management of our Group.

Khoo Soon Beng
Executive Director

Khoo Soon Beng, a Malaysian, aged 51, is our Executive Director. He was appointed to our Board on 13 February 2020.

In 1992, he graduated with a NCC (National Computing Centre) Diploma in Computer Studies from Informatics Institute, Klang, Malaysia (which has since ceased operation). He also obtained a Diploma in Business Studies issued by the Institute of Commercial Management, England from Institute Wawasan, Klang, Malaysia (which has since ceased operation) in 1994.

He commenced his career in 1990 as a Production Planner in Amalgamated Containers Berhad (subsequently listed on the then Main Board of Bursa Securities in 1993 and now known as Parkson Holdings Berhad), where he was responsible for planning the requisition of materials for the production of dry steel cargo containers. He left Amalgamated Containers Berhad in 1994 to join Forenede Plast (Malaysia) Sdn Bhd, a manufacturer of plastic pipes, as a Production Controller and was tasked with overseeing the production activities of the company.

In 2002, he left Forenede Plast (Malaysia) Sdn Bhd to join Nakagawa (M) Sdn Bhd, a manufacturer of automotive rubber mats, as a Production Planning Executive, where he was primarily responsible for the scheduling and planning of raw materials for the production lines. He left Nakagawa (M) Sdn Bhd in 2003 and re-joined Forenede Plast (Malaysia) Sdn Bhd in 2004 as a Sales Executive until June 2006.

In July 2006, he commenced his employment with Econframe Marketing as a Sales and Marketing Manager, where he was placed in charge of the sales and marketing activities of the company. In 2010, he co-founded Econframe Pre-Hung with Lim Chin Horng (our Managing Director and Promoter) and assumed the responsibility for overseeing the sales and marketing activities of our Group, a position he has continued until today.

Currently, he also sits on the board of Econframe Pre-Hung. Please refer to Section 5.2.3 below for details of Mr Khoo's other directorship and principal business activities performed outside our Group.

He has no family relationship with our Promoters, substantial shareholders, Directors and other key senior management of our Group.

Tan Hock Soon
Independent Non-Executive Director

Tan Hock Soon, a Malaysian, aged 48, is our Independent Non-Executive Director. He was appointed to our Board on 11 February 2020 and he is the Chairman of our Audit and Risk Management Committee. He is also a member of our Remuneration Committee and Nomination Committee.

He is a Fellow Member of the Malaysian Institute of Certified Public Accountants ("MICPA") as well as a Member of the Malaysian Institute of Accountants since 1996 and 1997 respectively.

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

Upon completing his 6th form education in 1991 at Sekolah Menengah Kebangsaan (L) Bukit Bintang, Petaling Jaya, Malaysia, he commenced his career as an Articled Clerk with KPMG in 1992 while pursuing his professional qualification with the Malaysian Association of Certified Public Accountants (now known as MICPA). He was admitted as a member of MICPA in June 1996. During his tenure at KPMG, he was involved in audit assignments for clients involved in various industries. He left KPMG as an Audit Supervisor in June 1996 and in July 1996, he joined the Corporate Finance Division of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) ("CIMB") as an Executive and left as an Assistant Manager in March 1999. During his tenure in CIMB, he was involved in a wide variety of corporate advisory assignments which include initial public offerings, debt and equity fund raising, mergers and acquisitions, reverse take-overs, corporate and debt restructuring and privatisation exercises.

In March 1999, he set up his own business management consultancy business through IKL Corporation Sdn Bhd, a company which he still owns. The company has since ceased its consultancy business to become a holding company for his investment in shares.

On 27 November 2001, he was appointed as the Executive Director of Merces Holdings Berhad (listed on the then Second Board of Bursa Securities and now known as Y&G Corporation Berhad) a company which is involved in property development and construction.

In 2003, he founded Strategic Capital Advisory Sdn Bhd. In 2004, he left Merces Holdings Berhad and returned to focus on his consultancy business via Strategic Capital Advisory Sdn Bhd. In the same year, he obtained his Investment Representative licence from the SC and is currently a Director of Strategic Capital Advisory Sdn Bhd, a Licensed Investment Advisory company which specialises in Corporate Finance.

On 29 January 2003, he was also appointed as the Independent Non-Executive Director of NTPM Holdings Berhad (listed on the Main Market of Bursa Securities), a company involved in manufacturing and trading of tissue and other paper products and subsequently resigned in 2008.

In 2005, he was appointed as the Executive Director of Syscotech Sdn Bhd which is involved in software research and development. He was instrumental in propelling the company to be listed via Systech Bhd on the ACE Market of Bursa Securities through a reverse take-over of Viztel Solutions Berhad in 2011. He was appointed as the Non-Independent Non-Executive Director of Systech Bhd on 20 May 2011 and subsequently, re-designated to Executive Director on 17 August 2017, a position he still holds today.

He is currently also an Independent Non-Executive Director of SMIS Corporation Bhd (listed on the Main Market of Bursa Securities), a position he was appointed to on 3 June 2019, as well as a director of several private limited companies and corporations. Please refer to Section 5.2.3 below for details of Mr Tan's other directorships and principal business activities performed outside our Group.

He has no family relationship with the Promoters, substantial shareholders, Directors and other key senior management of our Group.

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

Ilham Fadilah Binti Sunhaji

Independent Non-Executive Director

Ilham Fadilah Binti Sunhaji, a Malaysian, aged 38, is our Independent Non-Executive Director. She was appointed to our Board on 11 February 2020 and she is the Chairman of our Nomination Committee. She is also a member of our Audit and Risk Management and Remuneration Committee.

She completed her Bachelor of Arts majoring in International Studies (Global Security) and Political Science from the University of Wisconsin-Madison, United States of America in 2005. She proceeded to obtain her Masters of Business Administration in Strategic Management from the International Islamic University Malaysia in 2014. She is currently pursuing her Doctorate of Business Administration at SEGI University.

She commenced her career in 2005 when she joined Solid Partners Sdn Bhd as an Executive in the sales and marketing department, where she was involved in the tendering and procurement of military and medical equipment. In 2006, she joined Accenture Malaysia as an Analyst. She was promoted to Consultant in 2008 and subsequently, to Manager in 2010. During her tenure at Accenture Malaysia, her responsibilities included providing clients proposals and solutions specialising in strategic planning, development and execution of organisation transformation plans, designing business operating models, as well as developing deployment strategies and on-line knowledge repository systems.

In 2012, she left Accenture Malaysia and joined Performance Management and Delivery Unit ("PEMANDU"), an agency of the Prime Minister's Department, as Manager. She was promoted to Senior Manager in 2014 and subsequently to Vice President in 2017. During her tenure at PEMANDU, her role included conducting analysis of different subject matters to identify issues, formulate solutions and recommendations, provide project management and monitor progress of implementation.

In August 2017, she left PEMANDU and joined Pemandu Associates Sdn Bhd, a private management consultancy firm, as Senior Vice President, where she is currently responsible for strategic planning and development and execution of organisation transformation plans.

She is currently an Independent Non-Executive Director of Ocean Vantage Holdings Berhad (listed on the ACE Market of Bursa Securities), a position she was appointed to on 1 April 2019.

She has no family relationship with the Promoters, substantial shareholders, Directors and other key senior management of our Group.

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

5.2.3 Principal business performed outside our Group

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

(i) Robert Koong Yin Leong

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
Cendana Eksotik Sdn Bhd ⁽¹⁾	Investment holding company for shares in a corporation	Director	24 August 2016	-	-	-
Plaspoint Sdn Bhd ⁽¹⁾	Dormant. It was previously involved in manufacturing, developing and dealing in plastic, resins and their waste	Director	31 December 2012	-	-	-
PT Grand Surya Techno ⁽¹⁾⁽²⁾	Manufacturing of automotive carpets and interior trims	Director	9 January 2015	-	-	-
PT Sanyco Grand Indonesia ⁽¹⁾⁽²⁾	Dormant. It was previously involved in trading of automotive braking components	Director	25 August 2016	-	-	-
SMIS Grand Ventures Sdn Bhd ⁽¹⁾	Investment holding company for shares in a corporation	Director	24 August 2016	-	-	-
Systech Bhd ⁽³⁾	Investment holding company. The subsidiaries are principally involved in e-business solutions, CyberSecurity and e-Logistics	Independent Non-Executive Chairman / Shareholder	20 May 2011	-	~	-

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

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Past involvement</u>						
PT Sysarmy Indocyber Security ⁽⁵⁾⁽²⁾	Provision of cyber security software and hardware systems and the related application and consultancy services	Komisari ⁽⁴⁾	25 June 2016	9 December 2019	-	-

Notes:

~ Less than 0.1%

- (1) Subsidiaries of SMIS Corporation Berhad, a company listed on the Main Market of Bursa Securities, where Robert Koong Yin Leong is currently the Group Financial Controller.
- (2) Incorporated in Indonesia.
- (3) A company listed on the ACE Market of Bursa Securities.
- (4) A Komisari of an Indonesian company is part of the board of commissioner of an Indonesian company whose task is that of the supervision of the board of directors.
- (5) A subsidiary of Systech Bhd, a company listed on the ACE Market of Bursa Securities.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)
(ii) Lim Chin Horng

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Past involvement</u>						
Bestfloor Sdn Bhd	Dissolved on 19 June 2020. It was previously involved in trading of wooden flooring	Director /Substantial Shareholder	4 July 2008	-	55.0	-
IBS Door Systems Sdn Bhd	Dormant. It did not commence any business activities since incorporation	Director /Substantial Shareholder	5 April 2017	22 February 2019	70.0 ⁽¹⁾	-
Joypac Sdn Bhd	Dissolved on 30 May 2017. It was previously involved in the trading of hardware	Director /Substantial Shareholder	8 March 2004	-	51.0	-
Magna Dynamic Resources Sdn Bhd	Dissolved on 22 June 2018. It was previously involved in the trading of hardware and subsequently became a dormant company immediately before it was dissolved	Director /Substantial Shareholder	27 April 2011	-	50.0 ⁽³⁾	-
Mega Bounty Sdn Bhd	Dormant. It did not commence any business activities since incorporation	Director /Substantial Shareholder	19 December 2013	31 December 2019	50.0 ⁽²⁾	-

Notes:

- (1) His spouse, Lai Shu San owned the remaining 30.0% equity interest. Both Lim Chin Horng and Lai Shu San disposed all their shares in the company on 16 January 2020.
- (2) Lim Chin Horng disposed his equity interest on 11 February 2020.
- (3) His spouse, Lai Shu San owned the remaining 50.0% equity interest.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)
(iii) Khoo Soon Beng

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Past involvement</u>						
Bestfloor Sdn Bhd	Dissolved on 19 June 2020. It was previously involved in the trading of wooden flooring	Director /Substantial Shareholder	4 July 2008	-	30.0	-
Joypac Sdn Bhd	Dissolved on 30 May 2017. It was previously involved in the trading of hardware	Director /Substantial Shareholder	6 January 2006	-	49.0	-

(iv) Tan Hock Soon

Company		Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
						Direct	Indirect
<u>Present involvement</u>							
Strategic Capital Advisory Sdn Bhd		Corporate finance advisory and consultancy	Director / Substantial Shareholder	28 April 2003	-	70.0	-
IKL Corporation Sdn Bhd		Provision of consulting services and investment holding	Director / Sole Shareholder	9 March 1999	-	100.0	-
Leinet Berhad	Technology	Investment holding company for shares	Director	27 February 2004	-	-	29.6 ⁽¹⁾

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

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Systech Bhd	Investment holding company. The subsidiaries are principally involved in e-business solutions, CyberSecurity and e-Logistics	Executive Director	29 May 2011	-	-	52.3 ⁽²⁾
Syscatech Sdn Bhd	Software research and development, provision of related software services and, trading of software related peripherals	Executive Director	24 June 2005	-	-	100.0 ⁽³⁾
Mobysys Sdn Bhd	Software research and development, provision of software related services, trading of computer software related peripherals	Executive Director	25 May 2006	-	-	100.0 ⁽³⁾
Techcasys Sdn Bhd	Software research and development, provision of related software services and, trading of software related peripherals	Executive Director	18 July 2012	-	-	100.0 ⁽³⁾
Syscatech, Inc	Procurement, development and trading of software solutions	Director	10 September 2014	-	-	100.0 ⁽³⁾⁽⁴⁾
Syscode Sdn Bhd	Software research and development, marketing and support services	-	-	-	-	50.0 ⁽³⁾
Sysarmy Sdn Bhd	Provision of cyber security software and hardware systems and the related application and consultancy services	Executive Director	22 May 2017	-	-	51.0 ⁽³⁾

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

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
PT Sysarmy Indocyber Security	Provision of cyber security software and hardware systems and the related application and consultancy services	Komisari	25 June 2016	9 December 2019	-	100.0 ⁽³⁾⁽⁵⁾
SecureIoT Academy Sdn Bhd	Provision of cyber security training and related activities	-	-	-	-	51.0 ⁽³⁾
Postlink Pte Ltd	Provision of mailing house, transport, design and information system services	Director	30 August 2017	-	-	51.0 ⁽³⁾⁽⁶⁾
SMIS Corporation Berhad ⁽⁷⁾	Investment holding company. The subsidiaries are principally involved in manufacturing and trading of automotive components and trading of machineries and industrial parts supplies	Independent Non-Executive Director	3 June 2019	-	-	-
<u>Past involvement</u>						
Dotcom Consulting Sdn Bhd	Dormant. It was previously involved in exporting and importing of computer hardware, software and peripherals	Director / Substantial Shareholder	1 November 2018	16 March 2020	50.0 ⁽⁸⁾	-
Flora Bee Hive Enterprise Sdn Bhd	Bee farming, manufacturing, wholesaling, retailing, importing and exporting of honey and all kinds of honey products	Director	22 December 2017	31 August 2018	-	-

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

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
IKL Resources Sdn Bhd	Investment holding company for shares	Director / Substantial Shareholder	16 March 1999	29 March 2017	22.0 ⁽⁹⁾	-
Medimedia Sdn Bhd	Dissolved on 8 June 2018. It was previously involved in developing, producing and marketing film, news, sports, special events, and owning advertisement media and subsequently became a dormant company immediately before it was dissolved	Substantial Shareholder	-	-	50.0	-
Sunmatics Sdn Bhd	Dissolved on 13 May 2016. It was previously involved in trading in lubricant, petroleum and all related products and subsequently became a dormant company	Substantial Shareholder	-	-	15.0	-

Notes:

- (1) Deemed interested pursuant to Section 8(4) of the Act by virtue of his interest in IKL Corporation Sdn Bhd, which owns 29.6% issued shares in Leinet Technology Berhad.
- (2) Deemed interested pursuant to Section 8(4) of the Act by virtue of his interest in IKL Corporation Sdn Bhd, which holds 29.6% issued shares in Leinet Technology Berhad, which in turn holds 52.3% shares in Systech Bhd, a company listed on the ACE Market of Bursa Securities. Consequentially, he is also deemed interested in the shares of the subsidiaries of Systech Bhd pursuant to Section 8 of the Act.
- (3) Subsidiaries of Systech Bhd, a company listed on the ACE Market of Bursa Securities.
- (4) Company incorporated in the United States of America.

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

- (5) Company incorporated in Indonesia. A Komisari of an Indonesian company is part of the board of commissioner of an Indonesian company whose task is that of the supervision of the board of directors.
- (6) Company incorporated in Singapore.
- (7) A company listed on the Main Market of Bursa Securities.
- (8) Tan Hock Soon disposed his equity interest on 2 July 2020.
- (9) Tan Hock Soon disposed his equity interest on 13 April 2017.

(v) Ilham Fadilah Binti Sunhaji

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
Ocean Vantage Holdings Berhad	Investment holding company. The subsidiaries are principally involved in provision of support services to the oil and gas industry	Independent Non-Executive Director	1 April 2019	-	~	-
Neocap Sdn Bhd	Inactive. The company is newly incorporated and has not commenced any activities	Director / Sole Shareholder	14 February 2020	-	100.0	-

Note:

~ Less than 0.1%

As at the LPD, the directorships of our Directors in other companies are in compliance with the Listing Requirements.

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

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Their involvement in those business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

5.2.4 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYEs 2019 and 2020 are as follows:

FYE 2019	Directors' fees	Salaries	Bonuses	Commissions	Statutory contributions⁽¹⁾	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Robert Koong Yin Leong ⁽²⁾	-	-	-	-	-	-	-
Lim Chin Horng	⁽³⁾ 120	-	-	-	-	15	135
Khoo Soon Beng	-	62	26	168	11	18	285
Lim Saw Nee	-	-	-	-	-	10	10
Tan Hock Soon ⁽²⁾	-	-	-	-	-	-	-
Ilham Fadilah Binti Sunhaji ⁽²⁾	-	-	-	-	-	-	-
FYE 2020							
Robert Koong Yin Leong ⁽²⁾	12	-	-	-	-	3	15
Lim Chin Horng	⁽³⁾ 222	-	-	-	-	-	222
Khoo Soon Beng	-	88	⁽⁴⁾ 29	-	16	-	133
Lim Saw Nee	10	-	-	-	-	-	10
Tan Hock Soon ⁽²⁾	12	-	-	-	-	3	15
Ilham Fadilah Binti Sunhaji ⁽²⁾	9	-	-	-	-	3	12

Notes:

- (1) Including contributions to EPF, SOCSO and Employment Insurance System.
- (2) Robert Koong Yin Leong, Tan Hock Soon and Ilham Fadilah Binti Sunhaji were appointed to our Board on 11 February 2020.
- (3) Lim Chin Horng had opted to be remunerated through directors' fees prior to the FYE 2021, which is not subject to EPF contribution by Econframe Marketing and Econframe Pre-Hung.

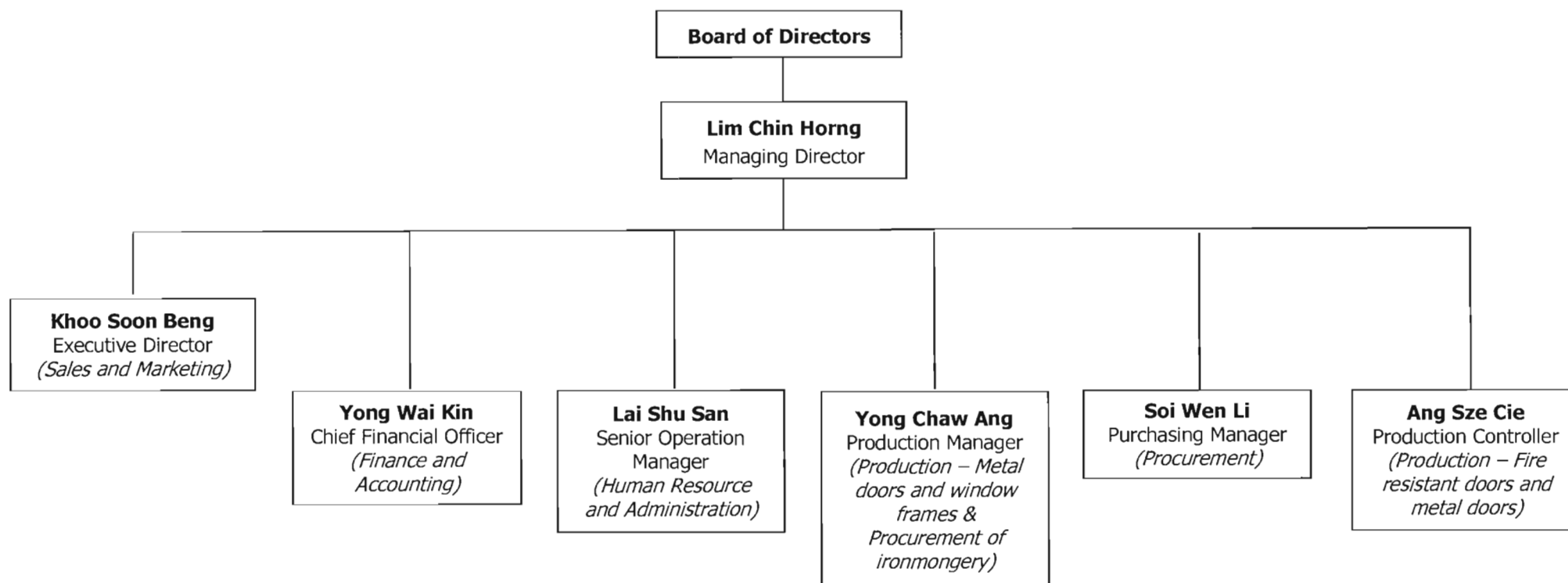
5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (4) The bonus for the FYE 2020 was paid prior to the completion of the Acquisitions. Bonuses, if any, moving forward will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

The remuneration for our Directors must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Constitution must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given. Please refer to Section 14.2 for further details.

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management reporting structure



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

5.3.2 Key senior management shareholdings

The shareholdings of our key senior management before and after our IPO assuming our key senior management fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation/ Nationality	As at the LPD				After IPO ^{(1) (2)}			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Yong Wai Kin	Chief Financial Officer/ Malaysian	-	-	-	-	100,000	~	-	-
Lai Shu San ⁽³⁾	Senior Operation Manager/ Malaysian	-	-	-	-	400,000	~	-	-
Yong Chaw Ang	Production Manager/ Malaysian	-	-	-	-	400,000	~	-	-
Soi Wen Li	Purchasing Manager/ Malaysian	-	-	-	-	300,000	~	-	-
Ang Sze Cie	Production Controller/ Malaysian	-	-	-	-	300,000	~	-	-

Notes:

~ Less than 0.1%

(1) Based on our enlarged issued share capital of 325,000,000 Shares after completion of the Acquisitions, the transfer of the subscriber's 100 Shares in Econframe to Lim Chin Horng and our IPO.

(2) Assuming our key senior management will fully subscribe for their respective entitlements under the Pink Form Allocations.

(3) Lai Shu San is the spouse of Lim Chin Horng.

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

5.3.3 Profiles of key senior management

The profiles of our key senior management are as follows:

Yong Wai Kin
Chief Financial Officer

Yong Wai Kin, a Malaysian aged 51, is our Chief Financial Officer. He is primarily responsible for the financial and accounting functions of our Group.

In 1988, he obtained his Higher Diploma in Accounting from the London Chamber of Commerce and Industry (LCCI) from ATC College. He is a Member of the Association of Chartered Certified Accountants, United Kingdom and Malaysian Institute of Accountants since 2001 and 2003 respectively.

He commenced his career as an Audit Junior at Moore Stephens Ismail Chong Gomez in 1990, where he was responsible for the statutory audit planning and special audit for corporate exercises involving clients in various industries. He was subsequently promoted to the position of an Audit Supervisor before he left in 1993. In 1994, he joined FACB Industries Berhad (listed on the Main Market of Bursa Securities) as an Assistant Accountant, where he was in charge of the overall monthly accounts of the company and its subsidiaries. In March 1995, he left FACB Industries Berhad and joined Syarikat Kit Loong Sdn Bhd in April 1995 as Senior Accountant, where he was responsible for the monthly accounts and was involved in credit control of the group operations. He left the company in December 1996.

In January 1997, he joined Hyumal Motor Sdn Bhd as Accounts and Audit Manager, where he headed the accounts division and was involved in the daily operations and the financial matters of the group, including credit control, procuring banking facilities and tax planning. In 1998, he left Hyumal Motor Sdn Bhd. In 1999, he joined Wizard Worldwide Media Sdn Bhd as Finance Manager, where his responsibilities included liaising with auditors and tax agents. He left Wizard Worldwide Media Sdn Bhd and joined Pristana Management Services Sdn Bhd in 2000 as a Senior Accountant, where he headed the property division's account department until June 2002. In July 2002, he joined Dceil Sdn Bhd as a Senior Group Accountant and was subsequently promoted to Finance Director of Dceil International Bhd (listed on the then Second Board of Bursa Securities in 2004). He left Dceil International Bhd in June 2004 and proceeded to render freelance accounting services to Win Hwa Enterprise Sdn Bhd, a company principally involved in trading of industrial bearings from 2004 to 2006.

In July 2004, he took on the position of a Chief Financial Officer at Mal Wah Construction Products Sdn Bhd and resigned from the company in January 2005.

In February 2005, he joined Muafakat Kekal Sdn Bhd as a Property Marketing Manager until his resignation in June 2006.

In 2007, he joined Topaz Evergreen Sdn Bhd as a General Manager-Finance, where he managed the finance department. He left Topaz Evergreen Sdn Bhd in July 2009.

In August 2009, he joined MSM Metal Industries Sdn Bhd as the Chief Financial Officer to manage the group's accounts and assist the group in their listing of their holding company, Mann Seng Metal International Ltd ("Mann Seng") on the Catalist Market of the Singapore Exchange Securities Trading Limited in 2010. Upon listing, he became the Executive Director of Mann Seng and Chief Financial Officer of the Mann Seng group where he was mainly

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

responsible for the management of the group's accounts, cash flow, corporate finance, financial reporting, risk management evaluation, audit, tax compliance and administration.

He left Mann Seng in March 2011 and joined Federal Paint Manufacturing (M) Sdn Bhd as Chief Financial Officer in April 2011 where he headed the group's accounts and finance. In 2014, he left to join Green Ocean Corporation Berhad (listed on the ACE Market of Bursa Securities) on 27 January 2014 as the Chief Financial Officer, a position he held until 6 August 2018, where he was mainly responsible for the periodic financial reporting, credit control, budgeting, tax planning, coordination of corporate exercises and procurement of banking facilities.

He joined our Group on 15 May 2019 as the Chief Financial Officer, where he is responsible for our Group's financial, tax and accounting matters as well as corporate finance related matters.

Please refer to Section 5.3.4 below for details of Mr Yong's directorships in other companies and principal business activities performed outside our Group.

He has no family relationship with the Promoters, substantial shareholders, Directors and other key management of our Group.

Lai Shu San

Senior Operation Manager

Lai Shu San, a Malaysian aged 49, is our Senior Operation Manager. She is primarily responsible for managing the human resource department and the general administrative matters of our Group.

In 1992, she graduated with a NCC (National Computer Centre) Diploma in Computer Studies from Informatics Institute, Klang, Malaysia (which has since ceased operation).

Upon graduation, she commenced her career as Computer Programmer in the IT Department of Amalgamated Steel Mills Berhad (subsequently listed on the then Main Board of Bursa Securities in 1994). In 1993, she left her first job and joined Omega Securities Sdn Bhd as an Administration Supervisor and was responsible for supervising the administrative tasks in the company. In 1994, she left Omega Securities Sdn Bhd and joined Sitt Tatt Logistics Sdn Bhd as a Personal Assistant to the Managing Director of the company. In 1996, she left Sitt Tatt Logistics Sdn Bhd and joined MBT (Malaysia) Sdn Bhd as a Sales Secretary, and was tasked with handling the sales administrative functions of the company. She left MBT (Malaysia) Sdn Bhd in 2000.

In 2001, she joined Econframe Marketing when it was incorporated to assist her spouse, Lim Chin Horng, in the setting up of the human resource and other administrative departments of Econframe Marketing. She currently holds the position of Senior Operation Manager and is primarily responsible for overseeing the human resource and overall administrative functions of our Group.

Please refer to Section 5.3.4 below for details of her principal business activities performed outside our Group.

She is the spouse of Lim Chin Horng and sister-in-law of Lim Saw Nee.

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

Yong Chaw Ang
Production Manager

Yong Chaw Ang, a Malaysian aged 39, is our Production Manager. She is responsible for overseeing the production of metal door and window frames produced by our Group as well as procurement of ironmongery.

She completed an accounting course at ALC College, (now known as Peninsula College) Malaysia and earned a Higher Diploma in Accounting in 2002. In 2003, she commenced her career with Kwangly Auto Sdn Bhd, a motorcar dealer, as an Administrative and Accounts Executive, where she handled general administrative tasks and also assisted in the preparation of management reports and monthly accounts. She left Kwangly Auto Sdn Bhd in May 2006.

In June 2006, she joined Econframe Marketing as an Administrative Executive. She was initially in charge of preparing delivery orders and providing quotations to customers for the metal door and window frames produced by Econframe Marketing.

In 2017, she was re-designated to Production Manager, where she plans the schedules for the production of metal door and window frames and coordinates with the production team to ensure timely delivery to the customers. She is also in charge of negotiating with the OEM suppliers for the procurement of ironmongery.

Please refer to Section 5.3.4 below for details of her directorship in other company and principal business activities performed outside our Group.

She has no family relationship with the Promoters, substantial shareholders, Directors and other key management of our Group.

Soi Wen Li
Purchasing Manager

Soi Wen Li, a Malaysian aged 43, is our Purchasing Manager. She is responsible for the procurement of raw materials for the production activities of our Group.

After completing her 6th-form education, she commenced her career in 1998 with Arm Shield Sdn Bhd, which activities included manufacturing of electrical products, as a Production Clerk, where she coordinated the deliveries of the products and assisted in other administrative tasks. In 2010, she left the company to join Triplast Plastic Industries Sdn Bhd, a plastic product manufacturer, as a Production Planner where she was tasked with the procurement of planning of materials requisition for production.

In 2013, she joined Econframe Marketing as a Purchasing Executive, where she was initially responsible for tracking the level of stock against customers' orders and monitoring the overall supply of materials required for production. In 2017, she was re-designated to Purchasing Manager, where she is in charge of monitoring the price and supply of raw materials, liaising and negotiating with suppliers and purchasing the required raw materials in and outside Malaysia.

She has no family relationship with the Promoters, substantial shareholders, Directors and other key management of our Group.

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

Ang Sze Cie

Production Controller

Ang Sze Cie, a Malaysian aged 28, is our Production Controller. She is primarily responsible for overseeing the production of the fire resistant door and metal door produced by our Group.

After completing her secondary school education in 2009, she joined Herald Remittance Sdn Bhd, a company which was conducting remittance business, as a General Clerk, assisting with filing general administrative work. Immediately after leaving Herald Remittance Sdn Bhd, she joined Econframe Marketing in 2012 as an Administrative Executive, where she was responsible for assisting in the administrative aspect of the production planning, which included preparing the quotations, delivery orders and purchase orders for the customers. In 2017, she was re-designated to Production Controller, where she arranges the production schedule, coordinates the various stages of production of fire resistant door and metal door, and prepares the overall report on the production.

She has no family relationship with the Promoters, substantial shareholders, Directors and other key management of our Group.

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

5.3.4 Principal business performed outside our Group

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

(a) Yong Wai Kin

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Past involvement</u>						
JQ Resources Sdn Bhd	Dissolved on 26 November 2019. It was previously a dormant company and did not commence any business activities since incorporation	Director / Substantial Shareholder	1 March 2013	-	50.0	-
ACE Edible Oil Industries Sdn Bhd ⁽¹⁾	Palm kernel crushing, refining of palm oil and palm kernel oil; trading of refined palm oil	Director	28 August 2014	26 September 2017	-	-
Federal Paints Holdings Berhad	Dissolved on 28 June 2019. It was previously a dormant company as it was incorporated for purposes of a listing application which did not take materialise	Director / Substantial Shareholder	16 August 2011	30 September 2012	8.23	-

Note:

- (1) ACE Edible Oil Industries Sdn Bhd is a subsidiary of Green Ocean Corporation Berhad, a company listed on the ACE Market of Bursa Securities, during the period Yong Wai Kin was a director of this company.

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

(b) Yong Chaw Ang

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
Simplicitic Innovations Sdn Bhd	Business of advertising, media website, mobile app design	Director / Substantial Shareholder	20 May 2014	-	10.0	-
<u>Past involvement</u>						
Bestfloor Sdn Bhd	Dissolved on 19 June 2020. It was previously involved in trading of wooden flooring	Substantial Shareholder	-	-	15.0	-

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

(c) Lai Shu San

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Past involvement</u>						
Magna Dynamic Resources Sdn Bhd	Dissolved on 22 June 2018. It was previously involved in the trading of hardware and subsequently became a dormant company	Director / Substantial Shareholder	26 August 2005	-	50.0 ⁽¹⁾	-
IBS Door Systems Sdn Bhd	Dormant. It did not commence any business activities since incorporation	Substantial Shareholder	-	-	30.0 ⁽²⁾	-

Notes:

- (1) Her spouse, Lim Chin Horng owned the remaining 50.0% equity interest.
- (2) Her spouse, Lim Chin Horng owned the remaining 70.0% equity interest. Lim Chin Horng and Lai Shu San have since disposed their shares on 16 February 2020.

The involvement of our key senior management in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Their involvement in those business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

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

5.3.5 Key senior management remuneration and benefits

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our key senior management for services rendered in all capacities to our Group for the FYEs 2019 and 2020 are as follows:

FYE 2019	(in bands of RM50,000)		Total
	⁽¹⁾ Remuneration RM'000	Benefits-in-kind RM'000	
Yong Wai Kin ⁽²⁾	0 - 50	0 - 50	0 - 50
Lai Shu San	50 - 100	0 - 50	50 - 100
Yong Chaw Ang	50 - 100	0 - 50	50 - 100
Soi Wen Li	50 - 100	0 - 50	50 - 100
Ang Sze Cie	50 - 100	0 - 50	50 - 100
FYE 2020			
Yong Wai Kin ⁽²⁾	100 - 150	0 - 50	100 - 150
Lai Shu San	100 - 150	0 - 50	100 - 150
Yong Chaw Ang	100 - 150	0 - 50	100 - 150
Soi Wen Li	50 - 100	0 - 50	50 - 100
Ang Sze Cie	50 - 100	0 - 50	50 - 100

Notes:

(1) The remuneration for key senior management includes salaries, bonuses, allowances as well as other benefits. The bonuses for the FYE 2020 were paid prior to the completion of the Acquisitions. Bonuses, if any, moving forward will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

(2) Yong Wai Kin joined our Group as Chief Financial Officer in May 2019.

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

5.4 BOARD PRACTICE

5.4.1 Board

Our Board members are from diversified backgrounds in terms of age and expertise. They have professional experience ranging from corporate, accounting and consulting as well as industry experience from the metal door frame and door industry. Our Board is of the opinion that at present there is adequate diversity in skills, experience, age, cultural background and gender in its composition.

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

- (i) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (ii) To set, review and adopt strategic plans, values and standards for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (iii) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (iv) To ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code on Corporate Governance;
- (v) To review and approve our annual business plans, financial statements and annual reports;
- (vi) To supervise and assess management performance to determine whether the business is being properly managed;
- (vii) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group;
- (viii) To ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
- (ix) To ensure the integrity of our Company's financial and non-financial reporting; and
- (x) To appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

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

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

Name	Date of appointment as Director	Date of expiration of the current term in office ⁽¹⁾	Approximate no. of years in office as at the LPD
Robert Koong Yin Leong	11 February 2020	Subject to retirement by rotation at our first AGM	< 1
Lim Chin Horng	13 February 2020	Subject to retirement by rotation at our first AGM	< 1
Khoo Soon Beng	13 February 2020	Subject to retirement by rotation at our first AGM	< 1
Lim Saw Nee	13 February 2020	Subject to retirement by rotation at our first AGM	< 1
Tan Hock Soon	11 February 2020	Subject to retirement by rotation at our first AGM	< 1
Ilham Fadilah Binti Sunhaji	11 February 2020	Subject to retirement by rotation at our first AGM	< 1

Note:

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

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

5.4.2 Audit and Risk Management Committee

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its oversight responsibilities on financial reporting and risk management. Our Audit and Risk Management Committee has full access to all information and documents/resources as well as to the internal and external auditors and key senior management of our Company and Group.

The key duties and responsibilities of our Audit and Risk Management Committee include, amongst others, the following:

- (i) To review the engagement, compensation, performance, qualification and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;

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

- (ii) To review and recommend our quarterly and annual financial statements for approval by our Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from our audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (iii) To conduct periodic review of the involvements of our Managing Director and Executive Director in the companies outside of our Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within our Group;
- (iv) To review and monitor any related party transaction/business dealings entered into by our Group and any conflict of interest situation that may arise within our Group to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group;
- (v) To oversee and recommend the risk management policies and procedures of our Group;
- (vi) To review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
- (vii) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;
- (viii) To set reporting guidelines for our Management to report to the committee on the effectiveness of our Group's management of its business risks;
- (ix) To review the risk profile of our Group and to evaluate the measure taken to mitigate the business risks;
- (x) To review the adequacy of our Management's response to issues identified to risk registers, ensuring that our risks are managed within our Group's risk appetite;
- (xi) To perform the oversight function over the administration of whistleblowing policy that is approved and adopted by our Board and to protect the values of transparency, integrity, impartiality and accountability where our Group conduct our business and affairs;
- (xii) To enhance our accountability in preserving our integrity and to withstand public scrutiny which in turn enhances and builds our Group's credibility to all our stakeholders;
- (xiii) To consider the major findings of internal investigations and our Management's response;
- (xiv) To do the following, in relation to the internal audit function:
 - (a) consider and approve the appointment of internal auditors, internal audit fee and any question of resignation or dismissal;
 - (b) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

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

- (c) review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that appropriate action is taken on the recommendations of the internal auditors;
 - (d) consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by our Management in response to audit findings;
 - (e) review and decide on the budget allocated to the internal audit function;
 - (f) appraise or assess the performance of members of the internal audit function; and
 - (g) monitor the overall performance of our Company's internal audit function.
- (xv) To verify the allocation of Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of our Company, if any; and
- (xvi) To perform such other functions as may be requested by our Board.

The recommendations of our Audit and Risk Management Committee are subject to the approval of our Board. The members of our Audit and Risk Management Committee as at the LPD are as follows:

Name	Designation	Directorship
Tan Hock Soon	Chairman	Independent Non-Executive Director
Robert Koong Yin Leong	Member	Independent Non-Executive Chairman
Ilham Fadilah Binti Sunhaji	Member	Independent Non-Executive Director

5.4.3 Remuneration Committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to the remuneration, fee and other benefits of our Board and key senior management. The terms of reference of our Remuneration Committee include the following:

- (i) To recommend a framework of remuneration for our Managing Director, Executive Director and key senior management for our Board's approval. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain our Directors of calibre, and yet not excessive. The framework should cover all aspects of remuneration including Director's fee, salaries, allowance, bonuses, options and benefit-in-kind;
- (ii) To recommend remuneration packages for our Managing Director, Executive Director and key senior management. The remuneration package should be structured such that it is competitive. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for our Non-Executive Director and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of our Board;

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

- (iii) To formulate and periodically review policies and procedures to determine the remuneration of our Managing Director and Executive Director and key senior management;
- (iv) To implement the policies and procedures on remuneration including recommending matters relating to the remuneration of our Board and key senior management;
- (v) To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run our Company successfully;
- (vi) To structure the component parts of remuneration so as to align with the business strategy and long-term objectives of our Company and to link rewards to our Company's strategy and performance;
- (vii) To ensure that the remuneration and incentives for Independent Non-Executive Directors do not conflict with their obligations to bring objective and independent judgement to our Board;
- (viii) To act in line with the directions of our Board;
- (ix) To consider and examine such other matters as the Remuneration Committee considers appropriate; and
- (x) To consider any other relevant matters as delegated by our Board.

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

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

Name	Designation	Directorship
Robert Koong Yin Leong	Chairman	Independent Non-Executive Chairman
Tan Hock Soon	Member	Independent Non-Executive Director
Ilham Fadilah Binti Sunhaji	Member	Independent Non-Executive Director

5.4.4 Nomination Committee

The main function of our Nomination Committee is to assist our Board in fulfilling its responsibility in nominating new nominees to our Board and Board committees and ensure that their compositions meet the needs of our Company. The terms of reference of our Nomination Committee include the following:

- (i) To formulate and review the policy on Board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of our Company;
- (ii) To source, identify, review and recommend candidates for appointment to our Board and Board committees, which is led by the Chairman of our Nomination Committee, taking into consideration the optimum and effective size of our Board and the candidates':
 - Character, competency, knowledge and experience;
 - Professionalism;

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

- Integrity and credibility;
 - Time commitment, particularly his number of other directorships; and
 - In the case of the candidates for the position of Independent Non-Executive Directors, our Nomination Committee would also evaluate the candidates' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors;
- (iii) To recommend the re-election of Directors who are due to retire in accordance with our Constitution;
- (iv) To assess the independence of Independent Directors annually;
- (v) To consider, in making its recommendations, candidates for directorships and, within the bounds of practicability, by any other senior executive or any Director or major shareholder and to take steps to ensure that women candidates are sought as part of our recruitment exercise;
- (vi) To establish and review the performance criteria to evaluate the performance of our Board, Board committees and each individual Director;
- (vii) To recommend to the Board the nominees to fill the seats on Board committees;
- (viii) To assess the effectiveness of our Board and the committees of our Board as a whole and each individual Director of our Board.
- (ix) To ensure that orientation and education programmes are provided for new members of our Board;
- (x) To ensure that all Directors receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements;
- (xi) To review the terms of office and performance of our Audit and Risk Management Committee and each of its members annually to determine whether such Audit Committee and its members have carried out their duties in accordance with the terms of reference;
- (xii) To formulate and review the nomination, selection and succession policies and plans for members of our Board, Board committees and key senior management;
- (xiii) To assist our Board to assess and evaluate circumstances where a Director's involvement outside our Group may give rise to a potential conflict of interest with our Group's business, upon receiving declaration of the same from our Director and thereafter, to inform our Audit and Risk Management Committee of the same. After deliberation with our Audit and Risk Management Committee, to recommend to our Board the necessary actions to be taken in circumstances where there is a conflict of interest; and
- (xiv) To act in line with the directions of our Board;
- (xv) To consider and examine such other matters as our Nomination Committee considers appropriate;
- (xvi) To consider any other relevant matters as delegated by our Board.

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

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

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

Name	Designation	Directorship
Ilham Fadilah Binti Sunhaji	Chairman	Independent Non-Executive Director
Tan Hock Soon	Member	Independent Non-Executive Director
Robert Koong Yin Leong	Member	Independent Non-Executive Chairman

5.5 RELATIONSHIPS AND/OR ASSOCIATIONS

As at the LPD, save as disclosed below, there are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key senior management:

- (i) Lim Chin Horng, who is our Promoter, substantial shareholder and Managing Director is:
 - (a) brother of Lim Saw Nee, our Promoter, substantial shareholder and Non-Independent Non-Executive Director; and
 - (b) spouse of Lai Shu San, member of our key senior management.
- (ii) Lim Saw Nee, who is our Promoter, substantial shareholder and Non-Independent Non-Executive Director is:
 - (a) sister of Lim Chin Horng, our Promoter, substantial shareholder and Managing Director; and
 - (b) sister-in-law of Lai Shu San, our member of key senior management.
- (iii) Lai Shu San, who is our member of key senior management is:
 - (a) spouse of Lim Chin Horng, our Promoter, substantial shareholder and Managing Director; and
 - (b) sister-in-law of Lim Saw Nee, who is our Promoter, substantial shareholder and Non-Independent Non-Executive Director.

5.6 EXISTING OR PROPOSED SERVICE CONTRACTS

As at the LPD, there is no existing or proposed service contracts entered into between the companies within our Group, with our Directors or key senior management.

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

5.7 DECLARATIONS FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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

- (i) In the last 10 years, 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;
- (ii) Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) In the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) In the last 10 years, any judgment that 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;
- (v) In the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (vii) Being the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) Have any unsatisfied judgment against him.

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6. INFORMATION ON OUR GROUP**6.1 INFORMATION ON ECONFRAME**

Our Company was incorporated in Malaysia under the Act on 27 November 2019 as a private limited company under the name of Econframe Sdn Bhd. On 21 February 2020, we converted into a public limited company under our present name. We are an investment holding company. Through our subsidiaries, we are principally involved in the following activities:

- (i) Design and manufacturing of metal door frames;
- (ii) Manufacturing of fire resistant door sets;
- (iii) Manufacturing of metal doors; and
- (iv) Trading of wooden doors and ironmongery.

There have been no material changes in the manner in which we conduct our business or activities since the incorporation of our Company up to the LPD.

Please refer to Section 7.1 for detailed information of our Group's history.

6.2 SHARE CAPITAL

Our share capital as at the LPD is RM26,000,090 comprising 260,000,000 Shares. The movements in our share capital since our incorporation are set out below:

Date of allotment	No. of shares allotted	Consideration (RM)	Nature of transaction	Cumulative issued share capital (RM)
27 November 2019	1	1	Subscriber's share	1
10 February 2020	99	99	Issue for cash	100
1 August 2020	242,300,000	24,230,000	Issue pursuant to the Acquisition of Econframe Marketing	24,230,100
1 August 2020	17,699,900	1,769,990	Issue pursuant to the Acquisition of Econframe Pre-Hung	26,000,090

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

Upon completion of the our IPO, our enlarged share capital will increase from RM26,000,090 comprising 260,000,000 Shares to RM44,200,090 comprising 325,000,000 Shares.

6. INFORMATION ON OUR GROUP (Cont'd)**6.3 INTERNAL RESTRUCTURING**

We have undertaken the Internal Restructuring in preparation for our Listing.

6.3.1 Acquisition of Econframe Marketing

On 12 February 2020, we entered into a conditional share sale agreement with Econframe Marketing Vendors to acquire the entire equity interest in Econframe Marketing comprising 1,000,000 ordinary shares for a total purchase consideration of RM24,230,000.00. The purchase consideration for the Acquisition of Econframe Marketing was satisfied by the issuance of 242,300,000 new Shares to the Econframe Marketing Vendors at an issue price of RM0.10 each.

Vendors	No. of shares acquired	% of share capital	Purchase consideration (RM)	No. of Shares issued
Lim Chin Horng	499,000	49.9	12,090,770.00	120,907,700
Lim Saw Nee	501,000	50.1	12,139,230.00	121,392,300
Total	1,000,000	100.0	24,230,000.00	242,300,000

The Acquisition of Econframe Marketing was conditional upon the approval of Bursa Securities being obtained for the Listing, which was obtained on 10 July 2020. The Acquisition was completed on 1 August 2020. Thereafter, Econframe Marketing became our wholly-owned subsidiary. The total purchase consideration of RM24,230,000.00 for the Acquisition of Econframe Marketing was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Econframe Marketing as at 31 August 2019 of RM24,236,552.00.

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

6.3.2 Acquisition of Econframe Pre-Hung

On 12 February 2020, we entered into a conditional share sale agreement with Econframe Pre-Hung Vendors to acquire the entire equity interest in Econframe Pre-Hung comprising 100,000 ordinary shares for a total purchase consideration of RM1,769,990.00. The purchase consideration for the Acquisition of Econframe Pre-Hung was satisfied by the issuance of 17,699,900 new Shares to Econframe Pre-Hung Vendors at an issue price of RM0.10 each.

The details of Econframe Pre-Hung Vendors and the number of Shares issued to them under the Acquisition of Econframe Pre-Hung are as follows:

Vendors	No. of shares acquired	% of share capital	Purchase consideration (RM)	No. of Shares issued
Lim Chin Horng	65,000	65.0	1,150,493.50	11,504,935
Khoo Soon Beng	35,000	35.0	619,496.50	6,194,965
Total	100,000	100.0	1,769,990.00	17,699,900

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

The Acquisition of Econframe Pre-Hung was conditional upon the approval of Bursa Securities being obtained for the Listing, which was obtained on 10 July 2020. The Acquisition was completed on 1 August 2020. Thereafter, Econframe Pre-Hung became our wholly-owned subsidiary. The total purchase consideration of RM1,769,990.00 for the Acquisition of Econframe Pre-Hung was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Econframe Pre-Hung as at 31 August 2019 of RM1,772,522.00.

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

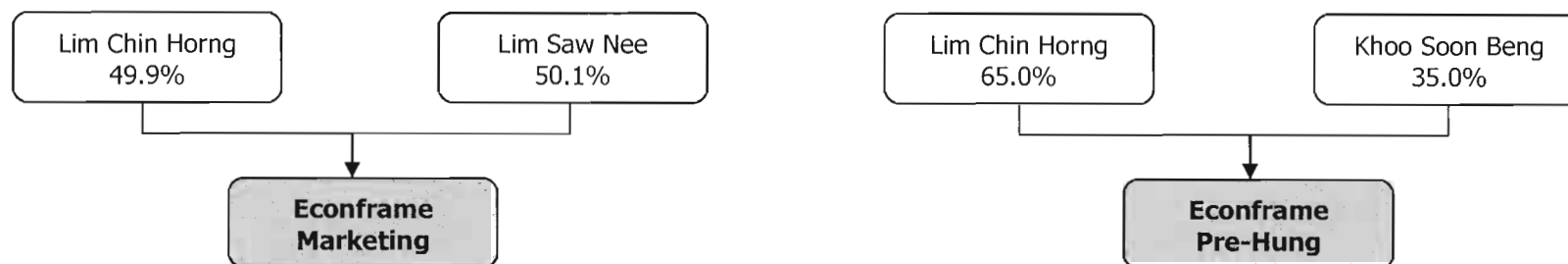
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6. INFORMATION ON OUR GROUP (Cont'd)

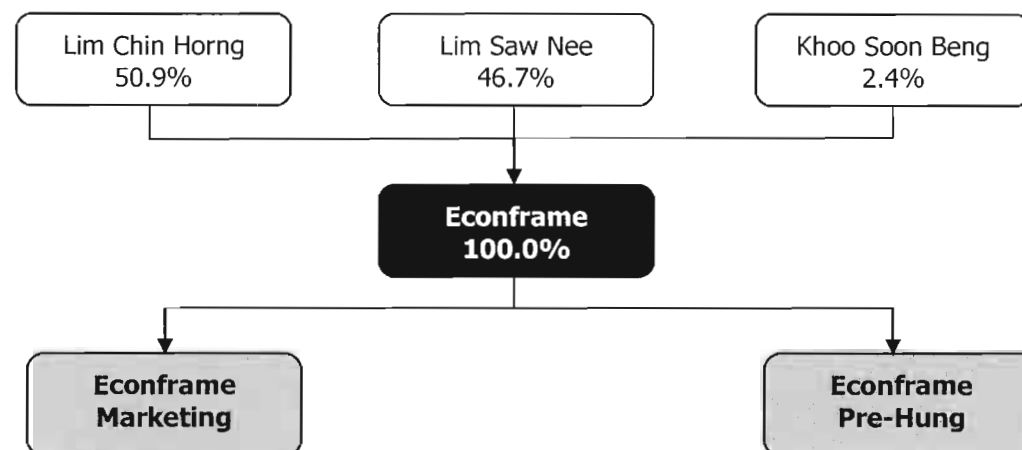
6.3.3 Group structure

Our Group structure before and after the Acquisitions and IPO is as follows:

(a) Before the Acquisitions, Public Issue and Offer for Sale

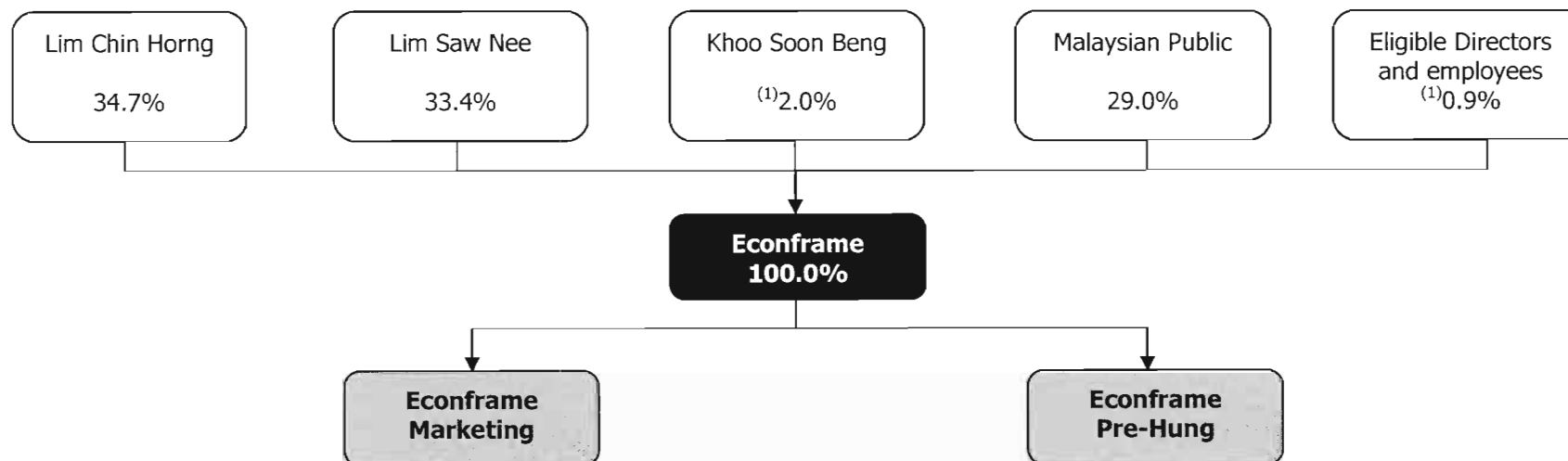


(b) After the Acquisitions but before Public Issue and Offer for Sale



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

(c) After the Acquisitions, Public Issue and Offer for Sale



Note:

- (1) Assuming that the eligible Directors and employees will fully subscribe for their entitlement under the Pink Form Allocations.

6. INFORMATION ON OUR GROUP (Cont'd)**6.4 OUR SUBSIDIARIES**

As at the LPD, we do not have any associate company. Details of our subsidiaries are summarised as follows:

Company	Registration No.	Date/Place of incorporation	Principal place of business	Effective equity interest	Principal Activities
Econframe Marketing	200101021288 (557046-U)	23 August 2001/ Malaysia	Malaysia	100.0%	Manufacturing and sales of doors, door and window frames and trading of ironmongery
Econframe Pre-Hung	201001002657 (887237-V)	21 January 2010 / Malaysia	Malaysia	100.0%	Trading of doors

6.4.1 Information on Econframe Marketing**(i) Share Capital**

As at the LPD, Econframe Marketing has an issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares. Details of the changes in the issued share capital of Econframe Marketing since its incorporation up to the LPD are as follows:

Date of allotment	No. of shares allotted	Consideration (RM)	Nature of transaction	Cumulative issued share capital (RM)
23 August 2001	100,000	100,000	Subscriber's shares	100,000
23 April 2004	400,000	400,000	Issue for cash	500,000
20 March 2007	500,000	500,000	Issue for cash	1,000,000

There were no discounts, special terms or instalment payment terms given in the consideration of the allotment. As at the LPD, Econframe Marketing does not have any outstanding warrants, options, convertible securities and uncalled capital.

(ii) Shareholders and directors

As at the LPD, Econframe Marketing is a wholly-owned subsidiary of Econframe. The directors of Econframe Marketing are Lim Chin Horng and Lim Saw Nee.

(iii) Subsidiary and associate company

As at the LPD, Econframe Marketing does not have any subsidiary and/or associate company.

6. INFORMATION ON OUR GROUP (Cont'd)**6.4.2 Information on Econframe Pre-Hung****(i) Share Capital**

As at the LPD, Econframe Pre-Hung has an issued share capital of RM100,000 comprising 100,000 ordinary shares. Details of the changes in the issued share capital of Econframe Pre-Hung since its incorporation up to the LPD are as follows:

Date of allotment	No. of shares allotted	Consideration (RM)	Nature of transaction	Cumulative issued share capital (RM)
21 January 2010	100,000	100,000	Subscriber's shares	100,000

There were no discounts, special terms or instalment payment terms given in the consideration of the allotment. As at the LPD, Econframe Pre-Hung does not have any outstanding warrants, options, convertible securities and uncalled capital.

(ii) Shareholders and directors

As at the LPD, Econframe Pre-hung is a wholly-owned subsidiary of Econframe. The directors of Econframe Pre-Hung are Lim Chin Horng and Khoo Soon Beng.

(iii) Subsidiary and associate company

As at the LPD, Econframe Pre-Hung does not have any subsidiary and/or associate company.

6.5 PUBLIC TAKE-OVERS

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

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

6.6 MATERIAL CONTRACTS

Save as disclosed below, there were no contracts which are or may be material (not being contracts entered into in the ordinary course of business) entered into by our Group for the FYEs 2017 to 2019, FPE 2020 and up to the date of this Prospectus:

- (i) Sale and purchase agreement dated 27 April 2017 entered into between Econframe Marketing and Kenwingston Seven Up Sdn Bhd for the acquisition by Econframe Marketing of a condominium unit measuring 450 sq ft bearing the postal address of B2-23-09, Aras 23, Blok B2, Kenwingston Residence, Kenwingston Square Garden, Persiaran Bestari, Cyber 9, 63000 Cyberjaya, Selangor for the purchase price of RM359,000.00. The acquisition was completed on 12 February 2019 and this property is currently vacant;

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




- (ii) The share sale agreement dated 12 February 2020 entered into between our Company and the Econframe Marketing Vendors for the Acquisition of Econframe Marketing, which was completed on 1 August 2020;
- (iii) The share sale agreement dated 12 February 2020 entered into between our Company and the Econframe Pre-Hung Vendors for the Acquisition of Econframe Pre-Hung, which was completed on 1 August 2020;
- (iv) The sale and purchase agreement dated 29 May 2020 entered into between Econframe Marketing and Daniel Thanam A/L Divean for the disposal of a piece of land held under HS (M) 2282, PT 12153, Mukim Kapar, Daerah Klang, Negeri Selangor measuring an area of approximately 33.5369 square metres together with all structures thereon for a consideration of RM10,000.00. The disposal of this property was completed on 22 July 2020; and
- (v) Underwriting Agreement dated 25 August 2020 for the underwriting of 19,500,000 Issue Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of Issue Shares being underwritten.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.7 TRADEMARKS

As at the LPD, save as disclosed below, our Group has not registered any brand names, patents, trademarks or other intellectual property rights:

No	Trademark	Applicant/ Registered owner/Licensee	Trademark application No./Class	Description	Place of registration	Issuing Authority	Validity period
(a)		Econframe Marketing	2010008596 / Class 6	Door frames of metal	Malaysia	Intellectual Property Corporation of Malaysia	25 June 2020 to 17 May 2030
(b)		Econframe Marketing	2015007327 / Class 6	Locks (other than electric) of metal; Locking apparatus of metal; Locking devices of metal for doors; Furniture and window; Lock bolts; Door locks of metal; Lock parts of metal; Common metals and their alloys; Ironmongery; Small items of metal hardware; Goods of common metal not included in other classes; Door casings of metal; Door fittings of metal; Doors of metal	Malaysia	Intellectual Property Corporation of Malaysia	13 July 2015 to 13 July 2025
(c)		Econframe Marketing	2015007326 / Class 19	Door of woods; Door casings not of metal; Door frames not of metal; Door panels not of metal; Building materials (non-metallic), Plywood; Wood panelling; Wood paving; Wood pulp board for building; Woods semi worked; Wood veneers.	Malaysia	Intellectual Property Corporation of Malaysia	13 July 2015 to 13 July 2025

6. INFORMATION ON OUR GROUP (Cont'd)

No	Trademark	Applicant/ Registered owner/Licensee	Trademark application No./Class	Description	Place of registration	Issuing Authority	Validity period
(d)		Econframe Marketing ⁽¹⁾	26125451 / Class 6	Latch bars of metal; chains of metal; sash pulleys; door springs, non-electric; door handles of metal; hardware of metal, small; bolts, flat; hinges of metal; fittings of metal for furniture; domestic metal track rail	China	China National Intellectual Property Administration	21 September 2018 to 20 September 2028
(e)		Econframe Marketing	2020003228 / Class 19	Door of woods; door casings not of metal; door frames not of metal; door panels not of metal; building materials (non-metallic), plywood; window frames, not of metal; wood panelling; wood paving; wood pulp board for building; woods semi worked; wood veneers	Malaysia	Intellectual Property Corporation of Malaysia	N/A ⁽²⁾

Notes:

- (1) This trademark was assigned by Lim Chin Horng to Econframe Marketing effective 20 April 2020.

Currently, our Group's ironmongery is OEM in China under our DUROE® brand. As the DUROE® brand awareness is gaining traction in the Malaysian market as well as in the South East Asian market via trade exhibitions, our main objective of registering our DUROE® trademark in China is in anticipation of our planned entry into the market in China in the future as well as to protect our brand from infringement by third party(s) in China.

Our Group has not recorded any sales from China since 21 September 2018 up to the LPD.

- (2) We have submitted a new application for the registration of this trademark under Class 19 on 19 February 2020. As at LPD, the application is under formality validation which entails the examination of the submitted documents for compliance with formal requirements. The estimated timeframe for approval for the registration of trademark is typically 12 months from the date of application.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8 PROPERTY, PLANT AND EQUIPMENT

6.8.1 Properties owned by our Group

The summary of the information on the material land and buildings owned by our Group as at the LPD are set out below:

No.	Registered owner/ Title details/ Postal address	Category of land use / Tenure	Description of property/ Existing use/ Age of building	Express Conditions / Restriction-in-interest / Encumbrances	Land area/ Built-up area sq ft	Date of issuance of CF/CCC	Audited NBV as at 31 May 2020 RM'000
(i)	Econframe Marketing No. 1, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor ("Factory 1") Held under HS(M) 2255, 2256 and 2258, PT 12126, 12127 and 12129 Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial / Freehold land	2 storey semi-detached factory Currently used as our centralised main office and manufacturing space of our Group 38 years	Express Condition: Industrial building Restriction-in-interest: None Encumbrances: Charged to Hong Leong Islamic Bank Berhad	Land Area: 6,157 sq ft Built-up Area: Approximately 7,807 sq ft	CF dated 24 March 1982 ⁽¹⁾	1,890

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered owner/ Title details/ Postal address	Category of land use / Tenure	Description of property/ Existing use/ Age of building	Express Conditions / Restriction-in-interest / Encumbrances	Land area/ Built-up area sq ft	Date of issuance of CF/CCC	Audited NBV as at 31 May 2020 RM'000
(ii)	Econframe Marketing No. 3, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor ("Factory 2") Held under HS(M) 2257 and 2259, PT 12128 and 12130, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial / Freehold land	2 storey semi-detached factory Currently used as manufacturing space of our Group 38 years	Express Condition: Industrial building Restriction-in-interest: None Encumbrances: Charged to Hong Leong Islamic Bank Berhad	Land Area: 5,480 sq ft Built-up area: Approximately 7,130 sq ft	CF dated 24 March 1982 ⁽¹⁾	1,741
(iii)	Econframe Marketing No. 4, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor ("Factory 3") Held under HS(M) 2277 PT 12148, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial / Freehold land	2 storey semi-detached factory Currently used as manufacturing space of our Group 38 years	Express Condition: Industrial building Restriction-in-interest: None Encumbrances: Charged to Hong Leong Islamic Bank Berhad	Land Area: 7,207 sq ft Built-up Area: Approximately 9,271 sq ft	CF dated 24 March 1982 ⁽¹⁾	2,089

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered owner/ Title details/ Postal address	Category of land use / Tenure	Description of property/ Existing use/ Age of building	Express Conditions / Restriction-in-interest / Encumbrances	Land area/ Built-up area sq ft	Date of issuance of CF/CCC	Audited NBV as at 31 May 2020 RM'000
(iv)	Econframe Marketing No. 102, Jalan 27, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor ("Factory 4") Held under HS(M) 2280 and 2281, PT 12151 and 12152, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial / Freehold land	2 storey semi-detached factory Currently used as warehouse and manufacturing space of our Group 38 years	Express Condition: Industrial building Restriction-in-interest: None Encumbrances: Charged to Hong Leong Islamic Bank Berhad	Land Area: 9,026 sq ft Built-up Area: Approximately 15,386 sq ft	CF dated 24 March 1982 ⁽¹⁾	2,671
(v)	Econframe Marketing No. B2-23-09, Aras 23, Blok B2 Kenwingston Residence Kenwingston Square Garden Persiaran Bestari, Cyber 9 63000 Cyberjaya, Selangor Erected on part of the land held under HSD 34452, PT48517, Mukim Dengkil, Daerah Sepang, Negeri Selangor (master title)	N/A ⁽²⁾ / Freehold land	Condominium unit Vacant 3 years	Express condition N/A ⁽³⁾ Restriction-in-interest N/A ⁽³⁾ Encumbrances: Assigned to Hong Leong Islamic Bank Berhad	Land Area: N/A Built-up Area: 450 sq ft	CCC dated 9 January 2019	324

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

Notes:

- (1) We made certain additions to the front, side and back portions of the original structure, which include, but not limited to metal decking roofs over the existing factories, metal louvers, metal frame partition walls, storage cabins, septic tanks and toilets ("Additions") whereby MPK had certified the 'as-built' drawing plan for the Additions and issued an approval for these Additions as permitted temporary structures under the By-Law 19(2) of the Building By-Laws for a period of 10 years, vide its letter dated 11 June 2019 ("Approval"). Pursuant to the Approval, the Structure Permit is to be renewed annually. It is also a condition in the Approval that the Additions are to be removed prior to the expiry of the 10 year period, which period commenced from 29 May 2019, being the issuance date of the initial Structure Permit ("Initial Permit").

By-Law 19(2) grants the local authority the discretion to issue a temporary permit for the erection of a temporary building which shall be subject to all or some of the conditions as set out in the First Schedule to the Building By-Laws. The First Schedule of the Building By-Laws contains the schedule of fees to be paid for the consideration of plans, permits etc by MPK.

The Initial Permit was issued by MPK to us with the following conditions:

1. *The permit is valid until 31 December 2019*
2. *Ensure that the constructed building is in accordance with the certified plan.*
3. *Ensure that the available public amenities owned by the MPK are not damaged.*
4. *MPK can revoke the permit and forthwith take down, remove or demolish the temporary structure / building material if any of these conditions is not complied with. All costs will be borne by the owner of the structure.*
5. *This approval will not preclude the applicant from having to obtain the approval of other local authorities.*
6. *If company plans to retain the structure in 2020, application for the renewal permit must be submitted to MPK in September 2019.*
7. *This structure permit is only for the structure that has been applied for and approved. It cannot be used for other structures.*
8. *MPK is free from any action or claim of damages as a result of the approval given under this permit.*
9. *Must take the necessary steps to ensure the surrounding area is clean.*
10. *MPK has the right to make any amendments or to cancel the permit in the event of a breach of the conditions.*
11. *Application for permit is processed by Jabatan Bangunan Aras 2, Lot 2-12, Jalan Raya Barat, 41000 Klang Bandar Diraja, Selangor*

Subsequently, the Initial Permit was successfully renewed and the renewed current Structure Permit ("Current Permit") was issued with the same identical conditions as the Initial Permit, save that the dates for items 1 and 6 were revised accordingly to the following:

- (a) *The permit is valid until 31 December 2020.*
- (b) *If company plans to retain the structure in 2021, application for the renewal permit must be submitted to MPK in October 2020.*

6. INFORMATION ON OUR GROUP (Cont'd)

As the Structure Permit was issued at the discretion of MPK pursuant to By-Law 19(2), MPK also has the right to revoke or not renew the Structure Permit. This discretion is inherent with all authorities empowered to grant any licences, permits or approvals. One of the conditions imposed in the Initial Permit and Current Permit ("Conditions") expressly state that MPK can cancel the Structure Permit in the event we breach any of the Conditions. It would be reasonable to assume that we will have to be in compliance of the Conditions to enable the renewal of the Current Permit. As such, we will endeavour to comply with the Conditions and any additional conditions which may be imposed by MPK from time to time to avoid the non-renewal or cancellation of the Structure Permit.

The chances of non-renewal of the Structure Permit are remote after taking into consideration the following:

- (i) the 'as-built' drawing plan containing the Additions has been certified by MPK;
- (ii) we have successfully renewed the Initial Permit; and
- (iii) most of the Conditions concern factors that are within our control and we endeavour to comply with the Conditions.

In the unlikely event of revocation or non-renewal of the Structure Permit prior to the expiry of the 10 year period, we are required to remove or demolish the Additions at our own cost. The removal or demolishment of the Additions is expected to cost approximately RM65,000. The original factory buildings are issued with CFs and will not be required to be removed.

It is our intention to relocate/ expand our operations to a larger facility which will be purpose built. This also forms part of our rationale to embark on the Listing to raise the necessary funding to finance the implementation of such plan. Kindly refer to Sections 4.9(i) and 7.17(ii)(a) for further details of our plan.

As we conduct the majority of our manufacturing operation out of the area within the factories that were subject to the Additions, the revocation or non-renewal of the Structure Permit prior to our eventual relocation to our new factory as mentioned above would result in a temporary halt in our manufacturing operations. This would consequently result in a delay in the delivery of our products and in our inability to meet some of our customers' demand in a timely manner. Our manufacturing operations will be disrupted until we relocate to a new rented premise(s) within the notice period specified by MPK. We will also need to apply for and obtain the necessary permits and licenses prior to the commencement of the manufacturing operations in the new premise(s). The entire process of setting up and relocating the manufacturing operations to the new premise(s) will require a minimum of 2 months and will also incur costs such as relocation cost and application for permit/licenses costs which is estimated to be approximately RM50,000. Additionally, during the 2 months non-operational period, we estimate to incur a loss of approximately RM0.55 million per month.

Upon the relocation to our new factory as part of our eventual plan referred to in Sections 4.9(i) and 7.17(ii)(a), the Structure Permit no longer applies and will not have any effect on our overall business and financial performance.

During the FYEs 2017, 2018 and 2019 and FPE 2020, there were no material changes or enhancements made to these properties.

6. INFORMATION ON OUR GROUP (Cont'd)

We intend to submit our application to MPK in October 2020 for the renewal of the Structure Permit.

- (2) This property was purchased on a goodwill basis in support of our customer who is the developer for the said property and not on a pre-contractual basis arrangement. As at the LPD, the individual strata title for this property has yet to be issued.

Save as disclosed in note (1), there is no breach of any other land use conditions and/or non-compliance with current statutory requirements, land rules or building regulations/by-laws relating to the above properties as at the LPD.

6.8.2 Properties rented by our Group

The details of material properties rented by us as at the LPD are set out below:

No.	Postal address/ Type of properties rented	Landlord/ Tenant	Description/ Existing use	Built-up area sq ft	Date of issuance of CCC	Period of tenancy/ Rental per annum
(i)	A16-11, Trefoil@Setia City No. 2, Jalan Setia Dagang AH U13/AH Setia Alam Seksyen U13 40170 Shah Alam Selangor	Yau Fair Fong/ Econframe Marketing	Residential unit/ Staff accommodation	Approximately 485 sq ft	5 November 2015	1 July 2020 to 30 June 2021/ RM10,560
(ii)	A-02-34, Pangsapuri Rimba Jaya Jalan Lengkuas 16/19 Seksyen 16 40200 Shah Alam Selangor	Krishnan A/L Karuppan / Econframe Marketing	Residential unit/ Staff accommodation	Approximately 650 sq ft	10 May 2010	15 February 2020 to 15 February 2021/ RM8,400
(iii)	A-02-33, Pangsapuri Rimba Jaya Jalan Lengkuas 16/19 Seksyen 16 40200 Shah Alam Selangor	Adimurum @ Logiswaran / Econframe Marketing	Residential unit/ Staff accommodation	Approximately 650 sq ft	10 May 2010	15 February 2020 to 15 February 2021/ RM8,400

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

6. INFORMATION ON OUR GROUP (Cont'd)**6.8.3 Acquisition of properties**

Save as disclosed below, we have not entered into any sale and purchase agreements to acquire any properties during the FYEs 2017 to 2019, FPE 2020 and up to the LPD:

- (i) Sale and purchase agreement dated 27 April 2017 entered into between Econframe Marketing and Kenwingston Seven Up Sdn Bhd for the acquisition by Econframe Marketing of a condominium unit measuring 450 sq ft bearing the postal address of B2-23-09, Aras 23, Blok B2, Kenwingston Residence, Kenwingston Square Garden, Persiaran Bestari, Cyber 9, 63000 Cyberjaya, Selangor for the purchase price of RM359,000.00. The acquisition was completed on 12 February 2019 and this property is currently vacant.

6.8.4 Regulatory requirements and environmental issues

Our operations are subject to the validity of the major approvals, licences and permits, which are detailed in Appendix I. Save as disclosed in Appendix I, there are no regulatory requirements and/or environmental issues which may materially affect our Group's operations arising from the utilisation of our assets.

6.8.5 Material investments and divestitures**(i) Material investments**

Material investments (including interests in other corporations) made by us during the FYEs 2017 to 2019, FPE 2020 and up to the LPD are as follows:

Material capital expenditure	At cost				1 June 2020 up to the LPD
	FYE 2017	FYE 2018	FYE 2019	FPE 2020	
	RM'000	RM'000	RM'000	RM'000	RM'000
Computer	-	1	9	-	-
Office equipment	12	53	19	-	-
Plant and machinery	-	-	⁽³⁾ 151	⁽⁵⁾ 113	-
Motor vehicles	⁽¹⁾ 302	-	⁽⁴⁾ 159	⁽⁶⁾ 38	-
Furniture and fittings	60	3	3	-	-
Renovation	-	-	4	⁽⁷⁾ 207	-
Capital work-in-progress ⁽²⁾	36	162	126	-	-
Right-of-use assets	-	-	-	⁽⁸⁾ 32	-
Total	410	219	471	390	-

Notes:

- (1) Relates to the acquisition of 3 motor vehicles for general car pool purposes for business/site meetings.
- (2) Relates to the progress payments in respect of the acquisition of 1 unit of condominium located at Cyberjaya, Selangor which was purchased in the FYE 2017.
- (3) Purchase of 1 unit of hydraulic cold press machine and 1 unit of stamping machine for the production of metal door frame.

6. INFORMATION ON OUR GROUP (Cont'd)

- (4) Purchase of 1 unit of lorry for delivery of finished goods, 1 unit of forklift for production, and 1 unit of motorbike for despatch.
- (5) Purchase of 2 units of wood press machine, 1 unit of double side glue spreader and 1 unit of forklift for the production of our fire resistant doors.
- (6) Relates to the acquisition of 1 motor vehicle for administrative use.
- (7) Renovation of 2 meeting rooms at Factory 3 to cater for increase in operating activities.
- (8) Relates to leasing of apartments for staff accommodation recognised in accordance with MFRS 16.

The above capital expenditures were made within Malaysia. They were primarily financed by a combination of bank borrowings and internally generated funds.

(ii) Material divestitures

Material divestitures (including interests in other corporations) made by us during the FYEs 2017 to 2019, FPE 2020 and up to the LPD are as follows:

	At NBV				1 June 2020 up to the LPD
	FYE 2017	FYE 2018	FYE 2019	FPE 2020	
	RM'000	RM'000	RM'000	RM'000	RM'000
Material divestitures					
Motor vehicles	82	-	-	-	-
Investment property	-	-	⁽¹⁾ 3,200	-	-
Freehold land	-	-	-	-	⁽²⁾ 10
Total	82	-	3,200	-	10

Notes:

- (1) Pertaining to the disposal of a piece of freehold agriculture land held for investment held under GM5018, Lot 2490, Tempat Batu Blah, Mukim Kapar, Daerah Klang, Negeri Selangor. The said land was distributed to the Econframe Marketing Vendors as dividend-in-specie during the FYE 2019.
- (2) Pertaining to the disposal of a piece of freehold industrial land held under HS(M) 2282, PT12153, Mukim Kapar, Daerah Klang, Negeri Selangor. The disposal of the said land, measuring 361 sq ft which was completed on 22 July 2020.

The above capital divestitures were carried out in the ordinary course of business as part of our review of our fixed asset register to identify and eliminate those assets which are no longer in use or obsolete.

Save for the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

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

6.8.6 Material plans to construct, expand or improve our facilities

Save for proceeds of our Public Issue to be used for the expansion of our manufacturing operation as disclosed in Section 4.9, our Group has no other immediate plans to construct, expand or improve our facilities as at the LPD.

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7. BUSINESS OVERVIEW

7.1 OUR HISTORY

Our Company was incorporated in Malaysia on 27 November 2019 under the Act as a private limited company, and was subsequently converted into a public limited company on 21 February 2020.

Our historical milestones are set out below.

Commenced manufacturing of metal door frames and metal window frames

The history of our Group can be traced back to the establishment of Econframe Marketing on 23 August 2001 by Lim Chin Horng (our Managing Director) with 3 other shareholders (who have since fully disposed their shareholdings in October 2001, September 2005 and April 2010 respectively). Prior to the establishment of Econframe Marketing, our Managing Director, Lim Chin Horng was involved in the manufacturing of steel cargo containers and related metal parts where he acquired knowledge and skills in metalworking. Through his industry network, he observed a demand for metal door frames and metal window frames and subsequently ventured into the manufacturing of metal door frames and metal window frames.

Within the same year, we commenced operations in the manufacturing of metal door frames and metal window frames in a rented factory with a built-up area of approximately 2,400 sq ft in Sungai Rasau, Klang, Selangor ("Rented Factory 1"). We offer metal door frames with customised profiles based on our customers' requirements. We also designed and put together a small selection of 12 metal door frame profiles for our customers to choose from, based on market trend observations and feedback from our customers.

In 2006, we expanded our manufacturing space and rented 2 additional factories in Sungai Rasau, Klang, Selangor with a total built-up area of approximately 4,800 sq ft ("Rented Factory 2 and Rented Factory 3"), which are adjacent to our Rented Factory 1. In 2006, Lim Saw Nee invested in Econframe Marketing and subsequently became the majority shareholder in 2007.

In September 2009, we purchased Factory 4 with a total built-up area of approximately 15,000 sq ft. In addition, we expanded our range of selection of metal door frame profiles to 20 profiles.

In May 2010, we registered our trademark ECONFRAME® and began selling our metal door frames and metal window frames under our ECONFRAME® brand to establish our branding in the market.

Expanded our product offerings to offer total door system solution

In 2010, we commenced the trading of ironmongery and fire resistant door sets to complement our metal door frames business. During the year, Econframe Pre-Hung was incorporated for the trading of wooden doors. The expansion of our product offerings allowed us to offer a total door system solution and strengthen our market presence. All wooden doors, ironmongery and fire resistant door sets were sourced from 3rd party suppliers. Wooden doors were sold under our ECONFRAME® brand while ironmongery and fire resistant door sets were sold under 3rd party brands.

7. BUSINESS OVERVIEW (*Cont'd*)

In 2012, we purchased Factory 1 and Factory 2, within close proximity to Factory 4 with a total built-up area of approximately 15,000 sq ft. In addition, we expanded our range of selection of metal door frame profiles to 30 profiles.

In 2014, we purchased Factory 3, located opposite Factory 1 and Factory 2, with a built-up area of approximately 9,000 sq ft as our warehouse for raw materials.

Currently, we have expanded our range of selection of metal door frames profiles to 34 profiles. We have also supplied our products to property developments by notable property developers which include amongst others, Aset Kayamas, Eco World, Gamuda, IJM Land, IOI Properties, LBS Bina, Mah Sing, Matrix Concepts, Sime Darby and SP Setia through our customers who are either main contractors or building materials trading arms of property developers. Please refer to Section 7.3 for the list of some of the various property developments by notable property developers where we supplied our products.

Further enhanced our in-house capabilities with the manufacturing of fire resistant door sets and metal doors, and offering all products under our in-house brands

In 2015, we commenced product development on fire resistant door sets with the intention to venture into the manufacturing of fire resistant door sets comprising fire resistant door, metal door frame and ironmongery under our in-house brand. We evaluated and tested fire resistance capabilities of various raw materials and design specifications (i.e. dimensions of fire resistant door, fire resistant door with/without vision panel, metal door frame and accessories such as ironmongery) to ensure our fire resistant door sets comply with the relevant fire-rated requirements. We manufactured prototype fire resistant door sets in preparation for submission to SIRIM and BOMBA for fire-rated certifications.

In 2016, we obtained the trademark DUROE® in Malaysia in preparation to commercialise our products for fire resistant door sets including ironmongery. With this new brand, we gradually ceased selling ironmongery under 3rd party brands and began selling OEM ironmongery under our DUROE® brand. In the same year, we obtained our ISO 9001:2015 Quality Management Systems certification from SIRIM for the manufacturing of fire resistant door sets.

In 2017, we successfully introduced our first fire resistant door set with 1 hour fire rating duration after we obtained product certification from SIRIM and approval from BOMBA. Since then, we continued our product development of fire resistant door sets with different materials, configurations (i.e. single or double leaf) and fire ratings. Our fire resistant door sets are sold under our DUROE® brand and we gradually ceased trading of 3rd party fire resistant door sets. As at the LPD, we have obtained product certifications from SIRIM and approvals from BOMBA to manufacture 7 types of fire resistant door sets with 1 or 2 hour fire ratings. Please refer Section 7.2.2 for more details on our fire-rated certifications.

In 2017, we started manufacturing customised metal doors on request which are sold under our ECONFRAME® brand.

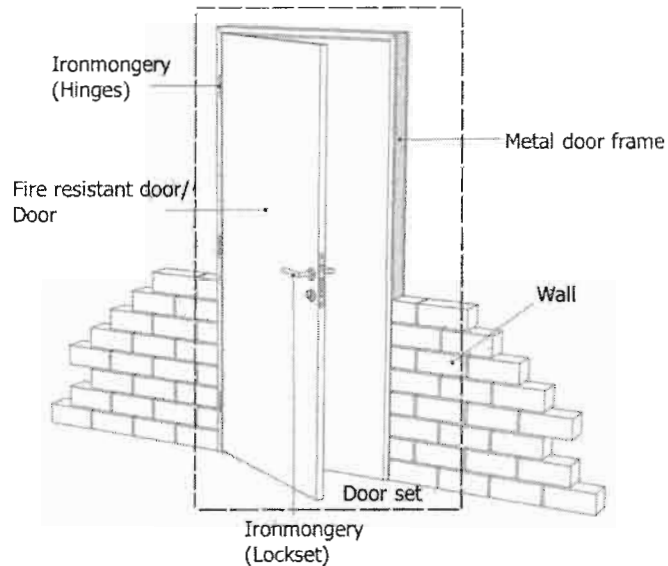
In 2018, we registered the trademark DUROE® in China under the name of Lim Chin Horng (our Managing Director) in anticipation of our planned entry into the market in China in the future (currently in the conceptual planning stage) as well as to protect our brand from infringement by third party(s) in China. This trademark was assigned successfully to Econframe Marketing effective 20 April 2020 and we intend to continuously monitor the market condition and commence the detailed planning for our expansion into the China market in the 2nd half of 2021.

7. BUSINESS OVERVIEW (Cont'd)

7.2 DESCRIPTION OF OUR BUSINESS

Our Group is principally involved in the provision of total door system solution for property developments. Our total door system solution comprises metal door frames, fire resistant door sets, doors and ironmongery. In general, a door set comprises the metal door frame, fire resistant door or door and ironmongery.

An illustration of our door set is shown below:



Our core business activities are set out below:

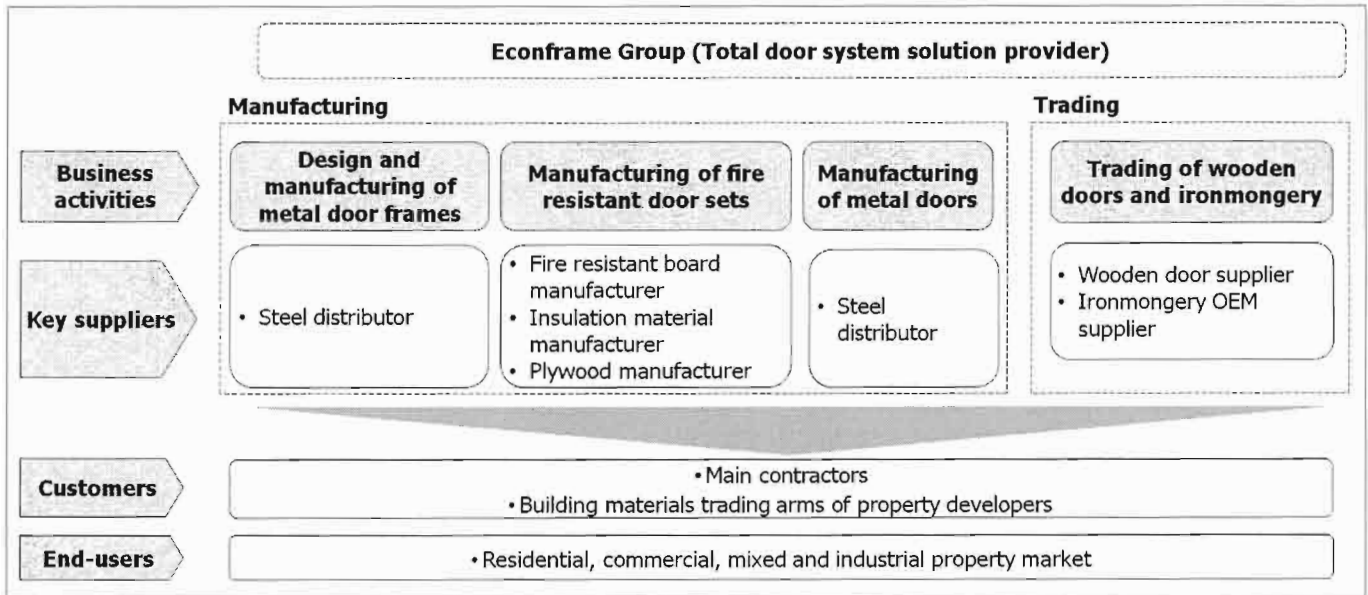
- (i) Design and manufacturing of metal door frames;
- (ii) Manufacturing of fire resistant door sets;
- (iii) Manufacturing of metal doors; and
- (iv) Trading of wooden doors and ironmongery

We sell our products on project basis (i.e. to main contractors and building materials trading arms of property developers in Malaysia for the purposes of construction in property developments). Please refer to Section 7.14 for further details of our sales and marketing strategies.

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7. BUSINESS OVERVIEW (Cont'd)

The following diagram illustrates our Group's business model:

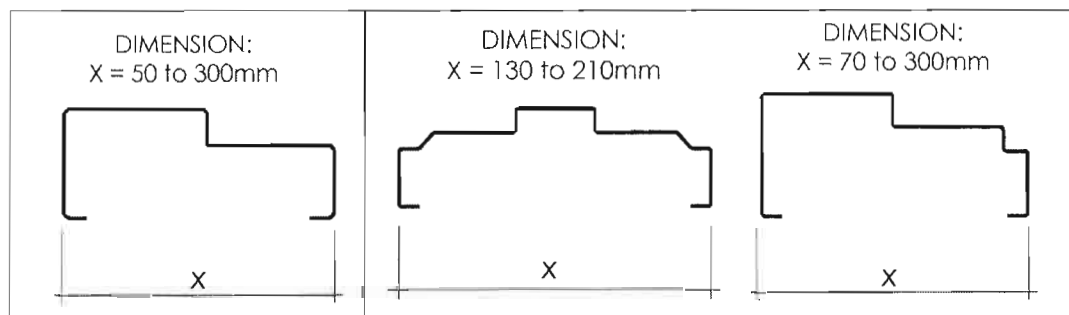


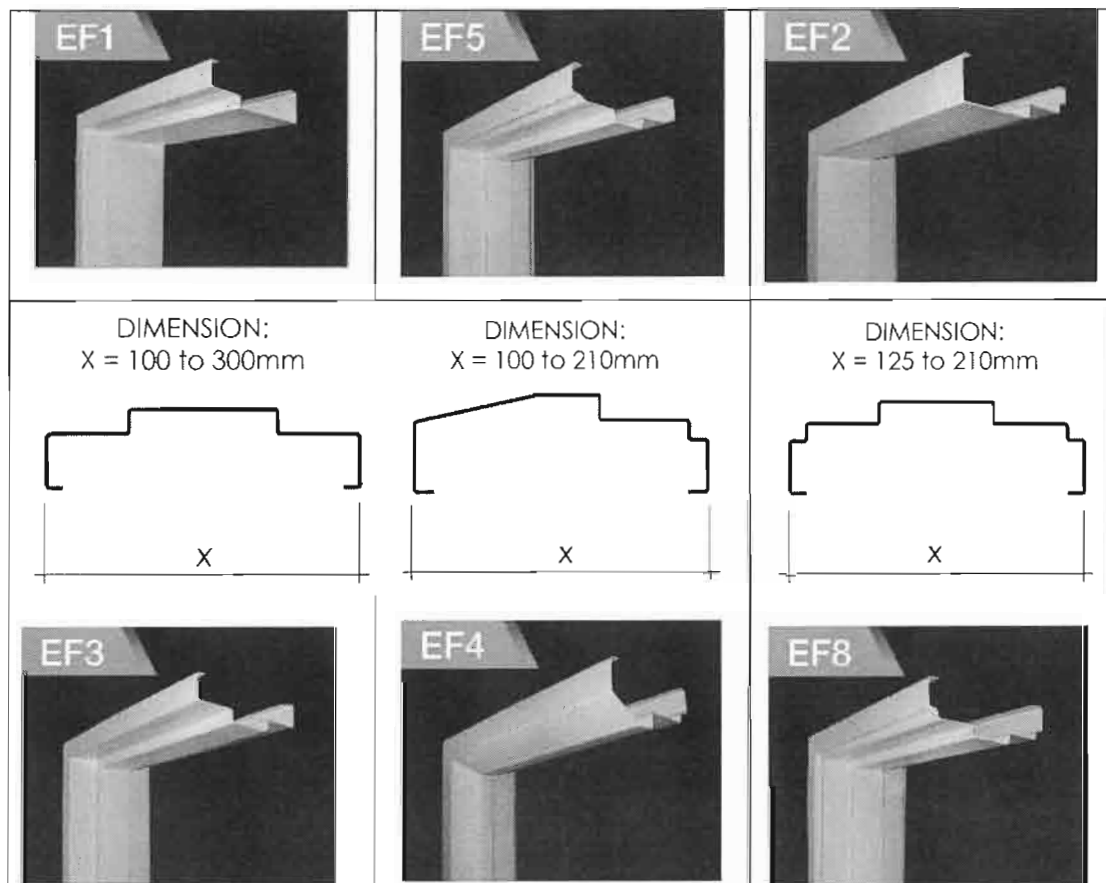
7.2.1 Design and manufacturing of metal door frames

We design and manufacture metal door frames made from a variety of galvanised steel sheets. We use steel sheets of different thickness of between 0.8mm and 1.5mm that is specially coated to protect the metal door frames from rust and corrosion, such as Zinalume®, SuperDyma®, galvalume, electro-galvanised and galvanised iron.

We offer a wide range of metal door frame profiles in a variety of shapes and dimensions to suit various wall configurations and door specifications. Customers can choose from our broad range of metal door frame profile selection of 34 profiles or have customised profile designs. Our profile selections are designed and developed based on our understanding of market demands to ease our customers' selection process. Further, our customised profiles enable customers to have metal door frame profiles that are designed according to their functional and aesthetic requirements to suit the overall design of their development prerequisites.

The profile of our metal door frames refers to cross sectional shape of the metal door frames. The dimension of our metal door frame refers to the width of the profile, as indicated by "X" in the diagrams below. We manufacture dimensions in intervals of 1mm, starting from 50mm up to 300mm. Examples of our profile selections are as follows:



7. BUSINESS OVERVIEW (Cont'd)

For construction of new residential, commercial, mixed and industrial properties, metal door frames are normally installed into the walls during the construction process. When installed, the metal door frame may protrude out or be flushed against the wall construction. As the metal door frames become an integral part of the wall, it adds to the wall strength. As such, the types of wall (i.e. drywall, shear wall, brick wall), wall thickness, types of wall installation (e.g. flush frame to wall or protruding frame to wall), material types, material thickness, door thickness, door dimensions, aesthetic requirements and costing are important considerations when designing our metal door frames.

During the design stage of our metal door frames, we, in consultation with the architects, contractors and property developers will establish the metal door frame profiles and dimensions. The architect will specify its preferred metal door frame profile, door and wall installation (i.e. design, material types, dimensions) and after which we obtain input from the contractors on the types of construction method to be used (i.e. wall types and thickness). In addition, we also obtain the costing requirements from the property developers. With the input from the architects, contractors and property developers, we will design our metal door frames by modifying the dimensions of profiles from our profile selection or by customising profiles to meet our customers' specification requirements. The variety and complexity of the profiles can vary with each property development requirements. The drawings of the metal door frames which typically show the profiles, types of material, elevations of each metal door frame type; and details, dimensions and ironmongery locations, are submitted to the property developers for clearance and approval prior to manufacturing.

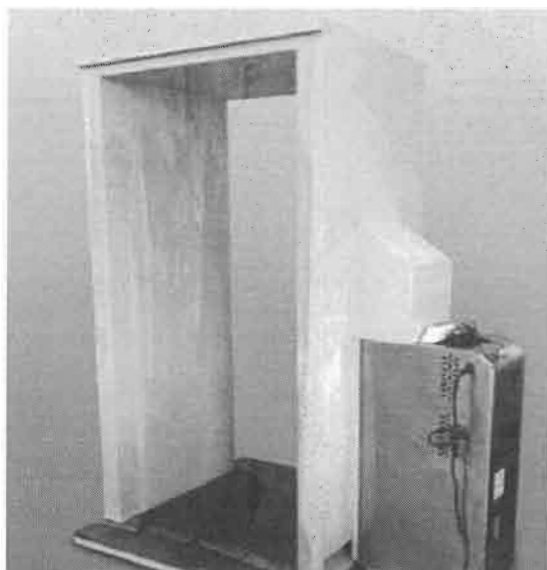
7. BUSINESS OVERVIEW (*Cont'd*)

Our metal door frames are sold under our ECONFRAME® brand as standalone products or as a total door system solution, complete with wooden, metal or fire resistant doors, and ironmongery. We manufacture our metal door frames in Factory 1, Factory 2 and Factory 3. We also manufacture metal window frames. However, there was no revenue contribution from this product for the past 3 FYEs 2017 to 2019 and FPE 2020. The materials used and the manufacturing process for metal window frames are similar to metal door frames.

As an extension of our capabilities in manufacturing metal door frames, arising from the Covid-19 pandemic and enquiries received from our customers, in May 2020, we commenced manufacturing of disinfection frames as a complementary offering. Our disinfection frames are manufactured and sold only upon request, which are mainly used in construction sites.

Our disinfection frame comprises a metal door frame which is assembled with parts and components which disperses liquid disinfectant solution automatically as individuals pass through the disinfection frame.

An illustration of our disinfection frame is shown below:



Our disinfection frames are manufactured as a standard product without any customisation.

The manufacturing process of the disinfection frame is similar to the manufacturing process of our metal door frames. Upon completion of the manufacturing of the disinfection frame, the disinfection frame is sprayed with an epoxy paint finishing. Wiring and piping works are then carried out in-house to affix the disinfection frame with 3 spray nozzles (for dispersion of liquid disinfectant solution), a motion sensor (for detection of motion via infrared) and a disinfectant pump tank (for storage of liquid disinfectant solution). Thereafter, a composite board equipped with rollers is installed as the base platform to facilitate mobility of the disinfection frame.

We source the spray nozzles and disinfectant pump tanks from suppliers in China whereas the motion sensors are sourced locally. We do not provide or sell the liquid disinfectant solution.

7. BUSINESS OVERVIEW (*Cont'd*)

7.2.2 Manufacturing of fire resistant door sets

We manufacture 7 types of fire resistant door sets.

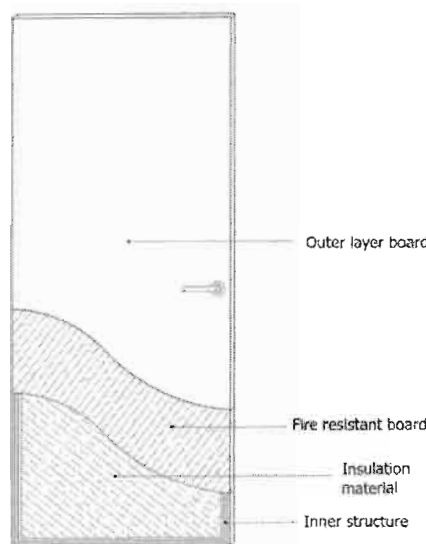
Both our fire resistant door (the swinging panel of the door) and metal door frame are required to meet the guidelines of SIRIM. The metal door frame, fire resistant door together with the fire seal (i.e. intumescent strip) and ironmongery form an assembly, typically called a "fire resistant door set" which holds a numerical fire rating, quantified in hours of resistance to a fire test. Our fire resistant door sets are fire tested and certified by SIRIM for safety; and approved by BOMBA, the regulatory authority. Our fire resistant door sets are rated 1 hour and 2 hours which are the approximate time the fire resistant door sets can withstand exposure to fire in accordance with the relevant fire test conditions.

Our fire resistant door sets are sold under our DUROE® brand.

Our fire resistant door sets are also listed under SIRIM's product certification and carry the 'MS' (Malaysian Standard) mark.

The main components of the fire door assembly (i.e. our fire resistant doors and metal door frames) are also attached with fire tags which bear amongst others, the certification by SIRIM and type of fire rating to ensure the components have been tested to meet the fire rating requirements.

An illustration of the composition of a fire resistant door set is shown below:



Our fire resistant doors are manufactured from fire resistant boards, insulation materials and outer layer boards. Fire resistant boards are used to form the structure and in-filled with insulation materials to form the core construction and act as insulation to slow down the transmission of heat from the fire side to the non-fire side of the door. The outer layer boards of our fire resistant doors can either be plywood, melamine board or plywood laminated with veneer to meet our customers' aesthetic requirements. Our fire resistant door and ironmongery together with the metal door frame have undergone rounds of endurance testing during the product development stage to ensure fire resistant qualities and fire duration can be met. Such testing includes fire resistant doors undergoing a furnace test to replicate the effects of fire.

7. BUSINESS OVERVIEW (Cont'd)

We also offer single leaf and double leaf fire resistant doors with the options of vision panel or door viewer incorporated into the door panel. Single leaf fire resistant doors refer to fire resistant doors with single door whereas double door leaf refers to fire resistant doors with 2 doors.

Details of the types of fire resistant door sets that we are certified to manufacture are as follows:

Date of first certification by SIRIM and BOMBA	Dimension and fire rating
26 January 2017	<ul style="list-style-type: none"> Type: Single leaf Door: 2,346mm (Height ("H")) x 1,115mm (Width ("W")) x 44.3mm (Thickness ("T")) Metal door frame: 2,394mm (H) x 1,201mm (W) x 140mm (T) Fire rating: 1 hour
26 January 2017	<ul style="list-style-type: none"> Type: Double leaf Door: 2,320mm (H) x 2,215mm (W) x 49.8mm (T) Metal door frame: 2,368mm (H) x 2,320mm (W) x 140mm (T) Fire rating: 1 hour
21 April 2017	<ul style="list-style-type: none"> Type: Single leaf Door: 2,345mm (H) x 1,115mm (W) x 48.9mm (T) Metal door frame: 2,393mm (H) x 1,201mm (W) x 140mm (T) Fire rating: 2 hours
28 April 2017	<ul style="list-style-type: none"> Type: Double leaf Door: 2,340mm (H) x 2,335mm (W) x 50.6mm (T) Metal door frame: 2,389mm (H) x 2,422mm (W) x 140mm (T) Fire rating: 2 hours
11 January 2019	<ul style="list-style-type: none"> Type: Double leaf With vision panel: 310mm (H) x 160mm (W) Door: 2,345mm (H) x 2,302mm (W) x 45.0mm (T) Metal door frame: 2,393mm (H) x 2,389mm (W) x 140mm (T) Fire rating: 1 hour
1 March 2019	<ul style="list-style-type: none"> Type: Single leaf With vision panel: 315mm (H) x 112mm (W) Door: 2,345mm (H) x 1,090mm (W) x 47.3mm (T) Metal door frame: 2,394mm (H) x 1,177mm (W) x 140mm (T) Fire rating: 1 hour
8 March 2019	<ul style="list-style-type: none"> Type: Single leaf Door: 2,386mm (H) x 1,115mm (W) x 44.2mm (T) Metal door frame: 2,434mm (H) x 1,202mm (W) x 120mm (T) Fire rating: 1 hour

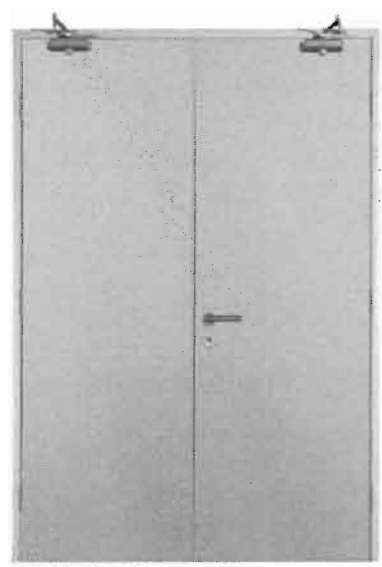
7. BUSINESS OVERVIEW (Cont'd)

The dimension of the fire resistant door set manufactured shall not exceed the dimension as specified in the respective certification of SIRIM and BOMBA.

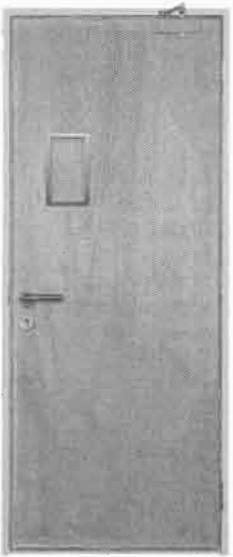
Examples of our fire resistant door sets are as follows:



Single leaf fire resistant door set



Double leaf fire resistant door set



Single leaf fire resistant door set with vision panel

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7. BUSINESS OVERVIEW (Cont'd)

Our fire resistant doors and metal door frames are also attached with fire tags which bear amongst others, the certification by SIRIM and type of fire rating, as illustrated below:



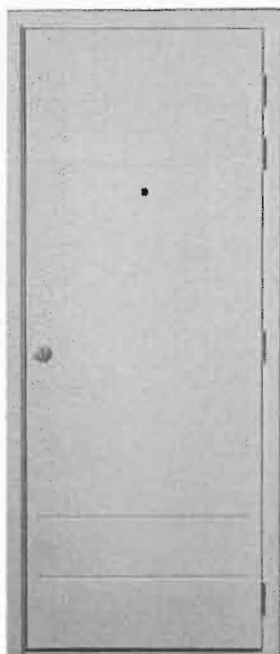
We manufacture our fire resistant doors in Factory 4.

7.2.3 Manufacturing of metal doors

We offer metal doors which can be designed and customised in terms of width, height or thickness. We manufacture our metal doors using a variety of galvanised steel sheets such as Zinalume®, electro-galvanised and galvanised iron of 1.2mm thickness as the outer layer of our metal doors and in-filled with honeycomb core. Please refer to Section 7.2.4 (i) (c) for further details of the honeycomb core. We manufacture our metal doors in-house which are sold under our ECONFRAME® brand. However, revenue contribution from this product for the past 3 FYEs 2017 to 2019 and FPE 2020 is minimal.

Our metal doors are sold under our ECONFRAME® brand as standalone products or as a total door system solution, complete with metal door frames and ironmongery.

Examples of our metal door sets are as follows:



Metal door set with door viewer



Metal door set with louvre

7. BUSINESS OVERVIEW (*Cont'd*)

7.2.4 Trading of wooden doors and ironmongery

(i) Wooden doors

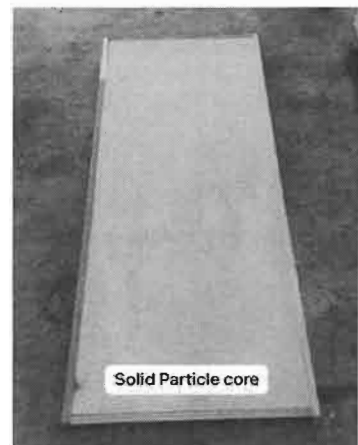
We offer wooden doors in a variety of designs and, selection of cores and door skin materials to suit various functional and aesthetic requirements. We also offer customisation of our wooden doors in terms of width, height or thickness. All our wooden doors are sold under our ECONFRAME® brand and the manufacturing of wooden doors is outsourced to suppliers.

The selection of door type and material depends on the degree of protection desired, architectural compatibility and cost. Our wooden doors are made of a hard wood frame structure and in-filled with door cores. Door cores are central to the door's performance and each type of core is constructed differently and has its own functionality and applications. There are 3 types of core construction used in our wooden doors:

- (a) **Solid timber core** uses strips of natural timber that are assembled and glued together in adjacent vertical rows as an insert into the wood door frame structure. Solid timber is 100% natural wood and is primarily offered in high-end residential or commercial properties because of their superior appearance. Exterior doors made from solid timber are used for their strength and security due to their dense composition. Solid timber doors are also more exclusive and expensive than solid particle core doors.

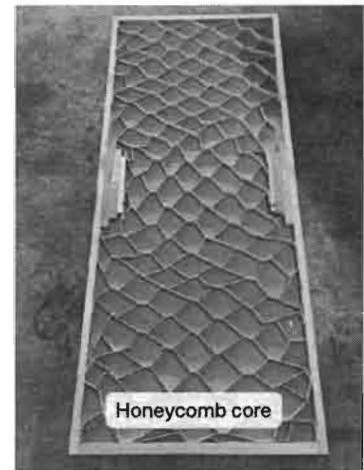


- (b) In addition to solid timber cores, another type of solid core door is the **solid particle core**. Solid particle cores consist of wood chips that are glued together, heated and pressured into solid panels to form the door core. These panels are then framed within the wood door frame structure. Low cost and availability are the major benefits of using solid particle cores as compared to solid timber cores. Due to its dense composition, solid core doors (in this instance, refers to our solid particle core doors) are used as exterior doors for its strength and security and can also be used as interior doors.

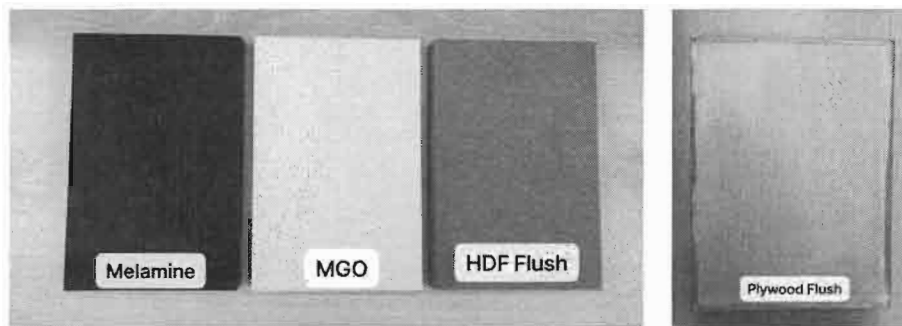


7. BUSINESS OVERVIEW (Cont'd)

- (c) A **honeycomb core** uses a pattern of cardboard bonded together in parallel and uniformly spaced and forms a honeycomb configuration with hexagonal cells. The honeycomb sheet is made of various thicknesses and cell sizes to cater for a variety of applications. The honeycomb core is glued in place between the door skins to form hundreds of small beams with the door skin and provides uniform thickness. As a result, the wood door frame structure and honeycomb core provide rigidity to the wooden door. As there are no solid materials within the honeycomb core, these wooden doors (i.e. semi-core doors) are lightweight and are an affordable alternative to solid doors. Semi-core doors are cost-saving products and are often used as interior doors.



Our wooden doors are laminated with door skin made of a selection of materials such as melamine, high density fibreboard, magnesium oxide board and plywood.



Our wooden doors are sold as standalone products or as complete door sets with metal door frames and ironmongery.

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

We offer a broad range of ironmongery which are door system components made from steel, stainless steel, brass or aluminium comprising locksets and door accessories.

Examples of our DUROE® ironmongery products are as follows:

Products	Examples	
Locksets	Cylindrical locks	Mortise locks
		
	Deadbolt locks	Door handles
		
	Euro profile cylinders	Hinges
		
Accessories	Door chains	Door viewers
		
	Magnetic door holders	Door closers
		
	Panic devices	Sliding door fittings
		

7. BUSINESS OVERVIEW (Cont'd)

7.3 LIST OF SOME OF THE PROPERTY DEVELOPMENTS WHERE WE SUPPLIED OUR PRODUCTS

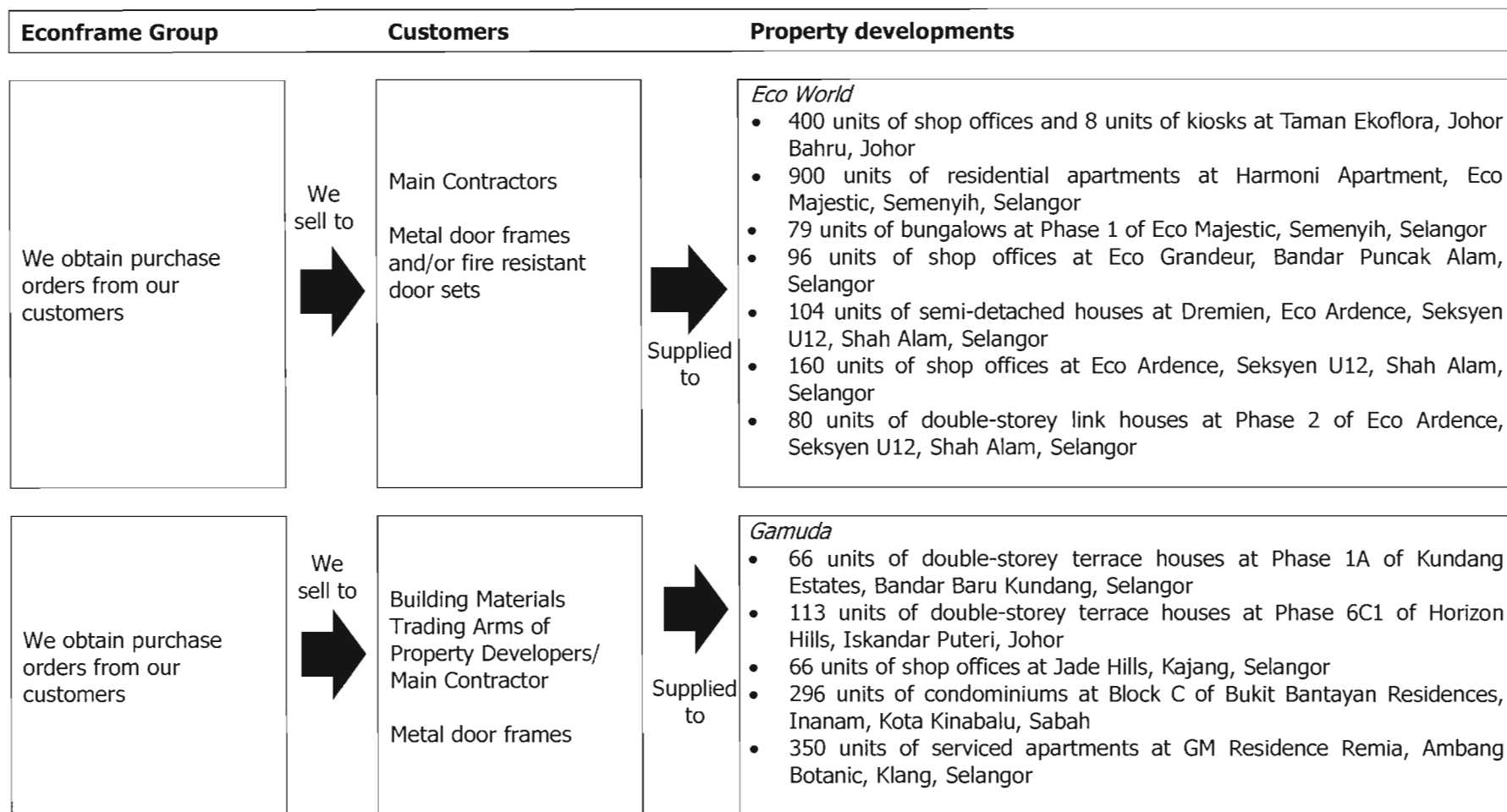
We supply our metal door frames, fire resistant door sets, wooden or metal doors and ironmongery to property developments. Our customers can either be the building materials trading arms of property developers or the construction company responsible for the construction works. Our in-house brands ECONFRAME® and DUROE® are specified in the BQ by certain property developers, architects or contractors on a project-to-project basis as their preferred brand of metal door frames, fire resistant door sets, wooden or metal doors, and/or ironmongery.

The following table showcases some of the various property developments by notable property developers where we supplied our products:

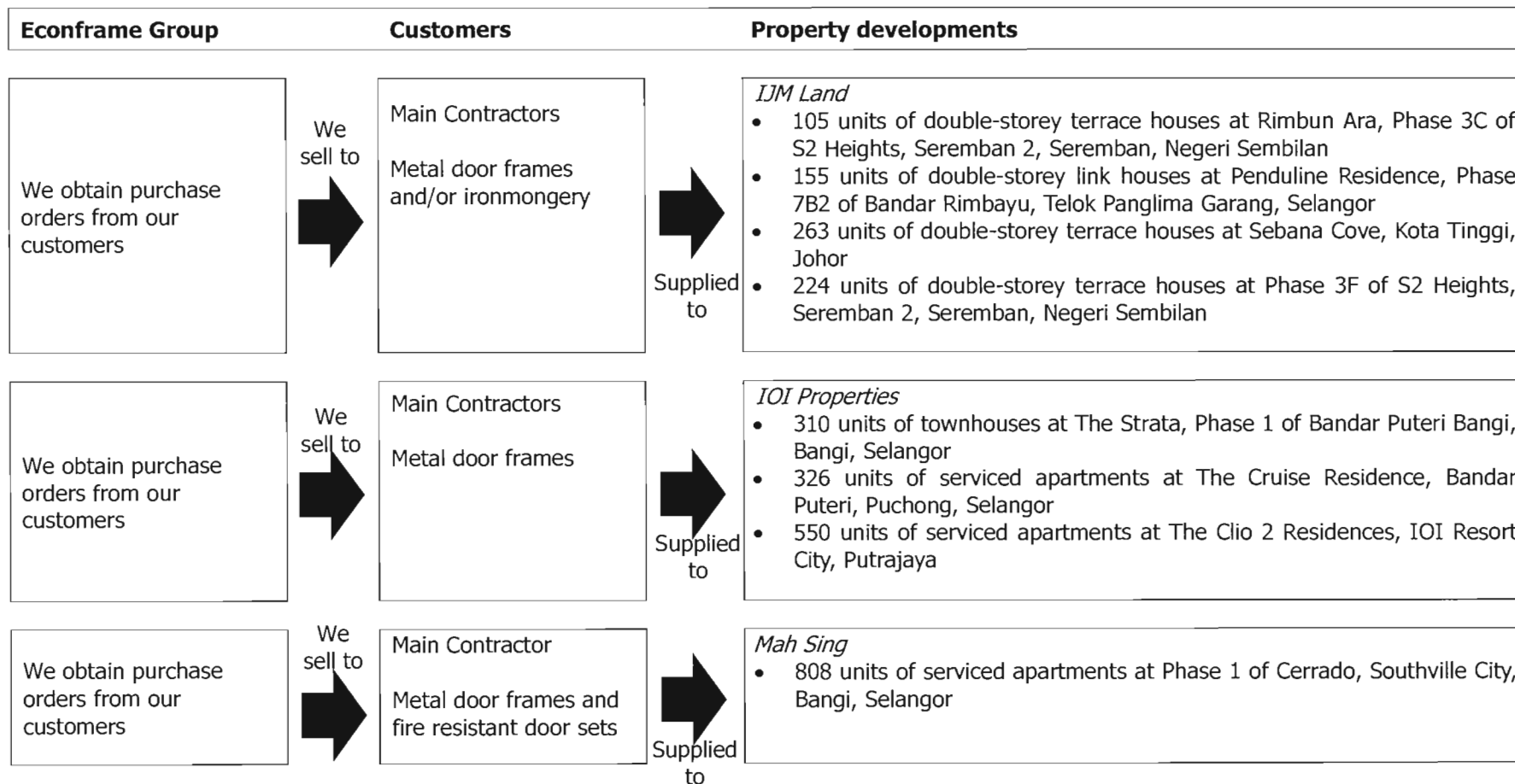
Econframe Group	Customers	Property developments
We obtain purchase orders from our customers	<p>We sell to</p> <p>Main Contractors</p> <p>Metal door frames and/or fire resistant door sets</p>	<p><i>Aset Kayamas</i></p> <ul style="list-style-type: none"> • 2,102 units of condominiums at The Havre, Bukit Jalil, Kuala Lumpur • 479 units of residential apartments at The Hamstead, Desa Tun Razak, Kuala Lumpur • 463 units of residential apartments at Residensi Tasikmas, Desa Tun Razak, Kuala Lumpur

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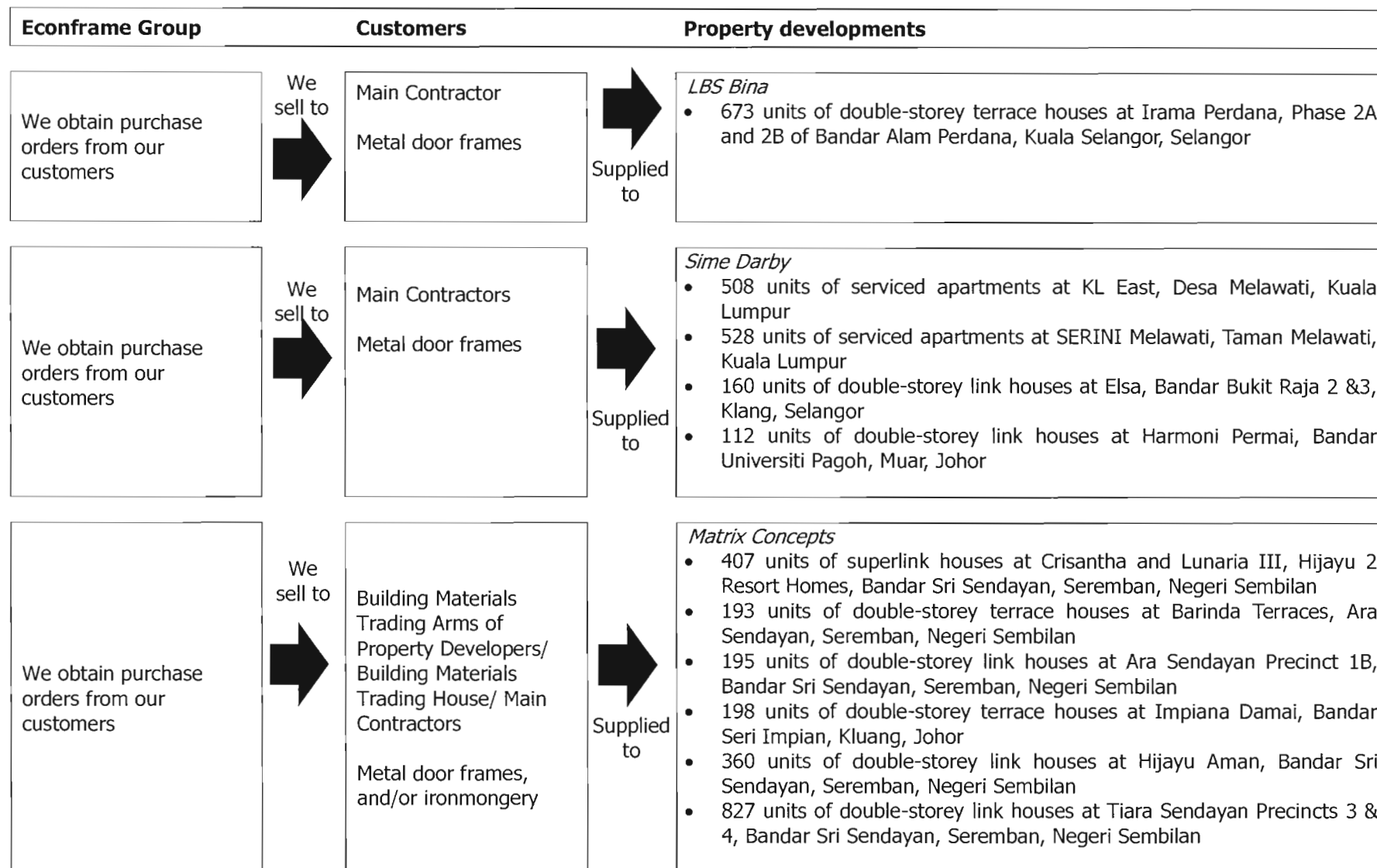
7. BUSINESS OVERVIEW (Cont'd)



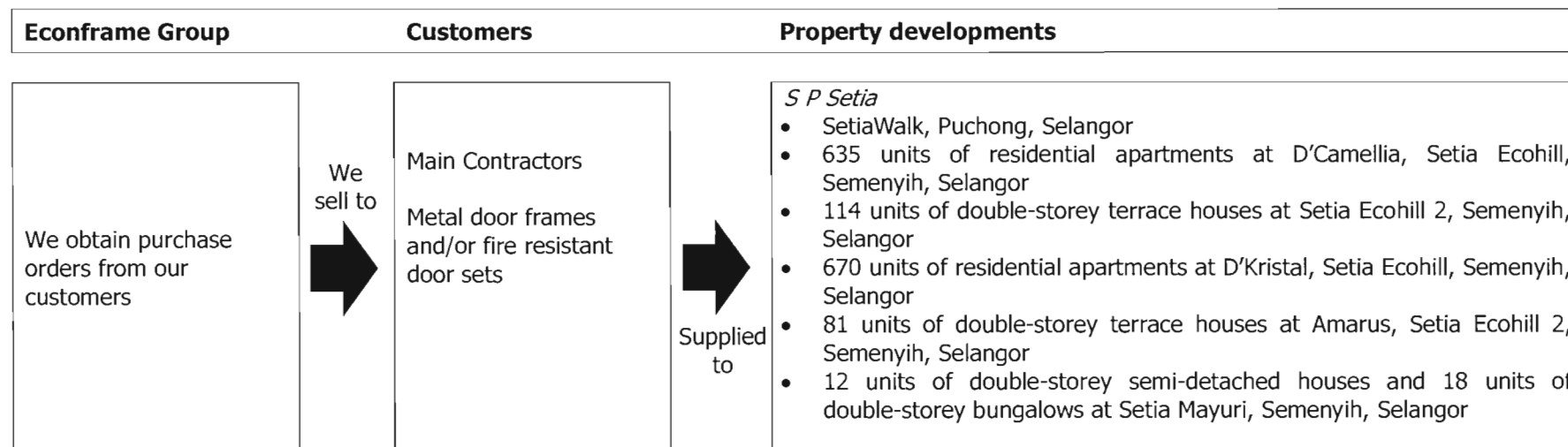
7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)



7. BUSINESS OVERVIEW (Cont'd)



Note:

- The number of residential or commercial property units of the development indicates its size. This showcases our Group's ability to supply our metal door frames, fire resistant door sets and/or ironmongery to cater for various sizes of property developments. We are the only supplier for the products indicated in the property developments disclosed in the table.

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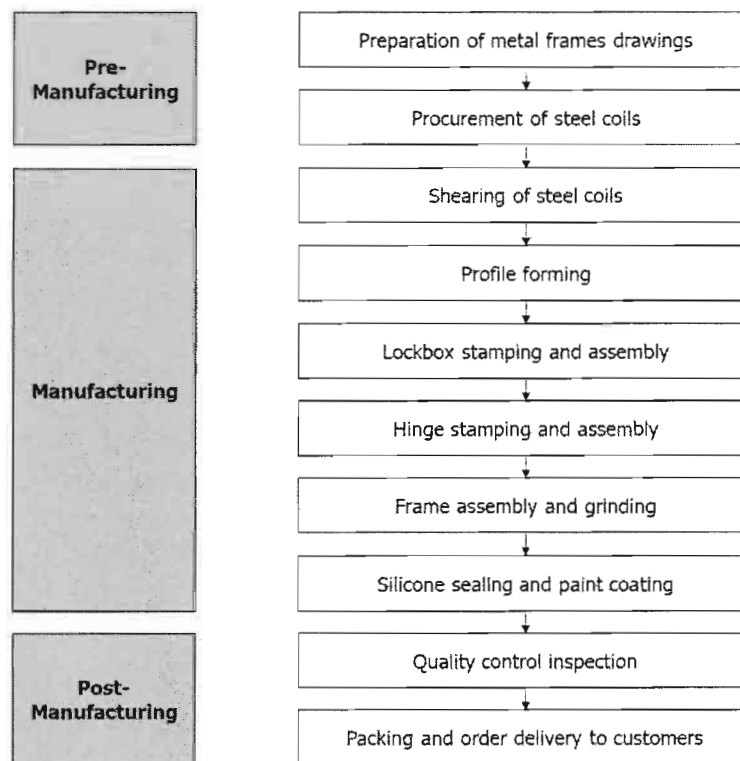
7. BUSINESS OVERVIEW (Cont'd)

7.4 PRINCIPAL MARKETS

For the past 3 FYEs 2017 to 2019 and FPE 2020, we primarily sell to customers in Malaysia.

7.5 MANUFACTURING PROCESSES

7.5.1 Design and manufacturing of metal door frames



(i) Pre-Manufacturing

(a) Preparation of metal door frames drawings

For profiles chosen from our metal door frames profile selections

For customers who choose among our metal door frame profile selections, the dimension of the chosen profiles can be modified to suit the wall and door dimensions. Thereafter, the drawings will then be submitted to the developers for clearance and approval.

For full customisation of metal door frames profiles

For customers who require full customisation of our metal door frames profile, we will first establish the dimensions and the type of profile during consultation with the architects, contractors and developers of their development project. This includes establishing the specified material, preferred profile and dimensions for the door frame; and the door and wall installation (i.e. design, material types, dimensions) as well as the budget. Concurrently, we will also obtain input from the contractors on the type of construction method to be used (i.e. wall types and thickness).

7. BUSINESS OVERVIEW (Cont'd)

With the input from the architects, contractors and developers, we will prepare the drawings of the metal door frames with customised profile designs. The finalised metal door frames drawings will then be submitted to the developers for clearance and approval prior to manufacturing.

(b) Procurement of steel coils

Upon confirmation of orders, we will procure steel coils in accordance to the quantity and specifications of steel coils required.

Upon receipt of supply of steel coils from our suppliers, we will inspect the specifications of the steel coils to ensure that the steel coils received are in accordance with our requirements and purchase orders placed.

(ii) Manufacturing

The manufacturing of metal door frames comprises several processes as follows:

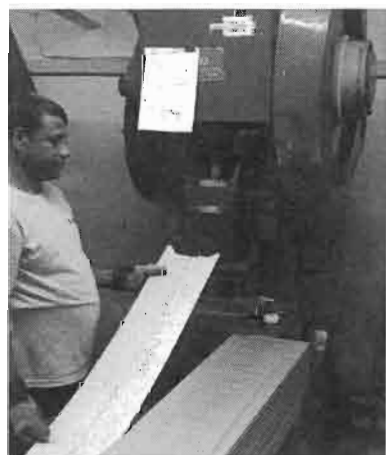
(a) Shearing of steel coils

Steel coils are fed into shearing machines to be cut into metal sheets to the required length.



(b) Profile stamping

The sheared steel coils will then be taken to the punch press. At the punch press, we create the corner mitre (i.e. diagonal joint where the two sides of the door frames meet) according to the required shape to form the joints of the metal door frames.

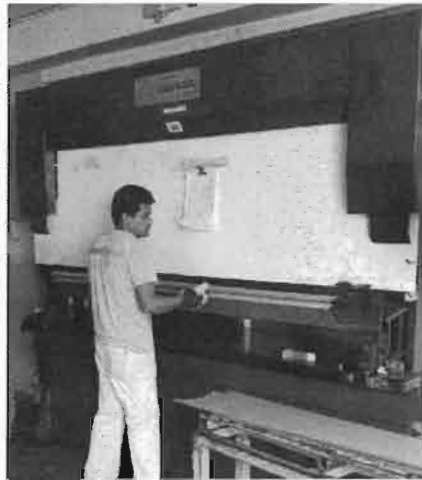


7. BUSINESS OVERVIEW (Cont'd)

(c) Profile forming

Now the stamped metal sheets are moved to the CNC bending machines. The machine is used to form the head and jambs of the metal door frame into its final shape. Every bend is accomplished using our CNC bending machine with a 100 tonne press brake to create consistent and precise bends.

Please refer to Section 7.12 for more details on the CNC press braking method we adopt.



(d) Lockbox stamping, hinge stamping and installation

The next step is lockbox and hinge stamping. This process cuts out the hinge and lockbox locations on the metal door frames. Thereafter, the lockbox and hinges will be installed on the metal door frames.

Lockbox stamping and assembly



Hinge stamping and assembly

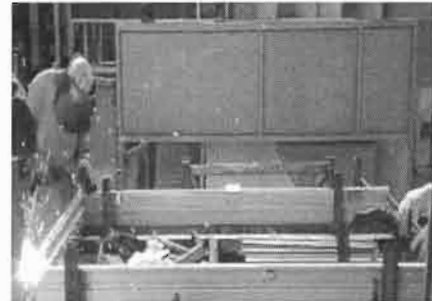


(e) Frame assembly and grinding

The individual sides of each of the metal door frame will then be welded together to form a complete metal door frame. After the welding process, the metal door frame is ready for finishing. At this stage, this is where the weld marks are grounded and sanded to smoothen the welded edges.

7. BUSINESS OVERVIEW (*Cont'd*)

Frame assembly



Grinding



(f) Silicone sealing and paint coating

A silicone sealant will be applied to seal the joining of the welded edges which is then followed by a final step of paint coating as an added protection against rust. Then each metal door frame is given the visual inspection and final finishing touches are applied.



(iii) Post-Manufacturing

(a) Quality control inspection

Quality control is conducted to inspect the dimension and finishing of the metal door frames. This is to ensure that the metal door frames are manufactured in accordance with our customers' requirements. The metal door frames which require rework or touch up will be transferred back to the respective manufacturing stages.

7. BUSINESS OVERVIEW (Cont'd)

(b) Delivery to customers

For standalone sale of metal door frames

The completed metal door frames will be delivered to our customers' construction sites. Delivery of metal door frames is carried out by our in-house logistics team and 3rd party logistics providers.

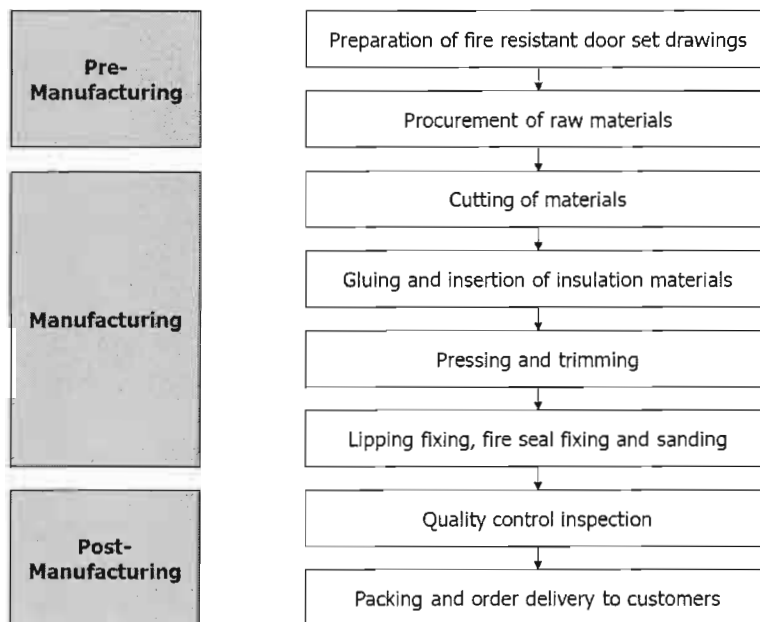
For sale of metal door frames as complete door sets

For sale of metal door frames together with wooden or metal doors and/or ironmongery as door sets, each component will be delivered separately to our customers' construction sites based on the stages of their construction works. Metal door frames are delivered at earlier stages of the construction works to be installed as an integral part of the wall. The doors and ironmongery are delivered at the later stage of the construction works as these parts are usually installed after structural works are completed. Delivery of metal door frames is carried out by our in-house logistics team and 3rd party logistics providers.

Metal window frames

The design and manufacturing processes for metal window frames are similar to the design and manufacturing processes for metal door frames.

7.5.2 Manufacturing of fire resistant doors



(i) Pre- Manufacturing

(a) Preparation of fire resistant door set drawings

Our customers will choose their preferred fire resistant door sets from our selection of fire resistant door sets. Our fire resistant doors can be customised in terms of the types of door skin and size, up to the maximum approved dimensions of our SIRIM and BOMBA certifications. We will prepare

7. BUSINESS OVERVIEW (Cont'd)

the drawings of fire resistant door sets based on our customers' specification for their approval before manufacturing.

(b) Procurement of raw materials

We will periodically check the availability of the required raw materials (i.e. fire resistant boards, insulation materials, outer layer boards and ironmongery) in our warehouse. If these raw materials stock in our warehouse is sufficient, the required quantity and specifications of raw materials will be sent to the manufacturing line in accordance with the manufacturing schedule. If the amount of raw materials required is insufficient, we will procure raw materials in accordance to the quantity and specifications of raw materials required.

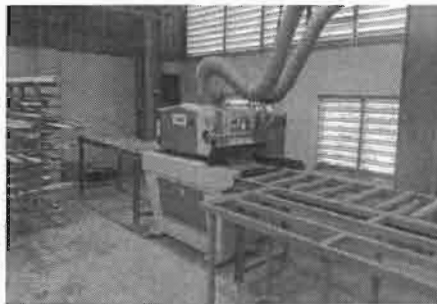
Upon the receipt of supply of raw materials from our suppliers, we will conduct stock count and visual inspection to check the thickness and density of fire resistant boards and insulation materials, as well as for any surface defects. This is to ensure that the raw materials delivered are in accordance with our requirements and purchase orders placed. If any defect is found during inspection, the defective raw materials will be replaced at our suppliers' cost.

(ii) Manufacturing

The manufacturing of fire resistant doors comprises several processes as follows:

(a) Cutting of materials

Fire resistant boards are cut into the length and size required using a cutting machine. Fire resistant boards are used to form the frame structure of our fire resistant doors.



7. BUSINESS OVERVIEW (Cont'd)

(b) Gluing and insertion of insulation materials

The cut fire resistant boards will firstly be tacked together to form the structure of the fire resistant doors.



Another piece of fire resistant board will be glued on the structure to form the surface of the fire resistant doors. We will then glue an outer layer board which can be either a plywood, melamine board or plywood laminated with veneer on top of the fire resistant board in accordance to our customers' aesthetic requirements.



Insulation material will then be inserted into the core which is the hollow areas within the structure of the fire resistant doors. The insulation material acts as an insulator to slow down the heat transfer process in the fire resistant doors from areas exposed to direct fire to areas not exposed to direct fire in the event of a fire.

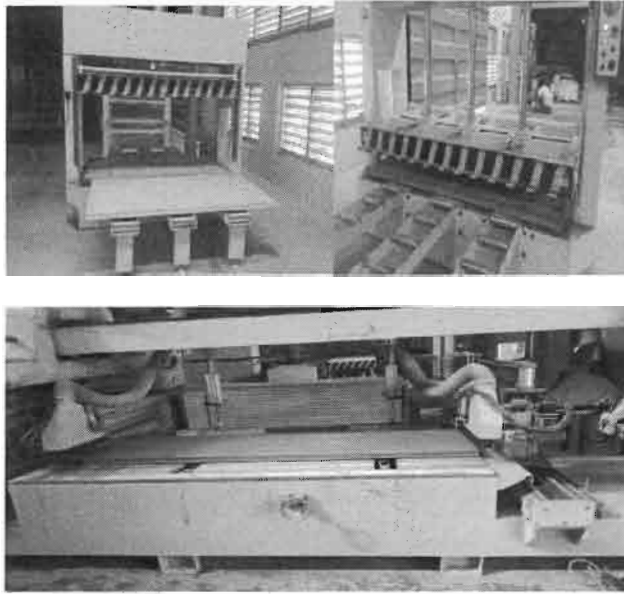


Once the insulation material is inserted, another piece of fire resistant board is glued onto the other side of the door structure to form the other surface of the fire resistant doors. Then, the outer layer board will be glued on top of the fire resistant board.

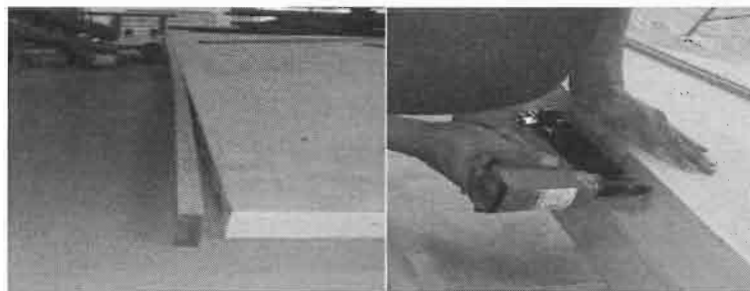
7. BUSINESS OVERVIEW (Cont'd)

(c) Pressing and trimming

Subsequently, the semi-finished fire resistant doors will be pressed using a hydraulic pressing machine to further strengthen the bonding of the fire resistant boards and outer layer boards on the door structure. The excess edges of the fire resistant door will then be trimmed to the required size.

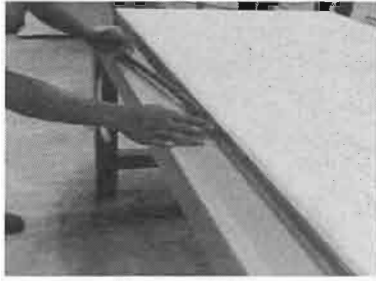
**(d) Lipping fixing, fire seal fixing and sanding**

Thereafter, we perform the lipping fixing process where strips of wood will be fixed along the four corner edges of the fire resistant doors to seal off the gaps to delay the spread of smoke and fire in the event of a fire.

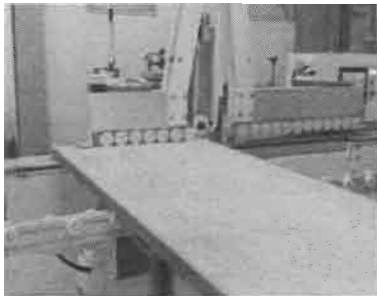


A fire seal (i.e. intumescent strip) is then fitted around the sides of the fire resistant doors which meets the door frame. The fire seal, one of the key components in a fire resistant door, traps smoke in the area, preventing it from spreading. The fire seal works by expanding around the edges of a fire resistant door and sealing the gap between the door and the metal door frame in the event of a fire.

7. BUSINESS OVERVIEW (Cont'd)



The surfaces of fire resistant doors will then be sanded to smoothen the surfaces and edges of the fire resistant doors.



(iii) Post-Manufacturing

(a) Quality control inspection

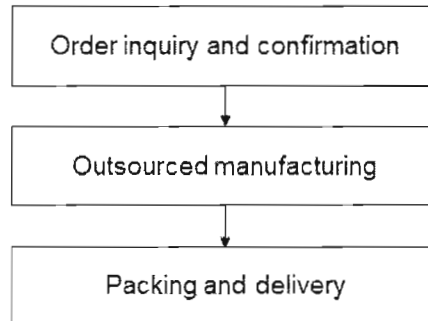
Quality control is conducted to inspect the dimension and finishing of the fire resistant doors. This is to ensure that the fire resistant doors are manufactured in accordance with our customers' requirements and specifications stated in our SIRIM and BOMBA certifications. The fire resistant doors which require rework or touch up will be transferred back to the respective manufacturing stages.

(b) Delivery to customers

The manufactured fire resistant doors will be delivered to our customers' construction sites.

The metal door frames and the fire resistant doors together with the ironmongery will be delivered separately to the construction sites based on the stages of their construction works. Metal door frames are delivered at earlier stages of the construction works to be installed as an integral part of the wall. Upon delivery of the metal door frames, we typically bill approximately 35% of the entire fire resistant door sets' value. The fire resistant doors together with its ironmongery are delivered at the later stage of the construction works as these parts are usually installed after structural works are completed. We then bill the remaining approximately 65% of the entire fire resistant door sets' value upon delivery of the fire resistant doors and ironmongeries. Delivery of fire resistant door sets is carried out by our in-house logistics team and 3rd party logistics providers. Fire resistant doors of veneer finishing will be wrapped using polyethylene foam. Upon completion of the construction, fire tags will be delivered to the construction sites for inspection by BOMBA.

7. BUSINESS OVERVIEW (Cont'd)

7.5.3 Trading of wooden doors and ironmongery**(i) Wooden doors****(a) Order inquiry and confirmation of design specifications**For designs chosen from our wooden door selections

For customers who choose among our wooden door selections, the door dimension, door skin and core construction, can be customised to suit our customers' preference. A quotation with the quantity and design specifications of the wooden door will be provided to our customers for confirmation.

For customisation of wooden doors

For customers who request for a fully customised design, we will establish the design, dimensions, core construction and door skins during consultation with our customers. We will then prepare the drawings of the wooden doors and obtain a quotation from our suppliers. After we receive the quotation from our suppliers, we will provide a quotation with the quantity and design specifications of the wooden door to our customers for confirmation.

(b) Manufacturing

Once we received the order confirmation from our customers, we will provide the design specifications to our suppliers for mass manufacturing.

(c) Post-Manufacturing

- Quality control inspection**

Upon receipt of wooden doors from our suppliers, we will conduct stock count and visual inspection to check the dimension and finishing. This is to ensure that the wooden doors are manufactured in accordance with our customers' requirements. If any defects in finishing are found during inspection, the defective items will be returned to our suppliers.

7. BUSINESS OVERVIEW (Cont'd)

- **Delivery to customers**

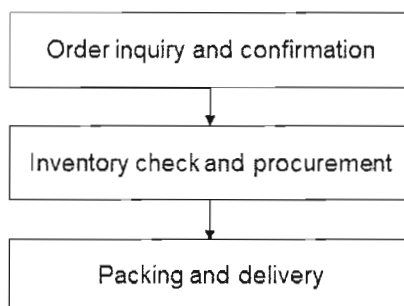
For standalone sale of wooden doors

The wooden doors will be delivered to our customers' construction sites. Delivery of wooden doors is carried out either by our in-house logistics team or 3rd party logistics providers. Wooden doors of veneer finishing will be wrapped with polyethylene foam.

For sale of wooden doors as complete door sets

For sale of wooden doors together with metal door frames and/or ironmongery as door sets, the metal door frames and the wooden doors together with its ironmongery will be delivered separately to our customers' construction sites based on the stages of their construction works. Metal door frames are delivered at earlier stages of the construction works to be installed as an integral part of the wall. The wooden doors together with its ironmongery are delivered at the later stage of the construction works as these parts are usually installed after structural works are completed. Delivery of wooden door sets is carried out by our in-house logistics team and 3rd party logistics providers.

(ii) **Ironmongery**



(a) **Order inquiry and confirmation**

Upon receiving order inquiry from our customers, we will provide a quotation of the quantity, types and specification of ironmongery to our customers for confirmation.

(b) **Procurement**

We will check our inventory for the availability of the required ironmongery in our warehouse. If the required types and quantity of ironmongery are available, the items will be picked in accordance to our customers' requirements to be sent for delivery.

We will also periodically check our inventory of ironmongery and if there is insufficient stock, we will procure from our OEM suppliers. Upon receipt of supply of ironmongery from our OEM suppliers, we will conduct inspection on the design specifications, quantity and quality to ensure that all items are in accordance with our requirements.

7. BUSINESS OVERVIEW (Cont'd)

(c) Delivery

For standalone sale of ironmongery

Ironmongery will be delivered to our customers' construction sites. The delivery of the ironmongery is carried out by our in-house logistics team and 3rd party logistics providers.

For sale of ironmongery as complete door sets

For sale of ironmongery as door sets together with metal door frames and/or doors (i.e. metal door, wooden door or fire resistant door), ironmongery are delivered at the later stage of the construction works together with the doors as the doors together with ironmongery are usually installed after structural works are completed. Delivery of ironmongery is carried out by our in-house logistics team and 3rd party logistics providers.

7.5.4 Manufacturing of metal doors

The manufacturing processes of metal doors is similar to the design and manufacturing processes of fire resistant doors (excluding the insertion of insulation materials, lipping fixing, fire seal fixing and sanding). However, the materials used for the manufacturing of metal doors are different, and the design, dimensions, materials used for the metal door can be customised to suit our customers' preference.

For standalone sale of metal doors, the doors will be delivered to our customers' construction sites. For sale of metal doors as door sets together with metal door frames and/or ironmongery, the metal door frames and metal doors together with its ironmongery are delivered separately to our customers' construction sites based on the stages of their construction works. The metal doors together with its ironmongery are delivered at the later stage of the construction works as these parts are usually installed after structural works are completed, while metal door frames are delivered at earlier stages of the construction works to be installed as an integral part of the wall.

However, revenue contribution from this product for the past 3 FYEs 2017 to 2019 and FPE 2020 is minimal.

7.6 INTERRUPTION IN BUSINESS DUE TO THE MOVEMENT CONTROL ORDER

Save for the interruption in business arising from the Movement Control Order as disclosed below, we have not experienced any interruption to our business which had significantly affected our operations for the past 12 months preceding the LPD. We expect our financial performance moving forward, to be affected in terms of delayed revenue recognition for the period of the Movement Control Order, resulting in lower recognition of revenue for the current FYE 2020. However, it has not deterred our plan to implement our business strategies as detailed in Section 7.17.

The government's imposition of the Movement Control Order nationwide from 18 March 2020 to 3 May 2020, as a measure to curb the spread of the Covid-19 virus has halted most economic activities in Malaysia, including our manufacturing operations as we were not considered a critical sector for the supply of essential goods. Pursuant to the announcement on 16 April 2020 to allow additional economic sectors to operate, we resumed operations at 50% of our work force on 20 April 2020 after obtaining approval from MITI on 17 April 2020 and after complying with the standard operating procedures

7. BUSINESS OVERVIEW (Cont'd)

and other rules and guidelines required by MITI. We subsequently increased our work force to 100% under the conditional Movement Control Order on 4 May 2020.

The suspension during the Movement Control Order had affected our operations and financial performance as follows:

- (i) Delay in the production of our products. The Movement Control Order halted most economic activities, so there were delays in production which led to delays in deliveries of our products. As we are now allowed to fully operate without any further restrictions (e.g. on number of workers or working hours), we do not expect further delays in our production progress from our initial production schedule other than during the Movement Control Order period. Although our customers have resumed operations, as our deliveries are dependent on the progress of the construction of the property developments which construction was halted during the Movement Control Order, this had resulted in delay in deliveries of our products.
- (ii) Slower generation and close of sales due to limitations in the execution of our sales and marketing activities. However, during the Movement Control Order, our sales and marketing team had continued to provide quotations to our customers as well as continued to develop specification proposals in consultation with the main contractors, architects and property developers on metal door frame profiles for the property developers' upcoming projects. On a few occasions, property developers (who are our end customers) have also conducted tender interviews with our sales and marketing team via video conferences. After we resumed operations, our sales and marketing team re-established contact with our customers and where requested, submitted samples of our products as well as followed-up on their decision on the purchase orders. As at the LPD, there are no cancellation of purchase orders.

As can be seen from our monthly operating production and utilisation rates for the FPE 2020, our March 2020 and April 2020 production utilisation rates for metal door frames and fire resistant door sets were below 50% as compared to the average monthly utilisation rates (calculated from September 2019 to February 2020) of 76.24% and 73.08%, respectively before the imposition of the Movement Control Order. We recorded operating production for March 2020 and April 2020 collectively of 17,603 units for metal door frames and 1,776 units for fire resistant door sets as compared to the average monthly operating production (calculated from September 2019 to February 2020) of 24,778 units for metal door frames and 1,881 units for fire resistant door sets before the imposition of the Movement Control Order.

	Monthly capacity (units)	Monthly production (units)	Utilisation rate (%)
<i>Metal door frames</i>			
September 2019	31,250	22,128	70.81
October 2019	33,750	24,293	71.98
November 2019	32,500	26,161	80.50
December 2019	32,500	26,139	80.43
January 2020	33,750	23,664	70.12
February 2020	31,250	26,284	84.11
March 2020	32,500	13,940	42.89
April 2020	32,500	3,663	11.27
May 2020	32,500	19,707	60.64

7. BUSINESS OVERVIEW (Cont'd)

	Monthly capacity (units)	Monthly production (units)	Utilisation rate (%)
<i>Fire resistant door sets</i>			
September 2019	2,475	1,801	72.77
October 2019	2,673	1,884	70.48
November 2019	2,574	1,916	74.44
December 2019	2,574	1,909	74.16
January 2020	2,673	1,875	70.15
February 2020	2,475	1,901	76.81
March 2020	2,574	1,261	48.99
April 2020	2,574	515	20.01
May 2020	2,574	1,608	62.47

We recorded all-time low production utilisation rates of 11.27% and 20.01% in April 2020 for metal door frames and fire resistant door sets, respectively. As we still had to incur fixed overhead costs during the period our business operations were suspended, we incurred a loss after tax of approximately RM0.38 million at the height of the Covid-19 pandemic in April 2020. Nonetheless, with the easing and relaxation of restrictions imposed during the Movement Control Order, we are seeing a gradual recovery in the production and deliveries of our products.

As at 31 May 2020, we have cash and bank balances of RM3.09 million and unutilised credit facilities of RM6.00 million. Taking into consideration our existing available liquid funds and that we have resumed our operations, we do not foresee any circumstances which may materially affect our liquidity.

In response to the Covid-19 outbreak, our Group has established an emergency response protocol committee which comprises mainly of key management personnel to oversee the adherence of infection control measures based on the guidelines and standard operating procedures issued by MITI. The infection control measures include amongst others:

- (i) Wearing of face masks;
- (ii) Taking and recording daily body temperatures before entering the work places;
- (iii) Sanitise of hands prior to entering work places and all employees are encouraged to sanitise or wash their hands with soap and water frequently throughout the day;
- (iv) Sanitise all common areas of work places 3 times a day (i.e. before commencement of work, after lunch and after close of business); and
- (v) Practice 1 metre social distancing at the work place particularly at common areas such as at the pantry area and photocopying station. We also segregate our factory workers according to our factory premises to ensure they do not mingle (including during lunch time) unless permission is granted by the factory supervisor.

In addition, our Group has put in place a business contingency plan in the event of any infected cases at our business premises, which is summarised as follows:

- (i) Established an emergency response protocol committee;
- (ii) Monitor the health status of all employees and maintain an up-to-date contact list of employees. If an employee exhibits symptoms of illness at work, his supervisor or manager will be notified immediately to relieve the ill employee from work so as to seek medical attention. The ill employee's work area will also be disinfected;
- (iii) Undertaken staff planning and rotation of skilled workers; and
- (iv) Cross trained employees to ensure essential functions can continue.

7. BUSINESS OVERVIEW (Cont'd)

Further elaboration is illustrated below:

(a) Sales and marketing:

Our Group's staffing plan has incorporated "back-up" personnel for major customers by assigning 2 personnel-in-charge for each purchase order. Both personnel-in-charge are not to make any external appointments or business trips together to mitigate the risk of infection. Where possible, unnecessary travels and face-to face meetings are postponed and alternative ways to conduct meetings is encouraged;

(b) Production:

Production supervisors (who are based on the factory floors) are encouraged to use on-line communication or phone calls to report to the Production Manager and Production Controller who are based in the office. Both the Production Manager and Production Controller shall act as "back-up" production supervisors. Factory workers have been segregated among the factories and staffing plan has been put in place to rotate our skilled workers for the core production processes for the metal door frames and fire resistant doors. In the event of infection, the factory work force and production shifts may be re-organised to overcome manpower shortage, and where necessary, the Production Manager and/or Production Controller may act as the "back-up" production supervisor;

(c) Finance & Accounting, Human Resource and Procurement:

To ensure that the payroll, finance and accounting, and procurement systems continue to function, in addition to social distancing practices currently in place, we have assigned "back-up" personnel to each task on a rotating basis such as:

- Accounts personnel who is in charge of Accounts Payable is rotated with the personnel-in-charge of Accounts Receivables;
- Personnel-in-charge of production workers' payroll is rotated with personnel-in-charge of management office staff's payroll; and
- Personnel-in-charge of materials procurement for fire resistant doors is rotated with personnel-in-charge of metal door frames.

Any infected personnel will be quarantined and we will close our business premises for 1 day for sanitisation and for all employees to undergo a health screening test. The back-up personnel will then cover the duties of the infected personnel's functions to ensure continuity of operations.

We envisage we will continue to implement the infection control measures and business contingency plan listed above until such time depending on the recommendations or guidelines issued by the government and MITI.

We are not in breach of any laws relating to Covid-19 restrictions which may lead to penalties by the relevant authorities.

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7. BUSINESS OVERVIEW (Cont'd)

7.7 QUALITY CONTROL

We place high importance on the quality of our products to ensure that our customers are satisfied with our products and that our products meet the required quality standards. Thus, we implement stringent quality control procedures throughout our manufacturing processes as depicted below:

Stage	Quality inspections
Pre-Manufacturing Materials procurement	<ul style="list-style-type: none"> • Inspection on raw materials to ensure: <ul style="list-style-type: none"> - Quantity and specification match procurement details.
Manufacturing Metal door frames	<ul style="list-style-type: none"> • Inspection on sampling basis during the manufacturing processes to ensure: <ul style="list-style-type: none"> - The individual sides of metal door frames are welded accordingly to form complete door frames with levelled sides. - Technical specifications such as type of profiles and dimensions are as per customers' specifications.
Fire resistant doors	<ul style="list-style-type: none"> • Inspection on all of the fire resistant doors during the manufacturing processes to ensure: <ul style="list-style-type: none"> - The fire resistant boards and outer layer boards are appropriately bonded together. - The dimension and finishing are inspected to ensure that the fire resistant doors are manufactured in accordance with our customers' requirements.
Metal window frames	<ul style="list-style-type: none"> • Inspection on sampling basis during the manufacturing processes to ensure: <ul style="list-style-type: none"> - The individual sides of metal window frames are welded accordingly to form complete window frames with levelled sides. - The functionality of louvres for louvred windows are tested and examined. - Technical specifications such as designs and dimensions are as per customers' specifications.
Metal doors	<ul style="list-style-type: none"> • Inspection on a sampling basis during the manufacturing processes to ensure: <ul style="list-style-type: none"> - The smoothness and finishing of the metal doors are examined to ensure that no flaws are present; and - Technical specifications such as designs and dimensions are as per customers' specifications.
Post-Manufacturing Delivery	<ul style="list-style-type: none"> • Inspection on the final products on sampling basis to ensure: <ul style="list-style-type: none"> - Final products meet the required specifications as per customers' requirements.

7. BUSINESS OVERVIEW (*Cont'd*)

For new suppliers, we conduct pre-qualification assessment in terms of their product range, production capacities, range and technical specifications of materials and ability to deliver in a timely manner. As part of our pre-qualification assessment, we will conduct durability and functionality tests and quality checks on their sample products. This is to ensure the selected suppliers are able to cater to our needs and meet our required quality standards. Upon receipt of the products, we will conduct a quality inspection to ensure that the type, quantity and quality of products received are in accordance with our requirements.

In addition, we conduct an annual assessment on all suppliers for steel coils, fire resistant boards, insulation materials and outer layer boards. For the annual assessment, samples from the suppliers are assessed in terms of strength and durability.

We place high importance on the quality of our products to ensure that our customers are satisfied with our products and that our products meet the required quality standards. Thus, we implement stringent quality assurance procedures on our manufacturing operations for our metal door frames, metal window frames, fire resistant doors and metal doors. Further, our fire resistant door sets are SIRIM certified whereby the fire resistant door sets are tested for fire resistance and cyclic movement endurance. Our fire resistant door sets are approved by BOMBA.

According to SIRIM, SIRIM certification is not mandatory unless it is made mandatory by regulatory agencies such as the Energy Commission, BOMBA, Malaysian Communications and Multimedia Commission, National Water Services Commission, Road Transport Department and others. Our fire resistant door sets are regulated by BOMBA; and BOMBA requires our fire resistant door sets to be certified by SIRIM before BOMBA grants us the approval certificates for our fire resistant door sets. Other products such as metal door frames, metal window frames, metal doors, wooden doors and ironmongery are not regulated by any regulatory agencies, and therefore, SIRIM certifications are not mandatory for these products.

Further, we maintain our ISO 9001:2015 Quality Management Systems certification from SIRIM for the manufacturing of fire resistant door sets.

7.8 WARRANTY

(i) For products we manufacture:

- **Metal door frames and metal window frames** - We provide 10 years warranty for metal door frames and metal window frames made of Zinalume® as well as a 2 years warranty against manufacturing defects (i.e. welding defects) for our metal door frames and metal window frames.
- **Fire resistant door sets** – We provide 2 years warranty against manufacturing defects (i.e. warping) for our fire resistant door sets.

Defects caused by natural disaster, natural weathering or damages from alteration, improper handling or storage, and natural variations in colour and texture due to direct exposure to sunlight, water, chemical or fumes are not covered by the warranty.

As at the LPD, we did not receive any warranty claims for our manufactured products.

7. BUSINESS OVERVIEW (Cont'd)

(ii) For products we source from suppliers:

- **Wooden doors** - We provide a warranty period of 2 years against manufacturing defects for our wooden doors on a back-to-back basis with our suppliers.
- **Ironmongery** - We provide a warranty period of 5 years for the locking mechanisms and all mechanical parts of our ironmongery on a back-to-back basis with our OEM suppliers.

In the event these products are found defective within the warranty period and the defects are covered under the warranty, we will return the defective items to our suppliers and/or request for repair or replacements at our suppliers' cost.

We did not receive any warranty claims for the FYE 2017 and FPE 2020. We received warranty claims of RM142 for the FYE 2018 and RM3,134 for the FYE 2019 against defective ironmongery. These warranty claims were borne by our ironmongery OEM suppliers.

7.9 KEY MACHINERY AND EQUIPMENT

A summary of our key machinery and equipment is set out as below:

Machinery and equipment	Function	Average age⁽¹⁾ (years)	No. of units	NBV as at 31 May 2020 (RM)
Manufacturing of metal door frames				
Shearing machine	To cut steel coils into metal sheets of the required lengths	7	3	57,967
Stamping machine	To cut metal sheets into the desired shape for the joints of the metal door frame with stamping press	1	26	50,779
CNC bending machine	To bend and shape the stamped metal sheets into desired profiles	8	9	86,625
Welding machine	To join two metal pieces by the application of heat	5	10	1,207
Grinding machine	To grind or polish the surface of the welded joints of the metal door frame	1	20	(2)_
Conveyor system	To transport materials from one location to another	3	3	27,020
Manufacturing of fire resistant door sets				
Wood cutting machine	To cut wooden panels into desired size and dimension	5	3	90,370

7. BUSINESS OVERVIEW (Cont'd)

Machinery and equipment	Function	Average age⁽¹⁾ (years)	No. of units	NBV as at 31 May 2020 (RM)
Wood press machine	To strengthen the bonding of wooden boards on door structure	5	5	61,057
Glue spreader machine	To spread and apply glue on wooden boards	3	3	21,569
Surface sanding machine	To smoothen or polish the surface of wooden boards	5	1	15,937
Dust collection system	To collect dust or impurities from air	4	2	30,345
			Total	442,876

Notes:

(1) As at 31 May 2020.

(2) Fully depreciated as at 31 May 2020.

7.10 OPERATING CAPACITIES AND OUTPUT

Our annual capacity is calculated based on the following:

- (i) 2 working shifts of 16 hours per working day comprising 8 hours per working shift;
- (ii) estimated maximum number of metal door frames of 1,389 or fire resistant door sets of 74 manufactured per working day; and
- (iii) 312 working days per year.

The maximum number of metal door frames and fire resistant door sets manufactured per working day is estimated based on our current manufacturing configurations and manufacturing space.

Our annual operating capacities and utilisation rates for the FYE 2019 are depicted below:

	Annual capacity (units)	Actual production (units)	Utilisation rate (%)
Metal door frames	433,368	325,118	75.02
Fire resistant door sets	23,088	17,265	74.78

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7. BUSINESS OVERVIEW (Cont'd)

7.11 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

The table below sets out the major types of materials purchased for our business in the FYEs 2017 to 2019 and FPE 2020:

Purchase category	FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾	RM'000	% ⁽¹⁾
Manufacturing:								
Steel coils	13,225	54.9	16,568	59.6	13,210	52.3	9,430	51.4
Ironmongery	2,230	9.3	2,319	8.3	2,921	11.6	2,355	12.8
Fire resistant boards	160	0.7	690	2.5	2,186	8.7	1,104	6.0
Plywood	82	0.3	665	2.4	596	2.4	470	2.6
Insulation materials, fire seal and glue	64	0.3	537	1.9	737	2.9	985	5.4
Trading								
Fire resistant boards	5,917	24.6	3,290	11.8	-	-	-	-
Ironmongery	228	0.9	955	3.4	2,364	9.4	1,865	10.2
Wooden door	2,163	9.0	2,785	10.0	3,240	12.8	2,128	11.6
Total purchases	24,069	100.00	27,809	100.00	25,254	100.00	18,337	100.00

Note:

(1) As a percentage of total purchases.

The materials that we use are readily available and sourced from local and foreign suppliers.

The prices of steel coils have fluctuated in the FYEs 2017 to 2019 and FPE 2020 as a result of demand and supply conditions. For e.g. the average prices of electro-galvanised steel coils for the FYEs 2017, 2018, and 2019 and FPE 2020 were RM3,068 per MT, RM3,313 per MT, RM3,080 per MT and RM2,851 per MT respectively. Nevertheless, there has been no material impact to our Group as our selling prices to our customers are adjusted to reflect the market prices of steel coils purchased.

Currently, we source our wooden doors from 2 suppliers and 11 OEM suppliers for our ironmongery. We are not dependent on our suppliers as the wooden doors and ironmongery are readily available and can be easily sourced from other local or foreign suppliers.

We generally take into account suppliers' lead time to prevent potential major disruptions to our manufacturing activities. All suppliers are evaluated in terms of pricing, production capacities, range and technical specifications of materials, ability to meet our quality requirements and deliver in a timely manner.

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7. BUSINESS OVERVIEW (Cont'd)

7.12 TECHNOLOGY USED OR TO BE USED

Our Group employs the following technologies for the manufacturing of metal door frames and fire resistant door sets:

Technology	Description
CNC press braking method	CNC is a computer programme that converts the design created via a Computer Aided Design ("CAD") software, into numbers. The numbers are presented as coordinates of a graph which allows manipulation of the press brake's movement. Thus, CNC can control the bending and shaping of the formed metal sheets with precision.
Press stamping method	Press stamping method is a process of placing flat sheet metal into a stamping press where a tool and die surface forms the metal into required shapes and specifications. This method involves metalworking processes such as forming, drawing, trimming, blanking and/or piercing metal.

7.13 D&D

As at the LPD, we do not have a formal D&D plan or policy. Nonetheless, we recognise the importance of D&D in ensuring our competitiveness to sustain the continuous growth of our business. Our D&D efforts by Lim Chin Horng (our Managing Director) and Yong Chaw Ang (our Production Manager) include:

- (i) Designing and developing new metal door frames profiles to expand our metal door frames profile selection. Further, with our design engineering capabilities, we have continuously been able to provide customised metal door frames to meet our customers' requirements.
- (ii) Designing and developing products that are complementary to our current product offerings. In 2015, we commenced product development of fire resistant door sets and in 2017, we successfully obtained our first certifications from SIRIM and BOMBA to manufacture fire resistant door sets with 1 hour fire rating.

7.14 SALES AND MARKETING STRATEGIES

Our sales and marketing team is led by Khoo Soon Beng (our Executive Director) with a team of 7 sales and marketing personnel. The sales and marketing strategies adopted by our Group are as follows:

(a) Relationships with business associates

We work closely with our business associates such as architects and quantity surveyors to obtain their requirements, feedback and recommendations on our products. These business associates are responsible for the development and approval of engineering designs for construction projects, and we actively collaborate with them to promote and incorporate our products into the design specifications of their development projects. Thus, in turn, they recommend our products to our potential customers which are mainly property developers and construction companies.

7. BUSINESS OVERVIEW (Cont'd)**(b) Customer referrals**

We have been present in the metal door frame and door industry for over 18 years, serving our customers in the construction and property development segments, and have built our reputation based on quality products delivered to our customers. This has enabled us to attract new customers through referrals from existing customers. Our sales and marketing team maintains long-term working relationships with our customers and this facilitates on-going customer referrals.

(c) Cross-selling of our products

As a total door system solution provider, we are able to offer complementary products for customers who require door system solutions. As such, we are able to cross-sell our products to our customers who require door system solutions. As an illustration, we are able to market and sell our metal door frames along with our wooden doors, fire resistant door sets, metal doors and ironmongery.

(d) Sales and marketing materials

We use sales and marketing materials such as printed corporate profiles, brochures and catalogues which provide our corporate information and details of our products to promote our product offerings to existing and potential customers at trade exhibitions and events.

As the sales and marketing of our products require extensive knowledge of our offerings, our sales and marketing materials are used by our sales and marketing team when explaining the features and functions of our products during face-to-face contact with customers.

(e) Trade exhibitions and events

We participate in local and international trade exhibitions and events to exhibit our products. We believe that such participation helps to strengthen our brand presence as it enables us to showcase our product offerings and capabilities. In addition, these trade exhibitions and events are platforms for reaching out to potential customers, and stay abreast of industry trends and development.

The major trade exhibitions and events that our Group has participated over the FYEs 2017 to 2019 and FPE 2020 are as follows:

Year	Exhibition/ event	Organiser	Location
2017	ARCHIDEX 2017	C.I.S Network Sdn Bhd	Kuala Lumpur, Malaysia
2018	ARCHIDEX 2018	C.I.S Network Sdn Bhd	Kuala Lumpur, Malaysia
July 2019	ARCHIDEX 2019	C.I.S Network Sdn Bhd	Kuala Lumpur, Malaysia
March 2019	MegaBuild Indonesia	Debindo International Trade and Exhibition	Jakarta, Indonesia
September 2019	VIETBUILD (HCMC) 2019	Promodex Event Sdn Bhd	Ho Chi Minh City, Vietnam
October 2019	6 th Myanmar Build & Décor 2019	Promodex Event Sdn Bhd	Yangon, Myanmar

7. BUSINESS OVERVIEW (Cont'd)

(f) Corporate websites

We have established corporate website at <http://www.econframe.com> which provide information on our product offerings to potential customers. Enquiries through our corporate websites are directed to our sales and marketing team.

7.15 SEASONALITY

Our operations are not significantly affected by seasonal/ cyclical effects. Our customers generally operate throughout the year.

7.16 COMPETITIVE STRENGTHS

(i) We are a total door system solution provider for residential, commercial, mixed and industrial properties

We are able to provide complete door sets as a one-stop provider to our customers. This provides convenience to our customers as they are able to purchase complete door sets for use in different parts of the property from us, and saves them time and effort from having to deal with multiple suppliers. We offer a variety of metal door frame profiles, fire resistant door sets as well as metal and wooden doors which can also be customised to suit our customers' requirements. We also offer a broad selection of ironmongery.

Our products are supplied to a diversified portfolio of property developments including residential, commercial, mixed and industrial developments. This is a testament to our ability to supply products that are suitable for different requirements. With a diversified portfolio in the property sector, we are not reliant on the performance of any one particular property sub-segment.

(ii) We have a strong portfolio with notable property developers and construction companies

Since the commencement of our business in 2001, we have accumulated a keen interest of end customers who are notable property developers and a strong portfolio of direct customers who are construction companies. Our ability to supply our products to a wide range of property developments and to build a proven track record among notable property developers and construction companies is a testament to our ability to deliver quality and reliable products in a timely manner.

We have supplied our products to property developments by notable property developers which include amongst others, Aset Kayamas, Eco World, Gamuda, IJM Land, IOI Properties, LBS Bina, Mah Sing, Matrix Concepts, Sime Darby and SP Setia through our customers who are either main contractors or building materials trading arms of property developers. Please refer to Section 7.3 for the list of some of the various property developments by notable property developers where we supplied our products.

As a supplier to property developments by notable property developers and construction companies, we are required to comply with their product and quality control requirements, which is a testament to our standing as an industry player with proven credentials.

7. BUSINESS OVERVIEW (Cont'd)

Our success in the domestic market thus far serves as a reference for our Group as we continue to secure new customers locally and overseas. The overseas market also serves as a large addressable market for our Group to tap into for future growth opportunities.

(iii) We have the technical capabilities to design and manufacture metal door frames with customised profiles and dimensions

We are able to customise our metal door frames to suit various wall configurations and door specifications. Customers can choose from our broad range of off-the-shelf profile selection of 34 profiles or request for customised profile designs. Each profile can be customised in terms of its dimension to suit the wall and door dimension.

We take into consideration various factors when designing our metal door frames, including the types of wall (i.e. drywall, shear wall, brick wall), wall thickness, types of wall installation (e.g. flush frame to wall or protruding frame to wall), material types, material thickness, door thickness, door dimensions, aesthetic requirements and costing. This is because our metal door frames are made to the exact requirements of the door and wall for which the metal door frames are intended.

Our Group's ability in customising metal door frames is made possible through our continuous D&D efforts, and supported by our manufacturing capabilities through our technical expertise in the press forming method coupled with our CNC bending machines.

(iv) Our proven industry track record and reputation is backed by our in-house brands ECONFRAME® and DUROE®

Our Group has been involved in the metal door frame and door industry for over 18 years. Our ability to cultivate strong and long-term business relationships with our customers have led to the continued success and growth of our Group, and these long-standing business relationships are a testament to our proven industry track record. As described in Section 7.3, we have also been able to secure orders for our products in property developments by notable property developers.

With this, our Group has in-depth industry knowledge and understanding, which enables us to respond to changes in our customers' requirements and demand as well as develop sales and marketing strategies for our targeted customers. Thus, we are able to gain our customers' loyalty and trust towards our products.

In addition, our in-house brands, namely ECONFRAME® and DUROE®, are recognised by property developers, architects and other professionals involved in construction projects in relation to metal door frames, fire resistant door sets and ironmongery. This provides assurance to our customers on the reliability and quality of our products, and serves to further enhance our industry reputation.

Our customers are mainly main contractors and building materials trading arms of property developers. Our in-house brands ECONFRAME® and/or DUROE® have been specified in the BQ by some of our end customers who are notable property developers or architects.

7. BUSINESS OVERVIEW (Cont'd)

Our in-house brands being specified in the BQ by property developers or architects may be based on several factors which include their familiarity with us, our past working experiences, track record, resources and ability to supply quality products on a timely manner.

This demonstrates our Group's ability to gain recognition from both professionals involved in property developments including architects, engineers and contractors as well as property developers.

(v) We have a management team with strong industry experience

We have been operating our business since 2001 and we are led by an experienced senior management team. Throughout the years, we have built a reputation through our management's experience, market expertise and industry knowledge.

Our Group is led by our Managing Director, Lim Chin Horng, who has over 30 years of experience in the metalworking industry, including 19 years in the metal door frame business. Lim Chin Horng plays a pivotal role in spearheading the strategic planning and business development of our Group.

Lim Chin Horng is supported by the following key senior management personnel:

Name	Designation	Years of relevant working experience
Khoo Soon Beng	Executive Director	30
Yong Wai Kin	Chief Financial Officer	30
Lai Shu San	Senior Operation Manager	27
Yong Chaw Ang	Production Manager	14
Soi Wen Li	Purchasing Manager	22
Ang Sze Cie	Production Controller	8

Our Managing Director and key senior management team, with their experience and expertise in the metal door frame and door industry as well as in their respective fields of expertise, will continue to be instrumental in our growth and business expansion.

7.17 BUSINESS STRATEGIES**(i) Capitalise on our fire resistant door manufacturing experience and skills to expand our manufacturing capabilities to manufacture our wooden doors in-house**

Moving forward, we intend to design and manufacture our wooden doors in-house as we aim to actively grow our wooden door business. Currently, we source our wooden doors from suppliers and distribute them to our customers.

7. BUSINESS OVERVIEW (Cont'd)

Our revenues generated from wooden doors segment has been increasing for the past 3 FYEs 2017 to 2019 at RM3.06 million, RM3.52 million and RM4.37 million respectively.

By manufacturing our wooden doors, we will be less dependent on suppliers and we will be able manage our cost of sales more effectively, hence improving our profitability. In addition, this allows us to have control over the supply and quality of our wooden doors.

We will leverage on our experience and capabilities in manufacturing fire resistant doors to manufacture wooden doors. This is because the design and manufacturing processes of wooden doors require similar skills and machines to the design and manufacturing processes of fire resistant doors (excluding the insertion of insulation materials, lipping fixing, fire seal fixing and sanding).

We expect to commence our wooden door manufacturing activities during the 4th quarter of 2020 in our Factory 4. Our existing fire resistant door manufacturing line in Factory 4 will support the manufacturing of wooden doors as the existing machinery used for the manufacturing of fire resistant doors in Factory 4 can be used for the manufacturing of wooden doors.

In addition, we have acquired additional machines which include 2 wood press machines and 1 glue spreader machine for the manufacturing of fire resistant doors which can also be used for the manufacturing of wooden doors. The purchase cost of the 2 wood press machines was RM39,141 and for 1 glue spreader machine was RM11,342, which was funded through our internally generated funds. The acquisition of these 2 wood press machines and 1 glue spreader machine, supported by our existing fire resistant door manufacturing line, will give us an annual capacity of 62,400 units of wooden doors.

Factory 4 has sufficient capacity to include the manufacturing of wooden doors as we will reconfigure our existing machines for the fire resistant door manufacturing line to incorporate the 2 wood press machines and 1 glue spreader machine which will occupy approximately 300 sq ft of manufacturing floor space in Factory 4.

(ii) We intend to improve our manufacturing efficiency and upgrade our manufacturing technology to support the long-term growth of our business

We have been actively involved in the metal door frame and door industry for over 18 years and have managed to establish our ECONFRAME® and DUROE® brands in the domestic market which can be proven through our track record. Please refer to Section 7.3 for the list of some of the various property developments by notable property developers where we supplied our products.

To support the long-term growth of our business, we intend to improve our manufacturing efficiency and upgrade our manufacturing technology, as follows:

(a) Improve our manufacturing workflow by optimising manufacturing capacity with a new factory

As part of our strategy to continue growing our business, our Group intends to expand and optimise our manufacturing capacity by constructing a new factory in Kapar, Klang.

7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, our current business and manufacturing activities are carried out at Factory 1, Factory 2, Factory 3 and Factory 4. Our factories have a total combined built-up area of approximately 39,000 sq ft. Our current manufacturing set-up is not optimised for the manufacturing of our metal door frames which are generally bulky. This is because the machines for different stages of the manufacturing process are located in separate factories.

Further, we recently purchased 2 wood press machines and 1 glue spreader machine for the manufacturing of wooden doors which occupy more factory floor space. As at the LPD, approximately 25,000 sq ft of our factory floor space is utilised for manufacturing activities whereas approximately 7,000 sq ft is for warehousing purpose and approximately 7,000 sq ft as our office areas. Our limited manufacturing floor space restricts our manufacturing workflow as machines are placed close to one another with limited space for manufacturing, storing and movement of work-in-progress products from one machine to another through each stage of the manufacturing process. This restriction affects our manufacturing workflow as unnecessary time and manpower is utilised to manually manoeuvre our products from one machine to another within limited space. Further, automation of workflow is limited as our machines cannot be arranged into one continuous production line to optimise automation within the limited space in our current factories.

By constructing a new factory with larger floor space, we will centralise our manufacturing activities within one building and reconfigure the placement of our machines to improve our manufacturing workflow and efficiency. This will allow our manufacturing workflow to be more linear and continuous as compared to our current manufacturing workflow. Our manufacturing lines in the proposed new factory will adopt advanced robotic technology as described in Section 7.17(ii)(b) and house a manufacturing line for the manufacturing of wooden doors as described in Section 7.17(i), which will be made possible with the larger floor space. The larger floor space is also important to provide a comfortable working space and to prevent any potential safety hazards.

As at the LPD, we have identified the land in which we intend to purchase for the construction of the proposed new factory. However, we have not paid any deposit for the land. We expect to complete the purchase of the land within 3 months upon Listing. The construction is expected to be completed within 12 months from commencement date of the construction. We expect our proposed new factory to be in full operation by 2022. The indicative timeline for the construction of our proposed new factory is targeted to be as follows:

Timeframe (from the date of Listing)	Details
T + 3 months	<ul style="list-style-type: none"> Completion of acquisition of land
T + 6 months	<ul style="list-style-type: none"> To obtain approval from the MPK on planning permit and building plan Commencement of construction of factory
T + 9 months	<ul style="list-style-type: none"> Purchase of 1 CNC bending machine in-built with robotic arms and 1 robotic welding line for manufacturing of metal door frame, to be placed at existing factories for testing and trial run

7. BUSINESS OVERVIEW (Cont'd)

Timeframe (from the date of Listing)	Details
T + 18 months	<ul style="list-style-type: none"> • Completion of factory construction
T + 20 months	<ul style="list-style-type: none"> • To obtain CCC for the factory
T + 22 months	<ul style="list-style-type: none"> • To obtain business licence from MPK • To obtain approval from Department of Occupational Safety and Health • To obtain approval from MITI/MIDA for manufacturing licence
T + 23 months	<ul style="list-style-type: none"> • Installation and reconfiguration of manufacturing lines for metal door frames, fire resistant doors and wooden doors • Purchase of remaining 1 CNC bending machine in-built with robotic arms and 3 robotic welding lines for manufacturing of metal door frame
T + 24 months	<ul style="list-style-type: none"> • Commissioning of new robotic welding lines for manufacturing of metal door frames

The proposed new factory is expected to have a built-up area of approximately 65,000 sq ft comprising areas for warehouse, manufacturing, D&D and office areas. The total floor space for manufacturing activities will be approximately 55,000 sq ft.

Our management estimates that the total cost of land purchase and construction of the proposed new factory is approximately RM8.60 million (not including stamp duty and other incidental costs) and where approximately RM5.00 million will be funded from our IPO proceeds.

In addition, we made certain additions to the front, side and back portions of the original structure of our factories, which include, but not limited to metal decking roofs over our existing factories, metal louvers, metal frame partition walls, storage cabins, septic tanks and toilets ("Additions"). Whilst MPK had issued an approval under the Building By-Laws for these Additions as permitted temporary structures for a period of 10 years, vide its letter dated 11 June 2019, the Structure Permit is to be renewed annually. We currently possess a valid Structure Permit which shall expire on 31 December 2020 and which we will renew prior to the expiry date. The proposed new factory is line to comply with MPK's 10 year permitted structure period.

(b) Upgrade our manufacturing technology by automating and adopting advanced robotic technology

Currently, in our metal door frame manufacturing process, our metal door frames are assembled by our skilled workers carrying out manual welding. Manual welding is labour intensive and takes up significant manufacturing time. In order to reduce our dependency on manual labour, we plan to increase automation of our manufacturing process by implementing robotic welding into our manufacturing operations. This plan is in-line with the Government of

7. BUSINESS OVERVIEW (Cont'd)

Malaysia's initiative towards Industry 4.0 which encourages the adoption of automation in manufacturing processes.

By automating our welding and profile forming processes through advanced robotic technology, this will increase our welding and profile forming's overall productivity, thus contributing to increased output in our manufacturing operation. As such, our lead time for the manufacturing of metal door frames will be optimised. In addition, we will also be able to minimise human error and ensure consistency of the quality of our products.

Hence, we intend to purchase 4 robotic welding lines to replace our existing manual welding process to increase automation in our metal door frame manufacturing process. With the purchase of the 4 robotic welding lines, we will be able to reduce our dependency on skilled workers by 6 personnel.

We also intend to purchase 2 units of CNC bending machines in-built with robotic arms to automate our profile forming process for our metal door frames. Currently, our profile forming process is carried out by our skilled workers who manually feed the stamped metal sheets into the CNC bending machines to form the bends of the metal door frames. With the purchase of these CNC bending machines in-built with robotic arms, this manual process will be eliminated and we will be able to reduce our dependency on skilled workers by 6 personnel.

Further, it may take time to hire workers and thus, skilled workers who have resigned may not be replaced immediately. Additionally, new skilled workers will undergo on-the-job training for at least 2 years to gain sufficient skills and expertise to operate with minimal supervision and during this time, we may be faced with insufficient experienced skilled workers. By automating through advanced robotic technology, we will be able to minimise the challenges we may face when we rely on skilled workers.

The expected cost for the integration of these 4 robotic welding lines and 2 CNC bending machines in-built with robotic arms is estimated to be approximately RM4.00 million, which will be funded via our IPO proceeds. These machines will be housed in our new factory as described in Section 7.17(ii)(a). We intend to purchase the 4 robotic welding lines and 2 CNC bending machines in-built with robotic arms for the new factory within 24 months upon Listing.

For the FYE 2019, our annual operating capacity was 433,368 units and 23,088 units for metal door frames and fire resistant door sets respectively. With improved manufacturing workflow and upgraded manufacturing technology, we expect to improve our annual operating capacity by 35% for both our metal door frames and fire resistant door sets.

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7. BUSINESS OVERVIEW (Cont'd)

7.18 MAJOR CUSTOMERS

Our top 5 major customers and their respective revenue contribution for the FYEs 2017 to 2019 and FPE 2020 are as follows:

No.	Name	Description	Revenue contribution		Products sold	Length of relationship
			RM'000	%		Years
<u>FYE 2017</u>						
1.	Pembinaan Bintang Baru Sdn Bhd	Main contractor	2,050	5.8	Metal door frame, fire resistant door set, wooden door, metal door, ironmongery	16
2.	Sri Binaraya Sdn Bhd	Main contractor	1,775	5.0	Metal door frame, fire resistant door set, ironmongery	16
3.	Matrix Excelcon Sdn Bhd	Main contractor	1,269	3.6	Metal door frame, fire resistant door set	4
4.	Binastra Construction Sdn Bhd	Main contractor	929	2.6	Metal door frame, fire resistant door set	17
5.	Kenwingston Sdn Bhd	Property developer / Main contractor	851	2.4	Metal door frame, fire resistant door set	4
Total revenue			35,494			
<u>FYE 2018</u>						
1.	Kenwingston Sdn Bhd	Property developer / Main contractor	2,743	6.9	Metal door frame, fire resistant door set	4
2.	Pembinaan Bintang Baru Sdn Bhd	Main contractor	1,239	3.1	Metal door frame, fire resistant door set, wooden door, metal door, ironmongery	16
3.	Inta Bina Sdn Bhd	Main contractor	1,128	2.8	Metal door frame, fire resistant door set, metal door, ironmongery	14
4.	Sri Binaraya Sdn Bhd	Main contractor	1,031	2.6	Metal door frame, fire resistant door set, ironmongery	16
5.	Matrix Excelcon Sdn Bhd	Main contractor	1,029	2.6	Metal door frame, fire resistant door set	4
Total revenue			39,834			

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Description	Revenue contribution		Products sold	Length of relationship Years
			RM'000	%		
<u>FYE 2019</u>						
1.	Pembinaan Bintang Baru Sdn Bhd	Main contractor	3,079	7.0	Metal door frame, fire resistant door set, wooden door, metal door, ironmongery	16
2.	Sri Binaraya Sdn Bhd	Main contractor	1,860	4.2	Metal door frame, fire resistant door set, ironmongery	16
3.	MITC Engineering Sdn Bhd	Main contractor	1,371	3.1	Metal door frame, fire resistant door set	3
4.	Matrix Excelcon Sdn Bhd	Main contractor	1,241	2.8	Metal door frame, fire resistant door set	4
5.	Gamuda Trading Sdn Bhd	Building materials trading arm of property developer	986	2.2	Metal door frame, fire resistant door set, metal door	15
Total revenue			44,089			
<u>FYE 2020</u>						
1.	Pembinaan Bintang Baru Sdn Bhd	Main contractor	1,603	5.3	Metal door frame, fire resistant door set, wooden door, metal door, ironmongery	16
2.	Sri Binaraya Sdn Bhd	Main contractor	1,568	5.2	Metal door frame, fire resistant door set, ironmongery	16
3.	Eng Han Engineering Sdn Bhd	Main contractor	1,263	4.2	Metal door frame, fire resistant door set, ironmongery	17
4.	Matrix Excelcon Sdn Bhd	Main contractor	1,170	3.9	Metal door frame, fire resistant door set	4
5.	TME Builders Sdn Bhd	Main contractor	987	3.3	Metal door frame, fire resistant door set, ironmongery	4
Total revenue			29,977			

In the past 3 FYEs 2017 to 2019 and FPE 2020, the revenue contribution from our major customers were below 10% of our total sales. Sales to our major customers were mainly contributed by the sales of metal door frames and fire resistant door sets. We serve a wide network of industry players which include property developers and contractors.

Pembinaan Bintang Baru Sdn Bhd, Sri Binaraya Sdn Bhd and Matrix Excelcon Sdn Bhd were listed as our major customers continuously for the past 3 FYEs 2017 to 2019 and FPE 2020. As we sell our products to customers on a project basis, we may receive purchase orders for different property developments from a single customer. Further, the delivery of our products depends on the stages of construction works of our customers' property development projects. Generally, as construction for property developments take around 2 to 4 years to complete, our products are thus delivered progressively over the years of the construction timeframe. As such, our Group does not depend on any of our major customers.

7. BUSINESS OVERVIEW (*Cont'd*)

We do not enter into any agreement or contract with our customers.

7.19 MAJOR SUPPLIERS

Our top 5 major suppliers for the purchases of materials for the FYEs 2017 to 2019 and FPE 2020 are as follows:

No.	Name	Description/ Country	Purchase contribution		Materials sourced	Length of relationship Years
			RM'000	%		
<u>FYE 2017</u>						
1.	NS Bluescope Malaysia Sdn Bhd	Painted and coated steel products manufacturer / Malaysia	3,697	15.4	Steel coil	12
2.	Profitline Industries Sdn Bhd	Steel coil supplier / Malaysia	2,919	12.1	Steel coil	12
3.	Kyodo Steel Sdn Bhd	Steel service centre / Malaysia	2,901	12.1	Steel coil	7
4.	Viton Trading	Building materials supplier / Malaysia	2,865	11.9	Fire resistant door	6
5.	SLP Industries Sdn Bhd	Wooden door manufacturer / Malaysia	2,745	11.4	Wooden door	7
Total purchases			24,069			
<u>FYE 2018</u>						
1.	NS Bluescope Malaysia Sdn Bhd	Painted and coated steel products manufacturer / Malaysia	5,941	21.4	Steel coil	12
2.	SLP Industries Sdn Bhd	Wooden door manufacturer / Malaysia	3,203	11.5	Wooden door	7
3.	Sunvek Metal Sdn Bhd	Steel service centre / Malaysia	3,154	11.3	Steel coil	3
4.	Viton Trading	Building materials supplier / Malaysia	2,449	8.8	Fire resistant door	6
5.	Profitline Industries Sdn Bhd	Steel service centre / Malaysia	2,065	7.4	Steel coil	12
Total purchases			27,809			

7. BUSINESS OVERVIEW (Cont'd)

No.	Name	Description/ Country	Purchase contribution		Materials sourced	Length of relationship
			RM'000	%		Years
<u>FYE 2019</u>						
1.	NS Bluescope Malaysia Sdn Bhd	Painted and coated steel products manufacturer / Malaysia	4,629	18.3	Steel coil	12
2.	Sunvek Metal Sdn Bhd	Steel service centre / Malaysia	3,737	14.8	Steel coil	3
3.	SLP Industries Sdn Bhd	Wooden door manufacturer / Malaysia	3,574	14.2	Wooden door	7
4.	Kyodo Steel Sdn Bhd	Steel service centre / Malaysia	3,168	12.5	Steel coil	7
5.	Hengxin Decoration Hardware Co., Limited (恒新装饰五金有限公司)	Hinges manufacturer / China	1,578	6.2	Hinges	5
Total purchases			25,254			
<u>FPE 2020</u>						
1.	NS Bluescope Malaysia Sdn Bhd	Painted and coated steel products manufacturer / Malaysia	3,413	18.6	Steel coil	12
2.	SLP Industries Sdn Bhd	Wooden door manufacturer / Malaysia	2,429	13.3	Wooden door	7
3.	Kyodo Steel Sdn Bhd	Steel service centre / Malaysia	2,299	12.5	Steel coil	7
4.	Hailing Construction Group Co., Ltd (苏州爱孚海岭新材料有限公司)	Fire resistant board manufacturer / China	1,062	5.8	Fire resistant board	2
5.	Sunvek Metal Sdn Bhd	Steel service centre / Malaysia	1,001	5.5	Steel coil	3
Total purchases			18,337			

For the FYEs 2017 to 2019 and FPE 2020, our purchases from NS Bluescope Malaysia Sdn Bhd ranged from 15.4% to 21.4% as they are the brand owner for the Zinalume® brand of steel coils coated using a combination of aluminium-zinc alloy. NS Bluescope Malaysia Sdn Bhd has been our major supplier for the past 12 years. Despite NS Bluescope Malaysia Sdn Bhd being the brand owner for the Zinalume® brand of steel coil, we are not dependent on it for the supply of aluminium-zinc alloy coated steel coil. We are able to source other steel coils which are coated with similar combination of aluminium-zinc alloy from other suppliers. However, we prefer to source the aluminium-zinc alloy steel coil (i.e. Zinalume®) from NS Bluescope Malaysia Sdn Bhd as they are located near to us in Kapar, Klang and as such, we have a shorter lead time in terms of our purchasing needs.

For our purchases of other electro-galvanised steel coils, we will be able to purchase from any suppliers who stock these electro-galvanised steel coils that meet our requirements in terms of pricing, volume and quality.

7. BUSINESS OVERVIEW (Cont'd)

SLP Industries Sdn Bhd has been one of our major suppliers which accounted for 11.4% to 14.2% of our total purchases over the past 3 FYEs 2017 to 2019 and FPE 2020. SLP Industries Sdn Bhd is one of our suppliers for our wooden doors.

We are not dependent on any of these suppliers as we are able to readily source these materials from alternative suppliers.

7.20 EMPLOYEES

As at the LPD, we have a total workforce of 67 employees, of which all are permanent employees. The following depicts the breakdown of our employees in our Group:

	No. of employees
Executive Directors	2
Key senior management	5
Accounts and administration	8
Sales and marketing	7
Operations management	13
Production	33
Total	67

As at the LPD, local employees accounted for approximately 80.6% of total workforce while the remaining 19.4% were foreign workers. As at the LPD, we have 13 foreign workers. Our foreign workers are involved in the manufacturing of metal door frames and fire resistant doors.

None of our employees belong to any labour union. During the FYEs 2017 to 2019, FPE 2020 and up to the LPD, there is no major industrial dispute pertaining to our employees.

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

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8. IMR REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)

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SMITH ZANDER

Date: 7 September 2020

The Board of Directors

Econframe Berhad

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Dear Sirs/ Madams,

Independent Market Research Report on the Metal Door Frame and Door Industry in Malaysia ("IMR Report")

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

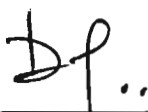
The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Econframe Berhad and its subsidiaries ("Econframe") operate and to offer a clear understanding of the industry and market dynamics. As Econframe is principally involved in the provision of total door system solution comprising metal door frames, fire resistant door sets, doors (i.e. wooden and metal) and ironmongery, the scope of work for this IMR Report will thus address the following areas:

- (i) The metal door frame and door industry in Malaysia, which is the industry in which Econframe Berhad operates;
- (ii) The drivers, risks and challenges; and
- (iii) The competitive landscape.

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

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

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

8. IMR REPORT (Cont'd)

SMITH ZANDER

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About SMITH ZANDER INTERNATIONAL SDN BHD

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

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 22 years of experience in market research and strategy consulting, including over 17 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

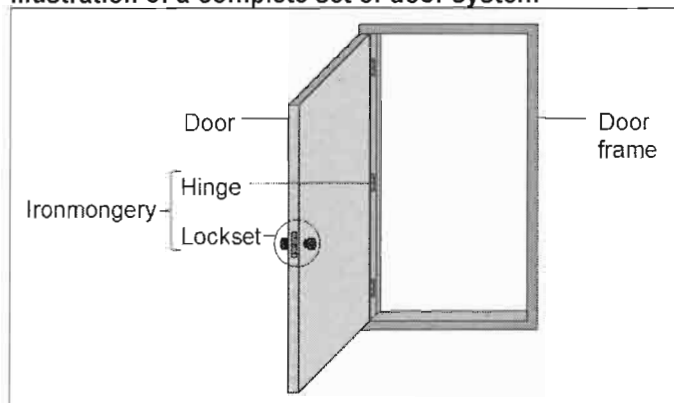
8. IMR REPORT (Cont'd)**SMITH ZANDER****1 THE METAL DOOR FRAME AND DOOR INDUSTRY IN MALAYSIA****Introduction**

Doors are essential fixtures of a property with the primary purpose to provide security by controlling access to the property and within enclosed areas in the property. Doors are generally affixed to door frames which are enclosures that hold and support the doors. Door frames are commonly manufactured from metal (i.e. steel and aluminium), rigid polyvinyl chloride ("PVC"), un-plasticised polyvinyl chloride ("UPVC") and wood.

The materials used to manufacture a door is based on its usage requirements (e.g. water resistance, fire resistance, durability, rust resistance, weather proof, amongst others), aesthetics requirements and pricing. Doors for general usage are commonly made of wood-based materials, rigid PVC, UPVC and metal (i.e. steel and aluminium).

Special purpose doors such as fire resistant doors are made of fire resistant materials such as fire resistant boards and insulation materials where their main function is to provide protection by slowing the transfer of heat and flames when in contact with fire.

Doors are often incorporated with ironmongery which comprise locksets for latching and locking, and hinges to affix the doors to door frames; as well as door accessories (e.g. door viewers, door chains, door closers, amongst others). Ironmongery is commonly manufactured from steel, stainless steel, brass or aluminium.

Illustration of a complete set of door system

Source: SMITH ZANDER

In Malaysia, metal door frames and doors are sold as complete sets together with ironmongery or separately, and are assembled and installed at construction sites. Fire resistant doors are sold in complete sets of door system, comprising the fire resistant door, door frame and ironmongery, as the complete set has to undergo testing and certification as described in Section 3 of this IMR Report.

The value chain of the metal door frame and door industry is depicted below:

Manufacturing		Distribution	End user
<ul style="list-style-type: none"> Raw material manufacturers 	<ul style="list-style-type: none"> Metal door frame and door manufacturers <ul style="list-style-type: none"> Brand owners Third party manufacturers 	<ul style="list-style-type: none"> Property developers/ contractors <ul style="list-style-type: none"> To install metal door frames and doors in new properties Retailers/ stockists <ul style="list-style-type: none"> To sell metal door frames and doors to refurbishment contractors to be installed in refurbishment projects 	<ul style="list-style-type: none"> Owners and tenants of properties

Notes:

- denotes the section of the value chain in which Econframe is principally involved in.
- This list is not exhaustive.

Source: SMITH ZANDER

Brand owners may manufacture metal door frames and doors in their factories, or outsource the manufacturing to original equipment manufacturers ("OEM"). The metal door frames and doors sold to property developers or contractors are installed in new property projects at the construction sites, while door frames and doors sold to retailers or stockists are sold to contractors to be installed in refurbishment projects.

Each type of fire resistant door set manufactured and sold in Malaysia has to obtain product certification licence from SIRIM QAS International Sdn Bhd ("SIRIM") after being tested for fire resistance and cyclic movement endurance, to be in compliance with MS 1073: Part 3: 1996 (Amd. 1: 2003). As part of the information required for the application of the product certification licence, the applicant must provide the brand of the fire resistant door set as well as the name of the factory that will manufacture its fire

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resistant door set. The applicant, who is the brand owner, may manufacture the fire resistant door set in a factory which is registered under the same or different entity owned by them, or outsource to a factory owned by a third party. After obtaining the product certification licence, the Malaysian Fire and Rescue Services Department ("BOMBA"), the regulatory authority, will issue an approval certificate stating the fire resistance and cyclic movement endurance specifications, as well as the dimensions (i.e. height and width), of that particular type of fire resistant door set. Upon obtaining both the product certification license from SIRIM and the approval certificate from BOMBA, that particular type of fire resistant door set, with dimensions up to and including the dimensions specified in the product certification license and approval certificate, can be manufactured and sold. Further, ISO 9001:2015 Quality Management Systems certification from SIRIM is also required for the manufacturing of fire resistant door sets.

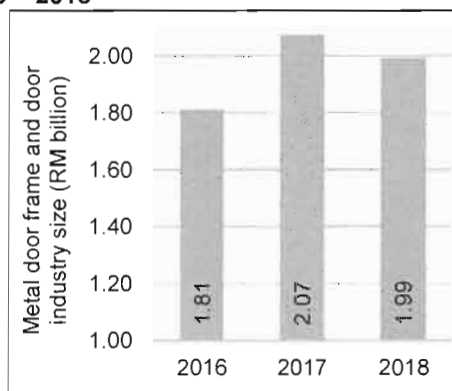
Industry Performance and Size

As Econframe is principally involved in the provision of total door system solution comprising metal door frames, fire resistant door sets, doors (i.e. wooden and metal) and ironmongery; and the top 2 products of Econframe are metal door frames and fire resistant door sets, which accounted for 82.89% of the total revenue in FYE 2019, this section shows the metal door frame and door industry size in Malaysia and the metal door frame and fire resistant door industry size in Malaysia.

Metal door frame and door industry size (Malaysia), 2016 – 2018

The metal door frame and door industry in Malaysia comprises metal door frames, fire resistant door sets, wooden doors, metal doors and ironmongery which form complete sets of door system. This industry grew from RM1.81 billion in 2016 to RM2.07 billion in 2017 and declined to RM1.99 billion in 2018. The Compound Annual Growth Rate ("CAGR") from 2016 to 2018 was 4.85%.

The metal door frame and door industry size in Malaysia is computed based on the revenue of 117 key industry players who are manufacturers of metal door frames, brand owners who manufacture their own fire resistant door sets under the same entity ("Fire Resistant Door Set Brand Owners") or manufacturers of fire resistant door sets, manufacturers of wooden doors and metal doors and distributors of ironmongery. Please refer to Section 3 of this IMR Report for further information on the key industry players.

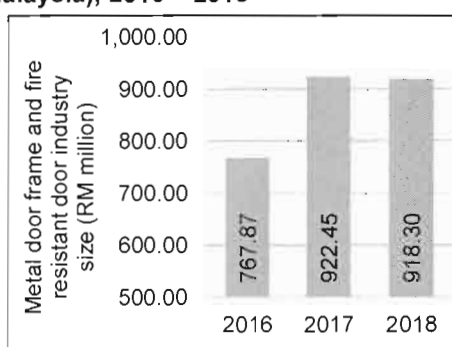


Sources: Companies Commission of Malaysia ("CCM"), SMITH ZANDER

Metal door frame and fire resistant door industry size (Malaysia), 2016 – 2018

The metal door frame and fire resistant door industry in Malaysia grew from RM767.87 million in 2016 to RM922.45 million in 2017 and declined to RM918.30 million in 2018. The CAGR from 2016 to 2018 was 9.36%.

The metal door frame and fire resistant door industry size in Malaysia is computed based on the revenue of 50 key industry players who are manufacturers of metal door frames and Fire Resistant Door Set Brand Owners or manufacturers of fire resistant door sets. Please refer to Section 3 of this IMR Report for further information on the key industry players.



Sources: CCM, SMITH ZANDER

Nevertheless, in view of the outbreak of the Covid-19 virus in early 2020, the Government has revised gross domestic product ("GDP") forecast growth in 2020, which was initially targeted at 4.80%, to the range of -3.50% to -5.50%, indicating potential adverse economic conditions for the year which may negatively impact the demand for properties and in turn affect the demand for metal door frames, fire resistant door sets, doors (i.e. wooden and metal) and ironmongery. However, the GDP is expected to stage a rebound within a growth range of 5.50% to 8.00% in 2021. Please refer to the next section on Key Drivers, Risk and Challenges for further information.

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2 KEY DRIVERS, RISKS AND CHALLENGES**Key Industry Drivers****► Growing usage of metal door frames due to its durability and cost effectiveness drives the demand for metal door frames**

Metal door frames are resistant to cracking and warping and therefore, they are more durable. Over time, metal door frames may be subject to rusting, scrapings or dents. However, rusting can be prevented by wax coatings and scrapes or dents can be treated with auto body fillers. Other materials used to manufacture door frames such as wood-based materials are susceptible to rotting or termite and insect infestations, which may require more complicated restoration processes or replacement of the door frames altogether. As such, installing metal door frames in properties has lower cost of upkeep, and therefore, is more cost effective over time. As a result, metal door frames have become a more popular choice as compared to door frames made from other materials, which will continue to drive the demand for metal door frames.

► Regulatory requirements to have fire resistant elements, including fire resistant door sets in buildings, drive the demand for fire resistant door sets

In Malaysia, it is mandatory for certain buildings to install fire resistant doors. This is specified under the Uniform Building by Law 1984, Malaysia's building code which is enforced by local authorities and applicable to all building types constructed in the local authorities' areas. The Uniform Building by Law 1984 stipulates procedures for building plans, of which, a section entitled 'Fire Requirements' lists requirements for the minimum periods of fire resistance (in hours) for certain buildings of purposes, including small residential, institutional, other residential, office, shop, factory, places of assembly and storage. For example, escape routes in buildings of 4 storeys or more, or where the highest floor level is more than 1,200 millimetres above ground level, are required to be enclosed with fire resistant materials, and self-closing fire resistant doors for safety during evacuation.

The enforcement of the Uniform Building by Law 1984 coupled with the growth in the property market will drive the fire resistant door industry.

► Demand for properties drives planned supply which leads to the increasing demand for metal door frames, doors and ironmongery

Planned supply comprises property units with building plan approval obtained from the relevant local authorities but have not commenced construction works. Hence, planned supply represents the potential market for metal door frame and door industry players. This is because the number of door frames and doors needed will be pre-determined with the confirmation and approval of building plans. Subsequent to the approval, the property developer or contractor of the new property will appoint a supplier(s) of door frames and doors. Door frames and doors are delivered to construction sites on just-in-time basis, and the installation of door frames and doors is carried out at the construction site.

The chart and table below set out the planned supply for various types of properties in Malaysia from 2016 to 2019 and Q1 2020.

Planned supply for various types of properties (Malaysia), 2016 – Q1 2020

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Despite the potential slowdown in the property market in 2020 in view of the outbreak of the Covid-19 virus in early 2020, some property developers, especially notable property developers (i.e. Gamuda, IJM, IOI Properties, Sime Darby, UOA, SP Setia, amongst others) are likely to continue with the construction of existing projects as they are obligated to hand-over the properties to the buyers within a predetermined time frame in order to maintain their reputation in the market. As such, there will still be demand for metal door frames, doors and ironmongery to support the on-going projects. However, property developers will be cautious in launching new projects and the new planned supply of properties is expected to decrease in the near future until economic conditions improve. This will affect the growth in the demand for metal door frames, doors and ironmongery.

Key Industry Risks and Challenges**► Dependence on the property market**

The business operations and financial performance of metal door frame and door industry players are dependent on the performance of the property market in Malaysia. The outlook of the Malaysian property market may be affected by market risks such as political and economic instability of the country, increasing financing cost and fluctuating demand.

As such, any adverse changes in the above factors will have a direct impact on the movement and development in the property market in Malaysia. For instance, in view of the outbreak of the Covid-19 virus in early 2020, the Government imposed a Movement Control Order (MCO) throughout Malaysia from 18 March 2020 to 3 May 2020 to curb the spread of the virus, which halted most economic activities in Malaysia. The impact of the Covid-19 pandemic has temporarily dampened economic conditions of the country, which is expected to recover when the uncertainties caused by the impact of the Covid-19 pandemic subside or when its vaccine is made available. The prolonged dampening of economic conditions in Malaysia may lead to loss of businesses and jobs and subsequently reduce consumer purchasing power, including the purchase of properties.

The decrease in the demand for properties will subsequently lead to a decline in the planned supply of properties as property developers will be cautious in planning new projects. Consequently, the demand for metal door frames and doors will decrease, which could have a negative impact on the overall financial performance of metal door frame and door industry players.

► Reliance on foreign workers as general labour

The manufacturing of metal door frames and fire resistant door sets is semi-automated. While machinery such as shearing machines, stamping machines, computer numerical control (CNC) bending machines, cutting machines and pressing machines automate the manufacturing process, manual labour still remains critical for the operation of these machines, and to transfer the intermediary products from one machine to another for different manufacturing processes.

The issue of labour shortages in Malaysia is common in the manufacturing sector. Malaysia is dependent on foreign workers as a result of limited supply of local labour for manufacturing related operations.

Any increase in levy on foreign workers, suspensions and quota restrictions for the hiring of foreign workers may cause difficulties in employing sufficient labour. Further, any delays in foreign worker registrations may increase the duration required to process the applications, which may cause slowdowns and/or suspensions in manufacturing due to insufficient labour.

Any unfavourable changes in the policies on foreign workers and delays in foreign worker registrations may lead to difficulties for metal door frame and fire resistant door set industry players to maintain sufficient labour workforce, causing delays in delivery and subsequently may affect their business and operations.

► Exposure to global steel price fluctuations

The key raw material used in the manufacturing of metal door frames and metal doors is steel coils, and the price of steel coils in Malaysia is driven by global steel prices. Steel coils are susceptible to price fluctuations as a result of demand and supply conditions of steel in the global market, prices of raw materials for the production of steel such as coal and iron and prevailing energy costs.

Any unfavourable changes in the condition of any of the above factors may cause the prices of steel to increase materially, and this may lead to a rise in cost of production for metal door frame and metal door manufacturers, as well as carrying cost for maintaining inventories. If the metal door frame and metal door manufacturers are unable to pass on the raw material cost to their customers, they may have to bear the increasing costs, which could materially impact their financial results.

► Exposure to sudden crisis in the country of origin for required supplies may cause disruption of operations

Unexpected crises such as political crisis, natural disasters and disease outbreaks, amongst others, in the countries of origin for required supplies may temporarily disrupt the supply chain of door frames, doors and ironmongery. The outbreak of the Covid-19 virus in many countries around the world, is an

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example of this risk. Such crisis may cause the production of raw materials or intermediary products to be delayed or completely halted; and the transportation network may face disruptions due to closure of airports and other transportation hubs, causing delays in delivery of supplies. Consequently, the operations of manufacturers and/or distributors of door frames, doors and ironmongery in Malaysia may be affected due to the delay in receiving supplies. If disruptions persist, the manufacturers and/or distributors of door frames, doors and ironmongery may be required to purchase these supplies from different suppliers which may be at a higher cost, which will adversely affect the financial performance of the industry players.

3 COMPETITIVE LANDSCAPE**Competitive Overview**

The metal door frame and door industry in Malaysia is moderately competitive, comprising industry players ranging from subsidiaries of public listed companies, large private companies and small to medium enterprises ("SME"). Industry players generally compete in terms of branding, pricing, range of products, quality of products and services, delivery timing and manufacturing capacities. Industry players also upkeep their manufacturing technologies and capabilities to remain competitive, including the adoption of automation which is in-line with the Government of Malaysia's initiative towards Industry 4.0 which encourages the adoption of automation in manufacturing processes.

For industry players such as Econframe that focuses on supplying to property projects, it is essential to build and maintain strong brand presence, good track record and business relationships with a network of property developers, contractors, architects and quantity surveyors to market their products, to have its brands specified in the bill of quantities¹ and to be invited to tender for property projects.

As Econframe is principally involved in the provision of total door system solution comprising metal door frames, fire resistant door sets, doors (i.e. wooden and metal) and ironmongery in Malaysia, this section will focus on the competitive landscape of these segments, as follows:

- Metal door frame industry players who are involved in the manufacturing of metal door frames as Econframe is involved in the manufacturing of metal door frames. Some of the metal door frame industry players may also sell other products such as metal window frames and ironmongery as their product offerings.
- Fire resistant door industry players who are involved in the manufacturing of fire resistant door sets as Econframe is involved in the manufacturing of fire resistant door sets. As each type of fire resistant door set manufactured and sold in Malaysia has to obtain product certification licence from SIRIM and approval certification from BOMBA, hence the fire resistant door industry players identified in this IMR Report are those who have these licences and certificates for their fire resistant door sets. Due to the nature of the registration of product licenses with SIRIM, the applicant must be the brand owner of the fire resistant door set as the brand of the fire resistant door set is required as part of the information in the application. Hence the brand owner will apply and hold the product licenses. In many cases, brand owners manufacture their fire resistant door set under the same entity (i.e. Fire Resistant Door Set Brand Owners). However, there are brand owners who manufacture their fire resistant door sets under a different entity owned by them or by a third party manufacturer. The factory name which manufactures the brand owners' fire resistant door set is disclosed in the product certification information listed on SIRIM's website. Therefore, the list of fire resistant door industry players takes into consideration Fire Resistant Door Set Brand Owners and the manufacturer of fire resistant door sets (whether they are owned within the group of the brand owner or owned by third party manufacturer). To avoid double counting, in the case where a brand owner manufactures its fire resistant door sets under a different entity owned by them or by a third party manufacturer, the brand owner will be listed as a key industry player, unless the brand owner's financial information is not publicly available. In such cases, the brand owner's registered factory will be included in the list.
- Wooden door industry players who are involved in the manufacturing of wooden doors as Econframe is involved in the manufacturing of wooden doors. These wooden door industry players manufacture wooden doors for different usage requirements and may also sell other products such as wooden door and window frames, mouldings, joineries and other wood-based products. Some of the metal door industry players may also sell other metal products such as shutters and louvres.

¹ A document prepared by a quantity surveyor that lists out the quantities of supplies required for a specific project in accordance with the building design as stipulated by the architect, engineers and/or property developer. It is also used for tendering purposes by main contractors to prepare the tender based on the quantities of supplies specified.

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- Ironmongery industry players in Malaysia who are involved in the distribution of ironmongery and other related door accessories as Econframe is involved in the distribution of ironmongery. These ironmongery industry players may be brand owners who source ironmongery from overseas OEMs; or distributors who source ironmongery and other door accessories from brand principals. Ironmongery and other door accessories sold in Malaysia are primarily imported. Nevertheless, these industry players may offer a product mix of metal door frames, fire resistant door sets, doors (i.e. wooden and metal), ironmongery and other building fixtures and materials.

Key Industry Players

The basis for selection of the key industry players in the metal door frame and door industry in Malaysia is as follows:

- Companies which are manufacturers of metal door frames; or Fire Resistant Door Set Brand Owners or manufacturers of fire resistant door sets; or manufacturers of wooden doors; or manufacturers of metal doors; or distributors of ironmongery; and
- Companies which recorded more than RM10.00 million revenue based on their respective latest available financial years, with the exception of Econframe where the revenue derived from each segment is listed for the purpose of comparison.

The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.

In instances where industry players are exempt private companies for the latest available financial year, or industry players with no publicly available financial reports, the industry players are not included in the table as the audited financial statements of the companies are not publicly available.

Key metal door frame industry players

The following manufacturers of metal door frames met the basis for selection as key industry players:

Company Name	Examples of products sold	Latest available financial year	Revenue (RM'000)	GP (RM'000)	GP margin (%)	PAT (RM'000)	PAT margin (%)
Asia Roofing Industries Sdn Bhd (a subsidiary of Ajiya Berhad)	Metal door frames and window frames, ceiling frames, roofing systems	30 November 2019	150,619	21,002	13.94	4,852	3.22
Cooldec Industries Sdn Bhd	Metal door frames and window frames, roofing systems	31 July 2019	23,774	3,106	13.07	(77)	(0.32)
Econframe	Metal door frames, fire resistant door sets, wooden doors, metal doors, ironmongery	31 August 2019	44,089	14,614	33.15	8,135	18.45
Econframe (metal door frame segment)		31 August 2019	24,002	7,366	30.69	Not available	
Hai Kang Steel (M) Sdn Bhd	Metal door frames and window frames, ceiling systems, partitions, flange angle, furring channels, metal studs	31 December 2018	40,232	7,557	18.78	326	0.81
HS Heng Seng Metal Sdn Bhd	Metal door frames and window frames, stainless steel water tanks	30 June 2018	12,741	1,977	15.52	146	1.15
Kiankwan Sdn Bhd	Metal door frames and window frames, containers, roofing systems, steel framework	31 December 2018	17,864	1,171	6.56	178	1.00
Lama Tile (Utara) Sdn Bhd/ Lama Metal Products Sdn Bhd ¹	Metal door frames and window frames	31 December 2019/ 31 December 2018	23,302/ 626	4,800/ (252)	20.60/ (40.26)	1,189/ (223)	5.10/ (35.62)
Metaframe Sdn Bhd	Metal door frames	31 December 2018	11,033	2,393	21.69	167	1.51
Thiam Sieng Steel Centre Sdn Bhd	Metal door frames, roofing systems, racking systems, galvanised iron ("GI") rolls, GI steel sheets, GI coils, purlin systems	30 September 2019	37,958	12,800	33.72	285	0.75

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Company Name	Examples of products sold	Latest available financial year	Revenue (RM'000)	GP (RM'000)	GP margin (%)	PAT (RM'000)	PAT margin (%)
Yu Wah Steel (M) Trading Sdn Bhd	Metal door frames, roofing systems, metal rain gutters	31 December 2018	20,961	3,226	15.39	(450)	(2.15)

Note:

1. These companies are related via common shareholders and/or directors.

Key fire resistant door industry players

The following Fire Resistant Door Set Brand Owners or manufacturers of fire resistant door sets met the basis for selection as key industry players:

Company Name ¹	Examples of products sold	Latest available financial year	Revenue (RM'000)	GP (RM'000)	GP margin (%)	PAT (RM'000)	PAT margin (%)
Apexjaya Industries Sdn Bhd	Fire resistant door sets	31 December 2019	10,976	1,312	11.96	(224)	(2.04)
Assa Abloy Opening Solutions Malaysia Sdn Bhd (formerly known as Teamware Hardware Sdn Bhd)	Fire resistant door sets, ironmongery, glass doors	31 December 2018	67,926	22,796	33.56	2,872	4.23
Econframe	Metal door frames, fire resistant door sets, wooden doors, metal doors, ironmongery	31 August 2019	44,089	14,614	33.15	8,135	18.45
Econframe (fire resistant door segment)		31 August 2019	12,543	4,478	35.70	Not available	
Fitters Marketing Sdn Bhd (a subsidiary of Fitters Diversified Berhad)	Fire resistant door sets	31 December 2019	23,816	2,734	11.48	132	0.55
High Reserve Marketing Sdn Bhd	Fire resistant door sets, ironmongery	31 December 2018	32,003	6,372	19.91	(166)	(0.52)
Jurusanwa Enterprise Sdn Bhd/ Weng Meng Industries Sdn Bhd ²	Fire resistant door sets, fire resistant window sets, wooden doors, cubicle systems	- ^{3/} 31 July 2018	- ^{3/} 112,925	- ^{3/} 14,102	- ^{3/} 12.49	- ^{3/} 2,281	- ^{3/} 2.02
Midah Industries Sdn Bhd (a subsidiary of Chin Hin Group Berhad)	Fire resistant door sets, wooden doors and door frames	31 December 2019	24,729	3,255	13.16	(4.32)	(0.02)
Samling Housing Products Sdn Bhd	Fire resistant door sets, wooden doors, furniture	30 June 2019	106,593	12,192	11.44	2,814	2.64
Sunstar Sdn Bhd	Fire resistant door sets, wooden doors, moulded doors with tempered glass, flush doors, PVC doors, FRP composite doors, louvres	30 June 2019	19,366	3,097	15.99	1,397	7.21
Unitech Industries (M) Sdn Bhd	Fire resistant door sets, ironmongery	31 March 2019	10,428	2,065	19.80	672	6.44
Woodlandor Wood Products Sdn Bhd (a subsidiary of Woodlandor Holdings Berhad)	Fire resistant door sets, wooden doors and door frames, furniture, timber roofing systems	31 December 2018	24,376	5,723	23.48	979	4.02

Notes:

1. All of the industry players stated are Fire Resistant Door Set Brand Owners who hold the product certification licence and approval certificate, unless stated otherwise.
2. Jurusanwa Enterprise Sdn Bhd is the brand owner who holds the product certification licence and approval certificate while Weng Meng Industries Sdn Bhd is its registered factory that manufacture its fire resistant door sets. These companies are related via common shareholders and/or directors.
3. Financials are not available as it is an exempt private company.

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Key wooden door industry players

The following manufacturers of wooden doors met the basis for selection as key industry players:

Company Name	Examples of products sold	Latest available financial year	Revenue (RM'000)	GP (RM'000)	GP margin (%)	PAT (RM'000)	PAT margin (%)
Ah Hai Industries Sdn Bhd	Wooden doors and door frames, wooden window frames, flooring, mouldings	30 September 2018	28,783	7,681	26.69	735	2.55
CBL Marketing (M) Sdn Bhd	Wooden doors and door frames, security doors	28 February 2019	40,955	8,250	20.14	5,826	14.23
Comedge BMT Sdn Bhd	Wooden doors, security doors, fire resistant door sets, ironmongery	31 December 2018	17,126	1,514	8.84	805	4.70
Desa K.L. Enterprise Sdn Bhd	Wooden doors, fire resistant door sets, mouldings	31 May 2019	36,526	5,112	14.00	202	0.55
Econframe	Metal door frames, fire resistant door sets, wooden doors, metal doors, ironmongery	31 August 2019	44,089	14,614	33.15	8,135	18.45
Econframe (wooden door segment)		31 August 2019	4,372	1,132	25.89	Not available	
Furndor Sdn Bhd	Wooden doors	31 December 2018	10,892	592	5.44	34	0.31
Ivory Pearl Sdn Bhd	Wooden doors and door frames	31 December 2018	42,659	6,875	16.12	3,332	7.81
Jurusanwa Enterprise Sdn Bhd/ Weng Meng Industries Sdn Bhd ¹	Fire resistant door sets, fire resistant window sets, wooden doors, cubicle systems	^{-2/} 31 July 2018	^{-2/} 112,925	^{-2/} 14,102	^{-2/} 12.49	^{-2/} 2,281	^{-2/} 2.02
Kin Soon Industry Sdn Bhd	Wooden doors and door frames, mouldings, furniture	30 September 2018	10,551	1,608	15.24	587	5.56
KLW Wood Products (M) Sdn Bhd	Wooden doors	31 March 2019	41,027	9,083	22.14	343	0.84
Maicador Sdn Bhd	Wooden doors	30 June 2019	15,621	967	6.19	(1,247)	(7.98)
Midah Industries Sdn Bhd (a subsidiary of Chin Hin Group Berhad)	Fire resistant door sets, wooden doors and door frames	31 December 2019	24,729	3,255	13.16	(4.32)	(0.02)
Perusahaan Perkayuan Wan Feng Sdn Bhd	Wooden doors and door frames	31 December 2018	12,741	2,367	18.58	247	1.94
Samling Housing Products Sdn Bhd	Fire resistant door sets, wooden doors, furniture	30 June 2019	106,593	12,192	11.44	2,814	2.64
Stanford-Dor Marketing (M) Sdn Bhd	Wooden doors, PVC doors, louvres	31 December 2018	21,051	2,602	12.36	39	0.19
Sunstar Sdn Bhd	Fire resistant door sets, wooden doors, moulded doors with tempered glass, flush doors, PVC doors, FRP composite doors, louvres	30 June 2019	19,366	3,097	15.99	1,397	7.21
Woodlandor Wood Products Sdn Bhd (a subsidiary of Woodlandor Holdings Berhad)	Fire resistant door sets, wooden doors and door frames, furniture, timber roofing systems	31 December 2018	24,376	5,723	23.48	979	4.02

Notes:

1. These companies are related via common shareholders and/or directors.
2. Financials are not available as it is an exempt private company. Nevertheless, Jurusanwa Enterprise Sdn Bhd is included as the company is the product certification licence and approval certificate holder for fire resistant door sets manufactured by Weng Meng Industries Sdn Bhd.

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Key metal door industry players

The following manufacturers of metal doors met the basis for selection as key industry players:

Company Name	Examples of products sold	Latest available financial year	Revenue (RM'000)	GP (RM'000)	GP margin (%)	PAT (RM'000)	PAT margin (%)
Econframe	Metal door frames, fire resistant door sets, wooden doors, metal doors, ironmongery	31 August 2019	44,089	14,614	33.15	8,135	18.45
Econframe (metal door segment)		31 August 2019	236	88	37.29	Not available	
SKB Shutters Manufacturing Sdn Bhd (a subsidiary of SKB Shutters Corporation Berhad)	Metal doors, shutters, louvres, storage systems	30 June 2019	47,206	10,175	21.56	1,450	3.07
THC Metal Engineering Sdn Bhd	Metal doors, grills, security doors	31 July 2019	17,530	7,212	41.14	2,654	15.14

Key ironmongery industry players

The following distributors of ironmongery met the basis for selection as key industry players:

Company Name	Examples of products sold	Latest available financial year	Revenue (RM'000)	GP (RM'000)	GP margin (%)	PAT (RM'000)	PAT margin (%)
Agrow Corporation Sdn Bhd (a subsidiary of OCB Berhad)	Ironmongery, sanitary ware, security doors	31 December 2019	49,701	10,135	20.39	(778)	(1.57)
Assa Abloy Opening Solutions Malaysia Sdn Bhd (formerly known as Teamware Hardware Sdn Bhd)	Fire resistant door sets, ironmongery, glass doors	31 December 2018	67,926	22,796	33.56	2,872	4.23
Comedge BMT Sdn Bhd	Wooden doors, security doors, fire resistant door sets, ironmongery	31 December 2018	17,126	1,514	8.84	805	4.70
Econframe	Metal door frames, fire resistant door sets, wooden doors, metal doors, ironmongery	31 August 2019	44,089	14,614	33.15	8,135	18.45
Econframe (ironmongery segment)		31 August 2019	2,936	1,550	52.79	Not available	
Hafele (Malaysia) Sdn Bhd	Ironmongery, furniture fittings, home appliances, sanitary fittings	31 December 2019	28,483	9,282	32.59	(1,347)	(4.73)
High Reserve Marketing Sdn Bhd	Fire resistant door sets, ironmongery	31 December 2018	32,003	6,372	19.91	(166)	(0.52)
Kaisu (M) Sdn Bhd	Ironmongery, roofing systems, sanitary ware	31 December 2018	11,199	2,885	25.76	930	8.30
Ken Prima Glass & Alum. Acc. Sdn Bhd	Ironmongery	31 December 2018	26,621	4,743	17.82	2,094	7.87
Keyline Consulting Sdn Bhd	Ironmongery, security doors	31 December 2018	12,220	4,043	33.09	189	1.55
Syn Tai Hung Trading Sdn Bhd (a subsidiary of Wah Seong Corporation Berhad)	Ironmongery, roofing systems, cement and concrete products, additives and chemicals, tiles, sanitary ware	31 December 2019	339,470	17,833	5.25	(5,774)	(1.70)
Unitech Industries (M) Sdn Bhd	Fire resistant door sets, ironmongery	31 March 2019	10,428	2,065	19.80	672	6.44
Vimax Trading Sdn Bhd	Ironmongery	31 December 2018	29,406	5,125	17.43	1,355	4.61

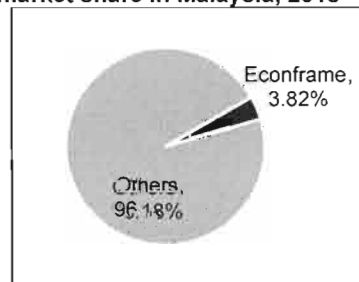
Sources: Econframe, various company websites, CCM, SMITH ZANDER

8. IMR REPORT (Cont'd)

SMITH ZANDER

Market Share**Metal door frame and fire resistant door market share in Malaysia, 2018**

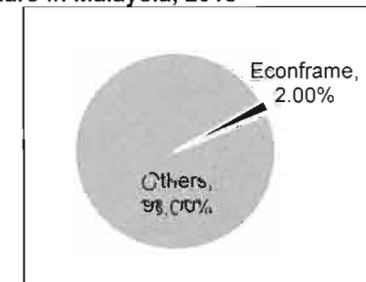
In 2018, the metal door frame and fire resistant door industry size in Malaysia, as represented by the revenue of manufacturers of metal door frames and manufacturers of fire resistant door sets, was RM918.30 million. For the FYE 2018, the segmental revenue of Econframe, derived from the sale of metal door frames and fire resistant door sets was RM35.05 million and thereby Econframe captured a market share of 3.82% in the metal door frame and fire resistant door industry in Malaysia.



Sources: Econframe, CCM, SMITH ZANDER

Metal door frame and door market share in Malaysia, 2018

In 2018, the metal door frame and door industry size in Malaysia, as represented by the revenue of manufacturers of metal door frames, manufacturers of fire resistant door sets, manufacturers of wooden doors and metal doors and distributors of ironmongery, was RM1.99 billion. For the FYE 2018, the group revenue of Econframe was RM39.83 million and thereby Econframe captured a market share of 2.00% in the metal door frame and door industry in Malaysia.



Sources: Econframe, CCM, SMITH ZANDER

4 OUTLOOK AND PROSPECTS

Despite positive historical growth in the size of the metal door frame and door industry which grew at a CAGR of 4.85% from 2016 to 2018 and the size of the metal door frame and fire resistant door industry which grew at a CAGR of 9.36% from 2016 to 2018, the growing usage of metal door frames due to its durability and cost effectiveness, and regulatory requirements making it mandatory for certain buildings to install fire resistant doors, the outlook of the metal door frame and door industry in Malaysia is expected to experience slower demand in the near future, premised on the potential slowdown in the property market in 2020 in view of the outbreak of the Covid-19 virus in early 2020, which will affect the demand for metal door frames, doors and ironmongery. However, some property developers, especially notable property developers (i.e. Gamuda, IJM, IOI Properties, Sime Darby, UOA, SP Setia, amongst others) are likely to continue with the construction of existing projects as they are obligated to hand-over the properties to the buyers within a predetermined time frame in order to maintain their reputation in the market. As such, there will still be demand for metal door frames, doors and ironmongery to support the on-going projects. Further, Bank Negara Malaysia had announced several measures to mitigate the economic impact of Covid-19 such as the decrease in the statutory reserve requirement ratio from 3.00% to 2.00% to release liquidity into the banking system; several reductions in the Overnight Policy Rate which had reduced from 3.00% as at January 2020 to 1.75% as at July 2020; and a 6 months loan deferment until October 2020 to ease the cash flow of individuals and SMEs. In addition, in an effort to stimulate the property market, the Government has reintroduced the Home Ownership Campaign where home buyers are provided with stamp duty exemption and incentive of at least 10% discount on the sale price between 1 June 2020 to 31 May 2021; as well as lifted the 70% margin of financing limit for third housing loan onwards in its short-term economic recovery package. However, property developers will be cautious in launching new projects and the new planned supply of properties is expected to decrease in the near future until economic conditions improve. Since the outbreak of Covid-19 virus is unprecedented, the extent of the uncertainties caused to the property market is not clear at this point in time until economic conditions recover and the impact of the Covid-19 pandemic subsides or ends. In the effort to boost the economy, the Government is formulating a medium term plan to revitalise the economy which will be announced in October or November 2020 and a long term plan to reform the structure of the country's economy which will be announced in January 2021.

9. RISK FACTORS

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

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 Our business operations and profit was affected by the outbreak of the Covid-19 virus and imposition of the Movement Control Order

The government's imposition of the Movement Control Order nationwide from 18 March 2020 to 3 May 2020, as a measure to curb the spread of the Covid-19 virus, has halted most economic activities in Malaysia, including our manufacturing operations. Operationally, as we are unable to conduct our business operations during the Movement Control Order, this would result in a lower recognition of revenue for the current financial year as well as delays in the deliveries of our products. At the height of the Covid-19 pandemic, we incurred a loss after tax of approximately RM0.38 million in April 2020 as we still had to incur fixed overhead costs during the period our business was suspended.

We resumed operations at 50% of our work force on 20 April 2020 after obtaining approval from MITI on 17 April 2020 and after complying with the standard operating procedures and other rules and guidelines as required by MITI. We subsequently increased our work force to 100% under the conditional Movement Control Order on 4 May 2020.

Save for the above impact arising from the Movement Control Order, as at the LPD we have not encountered any cancellation of orders from our customers or disruption in supply from our suppliers. However, there can be no assurance that there will be no cancellation of orders or interruption to our business operations.

9.1.2 Absence of long-term contracts with our customers may result in fluctuation of our financial performance

Our Group does not enter into any long term contracts with our customers. We manufacture our products based on confirmed orders as the nature of our business is based on specific requirements of our customers. Our customers are mainly main contractors and building materials trading arms of property developers and they do not enter into long term contract with us as the design and requirement of their product needs vary for different projects.

The absence of long-term contracts may result in the fluctuation of our Group's revenue and overall financial performance as the orders from our customers are generally on a project-to-project basis. While our Group continuously seeks to maintain and strengthen our existing business relationships and establish relationships with new customers to expand our customer base, any adverse economic conditions, or slowdown in the property development industry in which our customers operate, may negatively impact our revenue, which will subsequently result in a decline in our financial performance.

9. RISK FACTORS (Cont'd)

9.1.3 We rely on skilled workers for our manufacturing operations

While we have semi-automated some of our manufacturing processes over the years, there is still a certain degree of dependency on manual labour. Although machineries such as shearing machines, stamping machines, CNC bending machines, cutting machines and pressing machines have semi-automated the manufacturing process, manual labour still remains critical for the operations of our machineries, to transfer intermediary products from one machine to be fed into another machine for different manufacturing processes, amongst others.

Currently, in our metal door frame manufacturing process, the profile forming is performed by our skilled workers. Similarly, our welding process for our metal door frames is assembled by our skilled workers carrying out manual welding. Manual welding is labour intensive and takes up significant manufacturing time. Further, it may take time to hire workers and thus, skilled workers who have resigned may not be replaced immediately. Additionally, new skilled workers will need to undergo on-the-job training for at least 2 years to gain sufficient skills and expertise to operate with minimal supervision and during this period, we may be faced with insufficient experienced skilled workers.

As at the LPD, we have 13 foreign workers (who account for 19.4% of our total workforce), all of whom we considered skilled workers and are involved in the manufacturing of our metal door frames and fire resistant doors.

In July 2020, the government announced that it will only allow employment of foreign workers in the construction, agriculture and plantation sectors in the future to cut the nation's reliance on foreign workers. The announcement will impose further challenges to the manufacturing sector in Malaysia, which relies on foreign workers for their operations, including to our Group. As the standard of living in Malaysia improves over time, we have found it increasingly difficult to hire local production workers for our manufacturing operations and this difficulty may increase in the future as the supply of foreign workers is further limited.

Any increase in levy on foreign workers, foreign labour suspensions and quota restrictions for the hiring of foreign workers may cause difficulties in employing sufficient labour. Any unfavourable changes in the policies on foreign workers and delays in foreign worker registrations may have a material and adverse effect on our operations and financial performance.

9.1.4 We may not be able to renew the Structure Permit

We currently operate out of Factory 1, Factory 2, Factory 3 and Factory 4 where the original buildings were issued with CF. We made certain additions to the front, side and back portions of the original structure of our factories, which include, but not limited to metal decking roofs over the existing factories, metal louvers, metal frame partition walls, storage cabins, septic tanks and toilets ("Additions").

MPK had certified the 'as-built' drawing plan for the Additions and subsequently issued its approval ("Approval") for these Additions as permitted temporary structures pursuant to By-Law 19(2) of the Building By-Laws for a period of 10 years. By-Law 19(2) of the Building By-Laws grants the local authority the discretion to issue a temporary permit for the erection of a temporary building which shall be subject to all or some of the conditions as set out in the Building By-Laws. Pursuant to the Approval, a Structure Permit is to be renewed annually. We currently possess a valid Structure Permit, which will expire on 31 December 2020. It is also a condition in the Approval that the Additions are to be removed prior to the expiry of the 10 year period.

9. RISK FACTORS (Cont'd)

As the Structure Permit has been issued at the discretion of MPK pursuant to By-Law 19(2) of the Building By-Laws, MPK has the right to revoke or not renew the permit. One of the conditions imposed on the Structure Permit expressly states that MPK can also cancel the Structure Permit in the event that Econframe Marketing breaches any of the conditions attached with the Structure Permit.

As we conduct the majority of our manufacturing operations out of the areas within the factories that were subject to the Additions, in the unlikely occurrence of the Structure Permit being revoked or not renewed, such event would result in a temporary halt in our manufacturing operations. We will thus need to identify a suitable rented premise(s) that can accommodate our manufacturing operations and relocate to the new premise(s) within the notice period specified by MPK, including applying for and obtaining necessary permits and licenses prior to the commencement of the manufacturing operations in the new premise(s).

As elaborated in Section 6.8.1, the chances of non-renewal of the Structure Permit are remote. Furthermore, as stated in Sections 4.9(i) and 7.17(ii)(a), it is also our intention to relocate/ expand our operations to a larger facility which forms part of our rationale to embark on the Listing to raise the necessary funding to finance the implementation of our plan. Upon the relocation to our new factory as part of our eventual plan, the Structure Permit no longer applies and will not have any effect on our overall business and financial performance. However, until we relocate to our new factory as part of our eventual plan as mentioned above, we cannot assure that MPK will not revoke or renew our Structure Permit in a timely manner, if at all prior to the expiry of the abovementioned 10 years period. As such, in the unlikely event that the Structure Permit is revoked or not renewed by MPK prior to our eventual relocation to the new factory, it will have a material adverse effect on the overall business and financial performance of our Group.

9.1.5 We are subject to risks on the maintenance or renewal of product certifications and approvals

Our fire resistant door sets have been tested and certified by SIRIM and approved by BOMBA. The certification from SIRIM and approval from BOMBA is a prerequisite for the commercial production and sales of fire resistant door sets in Malaysia. These certifications and approvals are renewed generally for 1 year from the date of its issue as shown in Appendix I.

Failure to renew or maintain the above certification and approval may result in us being unable to sell our fire resistant door sets. Our revenue contribution from fire resistant door sets contribute 3.8%, 20.9%, 28.5% and 33.2% of our total revenue for the FYEs 2017 to 2019 and FPE 2020 respectively.

The renewal or maintenance of the above certification and approval is dependent on our ability to manufacture and source the raw materials of our fire resistant door sets within the required specifications. We cannot assure that the relevant authorities will not revoke or not renew our certifications in a timely manner or at all.

9.1.6 We are subject to fluctuations in price of steel coils as a result of the fluctuation in global steel prices

Our metal door frames segment contributes approximately 50% of our Group's revenue. The key raw material used in the manufacturing of our metal door frames is steel coils. In the FPE 2020, steel coils constitute approximately 71.1% of our cost of sales for metal door frames. The price of steel coils fluctuates according to global steel prices. Steel prices are amongst others, subject to the demand and supply conditions of steel in the global market,

9. RISK FACTORS (Cont'd)

prices of raw materials for the production of steel such as coal and iron and prevailing energy costs.

Any unfavourable changes in the conditions of any of the above factors may cause material increases in the price of steel, and this may lead to a rise in our cost of production as well as carrying cost for maintaining inventories. If we are unable to pass on the increase in our cost of production to our customers, we will need to bear the increasing costs and this will have a material impact on our financial results.

The cost of steel coils and the cost of sales for our metal door frames segment for the FYEs 2017 to 2019 and FPE 2020 are as follows:

	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
<u>Metal door frames</u>				
Cost of steel coils	12,587	13,626	11,922	6,958
Cost of sales	16,828	17,714	16,636	9,784

The fluctuation in the prices of steel price has affected the cost of sales of our metal door frames segment for the FYEs and FPE under review in the following manner:

- (i) In the FYE 2018, our cost of sales for our metal door frames increased by RM0.89 million (5.3%) as compared to the FYE 2017 mainly due to higher steel coil cost where the average price for electro-galvanised steel coil increased from RM3,068 per MT in the FYE 2017 to RM3,313 per MT in the FYE 2018 as a result of increase in global steel price.
- (ii) In the FYE 2019, our cost of sales for our metal door frames decreased by RM1.08 million (6.1%) as compared to the FYE 2018 mainly due to the lower steel coil cost where the average price for electro-galvanised steel coil decreased from RM3,313 per MT in the FYE 2018 to RM3,080 per MT in the FYE 2019.
- (iii) In the FPE 2020, our cost of sales for our metal door frames decreased by RM2.90 million (22.9%) as compared to the FPE 2019 mainly due to the lower steel coil cost where the average price for electro-galvanised steel coil decreased from RM3,086 per MT in the FPE 2019 to RM2,851 per MT in the FPE 2020.

9.1.7 Our business is exposed to sudden and unexpected equipment failures, flood or fires and burglary, which may lead to interruptions in our business operations

Our Group's manufacturing activities are dependent on various machineries and equipment that allow for shearing, bending, welding, as well as cutting, amongst others. These machineries and equipment may, on occasion, be out of service because of unanticipated failures or damages sustained during normal business operations. Further, our manufacturing facilities are also subject to interruptions caused by unforeseen events such as floods, fires and burglary.

These unexpected events may cause interruptions in, or prolonged suspension of, all or any part of our manufacturing activities; or any damage to, or destruction of, all or part of our manufacturing facilities. In addition, as our manufacturing activities are dependent on continuous supply of electricity, any major disruptions to the supply of electricity may result in interruptions in our operations.

9. RISK FACTORS (*Cont'd*)

Any prolonged interruptions to our operations will affect our production schedules and timely delivery of our products to our customers which may cause cancellation of purchase orders and may eventually impact our relationships with our customers. This could have an adverse impact on our business operations and financial performance.

We have not experienced any past incidence of unanticipated failures or damages sustained during operations which led to major interruptions in our operations. However, there can be no assurance that such incidences will not happen in the future which may result in interruptions to our operations and adversely affect our business operations and financial performance.

9.1.8 We rely on our Directors and key senior management for our continued success

We attribute our success to the leadership and continued contribution of our key senior management team and other personnel, led by our Managing Director. We believe that our continued and future success largely depend on our continued ability to hire, train, motivate and retain our key senior management and other personnel to develop new products, support our existing range of products and provide quality products to our customers.

Having a strong team of key senior management and other personnel is vital to maintain the quality of our Group's products whilst retaining the business confidence of our customers. The loss of our Directors, key senior management and other personnel simultaneously or within a short span of time without suitable and timely replacement, or our inability to attract and retain qualified and competent personnel, may adversely affect our Group's operations.

9.1.9 We may not be able to effectively manage our growth or successfully implement our business strategies

We have allocated RM9.00 million from our Public Issue proceeds to finance the capital expenditure for a new production facility and to automate part of our production line. Please refer to Sections 4.9 (a) and (b) for details of our proposed capital expenditure from the Public Issue proceeds.

Our business strategies involve a number of cost-related risks, including but not limited to, increased capital expenditures, increased depreciation charges, higher machineries and equipment maintenance costs as follows:

Business strategies	Cost related risks
- Land acquisition and construction of new factory	<ul style="list-style-type: none"> • Increased depreciation charges
- Acquisition of 4 robotic welding lines and 2 CNC bending machines in-built with robotic arms	<ul style="list-style-type: none"> • Increased operating expenditure arising from machineries and equipment maintenance costs • Increased depreciation charges

Following our expansion plan, additional operating costs, maintenance costs as well as depreciation charges will be incurred. If our Group fails to generate sufficient revenue to cover such additional costs and effectively grow our business, our financial performance may be adversely affected.

9. RISK FACTORS (Cont'd)

We are not able to guarantee that we will be successful in executing our business strategies, nor can we assure that we will be able to anticipate all the business and operational risks arising from our business strategies, include, among others, delays in construction, delays in obtaining approval from the relevant government bodies for the construction of the new factory and delays in machines delivery, amongst others. Any failure to do so, including any failure or inefficiencies in managing our business growth, may lead to a material adverse effect on our business operations and financial performance.

9.1.10 We will be exposed to new business risks arising from manufacturing of in-house wooden doors

Presently, we source our wooden doors from suppliers and distribute them to our customers. As part of our future plans (further detailed in Section 7.17), we intend to expand our manufacturing capabilities to manufacture our wooden doors in-house. Upon commencement of our wooden door manufacturing business, we will be exposed to new business risks such as shortage of raw materials, disruption in supply and/or other unforeseen risks in which our Group has not been previously exposed to. There can be no assurance that the occurrence of such risks and/or other unforeseen circumstances would not have any material adverse effect on our Group's operations and financial performance.

9.1.11 We are exposed to higher transactional costs arising from foreign exchange fluctuation differences which may impact our costs of raw materials

A portion of our raw material purchases are denominated in RMB. The following is our Group's breakdown of purchases made in RMB and RM during the FYEs 2017 to 2019 and FPE 2020:

	FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases transacted in RM	19,375	80.5	22,675	81.5	17,734	70.2	12,511	68.2
Purchases transacted in RMB	4,694	19.5	5,134	18.5	7,520	29.8	5,826	31.8
Total	24,069	100.0	27,809	100.0	25,254	100.0	18,337	100.0

The purchases transacted in RMB are largely for the purchase of ironmongery and fire resistant boards.

Our Group is exposed to transactional costs on purchases of raw materials for fire resistant boards and ironmongery from our suppliers in China. For the FYEs 2017 to FYE 2019, we do not recognise any gain or loss on foreign exchange fluctuations for the import of raw materials as the impact of the fluctuation is not material. For the FPE 2020, we recorded a realised foreign exchange loss of RM0.09 million, mainly due to the weakening of the RM against the RMB for the raw materials imported from China.

A depreciation of the RM against the RMB between the time the purchase were recorded and the payments were made to suppliers in China will lead to higher costs of raw material in RM. As our sales are transacted in RM and where our entire Group's revenue is derived locally, depreciation of the RM against the RMB will ultimately affect the cost of our purchases and may adversely affect our financial performance as it would reduce our GP margin as we are unable to pass the costs to our customers.

9. RISK FACTORS (Cont'd)

In the FPE 2020, our purchases of raw materials from our suppliers in China amounted to RM5.83 million. For illustration, assuming the fluctuation of RM against the RMB is 5% and such foreign exchange fluctuations is not passed on to customers by way of selling price changes, this will result in an increase or decrease in our GP for the FPE 2020 by RM0.29 million, depending on the direction of the foreign exchange movement between RM and RMB.

There can be no assurance that there will not be any material fluctuation in foreign exchange in the future that could result in us recording a higher cost of sales and adversely affect our GP margin and thus, our financial performance.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 Dependence on the property market**

Our business operations and financial performance are dependent on the performance of the property market in Malaysia.

The outlook of the Malaysian property market may be affected by market risks such as political and economic instability of the country, increasing financing cost and fluctuating demand for real estate properties. As such, any adverse changes in the above factors will have a direct impact on the movement and development in the property market in Malaysia. The decrease in the demand for properties will subsequently lead to a decline in the planned supply of properties. Consequently, the demand for metal door frames and doors will decrease, which could have a negative impact on our overall financial performance.

9.2.2 We are subject to supply chain disruptions for our purchases which may result in the disruption of our operations

The occurrence of unexpected crises such as political crisis, natural disasters, and disease outbreaks, amongst others, in the countries of origin for our supplies may temporarily disrupt the supply chain for our purchases. An example for this risk is the recent Covid-19 virus epidemic, also known as the novel coronavirus, which originated in China. A portion of our purchases (i.e. ironmongery and fire resistant boards) are from China. Such crisis may cause our shipments to be delayed or completely halted; and/or we may face disruptions with the transportation network due to closure of airports, ports and other transportation hubs, thus causing delays in the delivery of our supplies. Without sufficient inventory on hand, this may affect our manufacturing operations due to the delays in receiving our supplies from China. If disruptions persist, we may be required to purchase our supplies from other suppliers which may be at a higher cost, and which will adversely affect our financial performance.

9.2.3 We are subject to the political, regulatory and economic risks in Malaysia

We supply our products to main contractors and building materials trading arms of property developers in Malaysia. As such, the financial performance and business prospects of our Group will depend on the political, economic and regulatory conditions in Malaysia. Any adverse developments in the political, economic and regulatory conditions in Malaysia could unfavourably affect our financial performance and business prospects. Amongst the political, economic and regulatory uncertainties that may affect our operations includes changes in the political leadership leading to unstable political situation, terrorism activities, changes in interest rates, fluctuation in currency exchange rates and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

9. RISK FACTORS (Cont'd)

On 10 January 2020, the Human Resources Ministry of Malaysia gazetted the Minimum Wages Order 2020 which states that the minimum wage rate payable to an employee who works within the specified 16 city councils and 40 municipal councils (of which Klang is one of the municipal councils mentioned) will be RM5.77 per hour or RM1,200 monthly commencing 1 February 2020. This is an increase from the RM1,100 per month minimum wage or RM5.05 per hour that was implemented nationwide under the Minimum Wage Order 2018. The increase in minimum wage has resulted in an increase in our cost of sales which may adversely affect our financial performance if we are unable to factor this increase in the pricing of our products.

There can be no assurance that any adverse political, economic and regulatory changes, which are beyond our control, will not unfavourably affect our future financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public trading for our Shares. The listing of and quotation for our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing may be delay or aborted

Our Listing may be delayed or aborted should any of the following occurs:

- (i) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (ii) We are unable to meet the public shareholding spread requirement whereby at least 25% of our enlarged issued share capital must be held by a minimum of 200 public shareholders each holding not less than 100 Shares at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Applications within 14 days, failing which the provision of sub-section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Section 117 of the Act and its related rules.

Such cancellation requires the sanction of shareholders by special resolution in a general meeting, with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9. RISK FACTORS (Cont'd)

9.3.3 The trading price and volume of our Shares upon Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as growth potential of various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.4 Ability to make dividend payment on our Shares is dependent on the flow of dividends from our subsidiaries

Our Company is an investment holding company and we conduct all of our operations through our subsidiaries. Accordingly, our income will be derived mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiaries. The ability of our subsidiaries to pay dividends to us will depend upon their financial performance and availability of their distributable reserves, capital requirements for their operational needs and debt servicing commitment.

There can be no assurance that we would be able to pay future dividends on our Shares, as a result of the factors stated above. Furthermore, if we do not pay dividends or pay dividends at level lower than that anticipated by investors, the trading price of our Shares may be negatively affected and the value of any investment in our Shares might be reduced.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Group

Our Promoters will collectively hold 68.1% of our enlarged share capital upon Listing. They will have significant influence over our business direction and the outcome of certain matters requiring shareholders' vote, unless they are required to abstain from voting by law and/or by the relevant authorities.

9.4.2 Forward-looking/prospective statements in this Prospectus may not be achievable

Certain statements or expectations or forecasts in this Prospectus are based on historical data which may not be reflective of future results. Forward-looking statements are based on assumptions and subject to uncertainties and contingencies.

There can be no assurance that such forward-looking statements or expectations or forecasts will materialise and actual results may deviate significantly. Such deviation may have a material and adverse effect on us.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS

10.1 RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS

10.1.1 Related party transactions

Save for the Acquisitions and amount owing to/from our Directors (details as set out in Section 10.1.2), there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during the FYEs 2017 to 2019, FPE 2020 and up to the LPD.

Moving forward, to ensure future related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(i) Recurrent related party transactions

- (a) At least 2 other contemporaneous transactions with 3rd parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (b) If quotation or comparative pricing from 3rd parties cannot be obtained, the transaction price will be determined by our Group based on those offered by 3rd parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek a mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(ii) Other related party transactions

- (a) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (b) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (c) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS (Cont'd)

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

10.1.2 Other transactions

(i) Transactions that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the FYEs 2017 to 2019, FPE 2020 and up to the LPD.

(ii) Outstanding loans (including guarantees of any kind)

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) made by our Group to/for the benefit of a related party during the FYEs 2017 to 2019, FPE 2020 and up to the LPD.

(a) Amount owing from Director

Other than the amount owing from our Director of RM1.30 million recorded as other receivable in the FYE 2018, there was no other amount owing from our Director of our Group. This amount relates to the advances extended by Econframe Marketing to our Director and has been settled in full during the FYE 2019. This amount is non-trade related, unsecured, interest free and repayable on demand. As at the LPD, we do not have any amount owing from any of our Directors.

(b) Amount owing to Director

Other than the amount owing to our Director of RM0.49 million recorded as other payables in the FYE 2017, there was no other amount owing to our Director of our Group. This amount relates to the advances extended by our Director to Econframe Marketing and has been settled in full during the FYE 2018. This amount is non-trade related, unsecured, interest free and repayable on demand. As at the LPD, we do not have any amount owing to any of our Directors.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS (Cont'd)

These non-trade related party balances under item (a) and (b) above are denominated in RM and were not made on an arm's length basis as it does not carry any interest.

Moving forward, our Group will not provide any non-trade related advances to our Directors.

(iii) Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent in respect of our Listing:

- (a) Agreement dated 6 September 2019 between Econframe Marketing and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and
- (b) Underwriting Agreement dated 25 August 2020 entered into between our Company and M&A Securities for the underwriting of 19,500,000 Issue Shares.

10.2 CONFLICT OF INTEREST

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are carrying on a similar or related trade as our Group, or are the customers and/or suppliers of our Group.

Moving forward, in order to mitigate any possible conflict of interest situation, our Directors will declare to our Nomination Committee and our Board their interests in other companies on the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. If our Directors are involved in similar business as our Group or business of our customers and suppliers, our Nomination Committee shall inform our Audit and Risk Management Committee of such involvement. Where a determination has been made that there is an actual or potential conflict of interest of a Director, our Nomination Committee will:

- (i) Immediately inform our Board of the conflict of interest situation after deliberating with our Audit and Risk Management Committee; and
- (ii) Make recommendations to our Board to direct the conflicted Director to:
 - (a) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (b) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (ii) above, the conflicted Director shall be absent from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director may however at the request of our Chairman be present at the Board meeting for the purposes of answering any questions.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS (Cont'd)

In circumstances where a Director has a significant, ongoing and irreconcilable conflict of interest with our Group and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

10.3 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(i) Declaration by M&A Securities

M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing;

(ii) Declaration by Ilham Lee

Ilham Lee has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing;

(iii) Declaration by Baker Tilly

Baker Tilly has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and

(iv) Declaration by Smith Zander

Smith Zander has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.

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11. FINANCIAL INFORMATION**11.1 HISTORICAL FINANCIAL INFORMATION**

Our historical financial information throughout the FYEs 2017 to 2019 and FPE 2020 have been prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

We completed the Acquisitions on 1 August 2020. Econframe Marketing and Econframe Pre-Hung are assumed to be under common control with our Group since their incorporation and prior to the Acquisitions. As such, the historical financial information of our Group for the FYEs 2017 to 2019 and FPE 2020 is presented based on the combined audited financial statements of the Econframe Group.

11.1.1 Combined statements of comprehensive income

The following table sets out a summary of our combined statements of comprehensive income for the FYEs 2017 to 2019 and FPE 2020 as well as the historical combined unaudited statements of comprehensive income for the FPE 2019 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 11.2 and 12 respectively.

	Audited			Unaudited	Audited
	FYE 2017	FYE 2018	FYE 2019	FPE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	35,494	39,834	44,089	33,265	29,977
Cost of sales	(26,651)	(29,957)	(29,475)	(22,648)	(20,349)
GP	8,843	9,877	14,614	10,617	9,628
Other income	195	419	619	167	162
Administrative expenses	(3,357)	(2,496)	(3,290)	(2,464)	(3,276)
Sales and distribution expenses	(1,156)	(980)	(1,210)	(919)	(951)
Finance costs	(223)	(187)	(126)	(83)	(51)
PBT	4,302	6,633	10,607	7,318	5,512
Taxation	(1,192)	(1,536)	(2,472)	(1,718)	(1,301)
PAT/PATMI	3,110	5,097	8,135	5,600	4,211
Other comprehensive income, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Surplus on revaluation of PPE	1,041	371	1,389	-	-
Other comprehensive income for the financial year/period	1,041	371	1,389	-	-
Total comprehensive income for the financial year/period	4,151	5,468	9,524	5,600	4,211
EBIT ⁽¹⁾	4,516	6,807	10,712	7,386	5,514
EBITDA ⁽¹⁾	5,038	7,252	11,214	7,742	5,910
GP margin (%) ⁽²⁾	24.9	24.8	33.1	31.9	32.1
PBT margin (%) ⁽³⁾	12.1	16.7	24.1	22.0	18.4
PAT/PATMI margin (%) ⁽³⁾	8.8	12.8	18.5	16.8	14.0
Basic EPS (sen) ⁽⁴⁾	1.20	1.96	3.13	2.15	1.62
Diluted EPS (sen) ⁽⁵⁾	0.96	1.57	2.50	1.72	1.30

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) EBIT and EBITDA are calculated as follows:

	Audited			Unaudited	Audited
	FYE 2017	FYE 2018	FYE 2019	FPE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	3,110	5,097	8,135	5,600	4,211
Less:					
Interest income	(9)	(13)	(21)	(15)	(49)
Add:					
Finance costs	223	187	126	83	51
Taxation	1,192	1,536	2,472	1,718	1,301
EBIT	4,516	6,807	10,712	7,386	5,514
Add:					
Depreciation and amortisation	522	445	502	356	396
EBITDA	5,038	7,252	11,214	7,742	5,910

- (2) Calculated based on GP over revenue.
- (3) Calculated based on PBT/PAT/PATMI (as the case may be) over revenue.
- (4) Calculated based on PAT/PATMI for the financial year over our enlarged number of Shares in issuance before our IPO.
- (5) Calculated based on PAT/PATMI for the financial year over our enlarged number of Shares in issue after our IPO.

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11. FINANCIAL INFORMATION (Cont'd)**11.1.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 August 2017, 2018 and 2019 and 31 May 2020 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 11.2 and 12 respectively.

	Audited		
	31 August		31 May
	2017	2018	2019
	RM'000	RM'000	RM'000
Non-current assets			
PPE	8,230	8,375	9,731
Investment property	2,550	2,800	324
	10,780	11,175	10,055
			10,068
Current assets			
Inventories	1,893	2,757	2,909
Trade receivables	9,827	12,622	15,029
Other receivables	100	166	334
Current tax assets	-	-	-
Amount owing by director	-	1,296	-
Short term deposits	431	564	1,704
Cash and bank balances	1,342	1,336	3,177
	13,593	18,741	23,153
			23,402
Total assets	24,373	29,916	33,208
			33,470
Equity			
Invested equity	1,100	1,100	1,100
Retained earnings	12,629	17,536	20,681
Revaluation reserves	2,488	2,849	4,228
Total equity	16,217	21,485	26,009
			30,220
Non-current liabilities			
Bank borrowings	858	660	569
Finance lease liabilities/lease liabilities	420	167	65
Deferred tax	1,148	1,169	1,497
	2,426	1,996	2,131
			2,012
Current liabilities			
Trade payables	1,182	2,108	1,664
Other payables and accruals	405	515	902
Amount owing to director	488	-	-
Bank borrowings	2,652	2,606	1,508
Finance lease liabilities/lease liabilities	280	253	110
Taxation	723	953	884
	5,730	6,435	5,068
			1,238
Total liabilities	8,156	8,431	7,199
			3,250
Total equity and liabilities	24,373	29,916	33,208
			33,470

11. FINANCIAL INFORMATION (Cont'd)**11.1.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for the FYEs 2017 to 2019 and FPE 2020 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 11.2 and 12 respectively.

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
PBT	4,302	6,633	10,607	5,512
Add back:				
Depreciation of PPE	522	445	502	396
Bad debts recovered	-	-	(5)	-
Interest expenses	223	187	126	51
Fair value loss/(gain) on investment property	1,050	(250)	(400)	-
Impairment loss on trade receivables	-	-	31	-
Impairment loss on PPE	-	-	10	-
Bad debts written off	-	-	3	-
Reversal of impairment loss	-	-	-	(31)
Gain on disposal of PPE	(30)	-	-	-
Interest income	(9)	(13)	(21)	(49)
Operating profit before working capital changes	6,058	7,002	10,853	5,879
Changes in working capital:				
Inventories	(1,624)	(865)	(152)	(838)
Trade and other receivables, deposits and prepayments	647	(2,861)	(2,605)	1,910
Trade and other payables, accruals and provisions	(2,462)	1,035	(56)	(1,539)
Cash generated from operations	2,619	4,311	8,040	5,412
Finance costs paid	(34)	(12)	(2)	-
Tax paid	(1,483)	(1,283)	(2,543)	(2,452)
Net cash from operating activities	1,102	3,016	5,495	2,960
Cash flows from investing activities				
Purchase of PPE	(215)	(219)	(371)	(358)
Proceeds from disposal of PPE	30	-	-	-
Interest income received	9	13	21	49
Change in pledged deposits	(129)	(133)	(1,141)	(1,172)
Net cash used in investing activities	(305)	(339)	(1,491)	(1,481)
Cash flows from financing activities				
Interest paid	(189)	(175)	(124)	(51)
Net change in amount owing to director	(54)	(1,784)	1,296	-
Drawdown/(repayment) of bankers acceptance	349	(519)	(483)	(1,265)
Repayment of term loans	(147)	(190)	(47)	(133)
Repayment of finance lease liabilities/lease liabilities	(290)	(280)	(345)	(118)
Dividend paid	-	(200)	(1,800)	-
Proceeds from issuance of share capital upon incorporation	-	-	-	*
Net cash used in financing activities	(331)	(3,148)	(1,503)	(1,567)

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	466	(471)	2,501	(88)
Cash and cash equivalents at beginning of the financial year/period	681	1,147	676	3,177
Cash and cash equivalents at end of the financial year/period	1,147	676	3,177	3,089

* Amount less than RM1,000.

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and segmental analysis of our combined financial statements for the FYEs 2017 to 2019 and FPE 2020 should be read with the Accountants' Report included in Section 12.

11.2.1 Overview of our operations

(i) Principal activities

Our Group is principally involved in the following:

- (a) Design and manufacturing of metal door frames;
- (b) Manufacturing of fire resistant door sets;
- (c) Manufacturing of metal doors; and
- (d) Trading of wooden doors and ironmongery

Please refer to Section 7 for our Group's detailed business overview. Please refer to Section 9 for the risk factors that may affect our revenue and financial performance.

(ii) Revenue

Our Group's revenue are from the sale of our products. Geographically, our revenue is derived mainly from Malaysia.

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods and acceptance by the customer or when the significant risks and rewards of ownership of the goods has been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. As such, our revenue is only recognised upon acceptance of our delivery by our customer.

(iii) Cost of sales

Our cost of sales for our manufacturing segment comprises raw materials, labour, production overheads and logistics while our cost of sales for our trading segment comprises supplies of fire resistant door sets, wooden doors and ironmongery as well as logistic costs for the importation of ironmongery and fire resistant boards.

11. FINANCIAL INFORMATION (Cont'd)

(a) Raw materials

Our Group's raw materials for our manufacturing segment are mainly steel coils, ironmongery, fire resistant boards, insulation materials, fire seal, glue and plywood. These raw materials are mostly available locally and overseas and we source from our pool of suppliers locally and overseas.

(b) Labour costs

Labour costs comprises direct labour which are mainly salaries and wages of our workers (including its related levy, visa and recruitment cost) who are directly involved in the production of our products and sub-contractors' charges for the manufacturing of metal door frames.

(c) Production overheads

Production overheads consist mainly of utility expenses, depreciation of PPE in relation to our manufacturing facilities and upkeep and maintenance of factory and machineries.

(d) Logistics

Logistic costs consist mainly of freight charges incurred for the importation of ironmongery and fire resistant boards.

(iv) Other income

Other income comprises mainly rental income, interest received from fixed deposits placed with financial institutions, fair value gain on a piece of freehold agriculture land held for investment, gain on disposal of PPE and reversal of impairment loss.

(v) Administrative expenses

Administrative expenses comprise mainly overheads incurred to maintain our operations such as remuneration of administrative staff, directors' remuneration, depreciation of PPE, rental expenses, utilities cost, statutory audit and professional fees, and upkeep of office, office equipment and motor vehicles.

(vi) Sales and distribution expenses

Sales and distribution expenses consist of costs incurred directly for sales and marketing functions such as advertising expenses, and participation fees for trade exhibition cost, sales commission as well as travelling and accommodation expenses attributable to the sales and marketing function of our Group.

(vii) Finance costs

Finance costs comprise mainly interest expenses on borrowings of our Group.

(viii) Changes to accounting policies and estimates

Save as disclosed in Section 12, there were no other changes to our accounting policies and estimates during the financial years under review.

11. FINANCIAL INFORMATION (Cont'd)

(ix) Recent developments

Save for the Acquisitions, there were no significant events subsequent to our Group's audited combined financial statements for the FPE 2020.

(x) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the FYEs 2017 to 2019 and FPE 2020. In addition, our audited combined financial statements for the financial years and financial period under review were not subject to any audit qualifications.

(xi) Significant factors affecting our business

Section 9 details a number of risk factors relating to our business and industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect revenue and profits include but are not limited to the following:

(a) Outbreak of Covid-19 virus and the imposition of the Movement Control Order

The government's imposition of the Movement Control Order nationwide from 18 March 2020 to 3 May 2020, as a measure to curb the spread of the Covid-19 virus, has halted most economic activities in Malaysia, including our manufacturing operations. As we were not considered a critical sector for the supply of essential goods, we were unable to conduct our business operations during the Movement Control Order. Although we had resumed operations on 20 April 2020 at 50% of our work force and subsequently to 100% of our work force under the conditional Movement Control Order on 4 May 2020, we expect our financial performance moving forward, to be affected in terms of delayed revenue recognition for the period of the Movement Control Order, resulting in lower recognition of revenue for the current FYE 2020 as well as delays in the deliveries of our products.

(b) Exposure to fluctuations in the global steel price

Our metal door frames segment contributes approximately 50% of our Group's revenue. The key raw material used in the manufacturing of our metal door frames is steel coils and its prices fluctuates according to global steel prices, which may be subject to supply and demand conditions of steel in the global market. An increase in the global steel prices and the price of steel coils will increase our cost of sales which may affect our profitability, as well as carrying cost of our inventories.

(c) Lack of long-term contracts

Our sales are mainly derived from purchase orders and occasionally other forms of confirmed orders due to the nature of our business and customers' practices. Any adverse economic conditions, or slowdown in the industries where our customers operates may negatively impact our sales.

11. FINANCIAL INFORMATION (Cont'd)

(d) Products certifications and approvals

Our fire resistant door sets is one of our key revenue contributors, contributing 3.8% to 33.2% of our Group's total revenue for the financial years/period under review.

Our fire resistant door sets have been certified by SIRIM and approved by BOMBA to be compliant with MS 1073 : Part 3 : 1996 (AMD.1 : 2003). If we fail to renew or maintain the certification or approval, our fire resistant door sets will not be allowed to be sold, which will then materially and adversely affect our Group's financial performance.

(e) Interruptions in our business operations

Our manufacturing activities are heavily dependent on our machineries and equipment such as shearing, stamping, CNC bending, wood cutting, and wood press machines, amongst others. These machineries, may on occasions, be out of service or breakdown as a result of unanticipated maintenance required, and failures may affect our production operations. There has been no major breakdown that materially disrupts our manufacturing processes in the past as we have more than 1 unit of machine for each manufacturing process. We also conduct routine maintenance schedule for our machines. Further, our manufacturing plant is also subject to unexpected events such as electricity outage, floods and fires.

Any prolonged interruptions in our business operations due to the above, will result in delays in our production schedules and timely delivery of our products to our customers, which will then materially and adversely affect our financial performance.

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11. FINANCIAL INFORMATION (Cont'd)

11.2.2 Review of results of operations

(i) Revenue

Our revenue for the financial years under review was derived from the sale of products under our manufacturing and trading segments. Our sales are derived mainly locally and denominated in RM.

Analysis of revenue by business segment

	Audited						Unaudited		Audited	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing										
Metal door frames	21,837	61.6	22,472	56.4	24,002	54.4	18,374	55.2	14,251	47.5
Fire resistant door sets	1,360	3.8	8,330	20.9	12,543	28.5	9,139	27.5	9,940	33.2
Metal door sets	707	2.0	55	0.2	236	0.5	68	0.2	173	0.6
Sub-total	23,904	67.4	30,857	77.5	36,781	83.4	27,581	82.9	24,364	81.3
Trading										
Fire resistant door sets	8,061	22.7	4,243	10.7	(1) -	-	-	-	-	-
Ironmongery	470	1.3	1,211	3.0	2,936	6.7	2,329	7.0	2,794	9.3
Wooden doors	3,059	8.6	3,523	8.8	4,372	9.9	3,355	10.1	2,819	9.4
Sub-total	11,590	32.6	8,977	22.5	7,308	16.6	5,684	17.1	5,613	18.7
Total	35,494	100.0	39,834	100.0	44,089	100.0	33,265	100.0	29,977	100.0

Note:

- (1) We discontinued the trading of 3rd party fire resistant door sets in the FYE 2019 as we align our focus to market fire resistant door sets manufactured under our own brand, DUROE®. We obtained the certification and approval from SIRIM and BOMBA, respectively to produce and sell our DUROE® brand of fire resistant door sets during the FYE 2017.

11. FINANCIAL INFORMATION (Cont'd)**Financial commentaries****Comparison between FYE 2017 and FYE 2018**

Our revenue increased by RM4.34 million (12.2%) to RM39.83 million for the FYE 2018 (FYE 2017: RM35.49 million) due mainly to the increase in revenue generated from our manufacturing segment.

Manufacturing

Revenue from our manufacturing segment increased by RM6.95 million (29.1%) to RM30.86 million for the FYE 2018 (FYE 2017: RM23.90 million). Such increase was mainly due to the higher contribution from the sales of our own manufactured DUROE® brand of fire resistant door sets (which are sold as a set together with our metal door frames) by RM6.97 million (512.5%). In the FYE 2018, we sold a total of 19,612 fire resistant door sets (of which 13,000 units was our manufactured DUROE® brand of fire resistant door sets while 6,612 units was traded fire resistant door sets) (FYE 2017: 12,915 fire resistant door sets sold; 2,296 units was our manufactured DUROE® fire resistant door sets; 10,619 units was traded fire resistant door sets). The significant increase in revenue for our manufactured fire resistant door sets was due to cross marketing efforts in promoting our newly launched DUROE® brand of fire resistant door sets which commenced commercial production in the 2nd half of the FYE 2017 alongside with the decrease in sales of 3rd party resistant door sets.

Revenue for our metal door frames recorded an increase by RM0.64 million (2.9%) for the FYE 2018 despite a lower quantity of metal door frames sold (FYE 2018: 308,958 units as compared to FYE 2017: 324,430 units). The slight increase in revenue was due to our increase in average selling price per unit for our metal door frames as a result of an increase in the average steel coil prices (largely determined by the global market prices of steel products) where the average price for electro-galvanised steel coil increased from RM3,068 per MT in the FYE 2017 to RM3,313 per MT in the FYE 2018 which was offset by the decrease in the quantities sold.

Revenue for our metal door sets decreased by RM0.65 million (92.2%) from RM0.71 million for the FYE 2017 to RM0.06 million for the FYE 2018 due to lower quantities of metal door sets sold in the FYE 2018 as compared to the FYE 2017. The higher volume of quantity sold in the FYE 2017 was due to a one-off export order secured from a customer in Indonesia.

Trading

Revenue from our trading segment decreased by RM2.61 million (22.5%) to RM8.98 million in the FYE 2018 (FYE 2017: RM11.59 million). Such decrease was mainly due to the decrease in sales of 3rd party fire resistant door sets by RM3.82 million (47.4%). We sold 6,612 3rd party fire resistant door sets in the FYE 2018 as compared to 10,619 in the FYE 2017. The decrease in the sales of 3rd party fire resistant door sets was in tandem with our shift in strategy towards promoting and selling our own manufactured DUROE® brand of fire resistant door sets to decrease our dependency on sales of 3rd party resistant door sets.

The decrease in revenue from sales of 3rd party resistant door sets was partly offset by the increase in sales of ironmongery by RM0.74 million (157.7%) and wooden doors by RM0.46 million (15.2%). We sold 58,249 ironmongery and 33,386 wooden doors in the FYE 2018 as compared to 24,208 ironmongery and 28,447 wooden doors in the FYE 2017.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2018 and FYE 2019

Our revenue increased by RM4.26 million (10.7%) to RM44.09 million for the FYE 2019 (FYE 2018: RM39.83 million) due to contribution from our manufacturing segment.

Manufacturing

Revenue from our manufacturing segment increased by RM5.92 million (19.2%) to RM36.78 million for the FYE 2019 (FYE 2018: RM30.86 million). Such increase was mainly due to the higher contribution from our sales of our own DUROE® brand of fire resistant door sets by RM4.21 million (50.6%). During the FYE 2019, we continued to promote our DUROE® brand of fire resistant door sets as we discontinued the trading of 3rd party fire resistant door sets. We sold a total of 17,265 fire resistant door sets (comprising entirely of our manufactured DUROE® brand of fire resistant door sets) in the FYE 2019 as compared to 13,000 fire resistant door sets sold in the FYE 2018.

Revenue for our metal door frames recorded an increase of RM1.53 million (6.8%) for the FYE 2019 (FYE 2018: RM22.47 million) despite a lower quantity of metal door frames sold (FYE 2019: 307,737 units as compared to FYE 2018: 308,958 units). The increase in revenue was due to higher material specifications demanded by notable property developers such as Eco World, Gamuda, Aset Kayamas, Matrix Concept, IJM Land, LBS Bina, Mah Sing and Sime Darby. The higher material specification uses Zinalume® as compared to electro-galvanised iron which commands a higher average selling price per unit.

Revenue for our metal door sets increased marginally by RM0.18 million (329.1%) to RM0.24 million in the FYE 2019 (FYE 2018: RM0.06 million) due to higher demand from the domestic market.

Trading

Revenue from our trading segment decreased by RM1.67 million (18.6%) to RM7.31 million in the FYE 2019 (FYE 2018: RM8.98 million) due mainly to the discontinuance of distribution activities for 3rd party fire resistant door sets. Accordingly, our revenue for 3rd party fire resistant door sets decreased by RM4.24 million (100.0%) during the FYE 2019 to nil (FYE 2018: RM4.24 million). This was in line with nil quantity sold in the FYE 2019 as compared to 6,612 units sold in the FYE 2018.

Revenue for our ironmongery and wooden doors increased by RM1.73 million (142.4%) and RM0.85 million (24.1%) respectively as we secured higher sales orders for our ironmongery and wooden doors from both existing and new customers. We sold 145,107 ironmongery and 41,009 wooden doors in the FYE 2019 as compared to 58,249 ironmongery and 33,386 wooden doors in the FYE 2018.

Comparison between FPE 2019 and FPE 2020

Our revenue decreased by RM3.29 million (9.9%) to RM29.98 million for the FPE 2020 (FPE 2019: RM33.27 million) for both our manufacturing and trading segments due to the sudden suspension of businesses arising from the government's imposition of the Movement Control Order nationwide, which had impacted our business.

11. FINANCIAL INFORMATION (Cont'd)

Manufacturing

Revenue from our manufacturing segment decreased by RM3.22 million (11.7%) to RM24.36 million for the FPE 2020 (FPE 2019: RM27.58 million) due mainly to the decrease in the quantity of metal door frames sold where the scheduled deliveries of unfulfilled purchase orders were affected by the suspension of businesses during the Movement Control Order. We sold 171,178 metal door frames in the FPE 2020 as compared to 220,750 metal door frames in the FPE 2019.

Revenue from our fire resistant door sets recorded an increase by RM0.80 million (8.8%) to RM9.94 million for the FPE 2020 (FPE 2019: RM9.14 million) due to a higher quantity of fire resistant door sets sold (FPE 2020: 14,670 units as compared to FPE 2019: 12,982 units). The slight increase in revenue was due to the increasing demand for our manufactured DUROE® brand of fire resistant door sets.

Revenue from our metal door sets increased by RM0.11 million (154.4%) to RM0.17 million in the FPE 2020 (FPE 2019: RM0.07 million) due to higher demand from the domestic market where we sold 131 units in the FPE 2020 (FPE 2019: 37 units).

Trading

Revenue from our trading segment decreased by RM0.07 million (1.2%) to RM5.61 million in the FPE 2020 (FPE 2019: RM5.68 million) due to the lower contribution from the sales of wooden doors which was partially offset by the higher sales of ironmongery.

Revenue from our wooden doors decreased by RM0.54 million (16.0%) to RM2.82 million in the FPE 2020 (FPE 2019: RM3.36 million) due mainly to a lower quantity of wooden doors sold in the FPE 2020. We sold 24,525 wooden doors in the FPE 2020 as compared to 31,598 wooden doors in the FPE 2019. Our revenue from ironmongery increased by RM0.47 million (20.0%) to RM2.79 million in the FPE 2020 (FPE 2019: RM2.33 million). This was due to a higher volume of 139,787 ironmongeries sold in the FPE 2020 as compared to 112,694 sold in the FPE 2019.

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11. FINANCIAL INFORMATION (Cont'd)

(ii) Cost of sales

Analysis of cost of sales by business segment and their respective cost components

	Audited						Unaudited		Audited	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing										
Metal door frames										
• Raw materials										
- Steel coils	12,587	47.2	13,626	45.5	11,922	40.4	9,501	42.0	6,958	34.2
- Ironmongery	1,900	7.1	1,998	6.7	1,900	6.5	1,205	5.3	955	4.7
- Other raw materials ⁽¹⁾	94	0.4	135	0.4	175	0.6	96	0.4	187	0.9
	14,581	54.7	15,759	52.6	13,997	47.5	10,802	47.7	8,100	39.8
• Labour	1,685	6.3	1,358	4.5	1,789	6.1	1,343	5.9	1,136	5.6
• Production overheads	270	1.0	221	0.7	485	1.6	360	1.6	400	2.0
• Logistics	292	1.1	376	1.3	365	1.2	177	0.8	148	0.7
Sub-total	16,828	63.1	17,714	59.1	16,636	56.4	12,682	56.0	9,784	48.1
Fire resistant door sets										
• Raw materials										
- Steel coils	297	1.1	1,934	6.5	2,237	7.6	2,197	9.7	2,157	10.6
- Fire resistant boards	160	0.6	766	2.5	2,242	7.6	693	3.1	902	4.4
- Ironmongery	152	0.6	830	2.8	770	2.6	1,127	5.0	1,299	6.4
- Insulation materials, fire seal, glue and others	64	0.2	595	2.0	737	2.5	691	3.1	823	4.0
- Plywood	82	0.3	543	1.8	669	2.3	616	2.7	602	3.0
	755	2.8	4,668	15.6	6,655	22.6	5,324	23.6	5,783	28.4
• Labour	105	0.4	566	1.9	933	3.2	667	2.9	788	3.9
• Production overheads	81	0.3	116	0.4	283	1.0	166	0.7	241	1.2
• Logistics	91	0.4	196	0.7	194	0.7	88	0.4	108	0.5
Sub-total	1,032	3.9	5,546	18.6	8,065	27.5	6,245	27.6	6,920	34.0

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2017		Audited FYE 2018		FYE 2019		Unaudited FPE 2019		Audited FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Metal door sets										
• Raw materials										
- Steel coils	380	1.4	39	0.1	125	0.4	38	0.2	110	0.6
- Ironmongery	26	0.1	3	~	6	~	2	~	7	~
	406	1.5	42	0.1	131	0.4	40	0.2	117	0.6
• Labour	55	0.2	3	~	13	~	4	~	8	~
• Production overheads	4	~	*	~	3	~	1	~	3	~
• Logistics	4	~	*	~	1	~	*	~	1	~
Sub-total	469	1.7	45	0.1	148	0.4	45	0.2	129	0.6
Manufacturing sub-total	18,329	68.7	23,305	77.8	24,849	84.3	18,972	83.8	16,833	82.7
Trading										
Fire resistant door sets	5,917	22.2	3,290	11.0	-	-	-	-	-	-
Ironmongery										
• Purchases	226	0.9	557	1.8	1,340	4.5	1,129	5.0	1,370	6.7
• Logistic	2	~	20	0.1	46	0.2	31	0.1	18	0.1
Wooden doors	2,177	8.2	2,785	9.3	3,240	11.0	2,516	11.1	2,128	10.5
Trading sub-total	8,322	31.3	6,652	22.2	4,626	15.7	3,676	16.2	3,516	17.3
Total cost of sales	26,651	100.0	29,957	100.0	29,475	100.0	22,648	100.0	20,349	100.0

Notes:

(1) Other raw materials cost for metal door frames comprise mainly of consumables items such as silicon and paint which relate to the production cost.

* Amount less than RM1,000.

~ Less than 0.1%.

11. FINANCIAL INFORMATION (Cont'd)**Financial commentaries****Comparison between FYE 2017 and FYE 2018**

Our overall cost of sales increased by RM3.31 million (12.4%) to RM29.96 million in the FYE 2018 (FYE 2017: RM26.65 million) due mainly to the increase in manufacturing cost for the production of our own DUROE® brand of fire resistant door sets and metal door frames which were in line with the increase in the sales of our DUROE® brand of fire resistant door sets and metal door frames.

Manufacturing

The increase in our manufacturing cost by RM4.98 million (27.1%) to RM23.31 million for the FYE 2018 (FYE 2017: RM18.33 million) was mainly driven by the increase in cost of sales of our own DUROE® brand of fire resistant door sets in tandem with our shift in strategy towards manufacturing our own brand of fire resistant door sets. The increase in cost of sales of our fire resistant door sets was in line with the increase in the quantity of fire resistant door sets manufactured during the financial year (FYE 2018: 13,000 units as compared to FYE 2017: 2,296 units) as we decreased the sales of 3rd party resistant door sets.

We also registered an increase by 1,283 units of 2 hours FRD fire resistant door sets to 1,360 units of 2 hours FRD fire resistant door sets (FYE 2017: 77 units). 2 hours FRD fire resistant door sets incur higher costs due to premium melamine fire resistant boards and steel coils of thicker gauge for the metal door frames were used to withstand 2 hours FRD.

Cost of sales for our metal door frames increased by RM0.89 million (5.3%) in the FYE 2018 to RM17.71 million (FYE 2017: RM16.83 million) mainly due to the increase in cost of sales for steel coils. The cost of sales for steel coils increased by RM1.04 million (8.3%) in the FYE 2018 as compared to the FYE 2017. The cost of steel coil is largely determined by the market prices of steel products which are subject to amongst others, market supply and demand conditions of steel in the global market, prices of raw materials for the production of steel (i.e. coal and iron) and the prevailing energy costs.

There was an increase in the prices for steel products in the FYE 2018 which resulted in a higher cost for steel coils. The cost of sales for our metal door frames was however substantially offset by the decrease in labour cost by RM0.33 million (19.4%) in the FYE 2018 as compared to the FYE 2017. As sales for our DUROE® brand of fire resistant door sets began to gain traction in the market in the FYE 2018, we allocated part of our existing production workers used for the production of metal door frames to produce our DUROE® brand of fire resistant door sets which commanded better margins. We began to outsource some manual work which did not require skilled workers for the manufacturing of metal door frames to subcontractors during the FYE 2018. This enabled our production workers to focus mainly on complex tasks to increase operational efficiency, leading to lower labour costs for the manufacturing of metal door frames. The lower labour costs was also partially due to a lower volume of metal door frames manufactured in the FYE 2018. The quantity of metal door frames manufactured decreased by 15,472 units (4.8%) as we allocated part of our resources to manufacture our DUROE® brand of fire resistant door sets which carries a higher margin.

Cost of sales for our metal door sets decreased by RM0.42 million (90.4%) in the FYE 2018 due mainly to a lower quantity of metal door sets manufactured during the year as compared to the one-off export order in the FYE 2017.

11. FINANCIAL INFORMATION (Cont'd)**Trading**

The decrease in cost of sales for our trading segment was mainly driven by the decrease in procurement for 3rd party fire resistant door sets, in line with our shift in strategy towards manufacturing our own DUROE® brand of fire resistant door sets. Our cost of sales for 3rd party fire resistant door sets decreased by RM2.63 million (44.4%) in line with the decrease in our sales volume by 4,007 units (37.7%).

The decrease in cost of sales for our trading segment was partially offset by the higher contribution in cost of sales from ironmongery and wooden doors which were in line with the increase in the volume of ironmongery and wooden doors sold.

Comparison between FYE 2018 and FYE 2019

Our overall cost of sales decreased by RM0.48 million (1.6%) to RM29.48 million in the FYE 2019 (FYE 2018: RM29.96 million) mainly due to lower cost of sales from manufacturing of our metal door frames and our trading segment.

Manufacturing

The increase in our manufacturing cost by RM1.54 million (6.6%) to RM24.85 million in the FYE 2019 (FYE 2018: RM23.31 million) was mainly driven by the increase in cost of sales of our own DUROE® brand of fire resistant door sets. The increase in cost of sales of our fire resistant door sets was due to the increase by 4,265 units of fire resistant door sets to 17,265 units manufactured in the FYE 2019 (FYE 2018: 13,000 units). In addition, we also registered an increase to 1,893 units of 2 hours FRD fire resistant door sets in FYE 2019 as compared to 1,360 units of 2 hours FRD fire resistant door sets in the FYE 2018.

Cost of sales for our metal door frames decreased by RM1.08 million (6.1%) in the FYE 2019 as compared to the FYE 2018 due mainly to lower steel coil cost. Cost of sales for steel coil decreased by RM1.70 million (12.5%) in the FYE 2019 as compared to the FYE 2018 resulting in lower procurement costs for steel coil. The average price for electro-galvanised steel coil decreased from RM3,313 per MT in the FYE 2018 to RM3,080 per MT in the FYE 2019.

Cost of sales for our metal door sets increased by RM0.10 million (228.9%) in the FYE 2019 as compared to the FYE 2018 due to higher demand from the domestic market.

Trading

The decrease in cost of sales for our trading segment was mainly due to the decrease in procurement for 3rd party fire resistant door sets as we ceased distributing 3rd party fire resistant door sets in the FYE 2019.

The decrease in cost of sales for our trading segment was partially offset by the higher contribution in cost of sales from ironmongery and wooden doors which were in line with the increase in the volume of ironmongery and wooden doors sold. The cost of sales for ironmongery and wooden doors increased by RM0.81 million (140.2%) and RM0.46 million (16.3%) respectively in the FYE 2019 as compared to the FYE 2018.

11. FINANCIAL INFORMATION (Cont'd)**Comparison between FPE 2019 and FPE 2020**

Our overall cost of sales decreased by RM2.30 million (10.2%) to RM20.35 million in the FPE 2020 (FPE 2019: RM22.65 million) mainly due to lower cost of sales from manufacturing of our metal door frames and our trading of wooden doors.

Manufacturing

The decrease in our manufacturing cost by RM2.14 million (11.3%) to RM16.83 million in the FPE 2020 (FPE 2019: RM18.97 million) was mainly due to the decrease in our cost of sales for metal door frames. The decrease in cost of sales of our metal door frames by RM2.90 million (22.9%) to RM9.78 million in the FPE 2020 as compared to RM12.68 million in the FPE 2019 was due to the decrease in the quantity of metal door frames sold (FPE 2020: 171,178 metal door frames as compared to FPE 2019: 220,750 metal door frames) as the scheduled deliveries of unfulfilled purchase orders were affected by the suspension of businesses during the Movement Control Order.

Cost of sales for our DUROE® brand of fire resistant door sets increased by RM0.68 million (10.8%) to RM6.92 million in the FPE 2020 (FPE 2019: RM6.25 million) was mainly due to the increase by 1,688 units of fire resistant door sets to 14,670 units manufactured in the FPE 2020 (FPE 2019: 12,982 units).

Cost of sales for our metal door sets increased by RM0.08 million (186.7%) to RM0.13 million in the FPE 2020 (FPE 2019: RM0.05 million) due to a higher quantity of 131 metal door sets manufactured during the FPE 2020 as compared to 37 metal door sets manufactured in the FPE 2019.

Trading

The slight decrease in our trading segment by RM0.16 million (4.4%) to RM3.52 million in the FPE 2020 (FPE 2019: RM3.68 million) was due to the lower contribution in cost of sales from wooden doors after offsetting the higher cost of sales from ironmongery.

Our cost of sales of wooden doors reduced by RM0.39 million (15.4%) to RM2.13 million in the FPE 2020 (FPE 2019: RM2.52 million) was due to a lower volume of wooden doors sold in the FPE 2020. Our cost of sales for ironmongery increased by RM0.23 million (19.7%) to RM1.39 million in the FPE 2020 (FPE 2019: RM1.16 million), which was in line with the increase in the volume of ironmongery sold in the FPE 2020 as compared to the FPE 2019.

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11. FINANCIAL INFORMATION (Cont'd)
(iii) GP and GP margin
Analysis of GP and GP margin by business segments

	FYE 2017		Audited FYE 2018		FYE 2019		Unaudited FPE 2019		Audited FPE 2020	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Metal door frames	5,009	22.9	4,758	21.2	7,366	30.7	5,692	31.0	4,467	31.3
Fire resistant door sets	328	24.1	2,784	33.4	4,478	35.7	2,894	31.7	3,020	30.4
Metal door sets	238	33.7	10	18.2	88	37.3	23	33.8	44	25.4
Manufacturing	5,575	23.3	7,552	24.5	11,932	32.4	8,609	31.2	7,531	30.9
Fire resistant door sets	2,144	26.6	953	22.5	-	-	-	-	-	-
Ironmongery	242	51.5	634	52.4	1,550	52.8	1,169	50.2	1,406	50.3
Wooden doors	882	28.8	738	20.9	1,132	25.9	839	25.0	691	24.5
Trading	3,268	28.2	2,325	25.9	2,682	36.7	2,008	35.3	2,097	37.4
Total GP/Overall GP margin	8,843	24.9	9,877	24.8	14,614	33.1	10,617	31.9	9,628	32.1

Financial commentaries
Comparison between FYE 2017 and FYE 2018

Our overall GP increased by RM1.03 million (11.7%) from RM8.84 million in the FYE 2017 to RM9.88 million in the FYE 2018 due mainly to the increase in revenue contribution from the manufacturing of our own DUROE® brand of fire resistant door sets. Our overall GP margin was approximately the same.

11. FINANCIAL INFORMATION (Cont'd)**Manufacturing**

GP contribution from our manufacturing segment increased by RM1.98 million (35.5%) to RM7.55 million in the FYE 2018 (FYE 2017: RM5.58 million) was mainly contributed by the manufacturing of our own DUROE® brand of fire resistant door sets. GP margin for our manufactured DUROE® brand of fire resistant door sets increased to 33.4% in the FYE 2018 (FYE 2017: 24.1%) due mainly to the increase in average selling price per unit by 8.2% arising from higher demand for 2 hours FRD fire resistant door sets. We sold 1,360 units of 2 hours FRD fire resistant door sets in the FYE 2018 as compared to 77 units in the FYE 2017.

GP contribution from our metal door frames decreased by RM0.25 million (5.0%) in the FYE 2018 as compared to the FYE 2017. The decrease was mainly due to the increase in our average cost of sales per unit by approximately 10.5%. The increase in our average cost of sales per unit was mainly due to the increase in steel coil cost per unit (primary raw material for our metal door frames) by 13.7%. The increase in cost of sales was partially offset by the increase in our average selling price resulting in our metal door frames to record a slightly lower GP margin of 21.2% in the FYE 2018 as compared to 22.9% in the FYE 2017.

GP contribution from our metal door sets decreased by RM0.23 million (95.8%) in the FYE 2018 as compared to FYE 2017 due to lower volume of sales. As revenue for our metal door sets for the FYE 2017 comprised mainly of one-off export sales to Indonesia, it commanded a better selling price, hence a higher GP margin of 33.7% in FYE 2017 as compared to the GP margin of 18.2% in the FYE 2018.

Trading

GP contribution from our trading segment decreased by RM0.94 million (28.9%) to RM2.33 million in the FYE 2018 (FYE 2017: RM3.27 million) was mainly due to the lower volume of trading sales for 3rd party fire resistant door sets.

GP contribution from trading of 3rd party fire resistant door sets decreased by RM1.19 million (55.6%) in the FYE 2018 as compared to the FYE 2017 due to lower volume of sales. The decrease was due to our Group promoting our own manufactured DUROE® brand of fire resistant door sets to our customers. The lower demand for 3rd party fire resistant door sets resulted in lower selling prices, and this in turn led to a lower GP margin of 22.5% in the FYE 2018 (FYE 2017: 26.6%).

GP contribution from ironmongery increased by RM0.39 million (162.0%) due to higher sales volume. GP margin was relatively stable at 51.5% and 52.4% recorded in the FYEs 2017 and 2018 respectively.

GP contribution from wooden doors decreased by RM0.14 million (16.3%) in the FYE 2018 as compared to the FYE 2017. GP margin decreased to 20.9% in the FYE 2018 (FYE 2017: 28.8%). The lower GP and GP margin were due to lower average selling prices per unit by approximately 1.9% arising from lower pricing for one large competitive project secured during the FYE 2018.

11. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2018 and FYE 2019**

Our overall GP increased by RM4.74 million (48.0%) to RM14.61 million in the FYE 2019 (FYE 2018: RM9.88 million) was mainly due to an overall increase in our revenue contribution from our manufacturing segment. Our overall GP margin increased from 24.8% to 33.1% in the FYE 2019 due mainly to higher GP margin contribution from our manufacturing segment arising from higher average selling prices per unit for our metal door frames and DUROE® brand of fire resistant door sets.

Manufacturing

GP contribution from our manufacturing segment increased by RM4.38 million (58.0%) to RM11.93 million in the FYE 2019 (FYE 2018: RM7.55 million) was mainly due to the increase in both revenue and GP margin contribution by our metal door frames and DUROE® brand of fire resistant door sets.

GP contribution from our metal door frames increased by RM2.61 million (54.8%) in the FYE 2019 as compared to the FYE 2018. The increase was due to higher average selling price per unit by 7.2% coupled with lower cost of sales per unit by 5.7% in the FYE 2019. The higher average selling price per unit was due to higher material specification which uses Zinalume® demanded by notable property developers as compared to electro-galvanised iron. Accordingly, GP margin for our metal door frames increased from 21.2% in the FYE 2018 to 30.7% in the FYE 2019.

GP contribution from our manufactured DUROE® brand of fire resistant door sets increased by RM1.69 million (60.8%) in the FYE 2019 as compared to FYE 2018. The increase was due to higher average selling price per unit by 13.4% in the FYE 2019 arising from the growing demand for higher grade 2 hours FRD fire resistant door sets which commands a better margin than the 1 hour FRD fire resistant door sets. Accordingly, our GP margin for our manufactured DUROE® brand of fire resistant door sets increased from 33.4% in the FYE 2018 to 35.7% in the FYE 2019.

GP contribution from our metal door sets increased by RM0.08 million (780.0%) in the FYE 2019 as compared to the FYE 2018. The increase was attributed to a higher sales volume and GP margin. GP margin increased to 37.3% in the FYE 2019 (FYE 2018: 18.2%) due to higher average selling price per unit by 23.2% arising from better sales mix with a higher number of double leaf metal door sets demanded in the FYE 2019 which commands a better margin than single leaf metal door sets as compared to the FYE 2018.

Trading

GP contribution from our trading segment increased by RM0.36 million (15.4%) to RM2.68 million in the FYE 2019 (FYE 2018: RM2.33 million) due to the increase in revenue contribution from both our ironmongery and wooden doors.

GP contribution from ironmongery increased by RM0.92 million (144.5%) in the FYE 2019 as compared to FYE 2018 due to a higher sales volume. GP margin maintained at a relatively stable margin of 52.4% in the FYE 2018 and 52.8% in the FYE 2019.

GP contribution from wooden doors increased by RM0.39 million (53.4%) in the FYE 2019 as compared to the FYE 2018 due to higher sales volume. GP margin increased to 25.9% in the FYE 2019 (FYE 2018: 20.9%) as we increased our average selling prices per unit for our wooden doors by approximately 1.0%.

11. FINANCIAL INFORMATION (Cont'd)**Comparison between FPE 2019 and FPE 2020**

Our overall GP reduced by RM0.99 million (9.3%) to RM9.63 million in the FPE 2020 (FPE 2019: RM10.62 million) was mainly due to the overall decrease in our revenue contribution from both our manufacturing and trading segments due to the sudden suspension of businesses arising from the government's imposition of the Movement Control Order nationwide in the FPE 2020. Our overall GP margin remained relatively stable at 31.9% and 32.1% recorded for the FPEs 2019 and 2020, respectively.

Manufacturing

GP contribution from our manufacturing segment decreased by RM1.08 million (12.5%) to RM7.53 million in the FPE 2020 (FPE 2019: RM8.61 million) was mainly due to the decrease in revenue contribution from our metal door frames.

GP contribution from our metal door frames decreased by RM1.23 million (21.5%) in the FPE 2020 as compared to the FPE 2019. The decrease was due to the lower sales volume due to the scheduled deliveries of unfulfilled purchase orders which were affected by the suspension of businesses during the Movement Control Order. GP margin for our metal door frames increased marginally to 31.3% in the FPE 2020 as compared to 31.0% in the FPE 2019 due mainly to lower cost of sales per unit by 0.5% in the FPE 2020 which was partially offset by the higher labour and production overhead per unit. The higher labour and production overhead per unit was mainly due to fixed expenses incurred during the Movement Control Order. The lower cost of sales per unit was mainly due to lower procurement costs for steel coil arising from lower average price for electro-galvanised steel coil. The average price for electro-galvanised steel coil decreased from RM3,086 per MT in the FPE 2019 to RM2,851 per MT in the FPE 2020.

GP contribution from our fire resistant door sets increased by RM0.13 million (4.4%) in the FPE 2020 as compared to the FPE 2019. Despite a higher quantity of fire resistant door sets sold in the FPE 2020, the marginal increase was due to lower average selling price per unit in the FPE 2020. GP margin from our manufactured DUROE® brand of fire resistant door sets decreased from 31.7% in the FPE 2019 to 30.4% in the FPE 2020. The decrease was due to lower average selling price by 3.8% in the FPE 2020 arising mainly from competitive pricing for large purchase orders supplied to some notable property development projects.

GP contribution from our metal door sets increased by RM0.02 million (91.3%) in the FPE 2020 as compared to the FPE 2019. The increase was attributed to higher sales volume of 131 units in the FPE 2020 (FPE 2019: 37 units). GP margin for our metal door sets decreased from 33.8% in the FPE 2019 to 25.4% in the FPE 2020 due mainly to higher demand for single leaf metal door sets in the FPE 2020 which commands a lower margin as compared to double leaf metal door sets.

Trading

GP contribution from our trading segment increased by RM0.09 million (4.4%) to RM2.10 million in the FPE 2020 (FPE 2019: RM2.01 million) mainly due to the increase in revenue contribution from our ironmongery.

GP contribution from ironmongery increased by RM0.24 million (20.3%) to RM1.41 million in the FPE 2020 (FPE 2019: RM1.17 million) due to higher sales volume in the FPE 2020. GP margin was relatively stable at 50.2% and 50.3% recorded in the FPEs 2019 and 2020, respectively.

11. FINANCIAL INFORMATION (Cont'd)

GP contribution from wooden doors decreased by RM0.15 million (17.6%) to RM0.69 million in the FPE 2020 (FPE 2019: RM0.84 million) due to lower sales volume in the FPE 2020. GP margin for wooden doors was relatively stable at 25.0% and 24.5% for the FPEs 2019 and 2020, respectively.

(iv) Other income

The breakdown of our other income for the FYEs 2017 to 2019, FPEs 2019 and 2020 is as follows:

	FYE 2017		Audited FYE 2018		FYE 2019		Unaudited FPE 2019		Audited FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental income ⁽¹⁾	156	80.0	156	37.2	155	24.9	117	70.0	-	-
Bad debts recovered	-	-	-	-	5	0.8	5	3.0	-	-
Interest income	9	4.6	13	3.1	21	3.4	15	9.0	49	30.3
Gain on disposal of PPE	30	15.4	-	-	-	-	-	-	-	-
Gain on fair value adjustment on investment property	-	-	250	59.7	400	64.6	-	-	-	-
Reversal of impairment loss	-	-	-	-	-	-	-	-	31	19.1
Rental of lorry	-	-	-	-	23	3.7	18	10.8	18	11.1
Rebate from supplier	-	-	-	-	15	2.6	12	7.2	64	39.5
Total	195	100.0	419	100.0	619	100.0	167	100.0	162	100.0

Note:

- (1) Rental income was from the piece of freehold agriculture land held for investment which was tenanted out. The freehold agriculture land was subsequently distributed to the Econframe Marketing Vendors as dividend-in-specie in the FYE 2019.

Financial commentaries

Comparison between FYE 2017 and FYE 2018

Other income increased by RM0.22 million (114.9%) to RM0.42 million in the FYE 2018 (FYE 2017: RM0.20 million). Such increase was mainly due to the fair value gain of RM0.25 million recognised on a piece of freehold agriculture land held for investment.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2018 and FYE 2019

Other income for the FYE 2019 relates mainly to the fair value gain of RM0.15 million recognised on a piece of freehold agriculture land held for investment. During the FYE 2019, the said land was distributed to the Econframe Marketing Vendors as dividend-in-specie.

Comparison between FPE 2019 and FPE 2020

Other income decreased by RM0.01 million (3.0%) to RM0.16 million in the FPE 2020 (FPE 2019: RM0.17 million), mainly due to the discontinuation of rental income from the piece of freehold agriculture land held for investment which was distributed to the Econframe Marketing Vendors as dividend-in-specie in the second half of the FYE 2019.

(v) Administrative expenses

The breakdown of our administrative expenses for the FYEs 2017 to 2019, FPEs 2019 and 2020 is as follows:

	Audited						Unaudited		Audited	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	1,440	42.9	1,666	66.8	1,852	56.3	1,371	55.6	1,821	55.6
Depreciation	315	9.4	265	10.6	297	9.0	203	8.3	211	6.4
Loss on fair value adjustment on investment property	1,050	31.3	-	-	-	-	-	-	-	-
Listing expenses	-	-	-	-	-	-	-	-	487	14.9
Realised loss on foreign exchange	-	-	-	-	-	-	-	-	91	2.8
Others ⁽¹⁾	552	16.4	565	22.6	1,141	34.7	890	36.1	666	20.3
Total	3,357	100.00	2,496	100.00	3,290	100.00	2,464	100.00	3,276	100.00

Note:

- (1) Comprises audit and professional fees, utilities and telephone costs, bank charges, insurance, rental paid, printing and stationery, bad debts written off and provision for doubtful debts.

11. FINANCIAL INFORMATION (Cont'd)**Financial commentaries****Comparison between FYE 2017 and FYE 2018**

Administrative expenses reduced by RM0.86 million (25.6%) to RM2.50 million in the FYE 2018 (FYE 2017: RM3.36 million). Such decrease was largely due to the loss on fair value on a piece of freehold agriculture land held for investment recognised in the FYE 2017. The decrease was offset by the increase in staff cost by RM0.23 million due to the recruitment of 6 additional personnel in the FYE 2018 comprising 3 accounts and administrative staff and 3 operations management staff to cope with the cross marketing of our new product, i.e. the DUROE® brand of fire resistant door sets. The 6 additional personnel were recruited throughout the FYE 2018 where we recruited 1 personnel in each quarter for the first 3 quarters and 3 personnel in the 4th quarter of the FYE 2018.

Comparison between FYE 2018 and FYE 2019

Administrative expenses increased by RM0.79 million (31.8%) to RM3.29 million in the FYE 2019 (FYE 2018: RM2.50 million). Such increase was mainly due to the:

- (a) increase in staff cost by RM0.19 million due to the recruitment of 13 additional personnel comprising 1 Chief Financial Officer, 4 accounts and administrative staff, 3 sales and marketing staff, and 5 operations management⁽¹⁾ staff to cater for further business expansion. The 13 additional personnel were recruited throughout the FYE 2019 where we recruited 3 personnel in the 1st quarter, 3 personnel in the 2nd quarter, 2 personnel recruited in the 3rd quarter and 5 personnel were recruited in the 4th quarter of the FYE 2019. The increase in staff cost for the FYE 2019 was lower than in the FYE 2018 due to the resignations of 7 senior personnel during the year which were replaced by junior personnel and the majority of the additional personnel (7 out of 13) recruited joined in the second half of the FYE 2019; and
- (b) increase in other costs by RM0.58 million due mainly to increase in professional fees⁽²⁾ (RM0.25 million), donations (RM0.06 million), insurance (RM0.05 million), upkeep of motor vehicles and office equipment (RM0.04 million).

Notes:

- (1) Operations management staff refers to staff who is involved in procurement, logistics and operation support activities.

(2)	RM'000
<u>Comprises the following:</u>	
Drawing fee & fees payable to MPK in respect of the Structure Permit	129.38
Accounting fee	58.30
Tax consulting fee	20.44
Website redesign fee	11.25
Valuation fee	13.80
ISO audit fee	8.78
Subscription fee for company credit searches	4.83
Legal fee	4.31
Total	<u>251.09</u>

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FPE 2019 and FPE 2020

Administrative expenses increased by RM0.81 million (33.0%) to RM3.28 million in the FPE 2020 (FPE 2019: RM2.46 million). Such increase was mainly due to the listing expenditure of RM0.49 million expensed out and increase in staff cost by RM0.45 million to cater for further business expansion. In the FPE 2020, we accounted cost for 11 additional personnel as compared to 8 additional personnel in the FPE 2019. The 11 additional personnel comprised 6 additional personnel recruited during the FPE 2020 as well as 5 personnel recruited in the 4th quarter of the FYE 2019. Additionally, the increase in staff cost was also attributed to the increase in directors' fees by RM0.67 million during the FPE 2020.

The increase in the administrative expenses was also attributed by the realised loss on foreign exchange by RM0.09 million which was mainly due to the weakening of the RM against the RMB in the FPE 2020 for our raw materials imported from China, in comparison to the FPE 2019.

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11. FINANCIAL INFORMATION (Cont'd)

(vi) Sales and distribution expenses

The breakdown of our sales and distribution expenses for the FYEs 2017 to 2019, FPEs 2019 and 2020 is as follows:

	Audited						Unaudited		Audited	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Advertising	127	11.0	79	8.1	74	6.1	69	7.5	119	12.5
Commission	456	39.5	518	52.9	767	63.4	588	64.0	453	47.6
Entertainment	407	35.2	225	23.0	46	3.8	37	4.0	67	7.1
Exhibition fees	14	1.2	23	2.3	53	4.4	17	1.9	54	5.7
Petrol, parking and toll	65	5.6	77	7.8	242	20.0	186	20.2	214	22.5
Travelling and accommodation	87	7.5	58	5.9	28	2.3	22	2.4	44	4.6
Total	1,156	100.0	980	100.0	1,210	100.0	919	100.0	951	100.0

Financial commentaries

Comparison between FYE 2017 and FYE 2018

Sales and distribution expenses reduced by RM0.18 million (15.2%) to RM0.98 million in the FYE 2018 (FYE 2017: RM1.16 million). Such decrease was due to a decrease in entertainment and advertising expenses. The increase in commission expenses of RM0.06 million is the result of the increase in revenue due to higher purchase orders secured during the year from customers.

Comparison between FYE 2018 and FYE 2019

Sales and distribution expenses increased by RM0.23 million (23.5%) to RM1.21 million in the FYE 2019 (FYE 2018: RM0.98 million). The main increase in selling and distribution expenses was as follows:

- increase in commission paid to sales and marketing personnel by RM0.25 million, due to the increase in higher purchase orders secured during the year from customers; and
- increase in petrol, toll and parking fees by RM0.17 million, due mainly to additional deliveries to support our business growth.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FPE 2019 and FPE 2020

Sales and distribution expenses increased slightly by RM0.03 million (3.5%) to RM0.95 million in the FPE 2020 (FPE 2019: RM0.92 million). The increase in selling and distribution expenses is as follows:

- (i) increase in petrol, toll and parking fees, and entertainment expenses by RM0.06 million collectively, due mainly to additional deliveries and related business development expenses to support our business growth prior to the government's imposition of the Movement Control Order;
- (ii) increase in advertising, exhibition fees, and travelling and accommodation expenses by RM0.11 million collectively, mainly for advertisement of our product offerings in local building material magazines, exhibition participation cost and related travelling and accommodation expenses incurred for overseas exhibitions prior to the government's imposition of the Movement Control Order;
- (iii) which was offset by the decrease in commission expenses by RM0.14 million which was in line with the decrease in revenue. The decrease was also partially due to the discontinuation of commission payable to our Executive Director who oversees our sales and marketing activities in the FPE 2020.

(vii) Finance costs

The breakdown of our finance costs for the FYEs 2017 to 2019, FPEs 2019 and 2020 is as follows:

	Audited						Unaudited		Audited	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loans	53	23.8	46	24.6	42	33.3	23	27.7	28	54.9
Bankers' acceptance	89	39.9	97	51.9	60	47.6	46	55.4	17	33.3
Overdraft	34	15.2	12	6.4	2	1.6	2	2.4	-	-
Finance lease/lease liabilities	47	21.1	32	17.1	22	17.5	12	14.5	6	11.8
Total	223	100.0	187	100.0	126	100.0	83	100.0	51	100.0

11. FINANCIAL INFORMATION (Cont'd)

Financial commentaries

Comparison between FYE 2017 and FYE 2018

Our finance cost decreased by RM0.04 million (16.1%) to RM0.19 million in the FYE 2018 (FYE 2017: RM0.22 million) mainly due to a decrease in utilisation of overdraft facilities arising from better cashflow management and decrease in outstanding term loan and finance lease.

Comparison between FYE 2018 and FYE 2019

Our finance cost decreased by RM0.06 million (32.6%) to RM0.13 million in the FYE 2019 (FYE 2018: RM0.19 million) mainly due to a decrease in utilisation of trade facilities and overdraft arising from better cashflow management.

Comparison between FPE 2019 and FPE 2020

Our finance cost decreased by RM0.03 million (38.6%) to RM0.05 million in the FPE 2020 (FPE 2019: RM0.08 million) mainly due to a decrease in utilisation of trade facilities and overdraft arising from better cashflow management. The decrease in finance cost was also attributed to a decrease in lease liabilities arising from the full repayment of 3 units of lorries used for delivery purposes.

(viii) PBT and PBT margin

	Audited			Unaudited	Audited
	FYE 2017	FYE 2018	FYE 2019	FPE 2019	FPE 2020
PBT (RM'000)	4,302	6,633	10,607	7,318	5,512
PBT margin (%)	12.1	16.7	24.1	22.0	18.4

11. FINANCIAL INFORMATION (Cont'd)

Financial commentaries

Comparison between FYE 2017 and FYE 2018

We recorded higher PBT margin of 16.7% for the FYE 2018 (FYE 2017: 12.1%). This was a result of the decrease in our operating expenses (i.e. administrative expenses and sales and distribution expenses) and finance costs as a percentage of revenue (from 13.3% in the FYE 2017 to 9.2% in the FYE 2018), while our GP margin remained consistent (FYE 2017: 24.9%, FYE 2018: 24.8%). The decrease in operating expenses in the FYE 2018 was mainly due the absence of the one-off loss on fair value adjustment on a piece of freehold agriculture land held for investment recognised in the FYE 2017.

Comparison between FYE 2018 and FYE 2019

We recorded higher PBT margin of 24.1% for the FYE 2019 (FYE 2018: 16.7%). This was a result of a significant increase in GP margin for the FYE 2019 (FYE 2018: 24.8%; FYE 2019: 33.1%), while our operating expenses (i.e. administrative expenses and sales and distribution expenses) and finance costs as a percentage of revenue increased only marginally (from 9.2% in the FYE 2018 to 10.5% in the FYE 2019). The improved GP margin was mainly due to better average selling prices per unit for our metal door frames and fire resistant door sets due to higher material specifications demanded by notable property developers and the growing demand for higher grade 2 hours FRD fire resistant door sets.

Comparison between FPE 2019 and FPE 2020

We recorded a lower PBT margin of 18.4% for the FPE 2020 (FPE 2019: 22.0%) which was mainly due to the increase in administrative expenses by RM0.81 million (33.0%) to RM3.28 million in the FPE 2020 (FPE 2019: RM2.46 million).

(ix) Taxation

	Audited			Unaudited	Audited
	FYE 2017	FYE 2018	FYE 2019	FPE 2019	FPE 2020
Taxation (RM'000)	1,192	1,536	2,472	1,718	1,301
Effective tax rate (%)	27.7	23.2	23.3	23.5	23.6
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0

11. FINANCIAL INFORMATION (Cont'd)**Financial commentaries****Comparison between FYE 2017 and FYE 2018**

In the FYE 2018, our tax expense was RM1.54 million at the back of PBT of RM6.63 million, translating into an effective tax rate of 23.2% which is lower than the statutory tax rate. This was primarily due to the fair value gain on a piece of freehold agriculture land held for investment amounting to RM0.25 million, which was included in the FYE 2018, over-provision of tax adjustment, and higher capital and re-investment allowances claimed for acquisition of PPE.

Comparison between FYE 2018 and FYE 2019

Our tax expenses increased by RM0.94 million (60.9%) to RM2.47 million in the FYE 2019 (FYE 2018: RM1.54 million) due to higher profits earned from higher revenue contributed from our metal door frames, fire resistant door sets, ironmongery and wooden doors as explained above.

The effective tax rate for the FYE 2019 was marginally higher at 23.3% compared to 23.2% in the FYE 2018, due to the fair value gain on a piece of freehold agriculture land held for investment, amounting to RM0.40 million, which was included in the FYE 2019 and higher capital and re-investment allowances claimed for acquisition of PPE.

Comparison between FPE 2019 and FPE 2020

Our tax expenses decreased by RM0.42 million (24.3%) to RM1.30 million in the FPE 2020 (FPE 2019: RM1.72 million) due to lower profits earned as a result of lower revenue contributed from our metal door frames and wooden doors as explained above.

The effective tax rate for the FPE 2020 was marginally higher at 23.6% as compared to 23.5% in the FPE 2019, due mainly to the increase in certain expenses (such as entertainment expenses and professional fees) which are not allowed for tax deduction.

11.2.3 Review of financial position

The following table sets out the summary of the assets and liabilities for the FYEs 2017 to 2019 and FPE 2020 which have been extracted from the Accountants' Report set out in Section 12 and should be read in conjunction thereto:

(i) Assets

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
PPE	8,230	8,375	9,731	9,744
Investment property	2,550	2,800	324	324
Total non-current assets	10,780	11,175	10,055	10,068

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Current assets				
Inventories	1,893	2,757	2,909	3,747
Trade receivables	9,827	12,622	15,029	12,107
Other receivables	100	166	334	1,377
Current tax assets	-	-	-	205
Amount owing by director	-	1,296	-	-
Short term deposits	431	564	1,704	2,877
Cash at bank	1,342	1,336	3,177	3,089
Total current assets	13,593	18,741	23,153	23,402
TOTAL ASSETS	24,373	29,916	33,208	33,470

Financial commentaries**Comparison between FYE 2017 and FYE 2018****Non-current assets**

Our non-current assets increased by RM0.40 million mainly due:

- (a) Purchase of additional PPE amounting to RM0.22 million;
- (b) Fair value gain of RM0.25 million recognised during the FYE 2018 for the piece of freehold agriculture land held for investment; and
- (c) Increase in revaluation of freehold land and buildings by RM0.38 million.

The increase in non-current assets was offset by the decrease in PPE of RM0.45 million resulting from depreciation charges during the financial year.

Current assets

Our current assets increased by RM5.15 million mainly due to:

- (a) Increase by RM0.86 million in inventories due to higher stock holding as revenue increases;
- (b) Increase by RM2.80 million in trade receivables was mainly due to a greater proportion of trade receivables with more than 60 days past due as at 31 August 2018 as compared to 31 August 2017. Total trade receivables with more than 60 days past due were RM1.99 million and RM2.91 million, representing 20.2% and 23.0% of total receivables as at 31 August 2017 and 31 August 2018, respectively. The increase was mainly attributed to longer credit term granted to one of our major customers with more than 60 days past due amounting to an increase by RM0.36 million as at 31 August 2018. Generally, the increase in trade receivables is also attributable by the increase in revenue, which increased by 12.2%.
- (c) Increase in other receivables by RM0.07 million mainly due to advance deposit to suppliers and advances to staff;

11. FINANCIAL INFORMATION (Cont'd)

(d) Increase by RM1.30 million from director arising from advances extended to director, which was fully repaid in the FYE 2019; and

(e) Increase by RM0.13 million in additional placement of short term deposits.

The increase in current assets was partially offset by the decrease in cash at bank by RM6,000.

Comparison between FYE 2018 and FYE 2019

Non-current assets

Our non-current assets decreased by RM1.12 million mainly due to:

(a) Decrease by RM3.20 million in respect of a piece of freehold agriculture land held for investment, which was distributed to the Econframe Marketing Vendors as dividend-in-specie during the FYE 2019; and

(b) Decrease in PPE by RM0.50 million resulting from depreciation charges during the FYE 2019.

The decrease was offset by:

(a) Purchase of additional PPE amounting to RM0.47 million;

(b) Increase in revaluation of freehold land and buildings by RM1.70 million; and

(c) Increase in fair value of investment property by RM0.40 million.

Current assets

Our current assets increased by RM4.41 million mainly due to:

(a) Increase by RM0.15 million in inventories due to higher stock holding as revenue increases;

(b) Increase by RM2.41 million in trade receivables was mainly due to a greater proportion of trade receivables with more than 60 days past due as at 31 August 2019 as compared to 31 August 2018. Total trade receivables with more than 60 days past due were RM2.91 million and RM4.17 million, representing 23.0% and 27.7% of total receivables as at 31 August 2018 and 31 August 2019, respectively. The increase was mainly attributed to longer credit term granted to 3 of our major customers, with more than 60 days past due amounting to an increase by RM1.09 million as at 31 August 2019. Generally, the increase in trade receivables was also attributable by the increase in revenue, which increased by 10.7%;

(c) Increase in other receivables by RM0.17 million mainly due to prepayment of expenses for the listing exercise;

(d) Increase by RM1.14 million in additional placement of short term deposits; and

(e) Increase by RM1.84 million in cash and bank balances.

11. FINANCIAL INFORMATION (Cont'd)

The increase in current assets was partially offset by the decrease in amount owing by director of RM1.30 million.

Comparison between FYE 2019 and FPE 2020

Non-current assets

Our non-current assets increased by RM0.01 million mainly due to the purchase of additional PPE comprising 1 unit of glue spreader machine, 2 units of press machines, 1 forklift, 1 motor vehicle for administrative use and renovation of 2 meeting rooms in Factory 3, amounting to RM0.36 million and recognition of rights-of-use for leases amounting to RM0.05 million, which was partially offset by the increase in depreciation charges of RM0.40 million.

Current assets

Our current assets increased by RM0.25 million mainly due to:

- (a) Increase by RM0.84 million in inventories due to higher stock holding as a result of the suspension of businesses during the Movement Control Order nationwide;
- (b) Increase in other receivables by RM1.04 million mainly due to prepayment of expenses for the listing exercise and deposits for purchases of raw materials from China;
- (c) Increase by RM1.17 million in additional placement of short term deposits; and
- (d) Increase by RM0.21 million in current tax assets.

The above increase was offset by:-

- (a) Decrease by RM2.92 million in trade receivables which was in tandem with the decrease in revenue for the FPE 2020, which decreased by RM3.29 million (9.9%) as compared to the FPE 2019. The decrease in revenue was mainly due to the Movement Control Order resulting in suspension of businesses, imposition of inter-state restrictions and restricted movement of people. The decrease in trade receivables was partially offset by the slower pace of collection of debts as a result of the Movement Control Order resulting in greater proportion of trade receivables with more than 60 days past due as at 31 May 2020 as compared to 31 August 2019. Total trade receivables with more than 60 days past due were RM4.17 million and RM5.28 million, representing 27.7% and 43.6% of total receivables as at 31 August 2019 and 31 May 2020, respectively; and
- (b) Decrease by RM0.09 million in cash and bank balances.

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11. FINANCIAL INFORMATION (Cont'd)**(ii) Liabilities**

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Bank borrowings	858	660	569	515
Finance lease liabilities /lease liabilities	420	167	65	62
Deferred tax	1,148	1,169	1,497	1,435
Total non-current liabilities	2,426	1,996	2,131	2,012
Current liabilities				
Trade payables	1,182	2,108	1,664	586
Other payables and accruals	405	515	902	442
Amount owing to director	488	-	-	-
Bank borrowings	2,652	2,606	1,508	164
Finance lease liabilities/ lease liabilities	280	253	110	46
Taxation	723	953	884	-
Total current liabilities	5,730	6,435	5,068	1,238
TOTAL LIABILITIES	8,156	8,431	7,199	3,250

Comparison between FYE 2017 and FYE 2018**Non-current liabilities**

Our non-current liabilities reduced by RM0.43 million mainly due to:

- (a) Repayment by RM0.20 million in bank borrowings of our existing term loans and RM0.25 million in finance lease; and
- (b) Increase by RM0.02 million in deferred tax liabilities due to fair value gain on a piece of freehold agriculture land held for investment.

Current liabilities

Our current liabilities increased by RM0.71 million mainly due to:

- (a) Increase by RM0.93 million in trade payables due to higher purchases to support the supply for the increase in our revenue. The increase in trade payables was mainly due to an increase in outstanding sum owing to 2 of our major suppliers for the supply of wooden doors and steel coil, from RM0.57 million and RM0.17 million as at 31 August 2017 to RM0.93 million and RM0.37 million as at 31 August 2018, respectively. The increase was mainly due to a greater volume of purchases transacted with the said major 2 suppliers amounting to an increase by RM0.83 million towards the end of the FYE 2018;
- (b) Increase by RM0.11 million in other payables due to accrued salaries; and

11. FINANCIAL INFORMATION (Cont'd)

- (c) Increase in taxation by RM0.23 million due to increase in tax liability arising from higher profit.

The increase in current liabilities was offset by the reduction by RM0.56 million due to repayment of bank borrowings of RM0.04 million, finance lease of RM0.03 million, and amount owing to director of RM0.49 million.

Comparison between FYE 2018 and FYE 2019

Non-current liabilities

Our non-current liabilities increased by RM0.14 million due to the increase in deferred tax liabilities of RM0.33 million arising from the fair value gain on a piece of freehold agriculture land held for investment, which was offset by the repayment of RM0.09 million in bank borrowings of our existing term loans and RM0.10 million in finance lease.

Current liabilities

Our current liabilities reduced by RM1.37 million mainly due to:

- (a) Repayment of trade payables of RM0.44 million;
- (b) Repayment by RM1.10 million in bank borrowings and RM0.14 million in finance lease; and
- (c) Decrease in tax payables by RM0.07 million.

The decrease in current liabilities was offset by the increase in other payables and accruals by RM0.39 million due to the increase of receipt of advance deposits from customers of RM0.17 million, and increase in accruals of wages, EPF, SOCSO, Potongan Cukai Berjadual (PCB), sub-contractors' charges and audit fee of RM0.22 million.

Comparison between FYE 2019 and FPE 2020

Non-current liabilities

Our non-current liabilities decreased by RM0.12 million due to the repayment of RM0.06 million in our existing term loans and lease liabilities, and the reversal of provision of deferred tax of RM0.06 million.

Current liabilities

Our current liabilities reduced by RM3.83 million mainly due to:-

- (a) Decrease by RM1.08 million in trade payables due to lower purchases arising from lower production activities from the sudden suspension of businesses as a result of the Movement Control Order;
- (b) Repayment in our bankers' acceptance and lease liabilities of RM1.35 million and RM0.06 million respectively;
- (c) Decrease in tax payables of RM0.88 million, as a result of higher tax instalments paid in the FPE 2020 as compared to the FPE 2019; and

11. FINANCIAL INFORMATION (Cont'd)

- (d) Decrease in other payables and accruals by RM0.46 million mainly due to the decrease in sales tax payable, deposit received, accruals of wages, EPF, SOCSO, and Potongan Cukai Berjadual (PCB).

11.2.4 Review of cash flows

The following table sets out the summary of the combined statements of cash flows for the FYEs 2017 to 2019, FPEs 2019 and 2020, which have been extracted from the Accountants' Report set out in Section 12 and should be read in conjunction thereto:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	1,102	3,016	5,495	2,960
Net cash used in investing activities	(305)	(339)	(1,491)	(1,481)
Net cash used in financing activities	(331)	(3,148)	(1,503)	(1,567)
Cash and cash equivalents				
Net changes	466	(471)	2,501	(88)
At the beginning of the financial year/period	681	1,147	676	3,177
At the end of the financial year/period	1,147	676	3,177	3,089

Financial commentaries

FYE 2017

Net cash from operating activities

For the FYE 2017, we generated net cash inflow from operating activities of RM1.10 million. We collected approximately RM36.09 million from our customers and other operating income received which was partially offset by cash payments of approximately RM34.99 million. Such payments were mainly for:

- (i) Approximately RM28.50 million paid to our trade suppliers;
- (ii) Approximately RM5.01 million paid for our operating expenses and salaries; and
- (iii) RM1.48 million for payment of income tax.

Net cash for investing activities

For the FYE 2017, we recorded net cash outflow of RM0.31 million from our investing activities, mainly due to:

- (i) Purchase of PPE for RM0.41 million, of which RM0.19 million were financed with leasing arrangements. These PPE purchases comprised mainly 3 units of motor vehicles which was purchased as general car pool purposes for business/site meetings, 1 unit of condominium located at Cyberjaya, Selangor purchased based on goodwill basis from one of our customer who is a property developer and for which payment is on progress claim basis, and office equipment and furniture and

11. FINANCIAL INFORMATION (Cont'd)

fittings for office expansion; and

- (ii) Placement of fixed deposit of RM0.13 million as security for bank borrowings.

The outflow was offset by the proceeds from the disposal of a motor vehicle of RM0.03 million and interest received of RM0.01 million.

Net cash for financing activities

For the FYE 2017, we recorded net cash outflow of RM0.33 million from our financing activities. This was mainly due to the following outflows:

- (i) Net repayment of borrowings of RM0.28 million comprising repayments of term loan of RM0.20 million and finance lease of RM0.34 million which was offset by the net drawdown of bankers' acceptances of RM0.26 million; and
- (ii) Repayment to director of RM0.05 million.

FYE 2018**Net cash from operating activities**

For the FYE 2018, we generated net cash inflow from operating activities of RM3.02 million. We collected approximately RM37.13 million from our customers and other operating income received which was partially offset by cash payments of approximately RM34.11 million. Such payments were mainly for:

- (i) Approximately RM27.85 million paid to our trade suppliers;
- (ii) Approximately RM4.98 million paid for our operating expenses and salaries; and
- (iii) RM1.28 million for payment of income tax paid.

Net cash for investing activities

For the FYE 2018, we recorded net cash outflow of RM0.34 million from our investing activities, mainly due to:

- (i) Progress claim payment of RM0.16 million for the 1 unit of condominium located at Cyberjaya, Selangor which was purchased in the FYE 2017 and purchase of office equipment, computers and furniture and fittings of RM0.06 million to cater for office expansion; and
- (ii) Placement of fixed deposit of RM0.13 million as security for bank borrowings.

The outflow was offset by interest received of RM0.01 million.

Net cash for financing activities

For the FYE 2018, we recorded net cash outflow of RM3.15 million from our financing activities. This was mainly due to the following outflows:

- (i) Repayment of borrowings of RM1.16 million comprising repayments of term loan of RM0.23 million, finance lease of RM0.31 million and bankers' acceptance of RM0.62 million;

11. FINANCIAL INFORMATION (Cont'd)

- (ii) Repayment to director of RM0.49 million, and payment of additional advances to director of RM1.30 million. This advance was fully repaid by the director in the FYE 2019; and
- (iii) Interim dividend payment for the FYE 2017 of RM0.20 million paid on 1 February 2018 by Econframe Pre-Hung to the Econframe Pre-Hung Vendors at RM2.00 per share.

FYE 2019

Net cash from operating activities

For the FYE 2019, we generated net cash inflow from operating activities of RM5.50 million. We collected approximately RM41.67 million from our customers and other operating income received which was partially offset by cash payments of approximately RM36.17 million. Such payments were mainly for:

- (i) Approximately RM27.81 million paid to our trade suppliers;
- (ii) Approximately RM5.81 million paid for our operating expenses and salaries; and
- (iii) RM2.55 million for payment of income tax paid.

Net cash for investing activities

For the FYE 2019, we recorded net cash outflow of RM1.49 million from our investing activities, mainly due to:

- (i) Purchase of PPE for RM0.47 million, of which RM0.10 million were financed with leasing arrangements. These PPE purchases comprised 1 unit of stamping machine and 1 unit of CNC bending machine for the production of our metal door frames, 1 unit of lorry for delivery of finished goods, 1 unit of forklift for production, and 1 unit of motorbike for despatch; progress claim payments for the 1 unit of condominium located at Cyberjaya, Selangor which was purchased in the FYE 2017, and computer, office equipment, furniture and fittings, and renovation to cater for recruitment of additional personnel during the year; and
- (ii) Placement of fixed deposit of RM1.14 million as additional security for bank borrowings, of which RM1.00 million was to replace the piece of freehold agriculture land held for investment which was used as collateral, in view of the dividend-in-specie of the said land to the Econframe Marketing Vendors during the FYE 2019.

The outflow was offset by the interest received of RM0.02 million.

Net cash for financing activities

For the FYE 2019, we recorded net cash outflow of RM1.50 million from our financing activities. This was mainly due to the following outflows:

- (i) Repayment of borrowings of RM1.00 million comprising repayments of term loan of RM0.09 million and finance lease of RM0.37 million as well as net repayment of bankers' acceptance of RM0.54 million; and

11. FINANCIAL INFORMATION (Cont'd)

- (ii) Dividend payment of RM1.80 million comprising interim dividend payment for the FYE 2017 of RM0.30 million paid on 25 October 2018 by Econframe Pre-Hung to the Econframe Pre-Hung Vendors at RM3.00 per share and interim dividend payment for the FYE 2019 of RM1.50 million paid on 21 June 2019 by Econframe Marketing to the Econframe Marketing Vendors at RM1.50 per share.

The outflow was offset with the repayment from director of RM1.30 million.

FPE 2020

Net cash from operating activities

For the FPE 2020, we generated net cash inflow from operating activities of RM2.96 million. We collected approximately RM31.30 million from our customers and other operating income received which was partially offset by cash payments of approximately RM28.34 million. Such payments were mainly for:

- (i) Approximately RM21.16 million paid to our trade suppliers;
- (ii) Approximately RM4.73 million paid for our operating expenses and salaries; and
- (iii) RM2.45 million for payment of income tax paid.

Net cash for investing activities

For the FPE 2020, we recorded net cash outflow of RM1.48 million from our investing activities, due mainly to:

- (i) Purchase of PPE of RM0.36 million, which comprised mainly of:
 - 1 unit of double side glue spreader machine, 2 units of press machines and 1 unit of forklift for the production of our fire resistant doors;
 - 1 unit of motor vehicle for administrative use; and
 - Renovation of two meeting rooms at Factory 3 to cater for the increase in operating activities.
- (ii) Placement of fixed deposit of RM1.17 million as additional security for bank borrowings, of which RM1.00 million was to replace the 3rd party fixed deposit provided by our Managing Director.

The outflow was offset by the interest received of approximately RM0.05 million.

Net cash for financing activities

For the FPE 2020, we recorded net cash outflow of RM1.57 million from our financing activities. This was due to the repayment of term loans of RM0.16 million and lease liabilities of RM0.13 million as well as net repayment of bankers' acceptance of RM1.28 million.

11. FINANCIAL INFORMATION (Cont'd)**11.3 LIQUIDITY AND CAPITAL RESOURCES****11.3.1 Working capital**

Our operations are funded by a combination of internal and external sources of funds. Our internal sources of funds comprise share capital and cash generated from our operating activities, while our external sources of funds are mainly trade facilities, i.e. bankers' acceptance and bank overdrafts.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rates on borrowings.

Our Board is of the opinion that after taking into consideration the existing level of cash and cash equivalents and the gross proceeds raised from our IPO, our Group would have adequate working capital for a period of 12 months from the date of this Prospectus.

As at 31 May 2020, we have:

- (i) Cash and bank balances of RM3.09 million; and
- (ii) Credit facilities up to a limit of RM6.00 million.

Based on the pro forma consolidated statements of financial position of our Group as at 31 May 2020 (after the Acquisitions but before the Public Issue), our NA position stood at RM30.22 million and our gearing level is approximately 0.03 times. Our NA position and gearing level after the Acquisitions and Public Issue (and utilisation of proceeds) are RM45.91 million and approximately 0.02 times respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors and our allowance for impairment loss in respect of our doubtful debts is low. This measure has proven to be effective while maintaining a cordial relationship with our customers.

11.4 BORROWINGS

We utilise credit facilities such as bank overdrafts and trade financing such as bankers' acceptances to partially finance our working capital. In addition, we also utilise term loans to finance the purchase of our PPE.

Our total outstanding bank borrowings as at 31 May 2020 stood at RM0.79 million, details of which are set out as follows. All our bank borrowings are interest-bearing and denominated in RM.

				As at 31 May 2020
	Purpose	Tenure	Interest rate % per annum	RM'000
<u>Interest bearing short-term borrowings, payable within 1 year:</u>				
Term loans	For financing the acquisitions of Factory 1, 2, 3 and 4 and 1 unit of condominium located at Cyberjaya, Selangor	5 to 7 years	3.69 to 3.79	164

11. FINANCIAL INFORMATION (Cont'd)

	Purpose	Tenure	Interest rate % per annum	As at 31 May 2020 RM'000
Bankers' acceptance	Working capital requirements	90 days	4.10	-
Lease liabilities	Finance purchase and leasing of PPE	4 to 5 years	6.28	46
Sub-total				210
Interest bearing long-term borrowings, payable after 1 year:				
Term Loans	For financing the acquisitions of Factory 1, 2, 3 and 4 and 1 unit of condominium located at Cyberjaya, Selangor	5 to 7 years	3.69 to 3.79	515
Lease liabilities	Finance purchase and leasing of PPE	4 to 5 years	6.28	62
Sub-total				577
Total borrowings				787

Pro forma gearing (times)

After Acquisitions before the Public Issue ⁽¹⁾	0.026
After the Public Issue ⁽²⁾	0.017

Notes:

- (1) Computed based on our pro forma shareholders' funds of RM30.22 million in the pro forma consolidated statements of financial position after the Acquisitions before the Public Issue.
- (2) Computed based on our pro forma shareholders' funds of RM45.91 million in the pro forma consolidated statements of financial position after the Acquisitions and Public Issue (and utilisation of proceeds).

Our pro forma gearing ratio is expected to register approximately 0.03 times before the Public Issue, and approximately 0.02 times after the Public Issue (and utilisation of proceeds) due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue.

Our borrowings carry the following interest rates for the financial years and financial period under review:

	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	% per annum			
Floating rates				
Term loans	4.65	4.84 to 4.94	4.84 to 4.94	3.69 to 3.79
Bankers' acceptance	3.50 to 4.30	4.35	4.10	4.10
Bank overdraft	7.60	7.96	7.81	6.81
Fixed rates				
Finance lease liabilities/lease liabilities	5.74	5.74	5.80	6.28

11. FINANCIAL INFORMATION (Cont'd)

The following table sets out the maturities of our borrowings and finance lease liabilities:

	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Bank borrowings ⁽¹⁾				
Within the next 12 months	2,652	2,606	1,508	164
After the next 12 months:				
Later than 1 year but not later than 2 years	198	209	255	247
Later than 2 years but not later than 3 years	569	445	314	268
Later than 3 years	91	6	-	-
Finance lease liabilities/ lease liabilities				
Within the next 12 months	280	253	110	46
After the next 12 months:	253	138	20	33
Later than 1 year but not later than 2 years	138	29	21	22
Later than 2 years but not later than 3 years	29	-	24	7

Note:

(1) Including bankers' acceptance.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the financial years/period under review and the subsequent financial period up to the LPD.

As at the LPD, neither our Group nor our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities. We do not encounter any seasonality in our borrowings trend and there are no restrictions on our committed borrowing facilities i.e. our banker.

11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

From an accounting perspective, financial instruments may include fixed deposits with licensed banks, trade and other receivables, trade and other payables and borrowings as shown on our combined statements of financial position. These financial instruments are used in our ordinary course of business.

As at the LPD, save as disclosed in Section 11.4 above, we do not have or utilise any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers as well as external sources of funds which mainly comprise bank borrowings. The principal usages of these bank borrowings are for working capital, to partially finance the purchase of PPE, acquisitions of our factories and the condominium located at Cyberjaya, Selangor.

11. FINANCIAL INFORMATION (Cont'd)

Our borrowings (save for our finance lease liabilities which are based on fixed rates) are based on base lending rate plus or minus a rate which varies depending on the type of facility.

11.6 MATERIAL CAPITAL COMMITMENTS

As at the LPD, we do not have any material commitments.

11.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Directors do not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

Our Directors are not aware of any contingent liability incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries as at the LPD.

11.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the FYEs 2017 to 2019 and FPE 2020 are as follows:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
Trade receivables turnover (days) ⁽¹⁾	103	103	114	124
Trade payables turnover (days) ⁽²⁾	30	20	23	15
Inventory turnover (days) ⁽³⁾	15	28	35	45
Current ratio (times) ⁽⁴⁾	2.37	2.91	4.57	18.90
Gearing ratio (times) ⁽⁵⁾	0.26	0.17	0.09	0.03

Notes:

- (1) Computed based on the average trade receivables over revenue for the financial year/period multiplied by 365 days for each financial year or 274 days for the financial period.
- (2) Computed based on average trade payables over cost of sales for the financial year/period multiplied by 365 days for each financial year or 274 days for the financial period.
- (3) Computed based on average inventory over cost of sales for the financial year/period multiplied by 365 days for each financial year or 274 days for the financial period.
- (4) Computed based on current assets over current liabilities as at each financial year/period end.
- (5) Computed based on our total borrowings over total equity as at each financial year/period end.

11. FINANCIAL INFORMATION (Cont'd)

Our average trade receivables turnover periods for the FYEs 2017, 2018 and 2019 and FPE 2020 were 103, 103, 114 and 124 days respectively. Due to the nature of the industry, the normal credit period granted by our Group to our customers range from 30 to 120 days from the date of invoice. The higher trade receivables turnover period for the FPE 2020 was mainly due to the slower pace of collection of debts as a result of the Movement Control Order due to suspension of businesses, imposition of inter-state travel restrictions and restricted movement of people.

Our average trade payables turnover periods for the FYEs 2017, 2018 and 2019 and FPE 2020 were 30, 20, 23 and 15 days respectively wherein the normal credit terms granted by our trade creditors to our Group are cash terms and credit terms of between 30 to 60 days from the date of invoice. Our average trade payables turnover periods for the periods under review were on the lower end of the credit terms of between 30 to 60 days. Steel coil constitutes a major component of our raw materials, accounting for approximately 50% of our purchases. In order to obtain the best pricing for our raw material supplies, we elected to pay our trade creditors promptly. In addition, our trade payables turnover ratio decreased from 30 days in the FYE 2017 to 23 days in the FYE 2019 which was mainly due to the increase in purchases of raw materials for the manufacturing of our own DUROE® brand of fire resistant door sets such as ironmongeries, fire resistant boards and insulation materials which were imported from China and where we were granted short credit terms. The lower trade payable turnover period for the FPE 2020 was attributed to the lower volume of purchases of raw materials arising from lower production activities as a result of the Movement Control Order.

We fund our working capital requirements from cash collected from our customers and other operating income, drawdown of bankers' acceptance facilities and from reinvested earnings from our operations. As raw materials are easily available and with ready supply, we also do not need to maintain a large stock of raw materials and as such, manage with less working capital tied up in inventory.

We maintain a healthy capital ratio in order to support our business where our gearing ratio recorded a decreasing trend of 0.26 times, 0.17 times and 0.09 times and our current ratio recorded an increasing trend of 2.37 times, 2.91 times and 4.57 times as at 31 August 2017, 31 August 2018 and 31 August 2019 respectively, mainly due to lower utilisation of loans and borrowings coupled with higher PAT achieved in each FYEs. We recorded a lower gearing ratio of 0.03 times and higher current ratio of 18.90 times for the FPE 2020 as compared to past FYEs mainly due to lower utilisation of bankers' acceptances facilities attributed to lower volume of purchases of raw materials arising from lower production activities as a result of the Movement Control Order.

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11. FINANCIAL INFORMATION (Cont'd)**11.8.1 Trade receivables turnover**

The ageing analysis of our trade receivables as at 31 May 2020 is as follows:

	Trade receivables as at 31 May 2020		Amount collected from 1 June 2020 up to the LPD	Balance of trade receivables which have yet to be collected as at the LPD
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000 (b)	RM'000 (c) = (a)-(b)
Within credit period	1,694	14.0%	556	1,138
Past due but not impaired:	10,413	86.0%	8,873	1,540
• 1 to 30 days	2,180	18.0%	1,825	355
• 31 to 60 days	2,949	24.4%	2,698	251
• 61 to 90 days	1,911	15.8%	1,723	188
• 91 to 120 days	1,552	12.8%	1,427	125
• More than 120 days	1,821	15.0%	1,200	621
Total	12,107	100.0%	9,429	2,678

The normal credit period granted by our Group to our customers ranges from 30 to 120 days from the date of invoice. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness and quantum of amount outstanding. As at the LPD, RM0.93 million of our trade receivables were more than 60 days past due which have yet to be collected. Of this, 76.7% or RM0.72 million are related to our fire resistant door sets. We are of the view we are able to collect the majority of the outstanding amount as it is our business practice to release the fire tags after the completion of the construction for inspection by BOMBA, upon receiving all our outstanding payments.

Our average trade receivables turnover periods for the FYEs 2017, 2018 and 2019 and FPE 2020 were 103, 103, 114 and 124 days respectively. The higher trade receivables turnover period for the FPE 2020 was mainly due to the slower pace of collection of debts as a result of the Movement Control Order where businesses were suspended and travel and movement of people were restricted.

With respect to overdue trade receivables in the past, we have been able to recover payment eventually. As such, we are of the view that all trade receivables overdue but not impaired are still recoverable. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis, and, when appropriate, provides for impairment of overdue trade receivables that are more than 1 year. We will also assess the adequacy of impairment loss allowance on overall trade receivables balance at every reporting period based on historical collection experience. Our net impairment loss on trade receivables for the financial years/period under review are as follows:

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Impairment loss on trade receivables	-	-	31	-

The impairment loss for the FYE 2019 was for provision for doubtful debts of RM30,672 which was reversed in FPE 2020.

11.8.2 Trade payables turnover

The ageing analysis of our trade payables as at 31 May 2020 is as follows:

	Trade payables as at 31 May 2020		Amount paid from 1 June 2020 up to LPD	Balance of trade payables which have yet to be paid as at LPD
	RM'000	Percentage of trade payables	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Within credit period	507	86.5%	507	-
Exceeding credit period:				
• 1 to 30 days	55	9.4%	55	-
• 31 to 60 days	4	0.7%	4	-
• More than 60 days	20	3.4%	20	-
	79	13.5%	79	-
Total	586	100.0%	586	-

The normal credit terms granted by our trade creditors to our Group are cash terms and credit terms between 30 to 60 days from the date of invoice.

Our average trade payables turnover periods for the FYEs 2017, 2018 and 2019 and FPE 2020 were 30, 20, 23 days and 15 days respectively.

As at the LPD, we have paid all our trade payables. There are also no disputes in respect of trade payables and no legal action has been initiated by our suppliers to demand for payment.

11.8.3 Inventories

Our Group's inventories mainly consist of ironmongery and the raw materials for the production of our metal door frames and fire resistant doors such as steel coils, fire resistant boards, plywood and insulation materials. Our inventory turnover days were between 15 days to 35 days for the FYEs 2017 to 2019 and 45 days for the FPE 2020. Our inventory turnover days increased from 15 days in the FYE 2017 to 28 days in the FYE 2018 as we imported raw materials for our fire resistant doors (fire resistant boards) and ironmongery to cater for shipment lead time in anticipation of the increase in sales volume for our DUROE® brand of fire resistant door sets, in tandem with our shift in strategy towards manufacturing our own brand of fire resistant door sets. As our DUROE® brand of fire resistant door sets gained traction in the market, our inventory turnover days increased further from 28 days in the FYE 2018 to 35 days in the FYE 2019 as we imported a higher volume of raw materials for our fire resistant doors (fire resistant boards) and ironmongery to cater for shipment lead time in anticipation of further increase in sales volume for fire resistant door sets and ironmongery to be sold under our fire resistant door sets. The higher inventory turnover days of 45 days in the FPE 2020 was mainly due to lower

11. FINANCIAL INFORMATION (Cont'd)

production activities from the sudden suspension of businesses as a result of the Movement Control Order.

We conduct a monthly management meeting to review the stockholding level and inventory ageing analysis. Approval is needed from the authorised management level for replenishment of stocks and write off of slow moving stocks, if any.

11.8.4 Current ratio

Our current ratio throughout the financial years and financial period under review is as follows:

	Audited			
	31 August 2017	31 August 2018	31 August 2019	31 May 2020
	RM'000	RM'000	RM'000	RM'000
Current assets	13,593	18,741	23,153	23,402
Current liabilities	5,730	6,435	5,068	1,238
Net current assets	7,863	12,306	18,085	22,164
Current ratio (times)	2.37	2.91	4.57	18.90

Our current ratio ranges from 2.37 times to 18.90 times for the financial years and financial period under review. Our Group is capable of meeting our current obligations as our inventories and trade receivables, which can be readily converted into cash together with our bank balances are able to meet our current liabilities. In the FYE 2018, our current ratio increased to 2.91 times mainly due to the increase in inventories and trade receivables of approximately RM0.86 million and RM2.80 million respectively, which contributed mainly by the increase in our revenue as well as the amount due from director of RM1.30 million.

In the FYE 2019, our current ratio increased to 4.57 times mainly due to increase in trade receivables of approximately RM2.41 million contributed by the increase in our revenue, increase in cash and bank balances of RM1.84 million as we achieved higher PAT in the FYE 2019.

In the FPE 2020, our current ratio increased to 18.90 times mainly due to the increase in inventories by approximately RM0.84 million arising from lower production output (as disclosed in Section 7.6) during the Movement Control Order, increase in placement of short term deposits of RM1.17 million, decrease in borrowings by RM1.41 million due mainly to the repayment of bankers' acceptance and decrease in trade payables of approximately RM1.08 million, due to the lower volume of purchases of raw materials during the period of the Movement Control Order.

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11. FINANCIAL INFORMATION (Cont'd)**11.8.5 Gearing ratio**

Our gearing ratio throughout the financial years and financial period under review is as follows:

	Audited			
	31 August 2017	31 August 2018	31 August 2019	31 May 2020
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings	4,210	3,686	2,252	787
Total equity	16,217	21,485	26,009	30,220
Gearing ratio (times)	0.26	0.17	0.09	0.03

Our gearing ratio improved from 0.26 times as at 31 August 2017 to 0.09 times as at 31 August 2019 due to periodic repayment of our existing borrowings coupled with the higher PAT achieved in respective FYEs. We recorded a lower gearing ratio of 0.03 times as at 31 May 2020 as compared to past financial year ends mainly due to lower utilisation of bankers' acceptances facilities attributed to lower volume of purchases of raw materials as a result of lower production activities arising from the Movement Control Order.

As at 31 May 2020, our unutilised credit facilities stood at RM6.00 million.

11.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the financial years/period under review. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

11.10 IMPACT OF INFLATION

During the financial years/period under review, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward. Any significant increase of cost of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices.

11. FINANCIAL INFORMATION (Cont'd)

11.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

11.11.1 Impact of foreign exchange rates

	FYE 2017		FYE 2018		FYE 2019		FPE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases transacted in RM	19,375	80.5	22,675	81.5	17,734	70.2	12,511	68.2
Purchases transacted in RMB	4,694	19.5	5,134	18.5	7,520	29.8	5,826	31.8
Total	24,069	100.0	27,809	100.0	25,254	100.0	18,337	100.0

For the financial years and financial period under review, our purchases that are denominated in foreign currency ranged from 18.5% to 31.8% of our total purchases.

Our Group is exposed to transactional costs on purchases of raw materials for fire resistant boards and ironmongery from our suppliers in China. We do not recognise any gain or loss on foreign exchange fluctuations for the import of raw materials for the FYEs 2017, 2018 and 2019 as the impact of the fluctuation is not material. We recorded a realised foreign exchange loss of RM0.09 million for the FPE 2020, mainly due to the weakening of the RM against the RMB for the raw materials imported from China.

Our customers are geographically located locally, therefore we transact in RM currency.

11.11.2 Impact of interest rates

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
Interest coverage ratio (times) ⁽¹⁾	20	36	85	108

Note:

(1) Computed based on EBIT over finance costs.

Our interest coverage ratio was between 20 to 108 times for the FYEs 2017 to 2019 and FPE 2020, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

11. FINANCIAL INFORMATION (Cont'd)

Our Group's financial results for the FYEs 2017 to 2019 and FPE 2020 were not materially affected by fluctuations in interest rates.

11.11.3 Impact of commodity prices

Our Group is exposed to fluctuation in prices of steel products such as steel coil which is affected by factors beyond our control, which amongst others, include demand and supply conditions of steel in the global market, prices of raw materials for the production of steel such as coal and iron and prevailing energy costs.

11.12 ORDER BOOK

We do not maintain an order book as we generate sales of our products by way of receipt of purchase orders from our customers on an ongoing basis. We sell our products on project basis (i.e. to main contractors and building materials trading arms of property developers in Malaysia) for the purposes of construction in property developments. We do not provide installation or maintenance services for our products.

11.13 UNFULFILLED PURCHASE ORDERS

Revenue is generated as and when we deliver our products to our customers. As at the LPD, our outstanding and unfulfilled purchase orders amounted to approximately RM47.01 million, as detailed below. The said purchase orders are expected to be fulfilled by end 2021.

	RM'000
Metal door frame	15,370
Fire resistant door set	20,250
Ironmongery	4,050
Wooden door	7,340

The conversion of unfulfilled purchase orders into revenue are subject to delivery and acceptance of orders by our customers. If the unfulfilled orders are not accepted by our customers, it will not be converted into revenue.

We generally agree on the delivery timeline with our customers before accepting any purchase orders. We do not accept purchase orders that we are unable to fulfil within the delivery timeline as specified by our customer.

11.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (i) Our Group's revenue is expected to remain sustainable with an upward growth trend, in line with the outlook of the metal door frame and door industry as set out in the IMR Report in Section 8;
- (ii) Our liquidity is expected to improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies and plans as stated in Section 7.17;

11. FINANCIAL INFORMATION (Cont'd)

- (iii) Our revenue and profitability is expected to improve following the completion of the construction of the new factory as stated in Section 7.17; and
- (iv) Our capital resources is expected to strengthen, considering the amount to be raised from our IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and profitability or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

11.15 TREND INFORMATION

Based on our track record for the FYEs 2017 to 2019 and FPE 2020, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (i) During the FYEs 2017 to 2019 and FPE 2020, the majority of our revenue was derived from our manufacturing segment. In view of our plan to further expand our manufacturing segment as stated in Sections 4.9(i) and 7.17, we expect the manufacturing segment to be the key revenue contributor of our Group in the future;
- (ii) During the FYEs 2017 to 2019 and FPE 2020, we derived all of our revenue from the domestic market (save for the one-off export order from a customer in Indonesia). As we intend to focus and further expand our presence in the domestic market, we expect Malaysia to continue to be our principal market; and
- (iii) The largest component of our cost of sales is steel coils. Moving forward, the cost of steel coils will continue to dominate our cost of sales which is in line with our intention to further expand our manufacturing segment. As the cost of steel coils is dependent on the global steel prices which are affected by factors beyond our control, our cost of sales might fluctuate in tandem with the steel prices.

As at the LPD, after all reasonable enquiries, our Board confirms that 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 Group's financial performance, position and operations other than those discussed in Sections 11.2, 11.9, 11.10 and 11.11;
- (ii) Material commitments for capital expenditure;
- (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 discussed in Sections 11.2, 11.9, 11.10 and 11.11;
- (iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group revenue save for those that had been discussed in Sections 11.2, 11.9, 11.10 and 11.11; and
- (v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 11.2, 11.9, 11.10 and 11.11.

11. FINANCIAL INFORMATION (Cont'd)

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths as set out in Section 7.16 and the outlook of the metal door frame and door industry in Malaysia as set out in the IMR Report in Section 8.

11.16 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from the financiers of our Group as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Our Group presently does not have any formal dividend policy, the declaration of dividends are subject to the discretion of our Board. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Dividends declared by our Group from the FYEs 2017 to 2019 and FPE 2020 are as follows:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
	RM'000	RM'000	RM'000	RM'000
Dividends declared	-	200	⁽¹⁾ 5,000	-

Note:

- (1) Includes dividend-in-specie of a piece of freehold agriculture land held for investment for RM3.20 million.

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11. FINANCIAL INFORMATION (Cont'd)**11.17 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (i) Based on the unaudited financial information as at 10 August 2020; and
- (ii) After adjusting for the effects of the Acquisitions Public Issue and utilisation of proceeds.

	Econframe	I	II	III
	As at 10 August 2020	After the Acquisitions	After I and Public Issue	After II and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Capitalisation				
Shareholders' equity	(617)	31,498	49,698	47,185
Total capitalisation	(617)	31,498	49,698	47,185
Indebtedness ⁽¹⁾				
Trade facilities	-	-	-	-
Term loans	-	656	656	656
Finance lease liabilities	-	65	65	65
Total indebtedness	-	721	721	721
Total capitalisation and indebtedness	(617)	32,219	50,419	47,906
Gearing ratio ⁽²⁾	-	0.02	0.01	0.02

Notes:

- (1) All of our indebtedness are secured and guaranteed.
- (2) Calculated based on total indebtedness divided by total capitalisation.

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12. ACCOUNTANTS' REPORT



7 September 2020

The Board of Directors
Econframe Berhad
No. 1 & 3, Jalan 27A, Kawasan 16
Sungai Rasau Industrial Area
41300 Klang
Selangor Darul Ehsan

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
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Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Econframe Berhad ("Econframe" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Company and its operating entities as defined in Note 2 to the combined financial statements (collectively known as the "Group"), which comprise of the combined statements of financial position as at 31 August 2017, 31 August 2018, 31 August 2019 and 31 May 2020, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period then ended, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 5 to 99.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report give a true and fair view of the combined financial positions of the Group as at 31 August 2017, 31 August 2018, 31 August 2019 and 31 May 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.

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.

12. ACCOUNTANTS' REPORT (*Cont'd*)



ECONFRAME BERHAD
(Incorporated in Malaysia)

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 Group are responsible for the preparation of the combined financial statements contained in the Accountants' Report, 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 Group 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.

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.

12. ACCOUNTANTS' REPORT (Cont'd)



ECONFRAME BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

- 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.

Other Matters

This report is made solely to the board of directors of the Group 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 Group in connection with the listing and quotation for the entire enlarged issued share capital of the Group 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
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

Kuala Lumpur

Date: 7 September 2020

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

STATEMENT BY DIRECTORS

We, **LIM CHIN HORNG** and **KHOO SOON BENG**, being two of the directors of ECONFRAME 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 August 2017, 31 August 2018, 31 August 2019 and 31 May 2020 and of their financial performance and cash flows for the financial years/period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:



.....
LIM CHIN HORNG
Director



.....
KHOO SOON BENG
Director

Kuala Lumpur

Date: 7 September 2020

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**
Accountants' Report**COMBINED STATEMENTS OF FINANCIAL POSITION**

		Audited as at			
		31.08.2017	31.08.2018	31.08.2019	31.05.2020
Note		RM '000	RM '000	RM '000	RM '000
ASSETS					
Non-current assets					
Property, plant and equipment	5	8,230	8,375	9,731	9,744
Investment properties	6	2,550	2,800	324	324
Total non-current assets		10,780	11,175	10,055	10,068
Current assets					
Inventories	7	1,893	2,757	2,909	3,747
Current tax assets		-	-	-	205
Trade and other receivables	8	9,927	14,084	15,363	13,484
Cash and short-term deposits	9	1,773	1,900	4,881	5,966
Total current assets		13,593	18,741	23,153	23,402
TOTAL ASSETS		24,373	29,916	33,208	33,470
EQUITY AND LIABILITIES					
Equity attributable to owners of the Group					
Invested equity	10	1,100	1,100	1,100	1,100
Other reserve	11	2,488	2,849	4,228	4,220
Retained earnings		12,629	17,536	20,681	24,900
TOTAL EQUITY		16,217	21,485	26,009	30,220
Non-current liabilities					
Loans and borrowings	12	1,278	827	634	577
Deferred tax liabilities	13	1,148	1,169	1,497	1,435
Total non-current liabilities		2,426	1,996	2,131	2,012
Current liabilities					
Loans and borrowings	12	2,932	2,859	1,618	210
Current tax liabilities		723	953	884	-
Trade and other payables	14	2,075	2,623	2,566	1,028
Total current liabilities		5,730	6,435	5,068	1,238
TOTAL LIABILITIES		8,156	8,431	7,199	3,250
TOTAL EQUITY AND LIABILITIES		24,373	29,916	33,208	33,470

The accompanying notes form an integral part of these combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Audited FYE 31 August			Audited FPE 31 May	Unaudited
		2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Revenue	15	35,494	39,834	44,089	29,977	33,265
Cost of sales		(26,651)	(29,957)	(29,475)	(20,349)	(22,648)
Gross profit		8,843	9,877	14,614	9,628	10,617
Other income	16	195	419	619	162	167
Distribution expenses		(1,156)	(980)	(1,210)	(951)	(919)
Administrative expenses		(3,357)	(2,496)	(3,290)	(3,276)	(2,464)
Operating profit		4,525	6,820	10,733	5,563	7,401
Finance costs	17	(223)	(187)	(126)	(51)	(83)
Profit before tax	18	4,302	6,633	10,607	5,512	7,318
Income tax expense	20	(1,192)	(1,536)	(2,472)	(1,301)	(1,718)
Profit for the financial year/period		3,110	5,097	8,135	4,211	5,600
Other comprehensive income, net of tax						
<i>Item that will not be reclassified subsequently to profit or loss</i>						
Surplus on revaluation of property, plant and equipment		1,041	371	1,389	-	-
Other comprehensive income for the financial year/period		1,041	371	1,389	-	-
Total comprehensive income for the financial year/period		4,151	5,468	9,524	4,211	5,600
Profit attributable to:						
Owners of the Group		3,110	5,097	8,135	4,211	5,600
Total comprehensive income attributable to:						
Owners of the Group		4,151	5,468	9,524	4,211	5,600

The accompanying notes form an integral part of these combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Group			Total equity
	Invested equity RM '000	Revaluation reserve RM '000	Retained earnings RM '000	RM '000
At 1 September 2016	1,100	1,454	9,512	12,066
Total comprehensive income for the financial year				
Profit for the financial year	-	-	3,110	3,110
Realisation of revaluation reserve	-	(7)	7	-
Other comprehensive income for the financial year	-	1,041	-	1,041
At 31 August 2017	1,100	2,488	12,629	16,217
Total comprehensive income for the financial year				
Profit for the financial year	-	-	5,097	5,097
Realisation of revaluation reserve	-	(10)	10	-
Other comprehensive income for the financial year	-	371	-	371
Total comprehensive income	-	361	5,107	5,468
Transaction with owners				
Dividend paid on shares	-	-	(200)	(200)
At 31 August 2018	1,100	2,849	17,536	21,485
Total comprehensive income for the financial year				
Profit for the financial year	-	-	8,135	8,135
Realisation of revaluation reserve	-	(10)	10	-
Other comprehensive income for the financial year	-	1,389	-	1,389
Total comprehensive income	-	1,379	8,145	9,524
Transaction with owners				
Dividends paid on shares	-	-	(5,000)	(5,000)
At 31 August 2019	1,100	4,228	20,681	26,009
Total comprehensive income for the financial period				
Profit for the financial period	-	-	4,211	4,211
Realisation of revaluation reserve	-	(8)	8	-
Total comprehensive income	-	(8)	4,219	4,211
Transaction with owners				
Issuance of shares at the date of incorporation	*	-	-	*
At 31 May 2020	1,100	4,220	24,900	30,220

* RM100

12. ACCOUNTANTS' REPORT (Cont'd)
ECONFRAME BERHAD

Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Group			Total equity
	Invested equity RM '000	Revaluation reserve RM '000	Retained earnings RM '000	RM '000
At 31 August 2018	1,100	2,849	17,536	21,485
Total comprehensive income for the financial period				
Profit for the financial period	-	-	5,600	5,600
Realisation of revaluation reserve	-	(8)	8	-
Total comprehensive income	-	(8)	5,608	5,600
Transaction with owners				
Dividends paid on shares	-	-	(300)	(300)
At 31 May 2019	1,100	2,841	22,844	26,785

The accompanying notes form an integral part of these combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)
ECONFRAME BERHAD
Accountants' Report
COMBINED STATEMENTS OF CASH FLOWS

Note	Audited FYE 31 August			Audited FPE 31 May	Unaudited 2019
	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Cash flows from operating activities					
Profit before tax:	4,302	6,633	10,607	5,512	7,318
Adjustments for:					
Depreciation of property, plant and equipment	522	445	502	396	356
Bad debts recovered	-	-	(5)	-	(5)
Gain on disposal of property, plant and equipment	(30)	-	-	-	-
Impairment loss on trade receivables	-	-	31	-	31
Impairment loss on property, plant and equipment	-	-	10	-	-
Bad debt written off	-	-	3	-	3
Reversal of impairment loss	-	-	-	(31)	-
Fair value loss/(gain) on investment property	1,050	(250)	(400)	-	-
Interest expenses	223	187	126	51	83
Interest income	(9)	(13)	(21)	(49)	(15)
Operating profit before changes in working capital	6,058	7,002	10,853	5,879	7,771
Changes in working capital:					
Inventories	(1,624)	(865)	(152)	(838)	(14)
Trade and other receivables	647	(2,861)	(2,605)	1,910	(2,468)
Trade and other payables	(2,462)	1,035	(56)	(1,539)	(315)
Net cash generated from operations	2,619	4,311	8,040	5,412	4,974
Income tax paid	(1,483)	(1,283)	(2,543)	(2,452)	(1,634)
Interest paid	(34)	(12)	(2)	-	(2)
Net cash from operating activities	1,102	3,016	5,495	2,960	3,338
Cash flows from investing activities					
Purchase of property, plant and equipment (a)	(215)	(219)	(371)	(358)	(349)
Proceeds from disposal of property, plant and equipment	30	-	-	-	-
Change in pledged deposits	(129)	(133)	(1,141)	(1,172)	(105)
Interest income	9	13	21	49	15
Net cash used in investing activities	(305)	(339)	(1,491)	(1,481)	(439)

12. ACCOUNTANTS' REPORT (Cont'd)
ECONFRAME BERHAD
Accountants' Report
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Audited FYE 31 August			Audited FPE 31 May	Unaudited
		2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Cash flows from financing activities	(b)					
Interest paid		(189)	(175)	(124)	(51)	(81)
Repayment of term loans		(147)	(190)	(47)	(133)	3
Repayment of finance lease liabilities/lease liabilities		(290)	(280)	(345)	(118)	(215)
Drawdown/(repayment) of bankers' acceptance		349	(519)	(483)	(1,265)	(523)
Net change in amount owing to directors		(54)	(1,784)	1,296	-	(459)
Dividends paid	(c)	-	(200)	(1,800)	-	(300)
Proceeds from issuance of share capital upon incorporation		-	-	-	*	-
Net cash used in financing activities		(331)	(3,148)	(1,503)	(1,567)	(1,575)
Net increase/(decrease) in cash and cash equivalents		466	(471)	2,501	(88)	1,324
Cash and cash equivalents at the beginning of the financial year/period		681	1,147	676	3,177	676
Cash and cash equivalents at the end of the financial year/period	9	1,147	676	3,177	3,089	2,000

* RM100

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Purchase of property, plant and equipment:

	Note	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
		2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Purchase of property, plant and equipment	5	410	219	471	390	449
Financed by way of finance lease arrangements		(195)	-	(100)	-	(100)
Operating leases recognised as right-of-use assets		-	-	-	(32)	-
Cash payments on purchase of property, plant and equipment		215	219	371	358	349

(b) Changes in liabilities arising from financing activities comprise of net changes in loans and borrowings, amount owing to directors and dividends paid during the financial years/period. There were no non-cash changes in liabilities arising from financing activities.

(c) Dividends paid:

	Note	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
		2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Dividends declared	21	-	200	5,000	-	300
Dividend in specie		-	-	(3,200)	-	-
Cash payments on dividends		-	200	1,800	-	300

The accompanying notes form an integral part of these combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

The Company was incorporated on 27 November 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 21 February 2020. The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur. The principal place of business of the Company is located at No. 1 & 3, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor.

The principal activity of the Company is investment holding. The details of the combined entities are as follows:

Combined entities	Principal place of business/ country of incorporation	Principal activities
Econframe Marketing Sdn. Bhd.	Malaysia	Manufacturing and sales of doors, door and window frames and trading of ironmongery
Econframe Pre-Hung Doors Sdn. Bhd.	Malaysia	Trading of doors

There have been no significant changes in the nature of these principal activities during the financial years/period under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 September 2020.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

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 August 2017, 31 August 2018 and 31 August 2019 and financial periods ended ("FPE") 31 May 2019 and 31 May 2020 have been prepared pursuant to the listing of and quotation for the entire enlarged 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.

Entities Under Common Control	FYE 31 August			FPE 31 May	
	2017	2018	2019	2019	2020
Econframe	*	*	*	*	√, ^
Econframe Marketing Sdn. Bhd.	√, @	√, @	√, ^	#	√, ^
Econframe Pre-Hung Doors Sdn. Bhd.	√, @	√, @	√, ^	#	√, ^

* No financial statements were available for Econframe as the Company was incorporated on 27 November 2019.

√ The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years/periods.

^ The combined financial statements of the Group for the respective financial years/periods 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 combined financial statements which includes combined statements of comprehensive income, combined statements of changes 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.

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.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)**

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 combined financial statements of the Group had the relevant proposed transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years/periods.

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").

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group has adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial period:

New MFRS

MFRS 16	Leases
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Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

New IC Int

IC Int 23	Uncertainty Over Income Tax Treatments
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12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int 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, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group has applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 September 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 September 2019. Existing lease contracts that are still effective on 1 September 2019 will be accounted for as lease contracts under MFRS 16.

12. ACCOUNTANTS' REPORT (*Cont'd*)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial period, the application of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all its leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the statement of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial period; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statement of cash flows for the current financial period.

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at either:

- (a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The Group applied this approach to its largest property leases; or
- (b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement (continued)

For leases that were classified as operating lease under MFRS 117 (continued)

The Group also applied the following practical expedients wherein it:

- (a) applied a single discount rate to a portfolio of leases with similar characteristics;
- (b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- (c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- (d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (continued)*****MFRS 16 Leases (continued)******Impact of the adoption of MFRS 16 (continued)***

The effects of adoption of MFRS 16 as at 1 September 2019 are as follows:

	Adjustments	Increase RM '000
Assets		
Non-current assets		
Property, plant and equipment	(i)	19
Total non-current assets		<u>19</u>
Total assets		<u>19</u>
 Non-current liabilities		
Loans and borrowings	(i)	9
Total non-current liabilities		<u>9</u>
 Current liabilities		
Loans and borrowings	(i)	10
Total current liabilities		<u>10</u>
Total liabilities		<u>19</u>

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 September 2019 is 4.26%.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

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

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
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2020/ 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 2020/ 1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2020/ 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 2020/ 1 January 2023/ 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2023 [#]

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs have been issued, but yet to be effective (continued)**

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs (continued)</u>		
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 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023 [#]
MFRS 141	Agriculture	1 January 2022 [^]

[^] *The Annual Improvements to MFRSs 2018-2022*^{*} *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*

2.3.1 The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Annual Improvements to MFRSs 2018-2020

Annual Improvements to MFRSs 2018-2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – 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 MFRSs.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

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 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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 requirements 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.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued *Interest Rate Benchmark Reform* (Amendments to MFRS 9, MFRS 139 and MFRS 7).

The *Interest Rate Benchmark Reform* amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

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 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures (continued)***

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80% - 125% range during the period of uncertainty arising from the reform.

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.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the *Conceptual Framework for Financial Reporting*. Consequently, the amendments align the definition of material across MFRSs and other publications.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

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

The combined financial statements comprise the financial statements of Econframe Berhad, Econframe Marketing Sdn. Bhd. and Econframe Pre-Hung Doors Sdn. Bhd.. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as Econframe. 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of combination (continued)****(a) Business combination**

The Group applies 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. 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 combination, 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.

3.2 Foreign currency transactions**Translation of foreign currency transactions**

Foreign currency transactions are translated to the presentation functional currencies of the Group using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions (continued)

Translation of foreign currency transactions (continued)

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 becomes a party to the contract provisions of the financial instrument.

Accounting policies applied from 1 September 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.

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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**Accounting policies applied from 1 September 2018 (continued)**(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.

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 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**Accounting policies applied from 1 September 2018 (continued)**(a) Subsequent measurement (continued)****(i) Financial assets (continued)**Debt instruments (continued)

- **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.

- **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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

Accounting policies applied from 1 September 2018 (continued)

(a) Subsequent measurement (continued)**(i) Financial assets (continued)**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.

(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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

Accounting policies applied from 1 September 2018 (continued)

(a) Subsequent measurement (continued)**(ii) Financial liabilities (continued)**Financial liabilities at FVPL (continued)

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 as at FVPL.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**Accounting policies applied from 1 September 2018 (continued)**(c) Regular way purchase or sale of financial assets (continued)**

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.

(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 recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

Accounting policies applied from 1 September 2018 (continued)

(d) Derecognition (continued)

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.

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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**Accounting policies applied until 31 August 2018

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, and only 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 assetsFinancial 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**Accounting policies applied until 31 August 2018 (continued)**(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows (continued):

(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 3.9(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 3.9(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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**Accounting policies applied until 31 August 2018 (continued)**(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows (continued):

(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 3.9(a).

(ii) Financial liabilities

Same accounting policies applied until 31 August 2018 and from 1 September 2018.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

Accounting policies applied until 31 August 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 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 August 2018 and from 1 September 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 August 2018 and from 1 September 2018.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

Accounting policies applied until 31 August 2018 (continued)

(f) Derivatives

Same accounting policies applied until 31 August 2018 and from 1 September 2018.

3.4 Property, plant and equipment**(a) Recognition and measurement**

Land and buildings are measured using the revaluation approach. The revaluation is done on a yearly basis. All other items of 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 3.9(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.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

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
Plant and machineries	10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Office equipment	10 years
Computer hardware and software	5 years
Renovation	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.

3.5 Leases**(a) Definition of a lease****Accounting policies applied from 1 September 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)****(a) Definition of a lease (continued)****Accounting policies applied until 31 August 2019**

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 criteria are classified as operating leases.

(b) Lessee accounting**Accounting policies applied from 1 September 2019**

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease arrangements 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 statement 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.

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 3.9(b).

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied from 1 September 2019 (continued)

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.

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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied from 1 September 2019 (continued)

Lease liability (continued)

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 "administrative expenses" in the statement 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.

Accounting policies applied until 31 August 2019

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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)****(c) Lessor accounting****Accounting policies applied from 1 September 2019**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group is an intermediate lessors, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.5(a), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the 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.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 August 2019

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 combined 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

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. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

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.

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. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 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 short-term deposits pledged to financial institutions.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 September 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 September 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 impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 September 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 August 2018

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 data 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 August 2018 (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 its 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 August 2018 (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, deferred tax assets and investment properties measured at fair value) 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.9 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.

3.10 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.

3.11 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Revenue and other income**Accounting policies applied from 1 September 2018

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 materially 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.

The Group measures revenue from sale of good 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 Company estimates it by using the costs plus margin approach.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Revenue and other income (continued)**Accounting policies applied from 1 September 2018 (continued)

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 building material and hardware. 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 the passage of time before the payment is due.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised on an accrual basis.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Revenue and other income (continued)**Accounting policies applied until 31 August 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Same accounting policies applied until 31 August 2018 and from 1 September 2018.

(c) Rental income

Same accounting policies applied until 31 August 2018 and from 1 September 2018.

3.13 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.15 Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3.16 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.

3.17 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.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

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 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.

4.2 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 20.

4.3 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 22(b).

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)****4.4 Write-down of obsolete or slow moving inventories**

The Group write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's inventories are disclosed in Note 7.

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.

4.6 Fair value of investment properties

The Group carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged an external valuer to determine the fair values. The valuation methods adopted by the valuer include sales comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, income approach, being the projected net income and other benefits that the subject property can generate over the life of the property capitalised at market derived yields to arrive at the present value of the property. Judgement is made in determining the appropriate valuation methods and the key assumptions used in the valuations. Any changes in these assumptions will have an impact on the carrying amounts of the investment properties.

The carrying amounts of the investment properties are disclosed in Note 6.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

Note	Freehold land RM '000	Freehold buildings RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Capital work-in-progress RM '000	Total RM '000
Cost/revaluation										
At 1 September 2016	4,233	817	1,826	1,239	200	178	109	324	-	8,926
Additions	-	-	-	302	60	12	-	-	36	410
Revaluation surplus	1,127	240	-	-	-	-	-	-	-	1,367
Transfer from accumulated depreciation	-	(16)	-	-	-	-	-	-	-	(16)
Disposals	-	-	-	(82)	-	-	-	-	-	(82)
At 31 August 2017	5,360	1,041	1,826	1,459	260	190	109	324	36	10,605
Accumulated depreciation										
At 1 September 2016	-	-	1,018	554	79	102	87	111	-	1,951
Depreciation charge for the financial year	18	16	145	276	25	16	13	31	-	522
Transfer to cost upon revaluation	-	(16)	-	-	-	-	-	-	-	(16)
Disposals	-	-	-	(82)	-	-	-	-	-	(82)
At 31 August 2017	-	-	1,163	748	104	118	100	142	-	2,375
Carrying amount										
At 1 September 2016										
- At cost	-	-	808	685	121	76	22	213	-	1,925
- At revaluation	4,233	817	-	-	-	-	-	-	-	5,050
	4,233	817	808	685	121	76	22	213	-	6,975
At 31 August 2017										
- At cost	-	-	663	711	156	72	9	182	36	1,829
- At revaluation	5,360	1,041	-	-	-	-	-	-	-	6,401
	5,360	1,041	663	711	156	72	9	182	36	8,230

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Capital work-in- progress RM '000	Total RM '000
Cost/revaluation											
At 1 September 2017		5,360	1,041	1,826	1,459	260	190	109	324	36	10,605
Additions		-	-	-	-	3	53	1	-	162	219
Revaluation surplus		350	21	-	-	-	-	-	-	-	371
Transfer from accumulated depreciation		-	(21)	-	-	-	-	-	-	-	(21)
At 31 August 2018		5,710	1,041	1,826	1,459	263	243	110	324	198	11,174
Accumulated depreciation											
At 1 September 2017		-	-	1,163	748	104	118	100	142	-	2,375
Depreciation charge for the financial year	18	-	21	114	228	25	20	6	31	-	445
Transfer to cost upon revaluation		-	(21)	-	-	-	-	-	-	-	(21)
At 31 August 2018		-	-	1,277	976	129	138	106	173	-	2,799
Carrying amount											
At 1 September 2017											
- At cost		-	-	663	711	156	72	9	182	36	1,829
- At revaluation		5,360	1,041	-	-	-	-	-	-	-	6,401
		5,360	1,041	663	711	156	72	9	182	36	8,230
At 31 August 2018											
- At cost		-	-	549	483	134	105	4	151	198	1,624
- At revaluation		5,710	1,041	-	-	-	-	-	-	-	6,751
		5,710	1,041	549	483	134	105	4	151	198	8,375

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Capital work-in-progress RM '000	Total RM '000
Cost/revaluation											
At 1 September 2018		5,710	1,041	1,826	1,459	263	243	110	324	198	11,174
Additions		-	-	151	159	3	19	9	4	126	471
Revaluation (deficit)/surplus		(580)	2,301	-	-	-	-	-	-	-	1,721
Transfer from accumulated depreciation		-	(21)	-	-	-	-	-	-	-	(21)
Transfer to investment property	6	-	-	-	-	-	-	-	-	(324)	(324)
Written off		-	-	-	(368)	-	-	-	-	-	(368)
At 31 August 2019		5,130	3,321	1,977	1,250	266	262	119	328	-	12,653
Accumulated depreciation and impairment loss											
At 1 September 2018		-	-	1,277	976	129	138	106	173	-	2,799
Depreciation charge for the financial year	18	-	21	129	266	26	22	6	32	-	502
Transfer to cost upon revaluation		-	(21)	-	-	-	-	-	-	-	(21)
Written off		-	-	-	(368)	-	-	-	-	-	(368)
Impairment loss		10	-	-	-	-	-	-	-	-	10
At 31 August 2019		10	-	1,406	874	155	160	112	205	-	2,922
Carrying amount											
At 1 September 2018		-	-	549	483	134	105	4	151	198	1,624
- At cost		-	-	549	483	134	105	4	151	198	1,624
- At revaluation		5,710	1,041	-	-	-	-	-	-	-	6,751
		5,710	1,041	549	483	134	105	4	151	198	8,375
At 31 August 2019		-	-	571	376	111	102	7	123	-	1,290
- At cost		-	-	571	376	111	102	7	123	-	1,290
- At revaluation		5,120	3,321	-	-	-	-	-	-	-	8,441
		5,120	3,321	571	376	111	102	7	123	-	9,731

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note	Freehold land RM '000	Freehold buildings RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Capital work-in-progress RM '000	Right-of-use assets RM '000	Total RM '000
Cost/revaluation											
At 1 September 2019											
- As previously reported	5,130	3,321	1,977	1,250	266	262	119	328	-	-	12,653
- Effect of adoption of MFRS 16	-	-	(325)	(452)	-	-	-	-	-	796	19
Adjusted balance at 1 September 2019	5,130	3,321	1,652	798	266	262	119	328	-	796	12,672
Additions	-	-	113	38	-	-	-	207	-	32	390
Transfers	-	-	325	341	-	-	-	-	-	(666)	-
At 31 May 2020	5,130	3,321	2,090	1,177	266	262	119	535	-	162	13,062
Accumulated depreciation and impairment loss											
At 1 September 2019											
- As previously reported	10	-	1,406	874	155	160	112	205	-	-	2,922
- Effect of adoption of MFRS 16	-	-	(130)	(295)	-	-	-	-	-	425	-
Adjusted balance at 1 September 2019	10	-	1,276	579	155	160	112	205	-	425	2,922
Depreciation charge for the financial period	18	-	50	68	19	15	2	39	-	105	396
Transfers	-	-	154	325	-	-	-	-	-	(479)	-
At 31 May 2020	10	50	1,498	1,002	174	175	114	244	-	51	3,318

12. ACCOUNTANTS' REPORT (Cont'd)
ECONFRAME BERHAD
Accountants' Report
NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Freehold land RM '000	Freehold buildings RM '000	Plant and machineries RM '000	Motor vehicles RM '000	Furniture and fittings RM '000	Office equipment RM '000	Computer hardware and software RM '000	Renovation RM '000	Capital work-in- progress RM '000	Right-of-use assets RM '000	Total RM '000
Carrying amount												
At 1 September 2019 (Adjusted)												
- At cost		-	-	376	219	111	102	7	123	-	371	1,309
- At revaluation		5,120	3,321	-	-	-	-	-	-	-	-	8,441
		5,120	3,321	376	219	111	102	7	123	-	371	9,750
At 31 May 2020												
- At cost		-	-	592	175	92	87	5	291	-	111	1,353
- At revaluation		5,120	3,271	-	-	-	-	-	-	-	-	8,391
		5,120	3,271	592	175	92	87	5	291	-	111	9,744

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance lease

The carrying amounts of assets under a finance lease arrangements are as follows:

	Audited as at			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Plant and machineries	386	227	195	-
Motor vehicles	680	474	157	-
	1,066	701	352	-

(b) Assets pledged as security

	Audited as at			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Freehold land	5,360	5,710	5,120	5,120
Freehold buildings	1,041	1,041	3,321	3,271
	6,401	6,751	8,441	8,391

Freehold land and building have been pledged as security to secure credit facilities of the Group as disclosed in Note 12.

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 12(b).

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(c) Right-of-use assets**

The Group leases several assets including apartments, plant and machineries and motor vehicles.

Information about leases for which the Group is a lessee is presented below:

	Apartments RM	Plant and machineries RM	Motor vehicles RM	Total RM
Carrying amount				
At 1 September 2019	19	195	157	371
Additions	32	-	-	32
Depreciation	(13)	(24)	(68)	(105)
Transfers	-	(171)	(16)	(187)
At 31 May 2020	38	-	73	111

The Group leases apartments for staff accommodations. The leases for apartments generally have lease terms between 1 to 2 years.

The Group also leases plant and machineries and motor vehicles with lease terms between 4 to 5 years and has options to purchase the assets at the end of the contract term.

(d) Fair value information

Fair value of freehold land and buildings are categorised as follows:

	Audited as at			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	Level 2			
	RM '000	RM '000	RM '000	RM '000
Freehold land	5,360	5,710	5,120	5,120
Freehold buildings	1,041	1,041	3,321	3,271
	6,401	6,751	8,441	8,391

There are no Level 1 and Level 3 freehold land and buildings or transfers between Level 1, Level 2 and Level 3 during the financial years ended 31 August 2017, 31 August 2018, 31 August 2019 and the financial period ended 31 May 2020.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(d) Fair value information (continued)****Level 2 fair value**

Level 2 fair value of freehold land and buildings have been derived using the sales comparison approach. Sales price of comparable property in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable property.

Valuation processes applied by the Company

The fair value of freehold land and buildings was determined on 31 August 2017, 31 August 2018 and 16 July 2019, being the date of valuation, by an external independent property valuer, a member of the Institute of Valuers in Malaysia, with appropriate recognised professional qualifications and recent experience in the location and category of property being valued. There has been no change to the valuation technique during the financial years/period. The latest date of revaluation was on 16 July 2019.

- (e) Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation less accumulated impairment loss, the net carrying amount of the freehold land and buildings that would have been included in the financial statements of the Company are as follows:

	Audited as at			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Freehold land	2,657	2,657	2,647	2,647
Freehold buildings	464	453	443	435
	<u>3,121</u>	<u>3,110</u>	<u>3,090</u>	<u>3,082</u>

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES**

	← Audited as at →			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
At fair value:				
At 1 September	3,600	2,550	2,800	324
Changes in fair value	(1,050)	250	400	-
Transfer from property, plant and equipment	-	-	324	-
Disposal as dividend in specie	-	-	(3,200)	-
At 31 August/31 May	2,550	2,800	324	324

Investment properties with a carrying amount of RM323,674 (31.08.2019: RM323,674; 31.08.2018: RM2,800,000 and 31.08.2017: RM2,550,000) has been pledged as security to secure credit facilities of the Group as disclosed in Note 12.

The following are recognised in profit or loss in respect of investment properties:

	← Audited →			Audited	Unaudited
	FYE 31 August			FPE 31 May	
	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	
Rental income	156	156	155	-	117
Direct operating expenses:					
- income generating investment properties	*	*	*	-	*
- non-income generating investment properties	-	-	5	-	-

* RM59

Fair value information

Fair value of investment properties are categorized as follows:

	Level 2	Level 3	Total
	RM '000	RM '000	RM '000
At 31 August 2017			
Land	2,550	-	2,550
At 31 August 2018			
Land	2,800	-	2,800
At 31 August 2019			
Building	-	324	324
At 31 May 2020			
Building	-	324	324

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES (CONTINUED)****Fair value information (continued)**

There are no Level 1 investment properties or transfers between Level 1 and Level 2 during the financial years ended 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020.

Level 2 fair value

Level 2 fair value of freehold land has been derived using the sales comparison approach. Sales price of comparable property in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable property.

Valuation processes applied by the Company

The fair value of investment properties is determined by an external independent property valuer, a member of the Institute of Valuers in Malaysia, with appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the investment property portfolio every 12 months. Changes in Level 2 fair values are analysed by the team every 12 months after obtaining the valuation report from the valuation company. There has been no change to the valuation technique during the financial years/period.

7. INVENTORIES

	← Audited as at →			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
At cost:				
Raw materials	1,893	2,757	2,909	3,747

The cost of inventories of the Group recognised as an expense in cost of sales during the financial period was RM15,205,404 (31.08.2019: RM22,151,638; 31.08.2018: RM24,390,304 and 31.08.2017: RM21,411,990).

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**8. TRADE AND OTHER RECEIVABLES**

Note	Audited as at			
	31.08.2017 RM '000	31.08.2018 RM '000	31.08.2019 RM '000	31.05.2020 RM '000
Trade				
Trade receivables (a)	9,827	12,622	15,060	12,107
Less: Impairment losses	-	-	(31)	-
	9,827	12,622	15,029	12,107
Non-trade				
Other receivables	-	14	3	50
Deposits	90	88	309	234
Prepayments	10	64	22	1,093
Amount owing from a director	-	1,296	-	-
	100	1,462	334	1,377
Total trade and other receivables	9,927	14,084	15,363	13,484

(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:

	Audited as at			
	31.08.2017 RM '000	31.08.2018 RM '000	31.08.2019 RM '000	31.05.2020 RM '000
Neither past due nor impaired	3,900	4,614	5,614	1,694
Past due but not impaired:	5,927	8,008	9,415	10,413
1 to 30 days past due not impaired	2,263	2,611	2,803	2,180
31 to 60 days past due not impaired	1,675	2,490	2,441	2,949
61 to 90 days past due not impaired	962	1,468	2,076	1,911
91 to 120 days past due not impaired	475	739	1,182	1,552
More than 120 days past due not impaired	552	700	913	1,821
Impaired	-	-	31	-
Total trade receivables	9,827	12,622	15,060	12,107

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****8. 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:

Note	Audited as at			
	31.08.2017 RM '000	31.08.2018 RM '000	31.08.2019 RM '000	31.05.2020 RM '000
At 1 September	-	-	-	31
Charge for the financial year				
- Individually assessed	18	-	31	-
Reversal of impairment loss		-	-	(31)
At 31 August/31 May	-	-	31	-

9. CASH AND SHORT-TERM DEPOSITS

	Audited as at			
	31.08.2017 RM '000	31.08.2018 RM '000	31.08.2019 RM '000	31.05.2020 RM '000
Cash and bank balances	1,342	1,336	3,177	3,089
Short-term deposits	431	564	1,704	2,877
	<u>1,773</u>	<u>1,900</u>	<u>4,881</u>	<u>5,966</u>

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

	Audited as at			
	31.08.2017 RM '000	31.08.2018 RM '000	31.08.2019 RM '000	31.05.2020 RM '000
Short-term deposits	431	564	1,704	2,877
Less: Pledged deposits	(431)	(564)	(1,704)	(2,877)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and bank balances	1,342	1,336	3,177	3,089
Bank overdraft	(195)	(660)	-	-
	<u>1,147</u>	<u>676</u>	<u>3,177</u>	<u>3,089</u>

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 12.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years/period is the aggregate of the share capital of the combining entities constituting the Group.

The invested equity constitutes the share capital of Econframe Berhad, Econframe Marketing Sdn. Bhd. and Econframe Pre-Hung Doors Sdn. Bhd..

11. OTHER RESERVE

	Audited as at			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Revaluation reserve	2,488	2,849	4,228	4,220

Revaluation reserve

	Audited as at			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
At 1 September	1,454	2,488	2,849	4,228
Revaluation surplus	1,367	371	2,301	-
Revaluation deficit	-	-	(580)	-
Deferred tax liabilities	(326)	-	(332)	-
Realisation of revaluation reserve	(7)	(10)	(10)	(8)
At 31 August/31 May	2,488	2,849	4,228	4,220

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**12. LOANS AND BORROWINGS**

		Audited as at			
		31.08.2017	31.08.2018	31.08.2019	31.05.2020
	Note	RM '000	RM '000	RM '000	RM '000
Non-current:					
Term loans	(a)	858	660	569	515
Finance lease liabilities/lease liabilities	(b)	420	167	65	62
		1,278	827	634	577
Current:					
Term loans	(a)	190	198	243	164
Finance lease liabilities/lease liabilities	(b)	280	253	110	46
Bankers' acceptance	(c)	2,267	1,748	1,265	-
Bank overdraft	(d)	195	660	-	-
		2,932	2,859	1,618	210
Total loans and borrowings:					
Term loans	(a)	1,048	858	812	679
Finance lease liabilities/lease liabilities	(b)	700	420	175	108
Bankers' acceptance	(c)	2,267	1,748	1,265	-
Bank overdraft	(d)	195	660	-	-
		4,210	3,686	2,252	787

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****12. LOANS AND BORROWINGS (CONTINUED)****(a) Term loans**

Term loans of the Group bear interests ranging from 3.69% to 3.79% (31.08.2019: 4.84% to 4.94%; 31.08.2018: 4.84% to 4.94% and 31.08.2017: 4.65%) per annum and is repayable by monthly instalments of RM3,364 to RM7,859 over 5 to 7 years commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over the freehold land and buildings of a combining entity as disclosed in Note 5;
- (ii) Legal charge over the freehold buildings of a combining entity as disclosed in Note 6; and
- (iii) Letter of set-off over first party short-term deposits with interest capitalised as disclosed in Note 9.

(b) Finance lease liabilities/lease liabilities

Certain property, plant and equipment of the Group as disclosed in Note 5 are pledged for 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 in the leases is 6.28% (31.08.2019: 5.80%; 31.08.2018 and 31.08.2017: 5.74%) 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 →			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Minimum lease payment:				
- Not later than one year	314	271	116	50
- Later than one year and not later than five years	441	171	71	66
- More than five years	-	-	-	-
	755	442	187	116
Less: Future finance charges	(55)	(22)	(12)	(8)
Present value of minimum lease payments	700	420	175	108

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****12. LOANS AND BORROWINGS (CONTINUED)****(b) Finance lease liabilities/lease liabilities (continued)**

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	← Audited as at →			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Present value of minimum lease payment payable:				
- Not later than one year	280	253	110	46
- Later than one year and not later than five years	420	167	65	62
	700	420	175	108
Less: Amount due within twelve months	(280)	(253)	(110)	(46)
Amount due after twelve months	420	167	65	62

(c) Bankers' acceptance

Bankers' acceptance bears interest at 4.10% (31.08.2019: 4.10%; 31.08.2018: 4.35% and 31.08.2017: 3.50% to 4.30%) and is secured and supported as follows:

- (i) Legal charge against freehold land and buildings of a combining entity as disclosed in Note 5; and
- (ii) Letter of set-off over first party short-term deposits with interest capitalised as disclosed in Note 9.

(d) Bank overdraft

Bank overdraft bears interest at 6.81% (31.08.2019: 7.81%; 31.08.2018: 7.96% and 31.08.2017: 7.60%) and is secured and supported as follows:

- (i) Legal charge against freehold land and buildings of a combining entity as disclosed in Note 5; and
- (ii) Letter of set-off over first party short-term deposits with interest capitalised as disclosed in Note 9.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX LIABILITIES

	At 1 September 2016 RM '000	Recognised in profit or loss (Note 20) RM '000	Other comprehensive income (Note 11) RM '000	At 31 August 2017 RM '000	Recognised in profit or loss (Note 20) RM '000	At 31 August 2018 RM '000	Recognised in profit or loss (Note 20) RM '000	Other comprehensive income (Note 11) RM '000	At 31 August 2019 RM '000	Recognised in profit or loss (Note 20) RM '000	At 31 May 2020 RM '000
Deferred tax liabilities:											
Property, plant and equipment	318	17	-	335	21	356	24	-	380	(62)	318
Revaluation surplus on property, plant and equipment	459	-	326	785	-	785	-	332	1,117	-	1,117
Fair value gain on investment property	80	(52)	-	28	-	28	(28)	-	-	-	-
	857	(35)	326	1,148	21	1,169	(4)	332	1,497	(62)	1,435

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**13. DEFERRED TAX LIABILITIES (CONTINUED)**Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	← Audited as at →			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Unclaimed finance lease liabilities	4	-	-	-
Potential tax benefit @ 24%	1	-	-	-

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 assessments 2019 to 2025).

14. TRADE AND OTHER PAYABLES

		← Audited as at →			
		31.08.2017	31.08.2018	31.08.2019	31.05.2020
	Note	RM '000	RM '000	RM '000	RM '000
Trade					
Trade payables	(a)	1,182	2,108	1,664	586
Non-trade					
Other payables		70	90	380	151
Accruals		291	254	185	291
Deposits payable		44	171	337	-
Amount owing to directors	(b)	488	-	-	-
		893	515	902	442
Total trade and other payables		2,075	2,623	2,566	1,028

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****14. TRADE AND OTHER PAYABLES (CONTINUED)****(a) Trade payables**

Trade payables are non-interest bearing and the normal credit terms granted to the Group ranges from 30 to 60 days.

(b) Amount owing to directors

Amount owing to directors are unsecured, non-interest bearing and repayable upon demand and is expected to be settled in cash.

For explanation on the Group's liquidity risk management processes, refer to Note 22(b)(ii).

15. REVENUE

	← Audited → FYE 31 August			Audited FPE 31 May	Unaudited
	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000
At a point in time:					
Sale of goods	35,494	39,834	44,089	29,977	33,265

16. OTHER INCOME

	← Audited → FYE 31 August			Audited FPE 31 May	Unaudited
	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000
Interest income	9	13	21	49	15
Rental income					
- Investment property	156	156	155	-	117
- Lorry	-	-	23	18	18
Gain on disposal of property, plant and equipment	30	-	-	-	-
Fair value gain on investment property	-	250	400	-	-
Bad debt recovered	-	-	5	-	5
Reversal of impairment loss	-	-	-	31	-
Others	-	-	15	64	12
	195	419	619	162	167

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****17. FINANCE COSTS**

	← Audited → FYE 31 August			Audited FPE 31 May	Unaudited
	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Interest expense on:					
- Term loans	53	46	42	28	23
- Finance lease liabilities/ lease liabilities	47	32	22	6	12
- Bankers' acceptance	89	97	60	17	46
- Bank overdrafts	34	12	2	-	2
	<u>223</u>	<u>187</u>	<u>126</u>	<u>51</u>	<u>83</u>

18. 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 → FYE 31 August			Audited FPE 31 May	Unaudited
	Note	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Auditors' remuneration						
- Current year		20	20	38	34	26
- Prior year		-	-	11	-	11
Depreciation of property, plant and equipment	5	522	445	502	396	356
Impairment loss on property, plant and equipment	5	-	-	10	-	-
Fair value loss on investment property	6	1,050	-	-	-	-
Impairment loss on trade receivables	8	-	-	31	-	31
Bad debts written off		-	-	3	-	3
Employee benefits expense	19	1,767	2,008	2,239	1,846	1,725
Rental expense on:						
- Premise		55	79	132	37	100
Net realised foreign exchange loss		-	-	-	91	-

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****19. EMPLOYEE BENEFITS EXPENSE**

	← Audited → FYE 31 August			Audited FPE 31 May	Unaudited
	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Salaries, wages, allowances and bonuses	1,240	1,403	1,569	1,474	1,198
Defined contribution plans	136	150	174	170	132
Other staff related benefits	391	455	496	202	395
	<u>1,767</u>	<u>2,008</u>	<u>2,239</u>	<u>1,846</u>	<u>1,725</u>

Included in employee benefits expense are:

Directors' remuneration

- Director fee	120	120	120	157	90
- Salaries, allowances and bonuses	143	160	131	80	111
- Defined contribution plans	12	14	11	10	9
- Other staff related benefits	144	189	168	1	132
	<u>419</u>	<u>483</u>	<u>430</u>	<u>248</u>	<u>342</u>

20. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 August 2017, 31 August 2018 and 31 August 2019 and financial period ended 31 May 2020 and 31 May 2019 are as follows:

	← Audited → FYE 31 August			Audited FPE 31 May	Unaudited
	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Combined statements of comprehensive income					
Current income tax:					
- Current income tax charge	1,275	1,515	2,386	1,423	1,687
- Adjustment in respect of prior years	(48)	-	-	13	-
- Real property gain tax	-	-	90	(73)	-
	<u>1,227</u>	<u>1,515</u>	<u>2,476</u>	<u>1,363</u>	<u>1,687</u>
Deferred tax (Note 13):					
- Origination/(reversal) of temporary difference	(35)	21	(1)	13	34
- Adjustment in respect of prior financial years	-	-	(3)	(75)	(3)
	<u>(35)</u>	<u>21</u>	<u>(4)</u>	<u>(62)</u>	<u>31</u>
Income tax expense recognised in profit or loss	<u>1,192</u>	<u>1,536</u>	<u>2,472</u>	<u>1,301</u>	<u>1,718</u>

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****20. 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% (31.08.2019: 17%; 31.08.2018 and 31.08.2017: 18%) on chargeable income up to RM600,000 (31.08.2019, 31.08.2018 and 31.08.2017: RM500,000). For chargeable income in excess of RM600,000, statutory rate of 24% is still applicable.

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	← Audited → FYE 31 August			Audited FPE 31 May	Unaudited
	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Profit before tax	4,302	6,633	10,607	5,512	7,318
Tax at Malaysian statutory income tax rate of 24%	1,032	1,592	2,546	1,322	1,756
SME tax savings	(60)	(60)	(70)	(67)	(67)
Real property gain tax	-	-	90	(73)	-
Adjustments:					
Income not subject to tax	(7)	(60)	(96)	-	-
Non-deductible expenses	289	77	26	185	48
Utilisation of reinvestment allowance claimed	(12)	(12)	(21)	(4)	(16)
Utilisation of unrecognised deferred tax asset	(2)	(1)	-	-	-
Adjustment in respect of current income tax of prior years	(48)	-	-	13	-
Adjustment in respect deferred tax of prior years	-	-	(3)	(75)	(3)
Income tax expense	1,192	1,536	2,472	1,301	1,718

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****21. DIVIDEND**

	← Audited → FYE 31 August			Audited FPE 31 May	Unaudited
	2017 RM '000	2018 RM '000	2019 RM '000	2020 RM '000	2019 RM '000
Recognised during the financial year/period:					
Dividends on ordinary shares:					
- Single-tier interim dividend for the financial year ended 31 August 2017: RM2.00 per ordinary share of a combining entity, paid on 1 February 2018	-	200	-	-	-
- Single-tier interim dividend for the financial year ended 31 August 2017: RM3.00 per ordinary share of a combining entity, paid on 25 October 2018	-	-	300	-	300
- Single-tier interim dividend for the financial year ended 31 August 2019: RM1.50 per ordinary share of a combining entity, paid on 21 June 2019	-	-	1,500	-	-
- Single-tier interim dividend in specie for the financial year ended 31 August 2019: RM3.20 per ordinary share of a combining entity, paid on 24 August 2019	-	-	3,200	-	-
	-	200	5,000	-	300

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. 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 September 2018:

(i) Amortised cost

On or before 31 August 2018

(i) Loans and receivables ("L&R")

(ii) Other financial liabilities ("FL")

	Carrying amount RM '000	L&R/(FL) RM '000
At 31 August 2017		
Financial assets		
Trade and other receivables,		
less prepayments	9,917	9,917
Cash and short-term deposits	1,773	1,773
	<u>11,690</u>	<u>11,690</u>
Financial liabilities		
Loans and borrowings	(4,210)	(4,210)
Trade and other payables	(2,075)	(2,075)
	<u>(6,285)</u>	<u>(6,285)</u>

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**22. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

	Carrying amount RM '000	L&R/(FL) RM '000
At 31 August 2018		
Financial assets		
Trade and other receivables,		
less prepayments	14,020	14,020
Cash and short-term deposits	1,900	1,900
	<u>15,920</u>	<u>15,920</u>
Financial liabilities		
Loans and borrowings	(3,686)	(3,686)
Trade and other payables	(2,623)	(2,623)
	<u>(6,309)</u>	<u>(6,309)</u>
	Carrying amount RM '000	Amortised cost RM '000
At 31 August 2019		
Financial assets		
Trade and other receivables,		
less prepayments	15,341	15,341
Cash and short-term deposits	4,881	4,881
	<u>20,222</u>	<u>20,222</u>
Financial liabilities		
Loans and borrowings	(2,252)	(2,252)
Trade and other payables	(2,566)	(2,566)
	<u>(4,818)</u>	<u>(4,818)</u>

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****22. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

	Carrying amount RM '000	Amortised cost RM '000
At 31 May 2020		
Financial assets		
Trade and other receivables, less prepayments	12,391	12,391
Cash and short-term deposits	5,966	5,966
	<u>18,357</u>	<u>18,357</u>
Financial liabilities		
Loans and borrowings	(787)	(787)
Trade and other payables	(1,028)	(1,028)
	<u>(1,815)</u>	<u>(1,815)</u>

(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 and interest rate 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 and other 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.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the combined statements of financial position.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**22. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Trade receivables (continued)**

The carrying amounts of trade and other 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.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

	Trade receivables						Total RM '000
	Current RM '000	1 to 30 days past due RM '000	31 to 60 days past due RM '000	61 to 90 days past due RM '000	91 to 120 days past due RM '000	> 120 days past due RM '000	
At 31 May 2020							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	1,694	2,180	2,949	1,911	1,552	1,821	12,107
Impairment losses	-	-	-	-	-	-	-
At 31 August 2019							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	5,614	2,803	2,441	2,076	1,182	913	15,029
Impairment losses	-	-	-	-	-	-	-

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. 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

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD**Accountants' Report**

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**22. 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 3.9(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 and loan and borrowings.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****22. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk (continued)**

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.

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			Total RM '000
		On demand or within one year RM '000	Between one and five years RM '000	More than five years RM '000	
At 31 August 2017					
Trade and other payables	2,075	2,075	-	-	2,075
Term loans	1,048	236	855	94	1,185
Finance lease liabilities	700	314	441	-	755
Bankers' acceptance	2,267	2,267	-	-	2,267
Bank overdraft	195	195	-	-	195
	6,285	5,087	1,296	94	6,477
At 31 August 2018					
Trade and other payables	2,623	2,623	-	-	2,623
Term loans	858	236	707	6	949
Finance lease liabilities	420	271	171	-	442
Bankers' acceptance	1,748	1,748	-	-	1,748
Bank overdraft	660	660	-	-	660
	6,309	5,538	878	6	6,422

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****22. 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 August 2019					
Trade and other payables	2,566	2,566	-	-	2,566
Term loans	812	276	605	-	881
Finance lease liabilities	175	116	71	-	187
Bankers' acceptance	1,265	1,265	-	-	1,265
	4,818	4,223	676	-	4,899
At 31 May 2020					
Trade and other payables	1,028	1,028	-	-	1,028
Term loans	679	198	537	-	735
Lease liabilities	108	50	66	-	116
	1,815	1,276	603	-	1,879

(iii) 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 and short-term deposits with floating interest rates.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****22. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Interest rate risk (continued)**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 August 2017			
Term loans	(1,048)	+ 50	(4)
		- 50	4
Bankers' acceptance	(2,267)	+ 50	(9)
		- 50	9
Bank overdraft	(195)	+ 50	(1)
		- 50	1
Short-term deposits	431	+ 50	2
		- 50	(2)
31 August 2018			
Term loans	(858)	+ 50	(3)
		- 50	3
Bankers' acceptance	(1,748)	+ 50	(7)
		- 50	7
Bank overdraft	(660)	+ 50	(3)
		- 50	3
Short-term deposits	564	+ 50	2
		- 50	(2)

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****22. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) 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 August 2019			
Term loans	(812)	+ 50	(3)
		- 50	3
Bankers' acceptance	(1,265)	+ 50	(5)
		- 50	5
Short-term deposits	1,704	+ 50	6
		- 50	(6)
31 May 2020			
Term loans	(679)	+ 50	(3)
		- 50	3
Short-term deposits	2,877	+ 50	11
		- 50	(11)

(c) Fair value measurement

The carrying amount of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate 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.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**22. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Fair value measurement (continued)**

		Fair value of financial instruments not carried at fair value			
	Carrying amount RM '000	Level 1 RM '000	Level 2 RM '000	Level 3 RM '000	Total RM '000
At 31 August 2017					
Financial liabilities					
Term loans	858	-	-	788	788
Finance lease liabilities	420	-	-	410	410
At 31 August 2018					
Financial liabilities					
Term loans	660	-	-	606	606
Finance lease liabilities	167	-	-	160	160
At 31 August 2019					
Financial liabilities					
Term loans	569	-	-	523	523
Finance lease liabilities	65	-	-	65	65
At 31 May 2020					
Financial liability					
Term loans	515	-	-	475	475

Level 3 fair valueFair 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.

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. COMMITMENTS**

The Group has made the commitments for the following capital expenditure:

	Audited as at			
	31.08.2017	31.08.2018	31.08.2019	31.05.2020
	RM '000	RM '000	RM '000	RM '000
Capital expenditures contracted but not provided for:				
- Purchase of property, plant and equipment	-	-	63	-
Capital expenditures not contracted and not provided for:				
- Purchase of land	-	-	-	5,000
- Purchase of property, plant and equipment	-	-	-	4,000

24. 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) 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) Compensation of key management personnel

	Audited FYE 31 August			Audited FPE 31 May	Unaudited
	2017	2018	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000	RM '000
Salaries, allowances and bonuses	559	603	603	574	460
Defined contribution plans	49	54	54	54	42
Other staff related benefits	147	192	172	4	135
	755	849	829	632	637

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. 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 August 2017, 31 August 2018 and 31 August 2019 and financial period ended 31 May 2020.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as net debts divided by equity attributable to the owners of the Group. The gearing ratio as at 31 August 2017, 31 August 2018, 31 August 2019 and 31 May 2020 are as follows:

	Note	Audited as at			
		31.08.2017 RM '000	31.08.2018 RM '000	31.08.2019 RM '000	31.05.2020 RM '000
Loans and borrowings	12	4,210	3,686	2,252	787
Less: Cash and short-term deposits	9	(1,773)	(1,900)	(4,881)	(5,966)
Total net debts		2,437	1,786	(2,629)	(5,179)
Total equity		16,217	21,485	26,009	30,220
Gearing ratio (times)		0.15	0.08	N/A	N/A

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 gearing ratio. The Group has complied with those capital requirements.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. SIGNIFICANT EVENTS DURING TO THE FINANCIAL YEARS/PERIODS

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 operations, 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 31 May 2020.

The Company is unable to reasonably estimate the full extent of the financial impact that these events have on its financial position, results of operations or cash flows for the financial year ended 31 August 2020 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 Company 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 Company's operations.

27. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

- (a) On 12 February 2020, the Company entered into a conditional share sale agreement to acquire the entire equity interest of Econframe Marketing Sdn. Bhd. for a total purchase consideration of RM24,230,000 which will be wholly satisfied by the issuance of 242,300,000 shares in the Company at RM0.10 per share.

The purchase consideration of RM24,230,000 was arrived at on a willing buyer-willing seller basis based on the audited net assets of Econframe Marketing Sdn. Bhd. of RM24,236,552 as at 31 August 2019. The acquisition was completed on 1 August 2020.

- (b) On 12 February 2020, the Company entered into a conditional share sale agreement to acquire the entire equity interest of Econframe Pre-Hung Doors Sdn. Bhd. for a total purchase consideration of RM1,769,990 which will be wholly satisfied by the issuance of 17,699,900 shares in the Company at RM0.10 per share.

The purchase consideration of RM1,769,990 was arrived at on a willing buyer-willing seller basis based on the audited net assets of Econframe Pre-Hung Doors Sdn. Bhd. of RM1,772,522 as at 31 August 2019. The acquisition was completed on 1 August 2020.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. 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 two reportable operating segments are as follows:

Segments	Product and services
Manufacturing	Manufacture of doors, doors and window frames
Trading	Trading of doors and ironmongery

Inter-segment pricing is determined on a negotiated basis.

Segment profit

Segment performance is used to measure performance as the 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.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment liabilities.

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Note	Manufacturing RM '000	Trading RM '000	Adjustments and eliminations RM '000	Total RM '000
31 August 2017					
Revenue:					
Revenue from external customers		23,904	11,590	-	35,494
Inter-segment revenue	A	712	2	(714)	-
		<u>24,616</u>	<u>11,592</u>	<u>(714)</u>	<u>35,494</u>
Segment profit		5,575	3,268	-	8,843
Other income					195
Unallocated expenses					(4,513)
Finance costs					(223)
Income tax expense					(1,192)
Profit for the financial year					<u>3,110</u>
Results:					
<i>Included in the measure of segments profit/(loss) are:</i>					
Employee benefits expense					1,767
Depreciation					<u>522</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Note	Manufacturing RM '000	Trading RM '000	Adjustments and eliminations RM '000	Total RM '000
31 August 2018					
Revenue:					
Revenue from external customers		30,857	8,977	-	39,834
Inter-segment revenue	A	429	22	(451)	-
		<u>31,286</u>	<u>8,999</u>	<u>(451)</u>	<u>39,834</u>
Segment profit		7,552	2,325	-	9,877
Other income					419
Unallocated expenses					(3,476)
Finance costs					(187)
Income tax expense					(1,536)
Profit for the financial year					<u>5,097</u>
Results:					
<i>Included in the measure of segments profit/(loss) are:</i>					
Employee benefits expense					2,008
Depreciation					<u>445</u>

12. ACCOUNTANTS' REPORT (Cont'd)
ECONFRAME BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
28. SEGMENT INFORMATION (CONTINUED)

	Note	Manufacturing RM '000	Trading RM '000	Adjustments and eliminations RM '000	Total RM '000
31 August 2019					
Revenue:					
Revenue from external customers		36,781	7,308	-	44,089
Inter-segment revenue	A	116	283	(399)	-
		<u>36,897</u>	<u>7,591</u>	<u>(399)</u>	<u>44,089</u>
Segment profit		11,932	2,682	-	14,614
Other income					619
Unallocated expenses					(4,500)
Finance costs					(126)
Income tax expense					(2,472)
Profit for the financial year					<u>8,135</u>
Results:					
<i>Included in the measure of segments profit/(loss) are:</i>					
Employee benefits expense					2,239
Depreciation					<u>502</u>

12. ACCOUNTANTS' REPORT (Cont'd)

ECONFRAME BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Note	Manufacturing RM '000	Trading RM '000	Adjustments and eliminations RM '000	Total RM '000
31 May 2020					
Revenue:					
Revenue from external customers		24,364	5,613	-	29,977
Inter-segment revenue	A	2	18	(20)	-
		<u>24,366</u>	<u>5,631</u>	<u>(20)</u>	<u>29,977</u>
Segment profit		7,531	2,097	-	9,628
Other income					162
Unallocated expenses					(4,227)
Finance costs					(51)
Income tax expense					(1,301)
Profit for the financial period					<u>4,211</u>
Results:					
<i>Included in the measure of segments profit/(loss) are:</i>					
Employee benefits expense					1,846
Depreciation					<u>396</u>

12. ACCOUNTANTS' REPORT (Cont'd)**ECONFRAME BERHAD****Accountants' Report****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SEGMENT INFORMATION (CONTINUED)**

	Note	Manufacturing RM '000	Trading RM '000	Adjustments and eliminations RM '000	Total RM '000
31 May 2019					
Revenue:					
Revenue from external customers		27,581	5,684	-	33,265
Inter-segment revenue	A	79	243	(322)	-
		<u>27,660</u>	<u>5,927</u>	<u>(322)</u>	<u>33,265</u>
Segment profit		8,609	2,008	-	10,617
Other income					167
Unallocated expenses					(3,383)
Finance costs					(83)
Income tax expense					(1,718)
Profit for the financial period					<u>5,600</u>
Results:					
<i>Included in the measure of segments profit/(loss) are:</i>					
Employee benefits expense					1,725
Depreciation					<u>356</u>

A. Inter-segment revenue

Inter-segment revenue are eliminated on combination.

Information about major customers

For the manufacturing segment, revenue from two (2) (31.08.2019, 31.08.2018 and 31.08.2017: two (2)) customers represented approximately RM3,171,105 (31.08.2019: RM4,939,249; 31.08.2018: RM3,982,094; 31.08.2017: RM3,825,606) of the Group's total revenue.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



7 September 2020

The Board of Directors
Econframe Berhad
No. 1 & 3, Jalan 27A, Kawasan 16
Sungai Rasau Industrial Area
41300 Klang
Selangor Darul Ehsan
Malaysia

Baker Tilly Monteiro Heng PLT
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Bangsar South City
59200 Kuala Lumpur, Malaysia

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info@bakertilly.my
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Dear Sirs,

ECONFRAME BERHAD

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 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 Econframe Berhad ("Econframe" or the "Company") and its subsidiaries, namely Econframe Marketing Sdn. Bhd. and Econframe Pre-Hung Doors Sdn. Bhd. (the "Group") for which the directors of Econframe are solely responsible. The pro forma consolidated statements of financial position consist of the pro forma consolidated statements of financial position as at 31 May 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 Econframe 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 Econframe, for illustrative purposes only, for inclusion in the prospectus of Econframe ("Prospectus") in connection with its Initial Public Offering ("IPO") in conjunction with the listing of and quotation for the entire enlarged issued share capital of Econframe 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 31 May 2020 adjusted for the transactions as described in Note 2.7 to the pro forma consolidated statements of financial position, 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.

**13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO
FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**

ECONFRAME BERHAD

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 31 May 2020 Included in A Prospectus



As part of this process, information about the Group's pro forma consolidated statements of financial position has been extracted by the directors of Econframe from the audited financial statements of Econframe and its subsidiaries as follows:

Company Name	Financial Period Ended ("FPE")
Econframe	31 May 2020
Econframe Marketing Sdn. Bhd. ("ECM")	31 May 2020
Econframe Pre-Hung Doors Sdn. Bhd. ("PHD")	31 May 2020

The audited financial statements of the Econframe and its subsidiaries for the FPE 31 May 2020 were reported by us to their respective members without any modifications.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The directors of Econframe 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 Institute 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.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)

ECONFRAME BERHAD

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 31 May 2020 Included in A Prospectus



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 Econframe 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 Econframe have compiled, in all material respects, the pro forma consolidated statements of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or re-issuing 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 Econframe 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 the Listing and the acquisition of subsidiaries as described in Notes 1 and 2.7.1 to the pro forma consolidated statements of financial position, 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 Econframe and its subsidiaries for the FPE 31 May 2020, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Econframe and its subsidiaries in the preparation of its audited financial statements for the FPE 31 May 2020 and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; 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.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

ECONFRAME BERHAD

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 31 May 2020 Included in A Prospectus



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.

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 Econframe and its subsidiaries for the FPE 31 May 2020 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Econframe and its subsidiaries in the preparation of its audited financial statements for the FPE 31 May 2020, which had been adopted by Econframe as its group's accounting policies and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statements of financial position; 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 Econframe in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Dato' Lock Peng Kuan".

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

ECONFRAME BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statements of financial position of Econframe Berhad ("Econframe" or the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been compiled by the directors of Econframe, for illustrative purposes only, for inclusion in the prospectus of Econframe in connection with its initial public offering ("IPO") in conjunction with the listing of and quotation for the entire enlarged issued share capital of Econframe on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.1 Econframe 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 65,000,000 new ordinary shares in Econframe ("Shares"), at the IPO price of RM0.28 for each Share, representing 20.0% of the enlarged number of shares of Econframe, to be allotted in the following manner:

- (i) 16,250,000 new Shares available for application by the Malaysian public;
- (ii) 3,250,000 new Shares available for application by the eligible directors and employees of the Group;
- (iii) 13,000,000 new Shares by way of private placement to selected investors; and
- (iv) 32,500,000 new Shares by way of private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry Malaysia.

(Collectively hereinafter referred to as "Public Issue").

1.3 Offer for Sale

Offer for Sale of 32,500,000 existing Shares at the IPO price of RM0.28 per Share representing 10.0% of the enlarged number of Shares of Econframe by way of placement to selected investors ("Offer for Sale").

1.4 Listing on Bursa Securities

The admission of Econframe to the Official List and the listing of and quotation for its entire enlarged issued share capital of RM44,200,090 comprising 325,000,000 Shares on the ACE Market of Bursa Securities.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**ECONFRAME 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 pro forma consolidated financial position of the Group as at 31 May 2020, adjusted for the transactions as described in Note 2.7, 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 pro forma consolidated statements of financial position has been prepared based on the audited financial statements for the financial period ended 31 May 2020 ("FPE 2020") of Econframe and its subsidiaries adjusted for the transactions as described in Note 2.7:

Company Name	Financial Period Ended
Econframe	31 May 2020
Econframe Marketing Sdn. Bhd. ("ECM")	31 May 2020
Econframe Pre-Hung Doors Sdn. Bhd. ("PHD")	31 May 2020

- 2.3 The audited financial statements of Econframe and its subsidiaries for the financial period under review were reported by the auditors to their respective members without any modifications.
- 2.4 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.
- 2.5 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 Econframe and its subsidiaries for the FPE 2020 which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

ECONFRAME BERHAD

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

- 2.6 The pro forma consolidated statements of financial position of the Group have been prepared in a manner consistent with both the format of the audited financial statements and accounting policies adopted by Econframe and its subsidiaries in the preparation of its audited financial statements for the FPE 2020 and the adoption of the following new accounting policies, which had been adopted by the Group as the group's accounting policies.

Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts;
- 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 difference arising from the change in equity structure of the Group will be accounted for in reorganisation reserve/deficit.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities consolidated are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve or reorganisation deficit.

- 2.7 In connection with Listing, the pro forma consolidated statements of financial position have been presented after adjusting for the following material transactions subsequent to 31 May 2020 but before the Public Issue as described in Note 1.2.

**13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO
FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**

ECONFRAME BERHAD

**2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

2.7.1 Acquisition of subsidiaries (the "Acquisitions")

2.7.1.1 Acquisition of ECM

Econframe had on 12 February 2020 entered into a conditional share sale agreement with Lim Chin Horng and Lim Saw Nee to acquire the entire issued share capital of ECM of RM1,000,000 comprising 1,000,000 ordinary shares for a total purchase consideration of RM24,230,000. The acquisition of ECM is to be wholly satisfied by issuance of 242,300,000 new Shares at an issue price of RM0.10 per Share.

The total purchase consideration of RM24,230,000 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of ECM as at 31 August 2019 of RM24,236,552. The acquisition was completed on 1 August 2020.

2.7.1.2 Acquisition of PHD

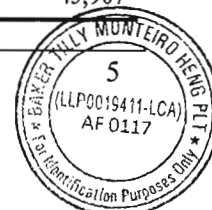
Econframe had on 12 February 2020 entered into a conditional share sale agreement with Lim Chin Horng and Khoo Soon Beng to acquire the entire issued share capital of PHD of RM100,000 comprising 100,000 ordinary shares for a total purchase consideration of RM1,769,990. The acquisition of PHD is to be wholly satisfied by issuance of 17,699,900 new Shares at an issue price of RM0.10 per Share.

The total purchase consideration of RM1,769,990 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of PHD as at 31 August 2019 of RM1,772,522. The acquisition was completed on 1 August 2020.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**ECONFRAME 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 31 May 2020, had the transactions as described in Note 2.7, 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 Statement of Financial Position as at 31 May 2020 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue and Offer for Sale RM'000	Pro Forma III After Pro Forma II and the Use of Proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	9,744	9,744	9,744
Investment properties	-	324	324	324
Total non-current assets	-	10,068	10,068	10,068
Current assets				
Inventories	-	3,747	3,747	3,747
Current tax assets	-	205	205	205
Trade and other receivables	440	13,484	13,484	13,044
Cash and short-term deposits	-	5,966	24,166	22,093
Total current assets	440	23,402	41,602	39,089
TOTAL ASSETS	440	33,470	51,670	49,157
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	*	26,000	44,200	43,300
Reorganisation reserve	-	(25,399)	(25,399)	(25,399)
Other reserves	-	4,220	4,220	4,220
(Accumulated loss)/ retained earnings	(499)	25,399	25,399	23,786
TOTAL EQUITY	(499)	30,220	48,420	45,907

Pro Forma Consolidated Statements of Financial Position

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**ECONFRAME BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)****3.1 (Continued)**

	Audited Statement of Financial Position as at 31 May 2020 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue and Offer for Sale RM'000	Pro Forma III After Pro Forma II and the Use of Proceeds RM'000
Non-current liabilities				
Loans and borrowings	-	577	577	577
Deferred tax liabilities	-	1,435	1,435	1,435
Total non-current liabilities	-	2,012	2,012	2,012
Current liabilities				
Loans and borrowings	-	210	210	210
Current tax liabilities	-	-	-	-
Trade and other payables	939	1,028	1,028	1,028
Total current liabilities	939	1,238	1,238	1,238
TOTAL LIABILITIES	939	3,250	3,250	3,250
TOTAL EQUITY AND LIABILITIES	440	33,470	51,670	49,157
Number of ordinary shares assumed to be in issue ('000)	@	260,000	325,000	325,000

(Net liabilities ("NL")/
NA^ (RM'000)

(499)

30,220

48,420

45,907

(NL)/NA per ordinary
share (RM)

(4,992.93)

0.12

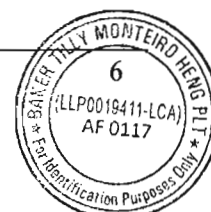
0.15

0.14

^ attributable to owners of the Company

* RM100

@ 100 shares

Pro Forma Consolidated Statements of Financial Position

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**ECONFRAME 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 31 May 2020, had the transactions as described in Note 2.7, 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	%	Estimated time frame for utilisation from Listing
Capital expenditure and expansion	9,000	49.45%	Within 24 months
Working capital	6,200	34.07%	Within 6 months
Estimated listing expenses	3,000	16.48%	Within 1 month
	<u>18,200</u>	<u>100.00%</u>	

(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.

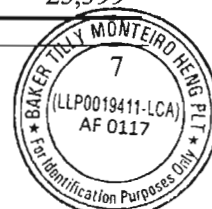
3.2.3 The pro forma consolidated statements of financial position should be read in conjunction with the notes below:

(a) Pro Forma I

Pro Forma I incorporate the effects of the Acquisitions as described in Note 2.7.1 on the pro forma consolidated statements of financial position of Econframe as at 31 May 2020.

The reorganisation reserve of the Acquisitions are as below:

	RM'000
Purchase consideration	26,000
Less: Share capital of proposed subsidiaries	(1,100)
Add: Accumulated loss of Econframe	499
Reorganisation reserve	<u>25,399</u>

Pro Forma Consolidated Statements of Financial Position

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**ECONFRAME BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(a) Pro Forma I (Continued)

The Acquisitions had the following impact on the pro forma consolidated statements of financial position of Econframe as at 31 May 2020:

	Increase/(Decrease)	
	Effects on	Effects on
	Total Assets	Total Liabilities/
	RM'000	Equity
		RM'000
Property, plant and equipment	9,744	-
Investment properties	324	-
Trade and other receivables	13,044	-
Current tax assets	205	-
Cash and short-term deposits	5,966	-
Inventories	3,747	-
Share capital	-	26,000
Reorganisation reserve	-	(25,399)
Other reserves	-	4,220
Retained earnings	-	25,898
Deferred tax liabilities	-	1,435
Loans and borrowings		
- Non-current	-	577
- Current	-	210
Trade and other payables	-	89
	33,030	33,030

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**ECONFRAME 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 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 31 May 2020:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	18,200	-
Share capital	-	18,200
	<u>18,200</u>	<u>18,200</u>

(c) Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the use of proceeds from the Public Issue of RM18.20 million after netting off RM3.00 million for estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM15.20 million will be utilised in the manner as described in Note 3.2.2.

**13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO
FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)****ECONFRAME BERHAD****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF
THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(c) Pro Forma III (continued)

As at 31 May 2020, out of the RM3.00 million estimated listing expenses, RM0.93 million has already been incurred of which RM0.49 million is charged to Retained Earnings Account and RM0.44 million has been recognised as prepayment. The RM0.44 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 RM2.07 million, RM1.61 million will be charged to Retained Earnings Account and RM0.46 million will be 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 RM0.44 million, a total of RM0.90 million will be capitalised under Share Capital Account.

The use of proceeds will have the following impact on the pro forma consolidated statements of financial position of the Group as at 31 May 2020:

	Increase/(Decrease)	
	Effects on	Effects on
	Total Assets	Total Liabilities/
	RM'000	Equity
		RM'000
Trade and other receivables	(440)	-
Cash and bank balances	(2,073)	-
Share capital	-	(900)
Retained earnings	-	(1,613)
	<u>(2,513)</u>	<u>(2,513)</u>

Pro Forma Consolidated Statements of Financial Position

**13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO
FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)****ECONFRAME 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	Other reserve RM'000	(Accumulated loss)/ retained earnings RM'000
Audited statement of financial position of Econframe as at 31 May 2020	*	-	-	(499)
Arising from the Acquisitions	26,000	(25,399)	4,220	25,898
Per Pro Forma I	26,000	(25,399)	4,220	25,399
Arising from the Public Issue and Offer for Sale	18,200	-	-	-
Per Pro Forma II	44,200	(25,399)	4,220	25,399
Arising from the defrayment of estimated listing expenses	(900)	-	-	(1,613)
Per Pro Forma III	43,300	(25,399)	4,220	23,786

* RM100

**13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO
FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**

ECONFRAME 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 statement of financial position of Econframe as at 31 May 2020	-
Arising from the Acquisitions	5,966
Per Pro Forma I	5,966
Arising from the Public Issue and Offer for Sale	18,200
Per Pro Forma II	24,166
Arising from the use of proceeds:	
- Estimated listing expenses	(2,073)
Per Pro Forma III	22,093

**13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO
FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**

ECONFRAME BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted on behalf of the Board of Directors of Econframe Berhad in accordance with a resolution dated 7 September 2020.



.....
Lim Chin Horng
Director



.....
Khoo Soon Beng
Director

Pro Forma Consolidated Statements of Financial Position



14. STATUTORY AND OTHER INFORMATION

14.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) Save for our Pink Form Allocations as disclosed in Section 4.3.2, as at the date of this Prospectus:
 - (a) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
 - (b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (iii) Save for the subscriber's share issued upon our incorporation, subsequent allotment of 99 Shares and our new Shares issued/to be issued under the Acquisitions and Public Issue as disclosed in Section 6.3 and Section 4.3.1 respectively, no shares of our Company or our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (iv) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (v) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.
- (vi) None of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.

14.2 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Constitution are based on the current Listing Requirements and the Act.

(i) Remuneration of Directors

Clause 21.4 - Remuneration

The Directors shall be paid by way of remuneration for their services such fixed sum as shall from time to time be determined by the Company in meeting of Members, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine **provided always** that:-

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;

14. STATUTORY AND OTHER INFORMATION (Cont'd)

- (c) fees payable to Directors and any benefits payable to Directors shall be subject to annual approval by an Ordinary Resolution at a meeting of Members; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 21.5 - Reimbursement

In addition to the remuneration provided under Clause 21.4, each Director shall be paid such reasonable travelling, hotel and other expenses as he shall incur in attending and returning from meetings of the Directors or any committee of the Directors or meeting of Members or which they may otherwise incur in connection with the business of the Company.

(ii) Clause 23.2 - Directors' borrowing powers

- (a) The Directors may from time to time at their discretion raise or borrow such sums of money as they think proper and may secure the repayment of such sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture stock or any mortgage or guarantee, charge or security on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being and 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 any subsidiary, associated or other companies or persons. Provided that the Directors shall not issue any debt securities convertible to ordinary shares without the prior approval of the Company in meeting of members.
- (b) Any debentures, debenture stock, bonds or other securities may be issued with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at meeting of members of the Company, appointment of Directors and otherwise.
- (c) If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company in its ordinary course of business, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.
- (d) The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 352 of the Act as regards the registration of mortgages and charges therein specified or otherwise.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

(iii) Voting of Directors

Clause 24.7 - Proceedings of meeting

A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under the Constitution vested in or exercisable by the Directors generally. Subject to the Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes of the Directors present and each Director having 1 vote and determination by a majority of Directors shall for all purposes deemed as a decision from the Board.

Clause 24.8 - Chairman's casting vote

In case of an equality of votes, the chairman shall have a second or casting vote provided always that the chairman of a meeting at which only 2 Directors form a quorum or at which only 2 Directors are competent to vote on the questions at issue, shall not have a second or casting vote.

(iv) Share capital and variation of class rights

Clause 16.1 - Increase of 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 of new shares, such new capital to be of such amount and to be divided into Shares of such respective amounts and (subject to any special rights for the time being attached to any existing class of shares) to carry such preferential, deferred or other special rights (if any) or to be subject to such conditions or restrictions (if any), in regard to dividend, return of capital, voting or otherwise, as the Company by the resolution authorising such increase may direct.

Clause 16.2 - Preference Shares

Subject to the Applicable Laws and the Constitution, any preference shares may with the sanction of an Ordinary Resolution of shareholders in meeting of Members, be issued on terms that they are redeemable and/or convertible or at the option of the Company are liable to be redeemed and/or converted into ordinary shares on such terms and in such manner as may be provided for by the Constitution from time to time.

Clause 16.3 - Reservation of right to issue further

If the Company at any time issues preference capital, it shall indicate at the same time whether it reserves the right to issue further preference capital ranking equally with or in priority to preference shares already issued.

Clause 16.4 - Rights of Preference Shares

- (a) A holder of preference shares must have a right to vote in each of the following circumstances:-
 - (i) when the dividend or part of the dividend on the share is in arrears for more than 6 months;
 - (ii) on a proposal to reduce the Company's share capital;

14. STATUTORY AND OTHER INFORMATION (Cont'd)

- (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (iv) on a proposal that affects the rights and privileges attached to the preference shares;
 - (v) on a proposal to wind up the Company; and
 - (vi) during the winding up of the Company.
- (b) A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited accounts and attending meetings.
- (c) The Company shall have the power to issue further preference capital ranking equally with, or in priority to, preference shares already issued subject to the observation of the provision in Clause 16.3 thereafter.

Clause 16.6 - Offer of new shares to existing Members

Subject to any direction to the contrary that may be given by the Company in meeting of Members, all new Shares or other convertible Securities shall, before issue, be offered to such persons who as at the date of the offer, are entitled to receive notices from the Company of meetings of Members, in proportion, as nearly as circumstances admit, to the amount of the existing Shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of such time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or Securities offered, the Directors may, subject to the Constitution, dispose of those Shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new Shares or Securities which (by reason of the ratio which the new Shares or Securities bear to Shares or Securities held by persons entitled to an offer of new Shares or Securities), cannot, in the opinion of the Directors, be conveniently, offered under the Constitution.

Clause 17 - Variation on Rights

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of 75% of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the Shares of that class. To every such separate meeting the provisions of the Constitution relating to meeting of Members shall *mutatis mutandis* apply so that the necessary quorum shall be 2 persons at least holding or representing by proxy at least 1/3 of the issued shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

Alteration of Capital

Clause 15.1 - Company may alter its capital in certain ways

Subject to the Applicable Laws, the Company may from time to time by Ordinary 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 amount than is fixed by the Constitution by subdivision of its existing Shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, 1 or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the others or any other of such shares;
- (c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the Shares so cancelled;
- (d) convert all or any of its issued Shares into stock and reconvert that stock into paid up Shares; and
- (e) subject to the provisions of the Constitution and the Act, convert and/or re-classify any class of Shares into any other class of Shares.

Clause 15.2 - Power to reduce capital

The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

Clause 7.4 - Interest on share capital during construction

Where any Shares are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or plant.

(v) Transfer of securities

Clause 11.1 - Transfer in writing and to be left at Office

For the purpose of registration of a transfer of Shares that are not Deposited Securities, every instrument of transfer which is executed in accordance with the Applicable Laws, shall be left at the Office together with such fee not exceeding RM3.00 or as the Directors may determine, where a share certificate has been issued for the Shares to be transferred, the certificate of the Shares and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Shares, and thereupon the Company shall subject to the powers

14. STATUTORY AND OTHER INFORMATION (Cont'd)

vested in the Directors by this Constitution register the transferee as the Member within 30 days from receipt of such duly executed and stamped instrument of transfer.

Clause 11.2 - Transfer of securities

The transfer of any Deposited Security shall be by way of book entry by Bursa Depository in accordance with the Rules of Bursa Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Deposited Security.

Clause 11.3 - Execution

The instrument of transfer of a Share in the Company shall be signed by or on behalf of the transferor and transferee provided that subject to compliance with the SICDA and the Rules of Bursa Depository, an instrument of transfer in respect of which the transferee is Bursa Depository shall be effective although not signed by or on behalf of Bursa Depository if it has been certified by an authorised depository agent pursuant to Section 18 of the SICDA. Subject to the Applicable Laws, the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the Register of Members in respect thereof.

Clause 11.4 - Prohibited transfer

Subject to the Constitution, the Rules of Bursa Depository and except as may be required by the Applicable Laws, there should be no restriction on the transfer of fully paid up Securities in the Company. However, no Securities shall, in any circumstances, be transferred to any infant, bankrupt or person of unsound mind.

Clause 11.5 - Directors may refuse registration of transfer

Subject to the provisions of the Act, the SICDA, the Listing Requirements and the Rules of Bursa Depository, the Directors may, in their discretion and without assigning any reason therefor, refuse to register, the transfer of any Share, not being a fully paid share, and whether or not the Company claims lien on the same.

Clause 11.6 - Closing of registration of transfers

The registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine but not exceeding in the whole 30 days in any calendar year. In relation to the closure, the Company shall give written notice in accordance with the Rules of Bursa Depository to Bursa Depository to issue the relevant appropriate Record of Depositors.

Clause 11.7 - Limitation of liability

Neither the Company nor the Directors nor any of its officers shall incur any liability for authorising or causing the registering or acting upon a transfer of Securities apparently made by sufficient parties, although the same may by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and the transferee, be liable to be set aside, and notwithstanding that, the

14. STATUTORY AND OTHER INFORMATION (Cont'd)

Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the Securities transferred, or otherwise in defective manner. In every such case, the person registered as the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

14.3 GENERAL INFORMATION

- (i) Save for the dividends paid to the shareholders of our subsidiaries in the FYEs 2018 and 2019, purchase consideration paid to Vendors for the Acquisitions as disclosed in Section 6.3 and our Directors' remuneration as disclosed in Section 5.2.4, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Promoters, Directors or substantial shareholders.
- (ii) None of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the summarised procedures for application and acceptance are set out in Section 15.
- (iv) There is no limitation on the right to own Shares including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.4 CONSENTS

- (i) The written consents of our Adviser, Sponsor, Underwriter and Placement Agent, Solicitors, Share Registrar, Company Secretaries and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (iii) The written consent of our IMR to the inclusion in this Prospectus of its name and the IMR Report in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

14.5 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) Constitution;
- (ii) Audited financial statements of Econframe Marketing for the FYEs 2017, 2018, 2019 and FPE 2020;
- (iii) Audited financial statements of Econframe Pre-Hung for the FYEs 2017, 2018, 2019 and FPE 2020;
- (iv) Accountants' Report as set out in Section 12;
- (v) Reporting Accountants' report relating to our pro forma consolidated financial information as set out in Section 13;
- (vi) IMR Report as set out in Section 8;
- (vii) Material contracts as set out in Section 6.6; and
- (viii) Letters of consent as set out in Section 14.4.

14.6 RESPONSIBILITY STATEMENTS

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

M&A Securities acknowledge that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. 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 ISSUE 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.

15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 5 OCTOBER 2020

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 12 OCTOBER 2020

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors and employees of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.2.2 Placement

Types of Application	Application Method
Applications by:	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Bumiputera investors approved by MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

15.3 ELIGIBILITY

15.3.1 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 the list of 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 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 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

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (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; or
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by eligible Directors and employees

Our eligible Directors and employees of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

15.4 APPLICATION BY WAY OF APPLICATION FORM

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 RM0.28 for each Issue Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 695**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970(11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 12 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.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

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.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

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, CIMB Investment Bank Berhad, 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.

15.7 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

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (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 15.8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 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.

15.8.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (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 document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (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 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 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).

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.8.2 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 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th 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 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.9 SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (i) Our Issue 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 Issue Shares issued 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.
- (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.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS

As at the LPD, save as disclosed below, there are no other major approvals, licences and permits issued to our Group in order to carry out our operations:

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(i)	Econframe Marketing	MPK / 11964	26 December 2019 / 31 December 2020	Business and advertisement license for the making of door / window frame at No. 1 Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang	N/A	N/A
(ii)	Econframe Marketing	MPK / LI2209	1 June 2020 / 24 December 2020	Industrial license for the making of door/ window frame at No. 3 Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang	N/A	N/A
(iii)	Econframe Marketing	MPK / LI2208	1 June 2020 / 27 December 2020	Industrial license for the making of door/ window frame at No. 4 Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang	N/A	N/A
(iv)	Econframe Marketing	MPK / LI0634	1 June 2020 / 24 December 2020	Industrial license for the making of door/ window frame at No. 102 Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang	N/A	N/A
(v)	Econframe Pre-Hung	MPK / 11963	26 December 2019 / 31 December 2020	Business and advertisement license for warehouse at No. 102 Jalan 27, Sungai Rasau Industrial Area, 41300 Klang	N/A	N/A

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(vi)	Econframe Marketing	MITI / A022086	29 November 2019 / -	Licensed manufacturer from 5 August 2019 at the place of manufacturing at No. 1, 3 & 4, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor for 'metal door and window frame, fire rated door and door leaf'	<p>(a) MITI and Malaysian Investment Development Authority ("MIDA") must be notified of any sale of shares in the company.</p> <p>(b) The company must train Malaysians so that any transfer of expertise can be channelled throughout all position levels.</p> <p>(c) The company must comply with the Capital Investment Per Employee (CIPE) ratio of at least RM140,000.</p> <p>(d) Total workforce of the company must comprise of at least 80% Malaysians. The employment of foreigners is subject to current policies.</p> <p>(e) The company must forward all information relating to investment achievements and implementation of projects pursuant to Industrial Co-Ordination Act 1975 and MIDA Act 1965 upon request by MIDA. Failure to do so shall render the company:</p>	Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
					(i) guilty of an offence and subject to a fine of not more than RM1,000 and imprisonment of not more than 3 months or both and to a further fine not more than RM500 for each day such offence continues; or (ii) guilty of an offence if any material statement or information submitted is false or misleading and subject to a fine of not more than RM2,000 or imprisonment of not more than 6 months or both.	

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(vii)	Econframe Marketing	MITI / A022087	29 November 2019 / -	Licensed manufacturer from 5 August 2019 at the place of manufacturing at No. 102, Jalan 27, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor for 'metal door and window frame, fire rated door and door leaf'	<p>(a) MIDA must be notified of any sale of shares in the company.</p> <p>(b) The company must train Malaysians so that any transfer of expertise can be channelled throughout all position levels.</p> <p>(c) The company must comply with the Capital Investment Per Employee (CIPE) ratio of at least RM140,000.</p> <p>(d) Total workforce of the company must comprise of at least 80% Malaysians. The employment of foreigners is subject to current policies.</p> <p>(e) The company must forward all information relating to investment achievements and implementation of projects pursuant to Industrial Co-Ordination Act 1975 and MIDA Act 1965 upon request by MIDA. Failure to do so shall render the company:</p> <p>(i) guilty of an offence and subject to a fine of</p>	Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
					<p>not more than RM1,000 and imprisonment of not more than 3 months or both and to a further fine not more than RM500 for each day such offence continues; or</p> <p>(ii) guilty of an offence if any material statement or information submitted is false or misleading and subject to a fine of not more than RM2,000 or imprisonment of not more than 6 months or both.</p>	

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(viii)	Econframe Marketing	SIRIM / PC002753	16 December 2019 / 26 January 2021	SIRIM hereby grants to Econframe Marketing a license to use the Certification Mark on COMPOSITE FIRE RESISTANT DOORSET (SINGLE LEAF) as complying with: MS1073: PART 3: 1996 (AMD.1:2003) Trade Mark: DUROE Model: DR 1H FD/SL Rating: 1 Hour Integrity: 60 minutes Insulation: 60 minutes Type: Single Leaf, Metal Frame Size: Door Frame: 2394mm x 1201mm x 140mm; Door Leaf: 2346mm x 1115mm x 44.30mm TEST Report No.: 2016FE0597	N/A	N/A

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(ix)	Econframe Marketing	BOMBA / -	13 January 2020 / 26 January 2021	<p>BOMBA hereby certifies that 'FIRE RESISTANCE COMPOSITE DOOR SINGLE LEAF WITH METAL DOOR FRAME (1 HOUR) INTEGRITY & INSULATION, BRAND: DUROE, MODEL: DR 1H FD/SL' complies with MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>This approval certificate is related to the Product Certificate License No. PC 002753 issued by SIRIM</p> <p>Type of Construction Material: SINGLE LEAF COMPOSITE FIRE RESISTANT DOOR WITH METAL DOOR FRAME (1 HOUR)</p> <p>Brand & Specification: 'DUROE' (MODEL: DR 1H FD/SL) Leaf – 2346mm (H) x 1115mm (W) x 44.3mm (T) Frame – 2394mm (H) x 1201mm (W) x 140.0mm (T) Fire Rated Level: INTEGRITY 60 MINUTES & INSULATION 60 MINUTES</p>	<p>(i) This certificate cannot be transferred without the consent of the department</p> <p>(ii) Renewal application must arrive at the office 1 month prior to its expiry date. Failure to comply shall entitle BOMBA to revoke the certificate</p>	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(x)	Econframe Marketing	SIRIM / PC002922	4 March 2020 / 21 April 2021	SIRIM hereby grants to Econframe Marketing a license to use the Certification Mark on COMPOSITE FIRE RESISTANT DOORSET (SINGLE LEAF) as complying with: MS1073: PART 3: 1996 (AMD.1:2003) Trade Mark: DUROE Model: DR 2H FD/SL Rating: 2 Hours Integrity : 130 minutes Insulation: 74 minutes Type: Single Leaf, Metal Frame Size: Door Frame: 2393mm x 1201mm x 140mm; Door Leaf: 2345mm x 1115mm x 48.90mm TEST Report No.: 2017FE0101	N/A	N/A

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xi)	Econframe Marketing	BOMBA / -	27 March 2020 / 21 April 2021	<p>BOMBA hereby certifies that 'FIRE RESISTANT DOOR (SINGLE LEAF) WITH METAL DOOR FRAME (2 HOURS) MODEL: DUROE (DR 2HR FD/SL), INTEGRITY: 130 MINUTES, INSULATION: 74 MINUTES' complies with MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>This approval certificate is related to the Product Certificate License No. PC 002922 issued by SIRIM</p> <p>Type of Construction Material: SINGLE LEAF COMPOSITE FIRE RESISTANT DOOR WITH METAL DOOR FRAME (2 HOURS)</p> <p>Brand & Specification: 'DUROE' (MODEL: DR 2H FD/SL) Leaf – 2345mm (H) x 1115mm (W) x 48.8mm (T) Frame – 2393mm (H) x 1201 mm (W) x 140mm (T) Fire Rated Level: INTEGRITY 130 MINUTES & INSULATION 74 MINUTES</p>	<p>(i) This certificate cannot be transferred without the consent of the department</p> <p>(ii) Renewal application must arrive at the office 1 month prior to its expiry date. Failure to comply shall entitle BOMBA to revoke the certificate</p>	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xii)	Econframe Marketing	SIRIM / PC002756	16 December 2019 / 26 January 2021	<p>SIRIM hereby grants to Econframe Marketing a license to use the Certification Mark on COMPOSITE FIRE RESISTANT DOORSET (DOUBLE LEAF) as complying with: MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>Trade Mark: DUROE Model: DR 1H FDM/DL Rating: 1 Hour Integrity : 79 minutes Insulation: 74 minutes Type: Double Leaf, Metal Frame Size: Door Frame: 2368mm x 2320mm x 140mm; Door Leaf: 2320mm x 2215mm x 49.8mm TEST Report No.: 2016FE0524, 2016FE0525</p>	N/A	N/A

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xiii)	Econframe Marketing	BOMBA / -	13 January 2020 / 26 January 2021	<p>BOMBA hereby certifies that 'FIRE RESISTANT DOOR DOUBLE LEAF COMPOSITE FIRE RESISTANCE DOOR WITH METAL DOOR FRAME (1 HOUR) MODEL: DR 1HR FDM/DL, INTEGRITY: 79 MINUTES, INSULATION: 79 MINUTES' complies with MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>This approval certificate is related to the Product Certificate License No. PC002756 issued by SIRIM</p> <p>Type of Construction Material: DOUBLE LEAF COMPOSITE FIRE RESISTANT DOOR WITH METAL DOOR FRAME (1 HOUR)</p> <p>Brand & Specification: 'DUROE' (MODEL: DR 1H FDM/DL) Leaf – 2320mm (H) x 2215mm (W) x 49.8mm (T) Frame – 2368mm (H) x 2320mm (W) x 140mm (T) Fire Rated Level: INTEGRITY 79 MINUTES & INSULATION 79 MINUTES</p>	<p>(i) This certificate cannot be transferred without the consent of the department</p> <p>(ii) Renewal application must arrive at the office 1 month prior to its expiry date. Failure to comply shall entitle BOMBA to revoke the certificate</p>	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xiv)	Econframe Marketing	SIRIM / PC002933	4 March 2020 / 28 April 2021	SIRIM hereby grants to Econframe Marketing a license to use the Certification Mark on COMPOSITE FIRE RESISTANT DOORSET (DOUBLE LEAF) as complying with: MS1073: PART 3: 1996 (AMD.1:2003) Trade Mark: DUROE Model: DR 2H FD/DL Rating: 2 Hours Integrity: 125 minutes Insulation: 90 minutes Type: Double Leaf, Metal Frame Size: Door Frame: 2389mm x 2422mm x 140mm; Door Leaf: 2340mm x 2335mm x 50.6mm TEST Report No.: 2017FE0054	N/A	N/A

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xv)	Econframe Marketing	BOMBA / -	20 March 2020 / 28 April 2021	<p>BOMBA hereby certifies that 'DOUBLE LEAF COMPOSITE FIRE RESISTANCE DOOR WITH METAL FRAME (2 HOURS) 'DUROE' MODEL: DR 2H FD/DL, INTEGRITY: 125 MINUTES, INSULATION: 90 MINUTES' complies with MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>This approval certificate is related to the Product Certificate License No. PC 002933 issued by SIRIM</p> <p>Type of Construction Material: DOUBLE LEAF COMPOSITE FIRE RESISTANT DOOR WITH METAL DOOR FRAME (2 HOURS)</p> <p>Brand & Specification: 'DUROE' (MODEL: DR 2H FD/DL) Leaf – 2340mm (H) x 2355mm (W) x 50.6mm (T) Frame – 2389mm (H) x 2422mm (W) x 140mm (T) Fire Rated Level: INTEGRITY 125 MINUTES & INSULATION 90 MINUTES</p>	<p>(i) This certificate cannot be transferred without the consent of the department</p> <p>(ii) Renewal application must arrive at the office 1 month prior to its expiry date. Failure to comply shall entitle BOMBA to revoke the certificate</p>	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xvi)	Econframe Marketing	SIRIM / PC004185	4 March 2020 / 1 March 2021	<p>SIRIM hereby grants to Econframe Marketing a license to use the Certification Mark on COMPOSITE FIRE RESISTANT DOORSET (SINGLE LEAF) as complying with: MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>Trade Mark: DUROE Model: DR 1H FD/SL/VP Rating: 1 Hour Integrity: 65 minutes Insulation: 65 minutes Type: Single Leaf, Metal Frame</p> <p>Size: Door Frame: 2394mm x 1177mm x 140mm; Door Leaf: 2345mm x 1090mm x 47.3mm; Vision Panel: 315mm x 112mm TEST Report No.: 2017FE0163</p>	N/A	N/A

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xvii)	Econframe Marketing	BOMBA / -	31 March 2020 / 1 March 2021	<p>BOMBA hereby certifies that 'FIRE RESISTANCE COMPOSITE DOORSET SINGLE LEAF WITH EG. STEEL DOOR FRAME, INTEGRITY & INSULATION: 1 HOUR, BRAND: DUROE, MODEL: DR 1H FD/SL/VP' complies with MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>This approval certificate is related to the Product Certificate License No. PC004185 issued by SIRIM</p> <p>Type of Construction Material: SINGLE LEAF COMPOSITE FIRE RESISTANT DOORSET WITH EG STEEL DOOR FRAME (1 HOUR)</p> <p>Brand & Specification: 'DUROE' (MODEL: DR 1H FD/SL/VP) Leaf – 2345mm (H) x 1090mm (W) x 47.3mm (T) Frame – 2394mm (H) x 1177mm (W) x 140.0mm (T) Fire Rated Level: INTEGRITY 65 MINUTES & INSULATION 63 MINUTES</p>	<p>(i) This certificate cannot be transferred without the consent of the department</p> <p>(ii) Renewal application must arrive at the office 1 month prior to its expiry date. Failure to comply shall entitle BOMBA to revoke this certificate</p>	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xviii)	Econframe Marketing	SIRIM / PC004111	16 December 2019 / 11 January 2021	<p>SIRIM hereby grants to Econframe Marketing a license to use the Certification Mark on COMPOSITE FIRE RESISTANT DOORSET (DOUBLE LEAF) as complying with: MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>Trade Mark: DUROE Model: DR 1H FD/DL/VP Rating: 1 Hour Integrity: 65 minutes Insulation: 65 minutes Type: Double Leaf, Metal Frame</p> <p>Size: Door Frame: 2393mm x 2389mm x 140mm; Door Leaf: 2345mm x 2302mm x 45.0mm; Vision Panel: 310mm x 160mm TEST Report No.: 2017FE0309, 2017FE0310</p>	N/A	N/A

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xix)	Econframe Marketing	BOMBA	13 January 2020 / 11 January 2021	<p>BOMBA hereby certifies that 'FIRE RESISTANCE COMPOSITE DOOR DOUBLE LEAF WITH METAL DOOR FRAME INTEGRITY & INSULATION (1 HOUR), BRAND: DUROE, MODEL: DR1H/FD/DL/VP' complies with MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>This approval certificate is related to the Product Certificate License No. PC004111 issued by SIRIM</p> <p>Type of Construction Material: DOUBLE-LEAF COMPOSITE FIRE RESISTANT DOOR WITH METAL DOOR FRAME (1 HOUR)</p> <p>Brand & Specification: 'DUROE' (MODEL: DR 1H FD/DL/VP) Leaf – 2345mm (H) x 2302mm (W) x 45.0mm (T) Frame – 2393mm (H) x 2389mm (W) x 140.0mm (T) Fire Rated Level: INTEGRITY 65 MINUTES & INSULATION 65 MINUTES</p>	<p>(i) This certificate cannot be transferred without the consent of the department</p> <p>(ii) Renewal application must arrive at the office 1 month prior to its expiry date. Failure to comply shall entitle BOMBA to revoke this certificate</p>	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xx)	Econframe Marketing	SIRIM / PC004197	4 March 2020 / 8 March 2021	SIRIM hereby grants to Econframe Marketing a license to use the Certification Mark on COMPOSITE FIRE RESISTANT DOORSET (SINGLE LEAF) as complying with: MS1073: PART 3: 1996 (AMD.1:2003) Trade Mark: DUROE Model: DR 1H FD/SL/DV Rating: 1 Hour Integrity: 65 minutes Insulation: 65 minutes Type: Single Leaf, Metal Frame Size: Door Frame: 2434mm x 1202mm x 120mm; Door Leaf: 2386mm x 1115mm x 44.2mm TEST Report No.: 2018FE0805, 2019FE0037	N/A	N/A

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xxi)	Econframe Marketing	BOMBA	13 March 2020 / 8 March 2021	<p>BOMBA hereby certifies that 'FIRE RESISTANCE COMPOSITE DOOR SINGLE LEAF WITH METAL DOOR FRAME (1 HOUR) INTEGRITY & INSULATION' complies with MS1073: PART 3: 1996 (AMD.1:2003)</p> <p>This approval certificate is related to the Product Certificate License No. PC 004197 issued by SIRIM</p> <p>Type of Construction Material: SINGLE LEAF COMPOSITE FIRE RESISTANT DOOR WITH METAL DOOR FRAME (1 HOUR)</p> <p>Brand & Specification: 'DUROE' (MODEL: DR 1H FD/SL/DV) Leaf – 2386mm (H) x 1115mm (W) x 44.2mm (T) Frame – 2434mm (H) x 1202mm (W) x 120mm (T) Fire Rated Level: INTEGRITY 65 MINUTES & INSULATION 65 MINUTES</p>	<p>(i) This certificate cannot be transferred without the consent of the department</p> <p>(ii) Renewal application must arrive at the office 1 month prior to its expiry date. Failure to comply shall entitle BOMBA to revoke this certificate</p>	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
(xxii)	Econframe Marketing	SIRIM / QMS03028	17 June 2019 / 30 June 2022	SIRIM hereby certifies that Econframe Marketing has implemented a Quality Management System complying with ISO 9001: 2015 (Quality Management Systems – Requirements) Scope of Certification: MANUFACTURE OF FIRE RESISTANT DOORSETS	N/A	N/A
(xxiii)	Econframe Marketing	SIRIM / QMS03028	17 June 2019 / 30 June 2022	SIRIM has issued an IQNet recognised certificate that Econframe Marketing has implemented and maintains a QUALITY MANAGEMENT SYSTEM for the following scope: MANUFACTURE OF FIRE RESISTANT DOORSETS which fulfils the requirements of the following standard: ISO 9001:2015	N/A	N/A
(xxiv)	Econframe Marketing	State Forestry Department, Selangor	1 June 2020 / 31 December 2020	Wood-Based Industries License issued pursuant to Wood-Based Industries Rules 1986 to site, construct, erect, establish, operate or maintain a wood-based factory	(i) License holder shall not: (a) transfer this license; (b) rent, lease, lend, charge or sell the entire factory or any part thereof or any equipment thereof or any part of the equipment in the factory; or (c) make any change in the shareholding of the entire factory or any	Complied and noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
					<p>part thereof; without the written approval of the State Authority;</p> <p>(ii) The license shall at all times be subject to a valid Inspection Report/ Certificate of Fitness under the Factories and Machinery Act 1967 ("FMA") or written approval by the Inspector of the Factories and Machinery under the FMA which is enforceable in respect of the wood-based factory;</p> <p>(iii) The wood-based factory shall consist of the machineries as stated in Annexure B of the license and no machinery can be added or removed from the factory without the written approval of the State Director of Forestry.</p> <p>(iv) The wood-based factory shall be constructed in accordance with the floor plan, site plan, layout plan and building plan approved</p>	

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
					<p>by the State Director of Forestry and no changes shall be made without the written approval by the State Director of Forestry;</p> <p>(v) The license together with the approved plans shall be displayed at a conspicuous place in the factory premise;</p> <p>(vi) Access to all parts of the building and factory premise shall be given to every forestry officer at all times and for the purpose of inspection, any operating machinery shall be stopped if requested by the forestry officer;</p> <p>(vii) The wood-based factory shall be operated to manufacture finished or semi-finished timber products from sawn wood, rattan wood, bamboo wood and other forestry products. It is not permissible for any logging activity to be done, including logs that have been split into four or two,</p>	

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (Cont'd)

No.	Licensee	Issuing Authority / Registration No. / License No.	Date of issue / Date of expiry	Nature of approval or license	Equity and/or major conditions imposed	Compliance status
					<p>or bring into or process logs in the factory area;</p> <p>(viii) Tough sawn wood shall not be permitted to be sold either directly or indirectly in the export or local market;</p> <p>(ix) License holder shall maintain a record showing the timber/rattan/bamboo and other forestry products that are brought into the factory for processing and the production of finished or semi-finished products from the factory every day;</p> <p>(x) The wood-based factory shall be kept clean at all times and all the emission, discharge, deposit or disposal of or noise pollution and odour release shall conform to the standards prescribed under the Environmental Quality Act 1974.</p>	

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF ECONFRAME BERHAD (REGISTRATION NO. 201901042935 (1352265-T)) ("ECONFRAME" OR "COMPANY") DATED 5 OCTOBER 2020 ("PROSPECTUS")

Unless otherwise defined, all words and expressions used herein 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.

1. OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 5 October 2020

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 12 October 2020

Applications for the Issue Shares will open and close at the times and dates stated above.

In the event there is any change to the dates stated above, we will advertise the notice of the changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

2. METHODS OF APPLICATIONS

Applications 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.

2.1 Application for our Issue Shares by the Malaysian Public and our eligible Directors and employees

Types of Application and category of investors		Application Method
Applications by eligible Directors and employees		Pink Application Form only
Applications by the Malaysian Public:		
(a)	Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b)	Non-Individuals	White Application Form only

2.2 Application by selected investors via placement

Types of Application	Application Method
Applications by: Selected investors and Bumiputera investors approved by the MITI	The Placement Agent will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Placement Agent's instructions.

3. ELIGIBILITY

3.1 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:

- (i) You must have a CDS account and a corresponding 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 below.
- (ii) 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.
- (iii) 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
- (iv) You must submit an Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

3.2 Application by eligible Directors and employees

The eligible Directors and employees of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Eligible Directors and employees of our Group who apply for our Issue Shares must have a CDS account and a correspondence address in Malaysia.

Applicants provided with Pink Application Forms may also apply for our Issue Shares offered to the Malaysian Public.

You agree that any application which you make for our Issue Shares is irrevocable.

4. PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

Each application for our Issue Shares must be made using the correct type of Application Form. The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications 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.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

The Malaysian Public must follow the following procedures in making their applications through the White Application Form.

- a) Obtain the White Application Form together with the Official "A" and "B" envelopes and our Prospectus.

The **White** Application Forms together with our Prospectus, can be obtained subject to availability from Alliance Investment Bank Berhad, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia or Malaysian Investment Banking Association and the Issuing House.

- b) In accordance with Section 232(2) of the CMSA, the White Application Forms are accompanied by our Prospectus. You are advised to read and understand our Prospectus before making your Application.
- c) Complete the White Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in our Prospectus, including:
 - (i) Ensuring that your personal particulars submitted in your Application are identical with the records maintained by Bursa Depository. You are required to inform Bursa Depository promptly of any changes to your personal particulars as the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

- (ii) Stating your CDS account number in the space provided in the White Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.
 - (iii) Stating the details of your payment in the appropriate boxes provided in the White Application Form.
 - (iv) Stating the number of shares applied. Applications must be for at least 100 Issue Shares or multiples of 100 Issue Shares.
- d) Prepare the appropriate form of payment in RM for the FULL amount payable based on the Issue Price of RM0.28 for each Issue Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NUMBER 695"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Only Banker's Draft or Cashier's Order drawn on a bank in Kuala Lumpur, Money or Postal Orders (Sabah and Sarawak only) and Guaranteed Giro Order from Bank Simpanan Nasional Malaysia Berhad will be accepted.

We will not accept Applications with excess or insufficient remittances or inappropriate forms of payment. Remittances must be completed in the appropriate boxes provided in the Application Forms.

- e) Insert the White Application Form together with payment and a legible photocopy of your identification document (NRIC or 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) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable)) into the Official "A" envelope and seal it. You must write your name and address on the outside of the Official "A" and "B" envelopes.

Affix RM1.50 stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

The name and address written must be identical to your name and address as in your NRIC or 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) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable).

- f) Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods: -
- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
 Unit 32-01, Level 32
 Tower A, Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur

- (ii) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 12 October 2020 or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

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.

5. APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

5.1 Participating Financial Institutions

Malaysian individuals may apply for our Issue Shares through the ATM of the following Participating Financial Institutions and their branches. The following processing fee for each Electronic Share Application will be charged by the respective Participating Financial Institutions (unless waived) as follows:

Participating Financial Institutions	Charges
Affin Bank Berhad	Free
Alliance Bank Malaysia Berhad	RM1.00
AmBank (M) Berhad	RM1.00
CIMB Bank Berhad	RM2.50
HSBC Bank Malaysia Berhad	RM2.50
Malayan Banking Berhad	RM1.00
Public Bank Berhad	RM2.00
RHB Bank Berhad	RM2.50
Standard Chartered Bank Malaysia Berhad (at selected branches only)	RM2.50

Please note that these processing fees may be varied or waived from time to time at the discretion of the respective Participating Financial Institutions. Please contact the relevant Participating Financial Institutions for further enquiries.

5.2 Procedures for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR ELECTRONIC SHARE APPLICATIONS SET OUT BELOW AND AT THE RESPECTIVE ATM CAREFULLY PRIOR TO MAKING AN ELECTRONIC SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Participating Financial Institutions.

You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our Issue Shares at an ATM belonging to other Participating Financial Institutions.

You are to submit at least the following information through the ATM, where the instructions on the ATM screen require you to do so:

- Personal Identification Number ("**PIN**");
- TIIH Share Issue Account Number 695;
- Your CDS account number;
- Number of Issue Shares applied for and the RM amount to be debited from the account; and
- Confirmation of several mandatory statements as set out in Section 5.3 below.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

5.3 Terms and Conditions for Electronic Share Application

You must have a CDS account to be eligible to use the Electronic Share Application. Invalid, nominee or third party CDS accounts will not be accepted.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE ABOVE.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in relation to and subject to the terms of our Prospectus and our Company's Constitution.
- (ii) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:
 - (a) You are at least 18 years old as at the date of the application for our Issue Shares;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have read our Prospectus and understood and agreed with the terms and conditions of the Application;
 - (d) The Electronic Share Application is the only application that you are submitting for our Issue Shares offered to the Malaysian Public; and
 - (e) You consent to the disclosure by the Participating Financial Institutions and Bursa Depository of information pertaining to yourself and your account with the Participating Financial Institutions and Bursa Depository to the Issuing House and other relevant authorities.

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, it is considered that you have confirmed each of the above statements as well as given consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Services Act, 2013 and Section 45 of SICDA) to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to the Issuing House or any relevant authorities.

- (iii) You confirm that you are not applying for our Issue Shares offered to the Malaysian Public as a nominee of any other person and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one Electronic Share Application and shall not make any other application for our Issue Shares offered to the Malaysian Public.
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time the Electronic Share Application is made, failing which the Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated in the Transaction Record or any lesser number of Issue Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to

allot or allocate a lesser number of such Issue Shares or not to allot or allocate any Issue Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated keys or buttons on the ATM keyboard) of the number of Issue Shares applied for shall signify, and shall be treated as, your acceptance of the number of Issue Shares that may be allotted or allocated to you and your acceptance to be bound by our Constitution.

- (vi) the Issuing House, on the authority of our Board, reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in whole or in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating our Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (vii) You request and authorise us:
 - (a) to credit our Issue Shares allotted or allocated to you into your CDS account; and
 - (b) to issue share certificate(s) representing such Issue Shares or jumbo certificates which represent, amongst others, such Issue Shares, allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (viii) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond our control or the control of the Issuing House, Bursa Depository or the Participating Financial Institutions, and irrevocably agree that if:
 - (a) our Company or the Issuing House does not receive your Electronic Share Application; or
 - (b) the data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company or the Issuing House,you shall be deemed not to have made an Electronic Share Application and shall not make any claim whatsoever against our Company, the Issuing House or the Participating Financial Institutions for our Issue Shares applied for or for any compensation, loss or damage.
- (ix) All of your particulars in the records of the relevant Participating Financial Institution at the time of making the Electronic Share Application shall be deemed to be true and correct, and our Company, the Issuing House and the relevant Participating Financial Institution shall be entitled to rely on their accuracy.
- (x) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment will be sent to your registered or correspondence address last maintained with Bursa Depository.

- (xi) By making and completing an Electronic Share Application, you agree that:
- (a) in consideration of us agreeing to allow and accept the application for our Issue Shares through the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
 - (b) we, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our or the control of any of them;
 - (c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our Issue Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said Issue Shares;
 - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and other documents required for the issue or transfer of our Issue Shares allotted or allocated to you; and
 - (e) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and / or the Electronic Share Application and / or any terms of our Prospectus, all rights, obligations and liabilities of the parties shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xii) the Issuing House, acting on the authority of our Board reserves the right to reject Applications which do not conform to these instructions.

6. APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

6.1 Internet Participating Financial Institutions

Applications for our Issue Shares by the Malaysian Public Individuals may be made through the Internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR OUR ISSUE SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institution	Website address	Fees charged
----------------------------------------------	-----------------	--------------

Internet Participating Financial Institution	Website address	Fees charged
Affin Bank Berhad	www.affinOnline.com	Free
Alliance Bank Malaysia Berhad	www.allianceonline.com.my	RM1.00
CGS-CIMB Securities Sdn Bhd	www.eipocimb.com	RM2.00 for payment through CIMB Bank Berhad or Malayan Banking Berhad
CIMB Bank Berhad	www.cimbclicks.com.my	RM2.00 for applicants with CDS Accounts held with CGS-CIMB Securities Sdn Bhd and RM2.50 for applicants with CDS Accounts with other ADAs
Malayan Banking Berhad	www.maybank2u.com.my	RM1.00
RHB Bank Berhad	www.rhbgroup.com	RM2.50
Public Bank Berhad	www.pbebank.com	RM2.00

Please note that these fees may be varied or waived from time to time at the discretion of the respective Internet Participating Financial Institution. Please contact the relevant Internet Participating Financial Institution for further enquiries.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR INTERNET SHARE APPLICATIONS SET OUT BELOW AND AT THE INTERNET FINANCIAL SERVICES WEBSITE OF THE RESPECTIVE INTERNET PARTICIPATING FINANCIAL INSTITUTION CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Internet Participating Financial Institution.

6.2 Terms and Conditions for Internet Share Application

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and subject to the following terms and conditions:

- (i) You can make an Internet Share Application if you fulfill all of the following:
 - (a) You are an individual with a CDS Account and in the case of a joint account, an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the joint account holder's name;
 - (b) You have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have your user identification ("**User ID**") and Personal Identification Numbers ("**PIN**")/password for the relevant Internet financial services facilities; and
 - (c) You are a Malaysian citizen and have a mailing address in Malaysia.

You are advised to note that a User ID and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our Issue Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and subject to the terms of our Prospectus and our Company's Constitution.
- (iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:
 - (a) You are at least 18 years old as at the date of the application for our Issue Shares;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have, prior to making your Internet Share Application, received and/or have had access to a printed/electronic copy of our Prospectus, the contents of which you have fully read and understood;
 - (d) You agree to all the terms and conditions of the Internet Share Application as set out in our Prospectus and have carefully considered the risk factors as well as all other information and statements set out in our Prospectus, before making your Internet Share Application;
 - (e) Your Internet Share Application is the only application that you are submitting for our Issue Shares offered to the Malaysian Public;
 - (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our Issue Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;

- (g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Service Act, 2013 and Section 45 of SICDA) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of your information, your Internet Share Application or your account with the Internet Participating Financial Institution, to our Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
- (h) You are not applying for our Issue Shares as a nominee of any other person and your Internet Share Application is made in your own name, as beneficial owner and subject to the risks referred to in our Prospectus;
- (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with our IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with our IPO. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services.
- (iv) Your Application will not be successfully completed and cannot be recorded as a completed application unless you have paid for our Issue Shares through the website of the Authorised Financial Institutions and completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of our Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that your Internet Share Application has been completed and states the details of your Internet Share Application, including the number of Issue Shares applied for which you can print out for your records.

Upon the display of the Confirmation Screen, you will be deemed to have confirmed the truth of the statements set out in Section 6.2(iii) above. The Confirmation Screen is only a record of the completed transaction with an Internet Participating Financial Institution and not a record of the receipt of the Internet Share Application or any data relating to such an Internet Share Application by our Company or the Issuing House. The Confirmation Screen is for your record and should not be submitted with any Application Form.

- (v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making your Internet Share Application, to cover and pay for our Issue Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which your Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in our

Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.

- (vi) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated on the Confirmation Screen or any lesser number of Issue Shares that may be allotted or allocated to you in respect of your Internet Share Application. In the event that we decide to allot or allocate lesser number of Issue Shares or not to allot or allocate any Issue Shares to you, you agree to accept any such decision as final.

In the course of completing your Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of Issue Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- (a) Your acceptance of the number of Issue Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
 - (b) Your agreement to be bound by the Constitution of our Company.
- (vii) You are fully aware that multiple or suspected multiple Internet Share Applications for our Issue Shares will be rejected. **A PERSON WHO SUBMITS MULTIPLE INTERNET SHARE 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.** Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (viii) An Internet Share Application is deemed to be received only upon its completion, which is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for reference and record purposes. Late Internet Share Applications will not be accepted.
- (ix) You acknowledge that your Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, and other events beyond the control of the Internet Participating Financial Institution, the Authorised Financial Institution, the Issuing House and our Company and irrevocably agree that if:
 - (a) our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment; and

- (b) any data relating to your Internet Share Application or the tape or any other devices containing such data and/or payment is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever,

you will be deemed not to have made an Internet Share Application and you will not make any claim whatsoever against our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution in relation to our Issue Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

- (x) All of your particulars in the records of the relevant Internet Participating Financial Institution at the time of your Internet Share Application shall be deemed to be true and correct, and we, the Issuing House, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You must ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application will be rejected. The notification letter on successful allotment will be sent to your last address maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

7. AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

Your Application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares. 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), by
 - (a) ordinary post through the self-addressed and stamped Official "A" envelope which you have provided to Bursa Depository;

- (b) crediting into your bank account for the purposes of cash dividend / distribution if you have provided such bank account information to Bursa Depository; or
- (c) ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

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.

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 Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within 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 Issue Shares by the Malaysian Public and / or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in Section 4.1.1(b)(i) of our Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

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.

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 returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 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 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).

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 Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th 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 Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution 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.

10. SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) Our Issue 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 Issue 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.
- (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.

11. ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, one Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as listed in Section 12 below.

12. LIST OF ADAS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

Name	Address and telephone number	Broker code
KUALA LUMPUR		
AFFIN HWANG INVESTMENT BANK BERHAD	2 nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-7710 6688	068-009
AFFIN HWANG INVESTMENT BANK BERHAD	Mezzanine & 3 rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21438668	068-018
AFFIN HWANG INVESTMENT BANK BERHAD	38A & 40A Jalan Midah 1 Taman Midah 56000 Cheras Kuala Lumpur Tel No : 03-91308803	068-021
ALLIANCE INVESTMENT BANK BERHAD	Level 17, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-26043333	076-001
AMINVESTMENT BANK BERHAD	15 th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20782788 / 20362633	086-001
BIMB SECURITIES SDN BHD	Level 32, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-26918887 / 2613 1600	024-001
CGS-CIMB SECURITIES SDN BHD	Level 17, Menara CIMB Jalan Stesen Sentral 2	065-001

Name	Address and telephone number	Broker code
	Kuala Lumpur Sentral 50470 Kuala Lumpur Tel No : 03-22618888	
FA SECURITIES SDN BHD	A-10-1 & A-10-17 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No : 03-22881676	021-001
HONG LEONG INVESTMENT BANK BERHAD	Level 7, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03 – 21681168	066-001
HONG LEONG INVESTMENT BANK BERHAD	Level 25 & 26, Menara LGB No 1, Jalan Wan Kadir 60000, Taman Tun Dr Ismail Kuala Lumpur Tel No : 03-77236300	066-002
HONG LEONG INVESTMENT BANK BERHAD	Level 27 & 28 Menara Hong Leong No.6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur Tel No.: 03-20831800	066-008
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-21171888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8, Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-79847796	054-003
INTER-PACIFIC SECURITIES SDN BHD	No. 33-1 (First Floor) Jalan Radin Bagus Bandar Baru Seri Petaling 57000 Kuala Lumpur	054-007

Name	Address and telephone number	Broker code
	Tel No : 03-90562921 / 90562922	
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11 th -14 th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21710228	053-001
KENANGA INVESTMENT BANK BERHAD	Level 17, Kenanga Tower, 237 Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-2172 2888	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-42978806	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor West Wing ECM Libra Building 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-2089 2888	073-001
M & A SECURITIES SDN BHD	Level 1-3, No. 45 & 47 and 43-6 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03-22821820	057-002
M & A SECURITIES SDN BHD	22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel No : 03-79839890	057-004
MALACCA SECURITIES SDN BHD	No 76-1, Jalan Wangsa Maju Delima 6, Pusat Bandar Wangsa Maju (KLSC) Setapak, 53300, Kuala Lumpur Tel No: 03-4144 2565	012-001

Name	Address and telephone number	Broker code
MALACCA SECURITIES SDN BHD	B-M-10, Block B Plaza Arkadia Jalan Intisari Perdana Desa Park City 52200 Kuala Lumpur Tel No: 03-2733 9782	012-001
MALACCA SECURITIES SDN BHD	B01-A-13A Level 13A, Menara 2 No. 3, Jalan Bangsar KL Eco City 59200 Kuala Lumpur Tel No : 03-2201 2100	012-001
MAYBANK INVESTMENT BANK BERHAD	Level 5, Tower C Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-2297 8888	098-001
MAYBANK INVESTMENT BANK BERHAD	Tingkat 27, 31 to 33 Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel No : 03-20591888	098-007
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No : 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	Level 9, 10, 11, 12 Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-21738888	026-001
PM SECURITIES SDN BHD	Mezzanine & 1 st Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-21463000	064-001

Name	Address and telephone number	Broker code
PUBLIC INVESTMENT BANK BERHAD	27 th Floor, Bangunan Public Bank	051-001
RHB INVESTMENT BANK BERHAD	No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-2268 3000 Level 1, Tower 3 RHB Centre, Jalan Tun Razak	087-001
RHB INVESTMENT BANK BERHAD	50400 Kuala Lumpur Tel No : 03-9287 3338 No. 62, 62-1, 64 & 64-1, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03 - 6257 5869	087-028
RHB INVESTMENT BANK BERHAD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No : 03-4280 4798	087-054
RHB INVESTMENT BANK BERHAD	Ground Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-9058 7222	087-058
TA SECURITIES HOLDINGS BERHAD	Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-20721277	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	N-1-3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-6205 6000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19 th Floor Menara Keck Seng 203 Jalan Bukit Bintang	078-010

Name	Address and telephone number	Broker code
	55100 Kuala Lumpur Tel No : 03-2147 1888	
SELANGOR DARUL EHSAN		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite B 3A1, East Wing, 3A th Floor, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5635 6688	068-010
AFFIN HWANG INVESTMENT BANK BERHAD	4 th Floor, Wisma Meru 1 Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3343 9999	068-019
AFFIN HWANG INVESTMENT BANK BERHAD	Lot 229, 2 nd Floor, The Curve 6 Jalan PJU 7/3, Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7729 8016	068-020
AFFIN HWANG INVESTMENT BANK BERHAD	No.79-1, Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-3322 1999	068-023
AMINVESTMENT BANK BERHAD	4 th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7710 6613	086-001
CGS-CIMB SECURITIES SDN BHD	Level G & Level 1, Tropicana City Office Tower No 3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7717 3388	065-001

Name	Address and telephone number	Broker code
CGS-CIMB SECURITIES SDN BHD	1, 135 & 137 Floor Jalan Sultan Abdul Samad 42700 Banting Selangor Darul Ehsan Tel No : 03-3181 1337 / 1346	065-001
CGS-CIMB SECURITIES SDN BHD	No. A-07-01 & A-07-02 Empire Office Tower Empire Subang Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-5631 7934 / 7892	065-001
CGS-CIMB SECURITIES SDN BHD	2 nd Floor (No. 26-2) Lorong Batu Nilam 4B Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-3325 7105 / 7106	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor (No. 11A) Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-5891 6852	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, No. 26A(F), 26A(M) & 26A(B) Jalan SJ6, Taman Selayang Jaya 68100 Batu Caves Selangor Darul Ehsan Tel No : 03-6137 1680	065-001
JF APEX SECURITIES BERHAD	6 th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03 – 8736 1118	079-001
JF APEX SECURITIES BERHAD	16 th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7620 1118	079-002

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	No. 55C, 2 nd Floor Jalan USJ 10/1F 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-8024 1773	073-001
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2 nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7725 9095	073-001
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No. 7 Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56212118	073-001
KENANGA INVESTMENT BANK BERHAD	35 (Ground, 1 st & 2 nd Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33488080	073-001
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56361533	012-001
MALACCA SECURITIES SDN BHD	No. 54M, Mezzanine Floor Jalan SS2/67, Petaling Jaya Selangor Darul Ehsan Tel No : 03-7876 1533	012-001
MAYBANK INVESTMENT BANK BERHAD	Wisma Bentley Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7718 8888	098-004

Name	Address and telephone number	Broker code
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend Intan Millennium Square No. 68, Jalan Batai Laut 4, Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-3050 8888	098-003
PM SECURITIES SDN BHD	1 st Floor, 157- A, Jalan Kenari 23A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-3341 5300	064-001
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78736366	087-011
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-87363378	087-045
RHB INVESTMENT BANK BERHAD	First Floor, 10 & 11 Jalan Maxwell 48000, Rawang Selangor Darul Ehsan Tel No :03 - 6092 8916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439180	087-048

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	Unit 1B, 2B & 3B Jalan USJ 10/1J USJ 10, 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80221888	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy, Lot 72, Persiaran Jubli Perak Section 22, 40000 Shah Alam Selangor Darul Ehsan Tel No : 03-51920202	096-001
SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 10 Boulevard Lebuhraya Sprint, PJU 6A 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77323862	096-005
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80251880	058-005
TA SECURITIES HOLDINGS BERHAD	2 nd Floor, Wisma TA 1A Jalan SS20/1, Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel no : 03 – 7729 5713	058-007
CGS-CIMB SECURITIES SDN BHD	Ground, 1 st & 2 nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-289 8800	065-006
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Tel No : 06-3371533	012-001
KENANGA INVESTMENT BANK BERHAD	71 (Ground, A&B) & 73 (Ground, A&B) Jalan Merdeka Taman Melaka Raya	073-001

Name	Address and telephone number	Broker code
	75000 Melaka Tel No : 06-2881720	
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No : 06-3372550	073-001
MERCURY SECURITIES SDN BHD	81, 81A & 81B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2921898	093-003
PM SECURITIES SDN BHD	No 6-1, Jalan Lagenda 2, Taman 1 Lagenda, 75400 Melaka Tel No : 06-2880050	064-006
RHB INVESTMENT BANK BERHAD	579, 580 & 581, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06 – 284 9885	087-026
TA SECURITIES HOLDINGS BERHAD	59, 59A, 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2862618	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2 Jalan PPM8 Malim Business Park 75250 Melaka Tel No : 06-3352511	078-014
PERAK DARUL RIDZUAN		
AFFIN HWANG INVESTMENT BANK BERHAD	21, Jalan Stesen Ground Floor, 1, 2 & 3 34000 Taiping Perak Darul Ridzuan Tel No : 05-8066688	068-003

Name	Address and telephone number	Broker code
AFFIN HWANG INVESTMENT BANK BERHAD	2 nd & 3 rd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2559988	068-015
CGS-CIMB SECURITIES SDN BHD	Ground, 1 st , 2 nd & 3 rd Floor No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2088688	065-001
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530888	066-003
KENANGA INVESTMENT BANK BERHAD	Ground, 1 st , 2 nd & 4 th Floor No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2422828	073-022
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6939828	073-031
M & A SECURITIES SDN BHD	5 th , 6 th Floor and Unit 8A M&A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419800	057-001
MALACCA SECURITIES SDN BHD	No 3, 1 st Floor, Persiaran Greenhill 30450, Ipoh Perak Darul Ridzuan	012-013

Name			Address and telephone number	Broker code
			Tel No: 05-2541 533 / 2541577	
MAYBANK BERHAD	INVESTMENT BANK		B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh, Perak Tel No : 05-2453400	098-002
RHB INVESTMENT BANK BERHAD			Ground & 1 st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6236498	087-014
RHB INVESTMENT BANK BERHAD			Ground & 1 st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6921228	087-016
RHB INVESTMENT BANK BERHAD			21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415100	087-023
RHB INVESTMENT BANK BERHAD			Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-8088229	087-034
RHB INVESTMENT BANK BERHAD			72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-4651261	087-044
RHB INVESTMENT BANK BERHAD			No 1&3, 1 st Floor Jalan Wawasan Satu Taman Wawasan Jaya	087-052

Name	Address and telephone number	Broker code
	34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-7170888	
TA SECURITIES HOLDINGS BERHAD	Ground, 1 st & 2 nd Floor	058-001
	Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-2531313	
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz	078-002
	30300 Ipoh Perak Darul Ridzuan Tel No : 05-2411290	
PULAU PINANG		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 2, 3, 4, 5, 7 & 8	068-001
	Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-2636996	
AFFIN HWANG INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat	068-006
	Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5372882	
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor	076-015
	Bangunan Barkath 21, Lebuhr Pantai 10300 Pulau Pinang Tel No: 04-2611688	
AMINVESTMENT BANK BERHAD	3 rd Floor, Menara Liang Court	086-001
	37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2261818	
CGS-CIMB SECURITIES SDN BHD	Level 2, Menara BHL,	065-001
	51, Jalan Sultan Ahmad Shah, 10050 Pulau Pinang Tel No : 04-2385900	

Name	Address and telephone number	Broker code
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, No. 6160 Jalan Ong Yi How Kawasan Perindustrian Teras Jaya 13400 Butterworth Pulau Pinang Tel No : 04-329 1112 / 8478	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, 32A Jalan Mahsuri 11950 Bandar Bayan Baru Pulau Pinang Tel No : 04-642 2287	065-001
CGS-CIMB SECURITIES SDN BHD	No. 20-1 & No. 20-2 Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Bayan Lepas Pulau Pinang Tel No : 04-641 2881	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, Unit 1308 & 1309 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Pulau Pinang Tel No : 04-641 2881	065-001
INTER-PACIFIC SECURITIES SDN BHD	Canton Square Level 2 (Unit 1) & Level 3 No 56. Cantontment Road 10250 Pulau Pinang Tel No : 04-2268288	054-002
JF APEX SECURITIES BERHAD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus Pulau Pinang Tel No : 04-2289118	079-005
KENANGA INVESTMENT BANK BERHAD	7 th , 8 th & 16 th Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah	073-023

Name	Address and telephone number	Broker code
	10050 Pulau Pinang Tel No : 04-2283355	
M & A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No : 04-2817611	057-005
M & A SECURITIES SDN BHD	9-1-33, Taman Kheng Tian Jalan Van Praagh, 11600, Georgetown Pulau Pinang Tel No : 04 – 2888 788	057-008
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya Pulau Pinang Tel No : 04-3905669	012-001
MALACCA SECURITIES SDN BHD	No 17, 1 st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Pulau Pinang Tel No : 04-6421533	012-001
MALACCA SECURITIES SDN BHD	28 Lorong Tangling Indah 3 Taman Tangling Indah 14100 Simpang Ampat Tel No : 04-506 0967	012-001
MAYBANK INVESTMENT BANK BERHAD	Lot 1.02, 1 st Floor, Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown, Pulau Pinang Tel No : 04-2196888	098-006
MERCURY SECURITIES SDN BHD	Ground, 1 st , 2 nd & 3 rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai	093-001

Name	Address and telephone number	Broker code
	Pulau Pinang Tel No : 04-3322123	
MERCURY SECURITIES SDN BHD	2 nd Floor, Standard Chartered Bank Chambers	093-004
	2 Lebuhr Pantai 10300 Pulau Pinang Tel No : 04-2639118	
MERCURY SECURITIES SDN BHD	D'Piazza Mall	093-006
	70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Pulau Pinang Tel No : 04-6400822	
PM SECURITIES SDN BHD	Level 3, Wisma Wang 251-A, Jalan Burmah 10350, Pulau Pinang Tel No : 04-2273000	064-004
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No : 04-3900022	087-005
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5402888	087-015
RHB INVESTMENT BANK BERHAD	64 & 64-D Ground Floor-3 rd Floor & 5 th -8 th Floor Lebuhr Bishop 10200 Pulau Pinang Tel No : 04-2634222	087-033
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 15-G-5, 15-G-6, 15-1-5, 15-1-6, 15-2-5, 15-2-6 & 15-2-24 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang	087-042

Name	Address and telephone number	Broker code
	Tel No : 04-6404888	
TA SECURITIES HOLDINGS BERHAD	3 rd Floor, Bangunan Heng Guan No 171, Jalan Burmah 10050 Pulau Pinang Tel No : 04-2272339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1 st Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-2299318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5541388	078-003
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	Ground, Mezzanine & 1 st Floor B400, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-5660800	076-002
CGS-CIMB SECURITIES SDN BHD	Ground, 1 st & 2 nd Floor No. A-27 Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No : 09-5057800	065-001
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No : 09-5171698	073-027
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur	012-001

Name	Address and telephone number	Broker code
	Tel No : 09-2220993 / 014 – 9215 992	
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-5173811	087-007
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 09-4914913	087-041
KELANTAN DARUL NAIM		
CGS-CIMB SECURITIES SDN BHD	Level 4 Wisma TCH (formerly known as Wisma Square Point) Jalan Pengkalan Chepa 15400 Kota Bharu Kelantan Darul Naim Tel No : 09-741 9050 / 9051 / 9052 / 9053	065-001
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-7430077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7432288 / 09 – 743 3388	058-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7473906	078-004

TERENGGANU DARUL IMAN

Name	Address and telephone number	Broker code
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6317922	076-009
RHB INVESTMENT BANK BERHAD	Tingkat bawah & Tingkat Satu 9651 Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-8583109	087-027
RHB INVESTMENT BANK BERHAD	1 st Floor, 59 Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6261816	087-055
UOB KAY HIAN SECURITIES (M) SDN BHD	37-B, 1 st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6224766	078-016
KEDAH DARUL AMAN		
AFFIN HWANG INVESTMENT BANK BERHAD	70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4256666	068-011
ALLIANCE INVESTMENT BANK BERHAD	Lot T-30, 2 nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317088 / 731 8270	076-004
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, No. 102	065-001

Name	Address and telephone number	Broker code
	Kompleks Persiaran Sultan Abdul Hamid Jalan Pegawai 05050 Alor Setar Kedah Darul Aman Tel No : 04-777 4400 / 4401	
MALACCA SECURITIES SDN BHD	No. 9 Tingkat Satu	012-001
	Kompleks Perniagaan LITC Jalan Putra Mergong 05150 Alor Setar Kedah Darul Aman Tel No : 04-7350888	
RHB INVESTMENT BANK BERHAD	35, Ground Floor, Jalan Suria 1, Jalan Bayu	087-019
	09000 Kulim Kedah Darul Aman Tel No : 04-4964888	
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor,	087-021
	214-A, 214-B, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7209888	
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A, 1 st Floor EMUM 55	078-007
	No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7322111	
NEGERI SEMBILAN DARUL KHUSUS		
AFFIN HWANG INVESTMENT BANK BERHAD	1 st Floor, 105, 107 & 109	068-007
	Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7612288	
AFFIN HWANG INVESTMENT BANK BERHAD	6, Upper Level, Jalan Mahligai	068-013
	72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553188	
CGS-CIMB SECURITIES SDN BHD	1 st Floor, No. 21	065-001

Name	Address and telephone number	Broker code
	Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-455 3155	
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, Lot 3110	065-001
	Jalan Besar, Lukut 71010 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-651 5385	
CGS-CIMB SECURITIES SDN BHD	Level 2 Wisma Dewan Perniagaan Melayu	065-001
	Negeri Sembilan Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-761 4651	
KENANGA INVESTMENT BANK BERHAD	1C & 1D, Ground & 1 st Floor	073-001
	Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7655998	
MAYBANK INVESTMENT BANK BERHAD	Wisma HM	098-005
	No. 43, Jalan Dr Krishnan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7669555	
PM SECURITIES SDN BHD	1 st -3 rd Floor	064-002
	19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7623131	
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor	087-024
	No. 32 & 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7641641	
AFFIN HWANG INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower)	068-004

Name	Address and telephone number	Broker code
	106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222692	
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1 st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-7717922	076-006
AMINVESTMENT BANK BERHAD	2 nd & 3 rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342282	086-001
AMINVESTMENT BANK BERHAD	18 th Floor, Metropolis Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3343855	086-001
CGS-CIMB SECURITIES SDN BHD	No 73, Ground Floor No 73A & 79A, First Floor Jalan Kuning Dua, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3405888	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, No. 384A Jalan Simbang, Taman Perling 81200 Johor Bahru Johor Darul Takzim Tel No : 07-232 9673	065-001
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, 113 & 114 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-931 1509 / 1523	065-001

Name	Address and telephone number	Broker code
CGS-CIMB SECURITIES SDN BHD	1 st Floor, 101 Jalan Gambir 8 Bandar Baru Bukit Gambir 84800 Muar Johor Darul Takzim Tel No : 06-976 4559 / 4560	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor No. 8A Jalan Dedap 20 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-353 7669 / 7959	065-001
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	054-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3333600	073-004
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333515	073-009
KENANGA INVESTMENT BANK BERHAD	33 & 35 (A&B), Ground Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-7771161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-9782292	073-001
KENANGA INVESTMENT BANK BERHAD	24, 24A & 24B Jalan Penjaja 3	073-001

Name	Address and telephone number	Broker code
	Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4326963	
KENANGA INVESTMENT BANK BERHAD	57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9531222	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar	073-001
	Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07 – 4678 885	
KENANGA INVESTMENT BANK BERHAD	916, Ground Floor Jalan Bakek	073-001
	82000, Pontian Johor Darul Takzim Tel : 07 – 6861 121	
M & A SECURITIES SDN BHD	Suite 5.3A, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3381233	057-003
MALACCA SECURITIES SDN BHD	No. 74, Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07 – 3351 533	012-001
MALACCA SECURITIES SDN BHD	31B Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4381533	012-001
MALACCA SECURITIES SDN BHD	1735-B Jalan Sri Putri 4 Taman Putri Kulai 81000, Kulaijaya	012-001

Name	Address and telephone number	Broker code
	Johor Darul Takzim	
	Tel: 07-663 8877	
MALACCA SECURITIES SDN BHD	Lot 880, 3 ½ Mile	012-001
	Jalan Salleh 84000 Muar Johor Darul Takzim Tel: 06-953 6948	
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi	093-005
	Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316992	
PM SECURITIES SDN BHD	Ground & 1 st Floor	064-001
	No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4333608	
RHB INVESTMENT BANK BERHAD	6 th Floor, Wisma Tiong-Hua	087-006
	8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-2788821	
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah	087-009
	83000 Batu Pahat Johor Darul Takzim Tel No : 07-4380288	
RHB INVESTMENT BANK BERHAD	No. 33-1, 1 st & 2 nd Floor	087-025
	Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9538262	
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor	087-006
	No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim	

Name	Address and telephone number	Broker code
	Tel No : 07-5577628	
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-9321543	087-030
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel No : 07-7769655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-6626288	087-006
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor, Nos. 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3522293	087-006
TA SECURITIES HOLDINGS BERHAD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No : 07-9435278	058-003
TA SECURITIES HOLDINGS BERHAD	15, Jalan Molek 1/5A Taman Molek 81000 Johor Bahru Tel No: 07-3647388	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3332000	078-001

Name	Address and telephone number	Broker code
UOB KAY HIAN SECURITIES (M) SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-6635651	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	70 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513218	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	171 Ground Floor Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-5121633	078-008
SARAWAK		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Floor & 1 st Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel No : 082-341999	068-005
AFFIN HWANG INVESTMENT BANK BERHAD	282, 1 st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330008	068-016
AMINVESTMENT BANK BERHAD	1 st , 2 nd , & 3rd Floor, No. 162, 164, 166 & 168 Jalan Abell 93100 Kuching Sarawak Tel No : 082-244791	086-001
CGS-CIMB SECURITIES SDN BHD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu	065-001

Name	Address and telephone number	Broker code
	Sarawak Tel No : 084-367700	
CGS-CIMB SECURITIES SDN BHD	Level 1 (North), Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching, Sarawak Tel No : 082-358688	065-001
KENANGA INVESTMENT BANK BERHAD	Lot 1866, Jalan MS 2/5 Marina Square 2, Marina Parkcity 98000 Miri Sarawak Tel No : 085-435577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338000	073-003
KENANGA INVESTMENT BANK BERHAD	11-12, Ground & 1 st Floor Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084-313855	073-012
KENANGA INVESTMENT BANK BERHAD	Ground Floor of Survey Lot No 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel No : 086-337588	073-018
KENANGA INVESTMENT BANK BERHAD	Suites 9 & 10, 3rd Floor Yung Kong Abell Lot 365 Abell Road 93100 Kuching Sarawak No Tel : 082 – 248877	073-001
MERCURY SECURITIES SDN BHD	1 st Floor 16, Jalan Getah 96100 Sarikei, Sarawak	093-001

Name	Address and telephone number				Broker code
	Tel No : 084- 656281				
RHB INVESTMENT BANK BERHAD	Yung Kong Abell				087-008
	Units No. 1-10, 2 nd Floor Lot 365, Section 50, Jalan Abell 93100 Kuching Sarawak Tel : 082- 250888				
RHB INVESTMENT BANK BERHAD	2 nd Floor, Lot 1268 & Lot 1269				087-012
	Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422788				
RHB INVESTMENT BANK BERHAD	No. 102, Pusat Pedada				087-008
	Jalan Pedada 96000 Sibu Sarawak Tel No : 084-329100				
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor				087-053
	No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-311770				
TA SECURITIES HOLDINGS BERHAD	12G, H & I				058-002
	Jalan Kampong Datu 96000 Sibu Sarawak Tel No : 084-319998				
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot Centre Jalan 98000, Sarawak	1265, Point	1st Commercial	Floor Centre Melayu Miri	078-017
	Tel: 085 - 324 128				
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor				078-018
	No 16, Lorong Intan 6				

Name	Address and telephone number	Broker code
	96000 Sibu Sarawak Tel: 084-252 737	
SABAH		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite 1-9-E1, 9 th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu, Sabah Tel No : 088-311688	068-008
CGS-CIMB SECURITIES SDN BHD	1 st & 2 nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-328878	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, Lot 12 Block A3, Phase 2 Utama Place Mile 6, Northern Road Sandakan, Sabah Tel No : 089 – 215 578	065-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236188	073-032
KENANGA INVESTMENT BANK BERHAD	1st Floor, Lot 40 (corner) Taman Nasalim, Phase 7A, Batu 5 Jalan Lintas Utara 90000 Sandakan Sabah Tel No : 089 – 464 801	073-001
KENANGA INVESTMENT BANK BERHAD	Lot 66-0 (TB 15611-0) Ground Floor, Kubota Road 91000 Tawau Sabah Tel No : 089 – 704 892	073-001
RHB INVESTMENT BANK BERHAD	2 nd Floor 81 & 83, Jalan Gaya	087-010

Name	Address and telephone number	Broker code
	88000 Kota Kinabalu Sabah Tel No : 088-269788	
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 177 & 178, Ground Floor Block 17, Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel No : 089-218681	078-012