









SUMMARY

This summary aims to give you an overview of the information contained in this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are an established distributor of F&B and other products for recognised international and domestic Third-Party Brands, and under our Own Brands with substantial scale in Peninsular Malaysia taking into account: (i) the extensive geographical coverage of our Group and sales network attributed by (a) our self-operated warehouses and logistics operation across Peninsular Malaysia which enables us to distribute our products widely and efficiently, and (b) the warehouse and logistics service provided by external service providers for distribution of products in the regions not covered by our self-operated warehouses, which in aggregate cover most parts of Malaysia; (ii) our Group’s substantial warehousing capability with aggregate designated storage capacity of approximately 25,600 CBM as at 31 December 2021; (iii) our Group’s substantial logistics infrastructure with a fleet of over 140 logistics vehicles, of which approximately 100 are refrigerated vehicles; (iv) our Group’s ability to obtain distributorships and maintain long-term business relationships with many well-known international and domestic brands which normally have a preference for sizeable distributors; (v) our Group’s substantial and diverse customer base of more than 11,000 active customers (customers which have placed purchase order(s) with us in a particular financial year or period) which shows a consistent demand for our products and services; and (vi) the wide range of products offered by our Group with more than 4,000 SKUs across nine core categories during the Track Record Period, as elaborated below.

We served a wide group of retail chains and channels in Malaysia with more than 11,000 active customers ranging from hypermarkets and supermarkets, provision shops, convenience stores and kiosks, hotels, restaurants, café, bars, school canteens, bakery ingredients shops, F&B dealers and merchandisers, etc. We offer our customers a diverse product portfolio of F&B and other products with over 4,000 SKUs across nine core categories spanning dairy products, frozen food, packaged food and commodities, sauce, oil and condiments, beverages, quality health products, personal and baby care products, pet care products, cleaning and kitchen supplies, covering over 200 international and domestic Third-Party Brands together with our Own Brands. In addition to offering a diverse product assortment, we also provide our customers with warehousing, logistics, sales and marketing support and other value-added services by allowing them to benefit from our broad industry knowledge and expertise in sourcing, procurement, physical distribution, warehousing, logistics, other supply chain solutions and services.

We source and procure a wide variety of F&B and other products with more than 200 international and domestic Third-Party Brands originated in different countries such as the United Kingdom, New Zealand, the United States, Malaysia, Japan and China. Examples of the Third-Party Brands we distributed for the Track Record Period included Oreo , Cadbury , Ajinomoto , a British multinational ice-cream frozen dessert brand, and a New Zealand multinational dairy product brand. Benefiting from substantial experience accumulated from our long years of operations and collaboration with highly recognised international F&B brands, we have tapped into the distribution of products under our major proprietary Own Brands, mainly including CED , Mega Fresh , Mega Food , Sayangku  and Snowcat  for honey, sugar, salt, frozen seafood, frozen meat, and pet care products, etc., which are popular in supermarkets, hypermarkets and convenience stores and kiosks.

We operate an extensive distribution platform offering integrated and efficient end-to-end logistics solutions. Headquartered in Kuantan of Malaysia, we had 12 warehouses as at 31 December 2021 strategically set up around our customers across all our key sales regions of Peninsular Malaysia supported by cold chain facilities with designated cold storage capacity of approximately 4,550 CBM as well as our own logistics vehicles including a majority of refrigerated vehicles. Our extensive distribution platform with temperature-controlled warehousing and logistics facilities is our valuable asset and cornerstone of our business, ensuring that goods are stored and handled at the right temperature throughout the whole logistics process in order to maintain the quality of F&B products and to reduce wastage due to spoilage, particularly for the product categories of ice-cream and other dairy products as well as frozen food.

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OUR BUSINESS

Our Business Model

Our business partners are either suppliers or customers, depending on their position in the F&B value chain and the services we provide to them. Our business model is centered on our role as the key link between suppliers and customers. We help our partners in growing and adding value to their business and enable them to achieve business success.

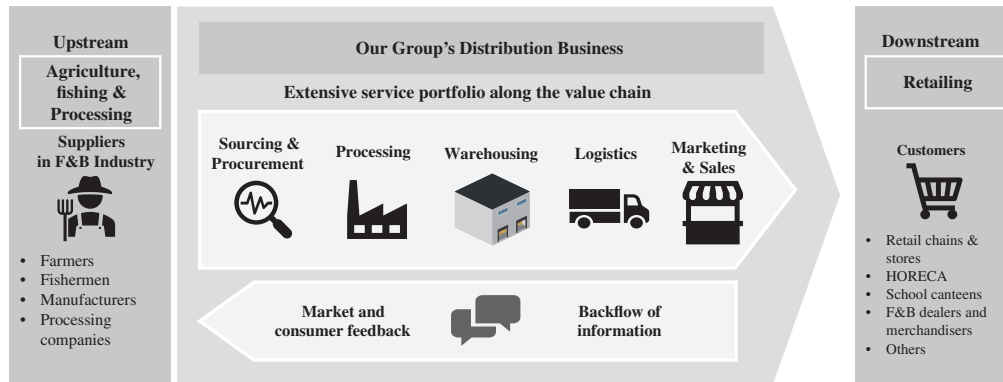
We are strategically focused on distributing F&B products to large retail chains, given a rapid shift from traditional markets towards hypermarkets, supermarkets, and convenience stores in Malaysia. There has been an increasing establishment of retail stores by local market players. Multinational retail chains have also been expanding their network retail stores in Malaysia. Retail chains tend to have multiple branches of their stores in several forms which are typically in different locations and they prefer to purchase a wider selection of products in bulk at a discounted price. Consequently, customers which are large retail chains often place purchases in huge quantities and great varieties and require frequent replenishment. Since we in turn purchase in bulk from our suppliers, we are able to achieve economies of scale from our purchases and pass any discount granted to us onto our customers. We also cater to the rapidly

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growing hospitality industry in Malaysia. In addition, our procurement capabilities and scalable distribution platform allow us to provide our customers with a comprehensive portfolio of products, brands and services at competitive prices.

We support our suppliers of which provide multinational and domestic branded products in marketing, sales and distribution of a wide range of F&B products and offer direct access to a large and diverse base of retail stores and channels mainly across Peninsular Malaysia. We also provide comprehensive and tailored services across the region, driving and fulfilling suppliers’ and customers’ varying needs. Leveraging our substantial market presence, our suppliers can capitalise on the competitive commercial terms and conditions made available by us to grow their business in new or existing markets.

The following diagram sets forth our business model:



Distribution business:






Our Business

We offer a wide range of services that are classified into two segments, namely distribution and logistics and other services. Our distribution business is our core business which can be further categorised into two major sub-segments of Third-Party Brands and Our Own Products.

Third-Party Brands

In conducting our distribution business for Third-Party Brand Products on a non-exclusive basis, we engage in the distribution of a particular group of F&B products for renowned multinational and domestic Third-Party Brands under distribution agreements entered into with suppliers pursuant to which we are typically obligated to, inter alia, market and sell designated Third-Party Brand Products to customers in designated territory with provision of marketing and other sales support services. As at 31 December 2021, we had over 30 distribution agreements in force which were entered into with over 30 suppliers covering more than 100 Third-Party Brands. In addition, we also source and procure Third-Party Brand Products in bulk from our suppliers on an order-to-order basis without entering into an agreement, for onward wholesale to our customers in smaller portions, who would resell the products onwards to end consumers.

Own Products

By leveraging the advantages of our deep insights into consumers’ consumption preference, we have developed product lines of mainly five Own Brands under our proprietary Own Brands, including *CED* , *Mega Fresh* , *Mega Food* , *Sayangku*  and *Snowcat*  for quality health products, salt, frozen seafood, frozen meat, and pet care products, etc. for which demand is strong and command lucrative margins. We have also launched frozen seafood and frozen meat on a white-label basis, particularly to hypermarkets and supermarkets during the Track Record Period, which are seeking low-cost, large-scale reliable suppliers to fulfill their needs. We are able to pursue sales growth by opening up cross-selling opportunities for our Own Products and improve customer loyalty. Our Own Products typically generate higher gross profit than similar Third-Party Brand Products.

Logistics and other services:

With an aim to offer integrated F&B supply chain solutions, we offer logistics warehousing services for our customers and suppliers. We also provide marketing and sale support services with knowledge and market insights to increase sales in existing markets, enhance efficiency and margins, or launch into new markets.

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The following table sets forth a breakdown of our revenue and gross profit margin by segment, for the years indicated:

	FY2018		FY2019		FY2020		FY2021		Gross profit margin %	Revenue RM'000	Gross profit margin %	Revenue RM'000	Gross profit margin %
	Revenue RM'000	%	Revenue RM'000	%	Revenue RM'000	%	Revenue RM'000	%					
Distribution													
- Third-Party Brands	359,550	81.7	398,772	80.2	447,283	79.2	532,631	79.6	11.6	359,550	11.0	447,283	10.9
- Own Products	74,172	16.9	92,476	18.6	106,096	18.8	125,533	18.8	20.9	74,172	22.3	125,533	23.8
Sub-total	433,722	98.6	491,248	98.8	553,379	98.0	658,164	98.4	12.9	433,722	13.3	553,379	13.4
Logistics and other services	6,144	1.4	6,187	1.2	11,253	2.0	10,574	1.6	46.0	6,144	54.3	10,574	61.6
Total/overall	439,866	100.0	497,435	100.0	564,632	100.0	668,738	100.0	13.3	439,866	14.1	668,738	14.1

Our revenue increased by approximately 13.1% from approximately RM439.9 million for FY2018 to approximately RM497.4 million for FY2019. Such increase was mainly attributable to the combined effect of the increase in the revenue from Third-Party Brand Distribution of approximately RM39.2 million which mainly consisted of the increase in dairy products, sauce, oil and condiment and frozen food of approximately RM13.2 million, RM11.9 million and RM8.2 million, respectively and the increase in the revenue from the Own Products of approximately RM18.3 million which mainly consisted of the increase in frozen food, quality health products, a new brand of dairy products, *Mega Food* **MEGA** and pet care products of approximately RM9.3 million, RM3.5 million, RM2.9 million and RM2.6 million, respectively resulting from our enhanced effort in sales of certain Third-Party Brand Products and promotion of our Own Products during FY2019. Our revenue increased by approximately 13.5% from approximately RM497.4 million for FY2019 to approximately RM564.6 million for FY2020. Such increase was mainly attributable to the combined effect of the increase in the revenue from Third-Party Brand Distribution of approximately RM48.5 million which mainly consisted of the increase in dairy products, packaged food and non-F&B products of approximately RM16.3 million, RM9.3 million and RM13.0 million, respectively and the increase in the revenue from the Own Products of approximately RM13.6 million which mainly consisted of the increase in quality health products, dairy products, pet care products and frozen food of approximately of RM6.4 million, RM2.6 million, RM2.5 million and RM2.3 million, respectively resulting from increase in demand of dairy products, quality healthy food and pet care products during the pandemic period and our enhanced effort in marketing our Own Products during FY2020. Our revenue increased by approximately 18.4% from approximately RM564.6 million for FY2020 to approximately RM668.7 million for FY2021. Such increase was mainly attributable to the combined effect of the increase in the revenue from Third-Party Brand Distribution of approximately RM85.3 million which mainly consisted of the increase in dairy products, packaged food, beverages and frozen food products of approximately RM17.9 million, RM15.9 million, RM22.5 million and RM10.7 million, respectively and the increase in the revenue from the Own Products of approximately RM19.4 million which mainly consisted of the increase in quality health products and frozen food of approximately of RM11.9 million and RM5.2 million, respectively resulting from increase in demand of quality healthy food and pet care products during the MCO and our enhanced effort in marketing our Own Products during FY2021.

The gross profit margin of Third-Party Brands decreased from 11.6% for FY2018 to 11.0% for FY2019, or 0.6% decrease primarily due to decrease in gross profit margin of dairy products, frozen food and packaged food and commodities manifested by the decrease in gross profit margin of Brand B, Brand C and Brand D during FY2019. The gross profit margin of Third-Party Brands regained 0.2% in FY2020 mainly attributable to improvement in gross profit margins of frozen food and beverage during FY2020.

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The gross profit margin of Own Products recorded a continuous gain from FY2018 to FY2020 from 19.1% for FY2018 to 22.3% for FY2020 mainly resulting from the increase of revenue of pet care products of 313.5% in FY2019 with a high margin of 41.0% in FY2019 and an increase in revenue from quality health products under *CED* 66 of approximately RM6.3 million with high margin of 36.0% for FY2020. The gross profit margin of White Label products increased by 1.6% from 16.4% for FY2018 to 18.0% for FY2019 mainly due to improvement in pricing of White Label products sold to school canteens which resulted in rise of gross profit margin from 17.0% for FY2018 to 29.6% for FY2019. The gross profit margin of White Label products decreased by 1.9% in FY2020 primarily due to shrinkage of activities of school canteens during the movement control order in FY2020 which resulted in drop of gross profit margin of White Label products sold to school canteens from 29.6% for FY2019 to 25.6% for FY2020. The gross profit for FY2021 recorded a growth of 18.6% compared with FY2020 while the gross profit margin was kept at 14.1% for FY2020 and FY2021. Since the distribution of our Own Products involves fewer intermediaries (such as third-party brand owners, wholesalers and distributors) in the supply chain and our Group also undertakes the processing of some of our Own Products, coupled with our greater flexibility and autonomy in pricing of our Own Products, our Own Products generally have a higher gross profit margin than our Third-Party Brand Products.

In respect of our pricing policy, our Group has adopted a “cost-plus” pricing policy, pursuant to which we set target prices with different profit margins over the products we distribute. The management of our Group will review and revise the price list of our products daily after considering the procurement costs and other costs, the type of products, the volume of orders, the price recommended by our suppliers, principal business activities of the customers, prevailing market conditions, the pricing of our competitors and the pricing strategy as determined by the management of our Group.

OUR PRODUCTS

F&B sector is our principal product segment which can be divided into six core F&B categories ranging from dairy products, frozen food, packaged food and commodities, sauce, oil and condiments, beverages and quality health products. In the F&B sector, dairy products and frozen products are our major product categories with the largest revenue contribution for the Track Record Period. The consumption of ready-to-eat meals and packaged food, such as frozen fries, biscuits, chocolate, and snacks, is also rising steadily in Malaysia.



To complement our product offerings in response to varying customers’ needs, we also extended into non-F&B sector, with categories such as personal and baby care, pet care and cleaning and kitchen supplies. According to the F&S Report, the products in the F&B market in Malaysia are generally sold throughout the year and are less influenced by seasonal factors, hence our business generally does not experience material seasonality fluctuations.

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The following table sets forth the breakdown of revenue, gross profits and gross profit margin of our major product categories generated from our distribution business (excluding revenue generated from logistics and others) during the Track Record Period:

	FY2018			FY2019			FY2020			FY2021		
	Revenue RM'000	Gross profit margin %	Gross profit RM'000	Revenue RM'000	Gross profit margin %	Gross profit RM'000	Revenue RM'000	Gross profit margin %	Gross profit RM'000	Revenue RM'000	Gross profit margin %	Gross profit RM'000
F&B												
Dairy products	135,498	31.2	16,184	151,575	30.9	18,266	170,472	30.8	20,187	188,894	28.7	21,649
Frozen food	109,252	25.2	16,639	126,720	25.8	18,347	132,074	23.9	20,058	147,969	22.5	20,855
Packaged food and commodities	56,881	13.1	6,190	62,250	12.7	6,053	71,529	12.9	6,274	87,387	13.3	7,510
Sauce, oil and condiments	43,753	10.1	4,813	55,792	11.3	6,088	60,149	10.9	6,467	70,660	10.7	6,462
Beverages	40,305	9.3	4,042	39,918	8.1	4,185	42,277	7.6	5,686	64,822	9.8	10,595
Quality health products	11,434	2.7	3,765	14,896	3.0	5,234	21,251	3.8	7,761	33,156	5.0	12,026
Sub-total	397,123	91.6	51,633	451,151	91.8	58,173	497,752	89.9	66,433	592,888	90.0	79,097
Non-F&B												
Personal and baby care	22,259	5.1	2,436	22,866	4.7	2,516	26,399	4.8	2,587	30,023	4.6	2,712
Pet care	837	0.2	315	3,461	0.7	1,419	5,943	1.1	2,381	7,765	1.2	3,460
Cleaning and kitchen supplies	13,503	3.1	1,497	13,770	2.8	1,232	23,285	4.2	2,222	27,488	4.2	2,730
Sub-total	36,599	8.4	4,248	40,097	8.2	5,167	55,627	10.1	7,190	65,276	10.0	8,902
Total/overall	433,722	100.0	55,881	491,248	100.0	63,340	553,379	100.0	73,623	658,164	100.0	87,999
												13.4

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The top three product categories we distributed, dairy products, frozen food and packaged food and commodities, contributed approximately 69.5%, 69.4%, 67.6% and 64.5% of total revenue from distribution business for the Track Record Period, respectively. The top two fastest growth products during the Track Record Period are pet care products and quality health products which recorded a CAGR of 110.1% and 42.6% from FY2018 to FY2021, respectively primarily from the contribution from *Sayangku* , *Snowcat* SNOWCAT and *CED* , our Own Brands, due to the increase in awareness of healthy products and demand for quality pet products during the Track Record Period especially during FY2020 and FY2021 under MCO.

The gross profit margin of distribution business was kept at a stable level at 12.9% during FY2018 and FY2019 and increased to 13.3% for FY2020. The gross profit margin of distribution business was improved slightly to 13.4% for FY2021. Amid different products, quality health products and pet care products achieved highest gross profit margin of 36.5% and 44.6% for the Track Record Period, respectively.

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The gross profit margin of dairy products gained approximately 0.2% from approximately 11.9% for FY2018 to approximately 12.1% for FY2019 primarily due to gain in gross profit margin of Brand A, an ice cream and frozen dessert brand, of approximately 0.4% in FY2019 and gain in weight of revenue of Brand B among dairy products which were partially set off by the impact on decrease in gross profit margin of Brand D of approximately 1.4%. The gross profit margin of dairy products dropped approximately 0.3% in FY2020 primarily attributable to the decrease of gross profit margin of three brands of milk related products which contributed approximately 0.6% drop in the gross profit margin of dairy products which was partially set off by the contribution of the increase in gross profit margin of dairy products of approximately 0.4% from Brand A and Brand B. The gross profit margin of dairy products further decreased to approximately 11.5% for FY2021 mainly due to the increase in average unit cost of approximately 2.7% exceeding the increase in average selling price of approximately 2.2%, especially the unit cost of Brand A and Brand B increased by approximately 7.2% and 16.9%, respectively.

The revenue of personal and baby care products recorded a moderate increase of approximately 2.7% and gained approximately 0.1% in gross profit margin in FY2019 primarily due to the rise of average selling price from approximately RM8.6 in FY2018 to approximately RM9.5 in FY2019. While the average selling price in FY2020 remained unchanged to maintain competitiveness in the market in light of rising cost of approximately 17.0%, the gross profit margin decreased by approximately 1.2%, from approximately 11.0% in FY2019 to approximately 9.8% in FY2020. The gross profit margin decreased by approximately 0.8% from approximately 9.8% for FY2020 to approximately 9.0% for FY2021 because the increase in average unit cost of approximately 10.1% outweighed the increase in average selling price of approximately 9.2%.

There were two brands of products under pet care category of which *Sayangku*  and *Snowcat* SNOWCAT, our Own Brands, accounted for approximately 85.1%, 96.8% and 98.9% of total revenue from pet care products from FY2018 to FY2020, respectively. The increase of revenue for FY2020 of approximately RM2.5 million consisted mainly of the increase in *Sayangku*  of approximately RM2.3 million through our marketing efforts. *Sayangku*  also contributed the increase in gross profit margin of pet care products in FY2019 by approximately 3.0% which pushed the overall gross profit margin of pet care products from approximately 37.6% for FY2018 to approximately 41.0% for FY2019. The decrease in gross profit margin of both *Snowcat* and *Sayangku*  in FY2020 of approximately 1.8% and 1.7%, respectively pulled down the overall gross profit margin of pet care products to approximately 40.1% for FY2020. The gross profit margin improved from approximately 40.1% for FY2020 to approximately 44.6% for FY2021 mainly due to decrease in cost per unit of approximately 7.8% resulting from tighter cost control measures, such as procuring favourable pricing with suppliers upon increasing purchase volume.

OUR CUSTOMERS

We have established a large and diverse customer base of more than 11,000 active customers in Malaysia with a focus on (i) large retail chains and channels, including hypermarkets and supermarkets, provision shops and convenience stores and kiosks, some of which are renowned multinational and domestic retail chains such as *Nirwana*, *TF Value-Mart*, *BS Group* and *Sabasun*. We also sell and market products to other customers, namely (i) F&B dealers and merchandisers; (ii) hotels, restaurants, cafes (“**HORECA**”); (iii) school canteens; and (iv) others such as pharmacies, etc. According to the F&S Report, in Malaysia, there is an ongoing shift in consumer habits to buy frozen products from supermarkets rather than from traditional wet markets, which can be attributed to (i) the rapid economic growth, the acceleration of urbanisation, and the rising disposable income and consumption expenditure of consumers in Malaysia; (ii) the extensive geographical coverage of supermarkets which affords general consumers convenience and accessibility; (iii) the heightened hygiene awareness arising from the outbreak of COVID-19; and (iv) the compulsory temporary shutdown of traditional wet markets ordered by the Malaysia government under the “movement control order” (“**MCO**”). Due to the outbreak of COVID-19, the demand for ready-made meals is expanding. Consumers have stockpiled processed F&B products with longer shelf lives as compared to perishable foods, which has propelled the preference for retail chains and channels.

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Notes:

1. Some active customers may own various businesses of different natures and may hence fall under more than one customer category. Therefore, the same customer which has been counted more than once under different categories is regarded as one customer only to reflect the actual total number of customers.
2. Other customers include pharmacies, bookstores, bakery ingredient shops and pet shops.

During the Track Record Period, our five largest customers, which were domestic retail chains in Malaysia, in aggregate accounted for approximately 30.2%, 27.6%, 26.8% and 27.9% of our total revenue, whereas our largest customer accounted for approximately 9.0%, 7.8%, 8.7% and 9.1% of our total revenue for the same years. As at 31 December 2021, we had established business relationship ranging from approximately 11 to 26 years with our five largest customers during the Track Record Period which are Independent Third Parties. We have achieved our high customer retention which was illustrated that, revenue generated from repeat customer accounts contributed over 90% of our total revenue from FY2019 to FY2021. We do not over-rely on a few customers as no revenue derived from any single customer accounted for 10.0% or more of our total revenue for each of the Track Record Period.

Through our marketing effort, the number of active customers of our distribution business increased from approximately 11,050 for FY2018 to approximately 13,320 for FY2021 while the average revenue generated from each customer increased from approximately RM39,300 for FY2018 to approximately RM49,400 for FY2021, a CAGR of approximately 7.9% from FY2018 to FY2021. Among different customers, the number of customers of HORECA and school canteens decreased by 35 and 15, respectively in FY2020 due to business difficulty during MCO while the average revenue per customer of HORECA and school canteens recorded a year-over-year decrease of approximately 23.2% and 37.7%, respectively for FY2020. As such, the revenue of HORECA and school canteens dropped by approximately 25.7% and 39.6%, respectively for FY2020 while the gross profit margin of HORECA and school canteens decreased by approximately 0.6% and 2.6%, respectively for FY2020. Except for school canteens which recorded a decrease in number of customers of approximately 80 and shrinkage of average revenue per customer of approximately 31.0% for FY2021, the number of customers and average revenue per customer of other customers recorded an increase of more than approximately 1,210 and approximately 8.7%, respectively for FY2021 which contributed an increase in both revenue and gross margin for FY2021 by approximately 18.9% and 19.5%, respectively.

OUR SUPPLIERS

During the Track Record Period, we had a network of more than 170 suppliers which are Independent Third Parties. Our suppliers primarily include: (i) renowned domestic brand owners and international brand owners, wholesalers and distributors; (ii) OEM suppliers of our Own-Brand Products; and (iii) raw material suppliers for our Own Products and package materials etc.

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During the Track Record Period, our purchases from our five largest suppliers which were in respect of Third-Party Brand Distribution in aggregate accounted for approximately 50.5%, 51.0%, 47.1% and 43.5% of our total purchase, whereas our purchases from our largest supplier accounted for approximately 15.0%, 17.1%, 15.2% and 14.8% of our total purchase for the same year. As at 31 December 2021, we had established business relationship ranging from approximately four to 25 years with our five largest suppliers during the Track Record Period who are Independent Third Parties.

OUR WAREHOUSES, LOGISTICS OPERATIONS AND PROCESSING FACILITIES

With in-depth experience in the F&B distribution market in Malaysia, our Directors believe that the core value of our distribution business is to provide warehousing and logistics services that can create more value to our suppliers and customers and to secure an efficient and cost-effective flow of distribution of products all along. To this end, our warehousing capabilities and logistics operations play a pivotal role. In the F&B industry, a major focus for manufacturers, retailers, and consumers in the F&B industry is to ensure food quality and safety by preventing premature expiry, decay, and spoilage. The increasing adoption rate of frozen food and dairy products requires effective cold storage facilities so that the chemical composition of food items remains intact even after several months. Cold chain logistics are essential for maintaining the quality of frozen food and dairy products and ensures that low temperature is maintained, as required by frozen food and dairy products, throughout the supply chain. As at 31 December 2021, we operated a total of a network of 12 self-operated warehousing facilities with aggregate designated storage capacity of approximately 25,600 CBM strategically located in all key sales regions of Peninsular Malaysia (nine are equipped with cold storage facilities) and designated cold storage capacity of approximately 4,550 CBM. In addition, we also engaged external warehouse and logistics service providers on an as-needed basis. As at 31 December 2021, we operated a fleet of over 140 logistics vehicles, of which approximately 100 are refrigerated vehicles. With the growing demand for frozen seafood, frozen meat and dairy products, the demand for cold chain infrastructure is expected to increase in the coming years. We intend to invest in cold chain management system. Please refer to the sections headed “Business – Business strategies” and “Future plans and [REDACTED]” in the document for details.

As at 31 December 2021, we operated processing facilities for our Own Products at our two self-owned warehouses at Kuantan and Puchong. Our processing facilities are in compliance with the ISO 22000:2005 and MS 1480:2019 standards and are operated in accordance with our quality assurance measures and procedures.

The table below sets forth the breakdown of our revenue generated from our distribution business (excluding revenue generated from logistics and others) by geographical location (in terms of destinations to which the products were delivered) during the Track Record Period:

Geographical location	FY2018		FY2019		FY2020		FY2021	
	Revenue RM'000	%	Revenue RM'000	%	Revenue RM'000	%	Revenue RM'000	%
Peninsular Malaysia:								
Eastern	310,056	70.5	333,967	67.2	357,014	63.2	401,575	60.1
Northern	63,707	14.5	74,703	15.0	90,958	16.1	120,525	18.0
Western	53,490	12.1	68,028	13.7	85,069	15.1	110,453	16.5
Others	6,469	1.5	14,550	2.9	20,338	3.6	25,611	3.8
Total	433,722	98.6	491,248	98.8	553,379	98.0	658,164	98.4

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OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success, differentiated us from our competitors and will continue to be the key drivers of our growth: (i) our role as an established F&B distributor in Malaysia; (ii) our large and diverse supplier base of renowned international and domestic brand owners and other suppliers; (iii) our large and diverse customer base of established retail chains and channels and other customers; (iv) our warehousing and logistics management operations strategically located in the major locations in Peninsular Malaysia; and (v) our experienced and dedicated senior management team and our stable and dedicated workforce. Please refer to the paragraphs headed “Business – Competitive strengths” for further details.

COMPETITIVE LANDSCAPE

The F&B distribution market landscape in Malaysia is fragmented in nature with a mix of global and local players. The market is still served by small-and medium-sized local players with small fleets and storage spaces. Additionally, global players are investing in the market and acquiring local companies to increase their footprint in the region. To compete with global players, local enterprises are also investing in cold chain infrastructure to meet the standards. Furthermore, logistics companies in Malaysia strengthen their activities in ASEAN by setting up bases of land transportation in ASEAN countries for each country within the manufacturing and distribution industries, thereby pushing the construction of a supply chain. Our Directors consider that the F&B distribution industry in Malaysia is highly competitive and our success depends on, *inter alia*, our ability to offer a wide variety of quality and safe F&B products and the scale of distributor network and investment in cold chain infrastructure.

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CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the exercise of the [REDACTED] or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), Soon Holdings, which is wholly-owned by the Soon Siblings, will be interested in approximately [REDACTED]% of the issued share capital of our Company. Accordingly, Soon Holdings and the Soon Siblings will be a group of Controlling Shareholders within the meaning of the Listing Rules. Please refer to the section headed “Relationship with Our Controlling Shareholders” for further details.

COMBINED FINANCIAL INFORMATION

The following table sets forth our combined financial information during the Track Record Period, which has been extracted from the Accountants’ Report as set out in Appendix I to this document.

Combined Statements of Profit or Loss and Other Comprehensive Income

	FY2018 <i>RM'000</i>	FY2019 <i>RM'000</i>	FY2020 <i>RM'000</i>	FY2021 <i>RM'000</i>
Revenue	439,866	497,435	564,632	668,738
Cost of sales	<u>(381,064)</u>	<u>(431,248)</u>	<u>(484,899)</u>	<u>(574,230)</u>
Gross profit	58,802	66,187	79,733	94,508
Other income	3,359	1,924	2,813	1,296
Selling and distribution expenses	(25,443)	(30,369)	(36,349)	(40,699)
Administrative and other operating expenses	(11,412)	(12,855)	(14,320)	(16,002)
Finance costs	(2,105)	(1,909)	(1,581)	(1,373)
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit before tax	23,201	22,950	27,108	32,756
Income tax expenses	<u>(4,870)</u>	<u>(5,292)</u>	<u>(8,311)</u>	<u>(9,168)</u>
Profit for the year	18,331	17,658	18,797	23,588
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on combination/consolidation	<u>—</u>	<u>—</u>	<u>26</u>	<u>25</u>
Total comprehensive income for the year	<u>18,331</u>	<u>17,658</u>	<u>18,823</u>	<u>23,613</u>
Non-IFRS measures:				
Profit for the year	18,331	17,658	18,797	23,588
Add: Non-recurring [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Adjusted net profit ^(Note)	<u>18,331</u>	<u>17,686</u>	<u>21,985</u>	<u>28,562</u>

SUMMARY

Note: Adjusted net profit was calculated based on our profit for the year/period excluding non-recurring [REDACTED] expenses during the Track Record Period. This is a non-IFRS measure. In addition to the IFRSs measures in our combined financial statements, we also use the non-IFRS financial measures of adjusted net profit to evaluate our operating performance. Our Directors believe that this non-IFRS measure provides useful information to investor in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

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The revenue of our distribution business which accounted for approximately 98.6%, 98.8%, 98.0% and 98.4% of total revenue, respectively for FY2018 to FY2021 recorded a CAGR of approximately 14.9% from FY2018 to FY2021. Our gross profit margin was approximately 13.4%, 13.3%, 14.1% and 14.1% for the Track Record Period. The gross profit margin was stable at approximately 13.4% and 13.3% for FY2018 and FY2019 respectively and increased slightly to approximately 14.1% mainly due to an increase in gross profit margin of sales of F&B products from approximately 12.9% for FY2019 to 13.3% for FY2020. The gross profit margin of F&B products was then kept at approximately 13.3% for FY2021. Other income decreased by approximately 42.7% in FY2019 primarily due to the decrease in gain on disposal of right-of-use assets of approximately RM1.2 million in total derived mainly from the disposal of leasehold land and buildings in FY2018. Other income increased by approximately 46.2% in FY2020 primarily due to receipt of government grants in respect of wage subsidy in relation to COVID-19 from the Malaysian government of approximately RM0.9 million for FY2020. Other income decreased by approximately 53.6% to approximately RM1.3 million for FY2021, primarily due to decrease of wage subsidy received from the government of approximately RM0.8 million. Having excluded the non-recurring [REDACTED] expenses, our adjusted net profit in FY2018, FY2019, FY2020 and FY2021 were approximately RM18.3 million, RM17.7 million, RM22.0 million and RM28.6 million, respectively. We recorded a minor decrease in our adjusted net profit by approximately RM0.6 million or 3.5% to approximately RM17.7 million for FY2019 compared to approximately RM18.3 million for FY2018 mainly due to the decrease in gain on disposal of right-of-use assets of approximately RM1.2 million in FY2019. The adjusted net profit then increased to approximately RM22.0 million mainly due to the improvement in gross profit margin during FY2020. The increase of adjusted net profit margin from approximately 3.9% for FY2020 to approximately 4.3% for FY2021 was mainly contributed by the decrease in the percentage of selling and distribution expenses and administrative and other operating expenses for FY2021 over the revenue by approximately 0.4% comparing with FY2020.

Selected Items of Combined Statements of Financial Position

	FY2018 RM'000	FY2019 RM'000	FY2020 RM'000	FY2021 RM'000
Non-current assets	41,508	47,703	41,173	43,557
Current assets	123,504	142,478	159,882	169,467
Current liabilities	57,557	75,474	94,398	85,015
Net current assets	65,947	67,004	65,484	84,452
Net assets/Total equity	85,836	89,994	86,574	110,187

Net assets increased from approximately RM85.8 million as at 31 December 2018 to approximately RM90.0 million as at 31 December 2019, primarily attributable to profit for the same year of approximately RM17.7 million being partially offset by a dividend of RM13.5 million for FY2019. Net current assets increased from approximately RM65.9 million as at 31 December 2018 to approximately RM67.0 million as at 31 December 2019 primarily due to the increase of current assets of approximately RM19.0 million comprising largely of increase in trade and other receivables and inventory of an aggregate amount of approximately RM12.6 million which was offset by the increase in current liabilities of approximately RM17.9 million which largely was dividend payable of approximately RM13.4 million.

Net assets decreased to approximately RM86.6 million as at 31 December 2020, primarily due to dividend of approximately RM20.5 million and loss on disposal of a subsidiary of approximately RM1.7 million which was offset by profit for the year of approximately RM18.8 million. Net current assets decreased from approximately RM67.0 million as at 31 December 2019 to approximately RM65.5 million as at 31 December 2020 primarily due to the increase in current liabilities of approximately RM18.9 million comprising largely increase in trade and other payables of approximately RM15.9 million which was offset by the increase of current assets of approximately RM17.4 million comprising largely of increase in non-current assets held for distribution to owners and financial assets at Fair Value through Profit and Loss of an aggregate amount of approximately RM16.0 million.

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Net assets then increased by approximately RM23.6 million to approximately RM110.2 million as at 31 December 2021 primarily due to the impact of the increase of current assets of approximately RM9.6 million which was comprised largely of net impact of the increase in trade and other receivables of approximately RM22.0 million and the decrease in non-current assets held for distribution to owners of approximately RM10.0 million and the decrease of current liabilities of approximately RM9.4 million which was comprised of net impact of the decrease in dividend payable of approximately RM20.5 million and the increase of trade and other payables and interest-bearing borrowings of approximately RM4.7 million and RM3.2 million, respectively.

SUMMARY

Selected Items of Combined Statements of Cash Flows

	FY2018 RM'000	FY2019 RM'000	FY2020 RM'000	FY2021 RM'000
Net cash from operating activities	13,904	15,012	31,648	5,005
Net cash (used in) from investing activities	(1,308)	(10,922)	(7,500)	567
Net cash (used in) from financing activities	(12,290)	1,463	(22,764)	(14,214)
Net increase (decrease) in cash and cash equivalents	306	5,553	1,384	(8,642)
Cash and cash equivalents at the beginning of the reporting period	5,769	6,075	11,628	13,012
Cash and cash equivalents at the end of the reporting period	6,075	11,628	13,012	4,370

During FY2018 to FY2020, we had net increase in cash and cash equivalents of approximately RM0.3 million, RM5.6 million and RM1.4 million, respectively. These net cash flows were mainly contributed by net cash inflows from operating activities which were offset by cash outflows from investing activities and financing activities during these three years. During FY2021, we recorded net decrease in cash and cash equivalents of approximately RM8.6 million which was mainly attributable to the cash inflow from operating activities and investing activities net off cash flow used in financing activities.

KEY FINANCIAL RATIOS^(Note)

	Year ended/as at 31 December			
	2018	2019	2020	2021
Gross profit margin	13.4%	13.3%	14.1%	14.1%
Net profit margin	4.2%	3.5%	3.3%	3.5%
Return on equity	21.4%	19.6%	21.7%	21.4%
Return on total assets	11.1%	9.3%	9.3%	11.1%
Interest coverage	15.6	16.8	25.4	30.5
Current ratio	1.9	1.7	1.6	1.8
Quick ratio	1.2	1.1	1.1	1.2
Gearing ratio	52.3%	57.0%	48.5%	40.7%
Net debt to equity ratio	45.2%	44.1%	33.5%	36.7%
<i>Non-IFRS financial measures:</i>				
Adjusted net profit margin	4.2%	3.6%	3.9%	4.3%

Note: For details of the calculation basis, see “Financial Information – Key Financial Ratios” in this document.

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DIVIDENDS

During the Track Record Period, we declared dividends of approximately RM3.8 million, RM13.5 million, RM20.5 million and nil, respectively. In December 2020, we declared dividend of approximately RM20.5 million of which 10.5 million had been paid in cash and the remaining amount of approximately RM10.0 million had been paid in the form of dividend in specie of properties, which had an aggregate carrying amount of approximately RM10.0 million as of the date of distribution. As at 31 December 2021, all dividend payables have been settled. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please refer to the paragraphs headed “Financial information – Dividend policy” for further details.

[REDACTED] STATISTICS

Market capitalisation of our Shares ⁽¹⁾	:	HK\$[REDACTED] to HK\$[REDACTED]
[REDACTED] size	:	[REDACTED]% of the enlarged issued share capital of our Company
[REDACTED]	:	HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]
Number of [REDACTED]	:	[REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED]	:	[REDACTED] Shares (subject to reallocation)
Number of [REDACTED]	:	[REDACTED] Shares (subject to reallocation and the [REDACTED])

	Based on the	Based on the
	[REDACTED] of	[REDACTED] of
	HK\$[REDACTED]	HK\$[REDACTED]
	per [REDACTED]	per [REDACTED]
	(low-end)	(high-end)

Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share ⁽²⁾⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]
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Notes:

- (1) The calculation of market capitalisation of the Shares is based on [REDACTED] Shares in issue immediately after completion of the Capitalisation Issue and the [REDACTED].
- (2) See Appendix II to this document for details.
- (3) All statistics in this table are based on the assumption that the [REDACTED] is not exercised and without taking into account Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

REASONS FOR [REDACTED]

Our Directors are of the view that the implementation of our business strategies and future expansion plans as set out in the section headed “Business – Business strategies” in this document is imperative for maintaining our established market position and competitiveness in the F&B distribution industry in Malaysia. Furthermore, funding of our business activities was primarily from our internal resources and bank borrowings in Malaysia during the Track Record Period. Our Directors consider that the current financial resources available to us are only sufficient for the present scale of our business operation. As we intend to, among others, enhance our distribution capabilities by investing in cold chain and other distribution infrastructure and develop our Own Products, our capital requirement would escalate and our Directors believe that the [REDACTED] from the [REDACTED] will enable us to expand and uphold our market competitiveness. Therefore, our Directors consider that we need the [REDACTED] to fund our business strategies and expansion plans since neither our internal resources nor bank borrowing is a viable choice for our future growth in the F&B distribution industry in Malaysia. Furthermore, a [REDACTED] status in Hong Kong will enable our Group to (i) gain direct access to the Hong Kong capital market for cost effective capital raising for future expansion and corporate finance exercises, and (ii) enhance our corporate profile, recognition and status, which in turn strengthens our competitiveness in obtaining distribution rights of more products in Malaysia from more well-established or upcoming international and domestic brands. For further information on our reasons for the [REDACTED], please refer to the section headed “Future plans and [REDACTED]” in this document.

FUTURE PLANS AND PROPOSED [REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share) and assuming that [REDACTED] is not exercised, the [REDACTED] of the [REDACTED], after

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deduction of [REDACTED] fees and other expenses payable by our Company in relation to the [REDACTED], are estimated to be approximately HK\$[REDACTED]. Our Company currently intends to use the [REDACTED] from the [REDACTED] in the following manner:

Approximate amount of [REDACTED]	Intended applications
1. Approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) or [REDACTED]%	Further enhance our distribution capabilities by investing in cold chain and other infrastructure, including (i) setting up a new warehouse with cold storage facilities and upgrading our self-owned warehouses with advanced features; (ii) acquiring and upgrading cold and other logistics vehicles; (iii) enhancing cold chain and other management and information systems
2. Approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) or [REDACTED]%	Develop our Own Products business by acquiring new processing machines and conducting marketing and promotional activities
3. Approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) or [REDACTED]%	Develop e-commerce business by launching a mobile application
4. Approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) or [REDACTED]%	Strategic acquisitions and investments along our supply value chain. As at the Latest Practicable Date, we have not identified any specific target for acquisitions and investments
5. Approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) or [REDACTED]%	General working capital

[REDACTED] EXPENSES

Based on the [REDACTED] of HK\$[REDACTED] (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share) and assuming that [REDACTED] is not exercised, the estimated [REDACTED] in connection with the [REDACTED] are approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) (approximately [REDACTED]% of the [REDACTED] from [REDACTED]), of which approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) and HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) have been charged to our combined statement of profit or loss for FY2019, FY2020 and FY2021, respectively, and approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) is expected to be charged to our combined statement of profit or loss for the year ending 31 December 2022 and approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) is expected to be directly attributable to issue of Shares and accounted as a deduction from equity upon the successful [REDACTED] under the relevant accounting standards. Prospective investors should note the financial performance of our Group for the financial year ending 31 December 2022 will be materially and adversely affected by the aforementioned [REDACTED].

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In May 2021, we entered into two new distribution agreements with two new suppliers of Third-Party Brand Products, including medicine, supplements, cultured milk drink and juice. These products are under a well-known Australian brand and Singapore brand, which increased our product portfolio by approximately 41 SKUs. The salient terms of the new distribution agreements are generally consistent with other distribution agreements which we had entered into during the Track Record Period, hence our business operations and business model have not experienced any material changes. Please refer to the paragraphs headed "Business – Salient terms of distribution agreements" for further details. In the same month, we expanded our designated distribution areas with two of our suppliers, which all entered into supply agreements with us since before the Track Record Period. In June 2021, we also expanded our designated distribution areas with one of our suppliers which first entered into a supply agreement with us effective from November 2000. In July 2021, we also entered into a new distribution agreement with our supplier of Third-Party Brand Products, which mainly offers frozen food.

In view of the high utilisation rate of Kuala Terengganu WH I(A) and Kuala Terengganu WH II, we entered into a sale and purchase agreement in March 2022 for the acquisition of Kuala Terengganu WH I(B) in the proximity of Kuala Terengganu WH I(A) at the consideration of approximately RM10.5 million (of which 10% has been paid as deposit as at the Latest Practicable Date), which is intended to be funded by bank borrowings and our internal

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resources. The said acquisition is expected to complete in or about three months from the date when the state authority’s consent is obtained. Please refer to the paragraphs headed “Business – Our warehouses – Recent acquisition” in this document for further details.

Our Directors confirm that our business operations and business model had remained stable after the Track Record Period and up to the Latest Practicable Date as there were no material changes to our business model and the general economic and regulatory environment in which we operate, save for those disclosed in the paragraphs headed “Impact of COVID-19 to our business and operation” below. Our net profit for FY2020 and FY2021 had not been materially and negatively affected by the factors described in the paragraphs headed “Impact of COVID-19 to our business and operation” below.

Impact of COVID-19 to our business and operation

Due to a sharp increase in the number of confirmed cases of COVID-19, the Malaysia government imposed the MCO, the “conditional movement control order” (“**CMCO**”) and/or the “recovery movement control order” (“**RMCO**”) across Malaysia from time to time since March 2020. To combat further spread of COVID-19 pandemic, as the number of new cases continued to increase, on 10 May 2021, the Malaysia government announced the imposition of a nationwide MCO with effect from 12 May 2021 to 7 June 2021 which was subsequently extended until 28 June 2021. On 15 June 2021, the Malaysia government unveiled the National Recovery Plan (“**NRP**”) which comprises four phases. All states in Malaysia were placed under phase one of the NRP which mirrors the MCO previously imposed and states shall only transition to a next phase when the number of COVID-19 cases reduces to below the threshold value of 4,000, the cases in the intensive care unit have dropped from the critical level and 10% of the population in Malaysia has been fully vaccinated. Most states have achieved the thresholds imposed and have transitioned into phase three and phase four of the NRP where social distancing measures were relaxed in light of the improvement in overall COVID-19 infection numbers. Under the MCO, to a different extent, kindergartens, schools and universities, and most government and private premises except for essential services have to be closed; and the public is to stay at home. There are other measures such as travel restrictions, quarantine regions, and an extended shutdown of business operations that may also affect our operation. On 8 March 2022, the Government of Malaysia announced that the country will be transitioning from the “Recovery Phase” into the “Endemic Phase” starting from 1 April 2022 with some of the measures taken by the country will be loosened, where amongst others, operation hours for businesses will no longer be limited but wearing of face masks will remain mandatory. Further, the Government of Malaysia has also announced that the borders of Malaysia will also be re-opening on 1 April 2022, whereby, amongst others, Malaysian will be able to enter or leave the country as usual with valid travel documents and at the same time visitors to Malaysia with valid travel documents can also enter and leave the country without applying for a pass.

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According to the F&S Report, the outbreak of COVID-19 in 2020 has caused visible impacts on the overall macroeconomy of Malaysia. The nominal GDP of Malaysia decreased from RM1,513.2 billion in 2019 to RM1,416.6 billion in 2020 and the per capita nominal GDP decreased from RM46,525.8 in 2019 to RM43,007.3 in 2020. The uncertainties brought by COVID-19 pandemic to the economy have caused huge challenges to the FMCG distribution market in Malaysia as the continual lockdown measures and hindered international trade would prolong the product transportation time and bring higher logistics costs. Notwithstanding that, our Directors believed that the F&B distribution market in Malaysia was less affected by the outbreak of COVID-19 pandemic as due to the above-mentioned measures and other social distancing measures, more people have meals at home and reduce social activities, which might boost the sale of our F&B products. As a result, notwithstanding that our revenue generated from sales to HORECA and school canteens (the operation of which was more substantially affected by COVID-19) for FY2020 decreased by approximately RM9.7 million in aggregate as compared to FY2019, such decrease was set-off by the increase in our revenue for FY2020 as compared to FY2019 generated from sales to retail chains and channels including hypermarkets and supermarkets, provision shops and convenience stores and kiosks which amounted to approximately RM56.2 million in aggregate. Our financial performance could maintain stable growth amid the ongoing COVID-19 pandemic for FY2020 and FY2021 and there was no material disruption in the sales of our products. For FY2020, representing the period comprising a period of ten months which had been affected by the outbreak of COVID-19, our revenue increased by approximately 13.5% as compared with FY2019, and our revenue for FY2021 further increased by approximately 18.4% as compared with FY2020. There was no material disruption in the supply chain of products from our suppliers. Though most of our F&B Third-Party Brand Products are imported from countries which are impacted by the outbreak of COVID-19, to the best knowledge and information of our Directors, the production of F&B products, which are daily necessity products, had not been stopped and our Group therefore had not encountered any material delay or disruption in procuring products from our suppliers and had maintained adequate level of inventories during the outbreak of COVID-19. Our Group was also allowed to continue our operation when the MCO, CMCO or RMCO was in force. There was no material disruption in the delivery to our customers though our sales and marketing activities and communication with our customers could only be conducted by electronic means or video conferencing technologies. Although some of our employees, office staff in particular, were required to work from home from time to time under the pandemic, they were able to provide the necessary support to other departments through electronic means, and we had not encountered any material difficulty in relation to working arrangements arising therefrom. Our employees were able to discharge their duties as usual. There was no material disruption in our administration, management and business operations. In addition, the Malaysian government had provided government grants to Malaysian companies as a measure to alleviate any negative impacts caused by the outbreak of COVID-19, and accordingly, we had received wage subsidy of approximately RM0.9 million for FY2020 and approximately RM46,000 for FY2021.

Moreover, according to the F&S Report, as a result of the outbreak of COVID-19, many retailers and other market players in the F&B market in Malaysia are expecting higher hygiene standards in relation to the facilities of their suppliers, particularly the cold chain facilities (such as cold storage facilities and refrigerated vehicles) and also processing facilities, which involve the storage and processing of temperature-sensitive products such as frozen meat and frozen seafood and other F&B products. As a result, whether the cold chain facilities of a supplier meet the relevant hygiene and safety standards and requirements has risen to become one of the key factors considered by the F&B market players in their process of choosing suppliers.

If the ongoing COVID-19 pandemic persists in Malaysia whereby the measures under the MCO have to be further enhanced, which may affect our business and operation, we have devised a series of contingency plans including (i) short-listing additional suppliers of different product types and brands in different geographical locations in Malaysia to ensure that we can replenish our inventories on a timely basis; (ii) strengthening the sales of our Own Products and strategically source products from domestic suppliers in case the import of Third-Party Brand Products is hindered by the transportation restriction imposed by the exporting countries or within Malaysia; and (iii) expanding our warehousing capability and processing facilities, particularly our cold storage capability for frozen seafood and meat etc, to cater for any increase in demands for frozen food in the future. Our Directors therefore expect that the COVID-19 pandemic will not have any material adverse impact on our Group's financial performance.

In the worst-case scenario where we are forced to reduce or suspend a substantial part of our business operations, owing to the COVID-19 pandemic, we estimate that our existing financial resources (including cash and bank balances) as at 31 December 2021 could satisfy our necessary expenses for at least 12 months from 31 December 2021 based on certain assumptions. Key assumptions for the estimates include: (i) we would not generate any revenue due to overall suspension of business; (ii) we would incur expenses to maintain our operations at a minimum level, primarily our estimated monthly fixed costs (including staff costs based on the minimum wage level required by local laws and regulations and rental costs); (iii) the

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settlement of account receivables and payables will follow historical settlement patterns; (iv) we will use the immediate cash and deposits as at 31 December 2021; (v) we will repay the short-term bank loans as at 31 December 2021 and no further bank facilities available; (vi) the expansion plan will be suspended; (vii) no further dividend will be declared and paid; and (viii) there will be no material changes in the near future that would significantly affect the aforementioned key assumptions. Such extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is remote.

For further details, please refer to the paragraph headed “Business – Impact of COVID-19 to our business and operation” in this document.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to investment in the [REDACTED]. We believe that the following are some of the major risks that may have a material adverse effect on us: (i) our Group’s business and operation depend on our suppliers’ ability to duly supply products and raw materials to us and our business relationship with our suppliers; (ii) we generally do not enter into long-term agreements with our customers and some of our customer with substantial bargaining power account for a significant portion of our revenue; (iii) increase in the costs of products sourced from suppliers may materially affect our results of operations; (iv) our distribution business of Own-Brand Products depends on the reputation of our brands and any failure to maintain our brands and reputation may materially adversely affect the level of market recognition of, and confidence in, our Own-Brand Products; and (v) our business and operations may be materially and adversely affected if the global COVID-19 prolongs or any new variants of the COVID-19 pandemic develops. Please see “Risk Factors” for further details. Investors should read the entire section before deciding to invest in the [REDACTED].