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. 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 well-known 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.

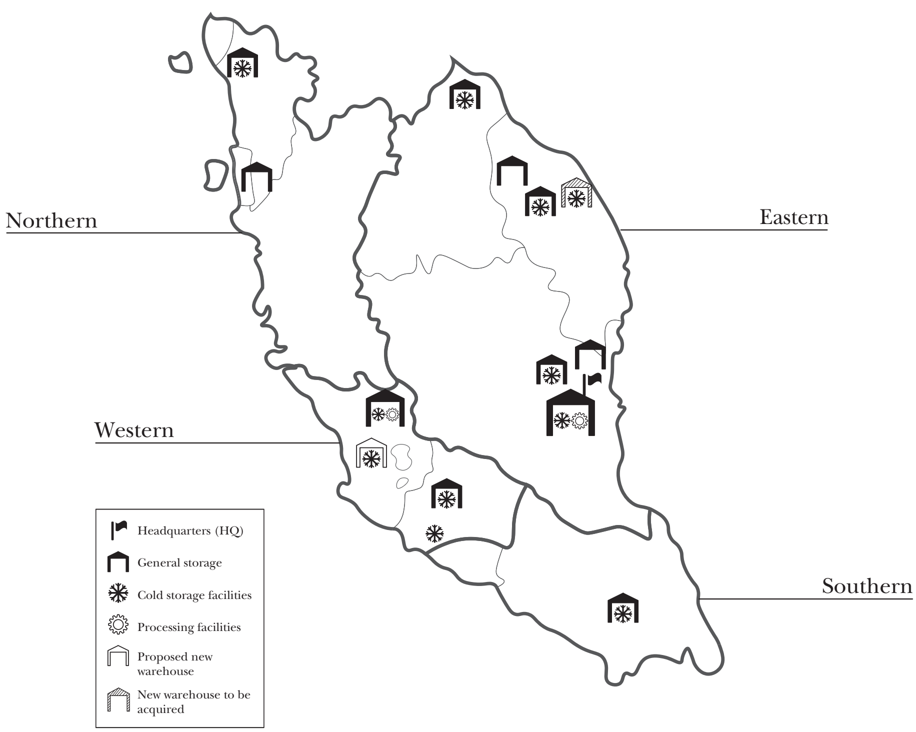
We source and procure a wide variety of F&B and other products with more than 200 international and domestic Third-Party Brands originated in different countries such as the United Kingdom, New Zealand, the United States, Malaysia, Japan and China etc.. Examples of the Third-Party Brands we distributed for the Track Record Period included *Oreo* OREO, *Cadbury* Cadbury, *Ajinomoto* AJI-NO-MOTO, 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* CED, *Mega Fresh*, *Mega Food* MEGA, *Sayangku* Sayangku and *Snowcat* SNOWCAT for honey, sugar, salt, frozen seafood, frozen meat, and pet care products, etc., which have been popular with supermarkets, hypermarkets and convenience stores and kiosks across Malaysia.

With in-depth experience in the F&B distribution market in Malaysia, our Directors believe that the core value of our F&B distribution business is to provide warehousing and logistics management services that can create more values to both our supplies and customers and to ensure that the entire distribution flow can take place efficiently and in a cost-effective manner. To this end, our warehousing capabilities and logistics operations play a pivotal role in the success of our warehousing and logistics management operations. As at 31 December 2021, we operated a network of 12 warehouses with an aggregate designated storage capacity of approximately 25,600 CBM and designated cold storage capacity of approximately 4,550 CBM, of which eight are self-owned (all equipped with cold storage facilities) and four are leased (one is designated for cold storage only). Our warehouses are strategically set up around our customers across all our key sales regions, located in Eastern Peninsular Malaysia (including Kuantan, Mentakab, Kuala Terengganu, Kota Bharu), Western Peninsular Malaysia (including Puchong, Seremban), Southern Peninsular Malaysia (including Johor Bahru) and Northern Peninsular Malaysia (including Perai, Alor Setar), covering the major states and federal territories of Peninsular Malaysia, respectively. During the Track Record Period, our demand for warehousing capabilities had continued to rise, and the weighted average utilisation rate of our self-operated warehouses was approximately 83.1%, 86.4%, 87.1% and 79.5%, respectively, which was close to saturation. As a result of the increasing utilisation rate, we acquired a warehouse in FY2019 previously leased by us and leased two additional warehouses, which came into operation in FY2020. To provide a strong support system for our distribution network, as at 31 December 2021, we operated a fleet of more than 140 self-operated logistics vehicles, comprising refrigerated vehicles and non-refrigerated vehicles. Among these vehicles, approximately 100 are installed with refrigerated storage or frozen storage equipment capable of maintaining storage temperature at as low as approximately -22°C. With our warehouses covering most of the Peninsular Malaysia together with our comprehensive fleet of logistics vehicles, we are able to provide robust warehousing and logistics management services and deliver products to customers on a timely basis with delivery lead time as short as within 24 hours.

During the Track Record Period, our revenue in (i) Eastern Peninsular Malaysia accounted for 71.5%, 67.9%, 64.5% and 61.0%; (ii) Northern Peninsular Malaysia accounted for 14.5%, 15.1%, 16.4% and 18.3%; (iii) Western Peninsular Malaysia accounted for 12.5%, 14.1%, 15.4% and 16.8%; and (iv) Southern Peninsular Malaysia and other parts of Malaysia accounted for 1.5%, 2.9%, 3.7% and 3.9% of our total revenue generated from distribution business, respectively.

The following map illustrates the approximate location of our existing and prospective distribution platform in Peninsular Malaysia as at 31 December 2021:

Peninsular Malaysia



			Cold storage		General storage		Processing facilities
	No. of warehouses	Total designated storage capacity *CBM*	No. of facility	Designated capacity approximately *CBM*	No. of facility	Designated capacity approximately *CBM*	No. of facilities
HQ in Kuantan Eastern	1	6,890	1	3,020	1	3,870	1
Major sales regions(Note 1)							
Eastern	5	5,810	3	750	5	5,060	–
Northern	2	10,190	1	210	2	9,980	–
Western	3	2,130	3	500	2	1,630	1
Southern	1	580	1	70	1	510	–
Subtotal	**12**	**25,600**	**9**	**4,550**	**11**	**21,050**	**2**
New warehouse to be acquired(Note 2)							
Eastern	1	5,140	1	540	1	4,600	–
Proposed new warehouse to be set up							
Western	1	5,400	1	2,700	1	2,700	–
Total(Note 3)	**13**	**35,380**	**11**	**7,790**	**12**	**27,590**	**2**

Notes:

1. We do not have any warehouse in East Malaysia.

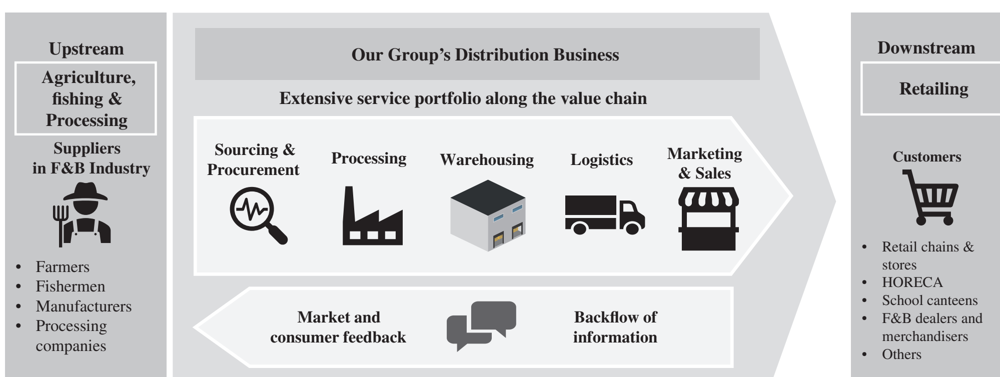
2. This warehouse is Kuala Terengganu WH I(B). Its designated storage capacity is estimated based on our intended utilisation plan and is subject to changes and adjustment. Please refer to the paragraphs headed "Our warehouses – Recent acquisition" in this section for further details of the warehouse.

3. The map above includes both self-owned and leased warehouses. Upon successful setting-up of Kuala Terengganu WH I(B), we intend to cease to lease Kuala Terengganu WH II.

OUR BUSINESS MODEL

In conducting our distribution business for Third-Party Brand Products, we engage in either (i) distribution under distribution agreements we entered into with internationally or domestically renowned brand owners of F&B products or their distributors pursuant to which we are typically obligated to, inter alia, market and sell designated categories of branded products in designated territory with provision of marketing and other sales support services; or (ii) sourcing and purchase of F&B products in pallets and bulk from upstream suppliers for sale to our customers in smaller portions, who would resell the products onwards to end consumers. Our primary business is to source and procure F&B products from upstream suppliers for our onward distribution which allows retailers and other customers to have access to items from a wide variety of suppliers, who would in turn resell the products to end consumers at market prices. We operate in the following segments, allowing us to capitalise on emerging opportunities in the food retail industry in Malaysia in which our major customers are engaged. Hence, our distribution businesses mainly include: (i) Third-Party Brand Distribution; (ii) Own-Product Distribution, which includes Own-Brand Distribution and White-Label Distribution.

The following diagram sets forth our business model:



Third-Party Brand Distribution

Under the distribution agreements entered into between us and our suppliers in respect of Third-Party Brand Products, we purchase branded products and sell them independently to our customers on our own account. According to the F&S Report, F&B brand owners generally rely on one or a few local distributors designated by them to distribute their products across Malaysia as it is difficult for these brand owners to establish their own distribution channel within the nation and to deliver products to their customers in a cost-effective manner. We also purchase products in bulk from our suppliers without entering into distribution agreements and enjoy the benefit of economies of scale for onward sale to our customers in a smaller portion, depending on the size of individual sale orders, and our customers in this respect are mainly retailers who resell our products to end consumers.

Own-Product Distribution

– *Own-Brand Distribution*: Throughout our long years of operation, by leveraging the advantages of our customers' insights on consumer preference, we have developed our proprietary Own Brands, namely *CED*, *Mega Fresh*, *Mega Food* MEGA, *Sayangku* *and Snowcat* SNOWCAT for quality health products, salt, frozen seafood, frozen meat, and pet care products, etc., to open up cross-selling opportunities. Our Own-Brand Products generally generate higher gross profit than similar Third-Party Brand Products.

– *White-Label Distribution*: In recent years, we have seen a surgence of white labels and private brands developed by traditional retailers trying to differentiate their product offerings from other market players and thereby enhance profitability. According to F&S Report, White-Label Products are generally sourced at a relatively lower price than private label products and Third-Party Brand Products as they lack brand value and additional processing requirements such as labelling. By offering White-Label products, we widen the range of our product sales price, increase our product portfolio and diversify our target customers and distribution market. While we continue to pursue sales growth with our Own Brands, in light of this, we have launched frozen seafood and frozen meat under our White Label particularly for hypermarkets, supermarkets and retailers who are seeking low-cost, large-scale reliable suppliers to support their white-label and private brand program requirements.

As for our Own Products, they are sourced from our raw material suppliers and/or OEM suppliers. For our Own-Brand Products, we either engage OEM suppliers to manufacture, package and label products (such as pet care and frozen food) for us, or purchase raw materials (such as honey and salt from our raw material suppliers for processing (such as bottling, labelling and filling) at our processing facilities located at our Kuantan WH (HQ) and Puchong WH I. For the White-Label Products, raw materials will also be processed at our processing facilities.

We believe the following main features of our business model have enabled our Group to become more competitive and incur lower average cost of sales per unit, when compared with other market players:

(i) *Bulk purchase*: Owing to our business model and well-established reputation in the industry, we have built up business relationships with many of our customers which are established international and local retail chains in Malaysia, inherently accustomed to purchasing products from us frequently and in large quantities. Being their upstream supplier, we also purchase products in bulk to meet our customers' demand, which enables us to negotiate for more bulk purchase discounts with our suppliers, whereby our average cost of sales per unit can be lowered. This helps us achieve economies of scale and part of the discount generated from our bulk purchase can be passed on to the customers as well.

(ii) *Achieving sales target*: Our suppliers generally offer rebates to us if we achieve the pre-agreed sales target. Owing to the large-quantity purchases placed with many of our suppliers, we are generally in a better position to negotiate for and obtain more favourable terms, including terms in relation to the said rebates which could have the effect of lowering our cost of sales and thus achieve a higher gross profit margin than our general market peers.

(iii) *Operational efficiency*: Our scale of business operations also allows us to achieve greater operational efficiency in terms of warehousing and logistics. Since our customers generally require large quantities of products with frequent deliveries and short delivery lead time, we are equipped with the necessary distribution infrastructure to support our large-scale business operations. The extensive geographic coverage of our warehouses and logistics operation across Peninsular Malaysia not only enables us to satisfy our customers' needs and enhance customer loyalty, but also allows us to distribute our products widely and efficiently. For instance, our warehouses supported by our logistics fleet are widely located across Peninsular Malaysia so that we could serve more customers in a cost-effective fashion by shortening the delivery distance. As such, with our strategically set up distribution infrastructure, our cost of sales can be further lowered and our gross profit margin increased.

(iv) *Our Own-Product Distribution business*: 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. As we have been placing increasing emphasis on developing our Own-Product Distribution business, distribution of our Own Products has also played a significant role in lowering our average cost of sales.

Given our business strategy in continuing to expand our business and reinforce our advantages, in particular through our proposed business plans as set forth under the paragraphs headed "Business strategies" below in this section (such as further enhancing our warehousing and logistics infrastructure and developing our Own Products), our Directors believe that we will be able to maintain our competitive strengths going forward.

COMPETITIVE STRENGTHS

Our Directors consider that the following competitive strengths have contributed to our success:

We are an established F&B distributor in Malaysia to capitalise on growing business opportunities

With our long years of experience in and dedication to the F&B distribution industry in Malaysia, our Group has become an established F&B distributor with substantial scale across Malaysia, supporting over 200 international and domestic F&B brands. 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. We have also served a number of reputable multinational retail chains and large domestic retail chains such as *Nirwana, TF Value-Mart, BS Group and Sabasun*. Our Directors believe our success is mainly attributable to (i) our ability to place bulk purchase with suppliers on an on-going basis; (ii) our dedication and efforts to support our suppliers in brand positioning, marketing their branded products, selling and distribution of their products; (iii) our warehouses which are supported by our cold chain management and logistics where our cold storage facilities are able to provide optimal storage condition and temperature, to maintain the quality of the products and extend their shelf life; (iv) our all-rounded services which consist of sourcing, procurement, physical distribution, warehousing, logistics, other supply chain solutions and services; (v) a fleet of various kinds of logistics vehicles including refrigerated vehicles for storage of frozen food and dairy products that can cater to our customers' varying needs in product delivery and enable us to reduce the delivery lead time, maintain the freshness and safeness of the F&B products; and (vi) the value-added sales support and after-sales services that we provide to our suppliers and customers, such as stock arrangement and fridge cleaning, etc. To establish our reputation and enhance our market penetration, we are committed to offering a wide range of products under different brands to our customers with timely delivery to their designated locations. We have also received awards and recognitions by Malaysian associations in recognition of our excellent product and services, such as the Superbrands Status and the Sin Chew Business Excellence Awards.

According to the F&S Report, given the economic development and the increasing GDP per capita in Malaysia, consumers have started showing a preference for quality products under renowned brands. The on-going urbanisation further enables Malaysian citizens to pursue higher living standards and hence the F&B market in Malaysia is expected to continue to expand and reach RM70.5 billion in 2025 at a CAGR of approximately 4.7%. Leveraging our success in the distribution business of Third-Party Brand Products and broad product knowledge with deep market insights, we have further tapped into the distribution of Own Products which presents revenue-generating opportunities as retailers are seeking suppliers which can support their private label programmes. As an established F&B distributor in the F&B distribution industry in Malaysia, our Directors believe that we are well-positioned to take advantage of the market potential and expect to continue our business growth.

We have strong sourcing and procurement capabilities and maintain long-term relationship with a large and diverse group of renowned international and domestic brand owners and other F&B suppliers

During the Track Record Period, we distributed and actively managed our diverse portfolio of F&B brands of a wide selection of quality F&B products which can be divided into nine different core categories. We also acted as a distributor for marketing and selling reputable multinational and domestic brands such as *Oreo* OREO, *Cadbury* Cadbury, *Ajinomoto* AJI-NO-MOTO, a United Kingdom ice-cream brand and a New Zealand dairy product brand across Peninsular Malaysia, covering over 4,000 SKUs with different price ranges and are sourced from international and domestic brands. Since 2007, we started tapping into the development of certain Own-Brand Products, the variety of which was gradually expanded to cover quality health products, salt, frozen seafood, frozen meat, and pet care products, etc. under our major Own Brands, such as *CED* CED, *Mega Fresh*, *Mega Food* MEGA, *Sayangku* Sayangku *and Snowcat* SNOWCAT to further enlarge our brand and product portfolio and consumer base. Furthermore, we also sell White-Label Products, such as frozen seafood and frozen meat after they are processed by us in our processing facilities.

Benefitting from our stable relationships with our suppliers, during the Track Record Period, we were able to provide a steady supply and different choices of F&B products to our customers under over 200 Third-Party Brands, consisting of approximately 140 international brands and approximately 80 domestic brands, together with products under our five major Own Brands, covering various product types and price ranges. Our five largest suppliers during the Track Record Period had established long-term business relationship with our Group ranging from approximately four to 25 years as at 31 December 2021. We are also able to source quality products from our OEM suppliers and raw material suppliers, which enables us to offer a collection of our Own Products. Our Directors believe that suppliers of Third-Party Brand Products and our Own Products have developed mutual trust with and confidence in our Group throughout our years of cooperation, thus enabling our Group to ensure a stable supply of products. We will continue to explore new brands and products that we believe to have growth potential and to diversify our product offerings.

We have a large and diverse customer base with a strong focus on large retail chains and channels

Our Group has established and maintained a large customer base with more than 11,000 active customers over the years with a focus on well-established retail chains. As at the Latest Practicable Date, many of our customers are established international retail chains and local retail chains which generally make purchases frequently and in huge quantities. As a result of our effort to diversify customer portfolio, we also serve F&B dealers and merchandisers, school canteens, HORECA and other customers. As at 31 December 2021, we had established long-term business relationship with our five largest customers during the Track Record Period ranging from approximately 11 to 26 years. We achieved high customer retention rate, given revenue generated from repeat customer accounts contributed over 90% of our total revenue for FY2019, FY2020 and FY2021.

Our Directors believe that with our large and diverse customer base as illustrated above, the increasing scale and complexity of our customers' business operation have driven demand for F&B products we sourced from suppliers that scale up our procurement and other business activities, thereby growing our revenue. We also enjoy economies of scale and cost structure is optimised, thereby increasing our profitability.

Our expansive distribution network is strategically located and well equipped with temperature-controlled facilities

Our Directors believe that our distribution network, which form the cornerstone of our warehousing and logistics management services, can effectively facilitate the supply chain of F&B distribution. As at 31 December 2021, we operated 12 warehouses strategically located in the major sales regions in Peninsular Malaysia, namely Eastern Peninsular Malaysia (including Kuantan, Mentakab, Kuala Terengganu and Kota Bharu), Western Peninsular Malaysia (including Puchong and Seremban), Southern Peninsular Malaysia (including Johor Bahru) and Northern Peninsular Malaysia (including Perai and Alor Setar), which serve as our distribution centres supplying products to customers around these regions, under the management of our well-trained staff, with designated storage capacity of approximately 25,600 CBM (nine of which are equipped with cold storage facilities with an aggregate of approximately 4,550 CBM mainly for storage of frozen food and dairy products) to capture on the rising demand of these product categories as at 31 December 2021.

As at 31 December 2021, we also operated a fleet of over 140 self-operated logistics vehicles, of which approximately 100 are refrigerated trucks, which facilitate an effective and efficient flow of warehousing and logistics management operations.

Attributed to our warehousing and logistics operations, we are able to attain the distributionship of our suppliers' products in different geographical locations across Malaysia, achieve greater operational efficiency and cost-effective delivery, maintain a high level of stocks at our warehouses available to meet the various demands of our customers, and deliver products to more customers on a timely basis with delivery lead time as short as within 24 hours.

We have an experienced and dedicated senior management team and a stable and dedicated workforce

We have an experienced, dedicated and capable management team led by our executive Directors, the Soon Brothers, who have been instrumental in spearheading the growth of our Group and have over 30 years of experience in the business of distribution of F&B products in Malaysia. They are responsible for the overall business strategy, planning, operational and sales management and development of our Group. Over the years, they have executed sound business strategies to guide our expansion and the establishment and maintenance of our long-term and stable relationships with international and domestic customers and suppliers.

In addition, we have a loyal, experienced and capable senior management team with extensive operational expertise and in-depth understanding of the F&B distribution industry in Malaysia. Our senior management team members are capable of identifying customers' and end consumers' preferences and recent market trends of F&B products in Malaysia when we look for new brands and formulate our business strategies. Under the leadership of our Directors and other members of our senior management team, we have grown into a well-established F&B distributor in Malaysia with a high degree of product differentiation and a broad brand portfolio.

We also have a workforce who work on all levels of our operations. With the belief that our employees are key assets to our business, we aim to provide our employees with ample career development opportunities and training supports and we have achieved a relatively stable and dedicated workforce.

Attributed to the expertise and in-depth knowledge of our management team and a stable and dedicated workforce, we believe that we are well-positioned to achieve further growth and to take advantage of the various market opportunities in the future. Please refer to the section headed "Directors and senior management" in this document for further information about our Directors and management team.

Given our effort in continuing to expand our business and develop our advantages as stated above, coupled with our proposed business plans as set forth under the paragraphs headed "Business strategies" below in this section, our Directors believe that we will be able to maintain our competitive strengths going forward. Our proposed future plans are designed to, among others, complement and further enhance our strengths. For instance, our plan to set up new warehousing facilities would serve to further strengthen our expansive distribution network.

BUSINESS STRATEGIES

To maintain our growth and competitiveness, we aim to implement strategies and expansion plans that focus on revenue growth and enhancing the efficiency of our operation through (a) enhancing our distribution capabilities by (i) setting up a new warehouse with cold storage facilities, (ii) acquiring and upgrading cold and general logistics facilities and (iii) enhancing cold chain and general management and information systems; (b) developing our Own Products by conducting marketing and promotional activities and acquiring new processing machines; (c) developing e-commerce business by launching a mobile application; and (d) conducting strategic acquisitions and investments along our supply value chain. After the implementation of our strategies and expansion plans, we target to achieve an incremental growth in revenue after taking into account, among others, the following:–

(i) *the forecasted growth in the F&B market in Malaysia.* According to the F&S Report, driven by growing economy and purchasing ability, the market size by revenue of the F&B market is expected to keep a steady growth, increasing from RM58.7 billion in 2021 to RM70.5 billion by 2025, representing a CAGR of approximately 4.7%. Our Directors believe that by implementing our expansion plan in enhancing our warehousing capabilities and logistics operation, our competitive strengths can be further enhanced to capture more business opportunities from the growth in the F&B market in Malaysia.

(ii) *the forecasted growth in the cold chain market in Malaysia.* According to the F&S Report, Malaysia's cold chain market had grown notably over the last five years. In line with the overall rising trend of the F&B market, it is expected that the market for cold chain products such as frozen food and dairy products will also be on the rise, according to the F&S Report. Our Directors therefore believe that the demand for our frozen food and dairy products will increase accordingly, which also necessitates enhanced cold chain infrastructure such as cold storage facilities and refrigerated vehicles.

(iii) *the forecasted growth in the retail market in Malaysia.* Driven by the above forecasted growth in the F&B market in Malaysia, the Malaysia retail market, with its major market players being our main customers, is also expected to experience steady growth, according to the F&S Report, thereby propelling demand for F&B products supplied by F&B distributors.

(iv) *the rising trend of white-label and private brand product requirements.* According to the F&S Report, there has been a surgence of white labels and private brands in the Malaysia F&B market, and traditional retailers such as hypermarkets and supermarkets are seeking suppliers which can provide white-label and private brand products in order to differentiate these retailers' offerings and enhance their profitability due to the generally higher profit margin of White-Label and private brand products as compared with renowned Third-Party Brand Products. Our Directors believe that this trend is favourable to our business of Own Products.

(v) *our fully or almost fully utilised warehousing spaces and logistics vehicles which had limited our Group's ability to grow further during the Track Record Period.* Considering that both large warehousing capabilities in terms of storage capacity and condition and logistics operation in terms of the number and functions of our logistics vehicles are pivotal to our success, our Directors believe that the expansion of our warehousing spaces and logistics operation will enhance our distribution network, expand our storage space, better maintain the quality of our F&B products; and reduce the delivery lead time of our products. Moreover, upgrading our warehouses with advanced features, upgrading our ERP system and acquiring new processing machines for processing our Own Products can enhance not only our operational efficiency but also the development and sales of our Own Products; and

(vi) *the relatively higher profit margin of the distribution of our Own Products.* Our Own-Brand Products and White-Label Products generally have a higher gross profit margin mainly because the distribution of our Own Products involves fewer intermediaries 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. For the Track Record Period, the gross profit margin of the distribution of our Own-Brand Products was approximately 22.3%, 23.2%, 25.7% and 27.3% and that of the distribution of Third-Party Brand Products was approximately 11.6%, 11.0%, 11.2% and 10.9%, respectively.

We believe that our competitive edge as set in the paragraphs headed "Competitive strength" in this section coupled with the implementation of the following key strategies will enable our Group to capture the business opportunities arising from the increasing demand for F&B products in Malaysia and to increase our market share, while modernising our business and enhancing our efficiencies in the fast-changing F&B industry in Malaysia.

I. Further enhancing our distribution capabilities by investing in cold chain and other infrastructure

During the Track Record Period, our revenue generated from frozen food and dairy products represented more than 50.4% of our total revenue. Both frozen food and dairy products are sold by us under, in addition to Third-Party Brands, our Own Brands or on a White-Label basis which generally have a higher profit margin as compared to the distribution of Third-Party Brand Products. Hence, these products, which require cold storage, will continue to be one of the key focuses of our business and our primary business strategies should pivot around enhancing our cold chain warehousing and logistics capabilities and management. In this regard, we plan to (i) set up a new warehouse with cold storage facilities and upgrade our self-owned warehouses with advanced features; (ii) acquire and upgrade cold and other logistics vehicles; (iii) enhance cold chain and other management and information systems.

(i) Setting up a new warehouse with cold storage facilities and upgrading our self-owned warehouses with advanced features

Setting up a new warehouse

In view of our anticipated business growth and increasing inventory flow, we expect to experience a rising demand for warehousing space. As storage of our frozen food and most of our dairy products, on which our expansion plans will focus, will require cold storage to maintain food quality and safeness, cold storage facilities will be a primary criterion of our new warehouse. Due to the substantial initial set-up costs for installing cold storage facilities, we consider that it would be more commercially sensible in the long run to set up our own warehouses with cold storage facilities instead of leasing them. The warehouse layout can also be customised without restriction that may be imposed by the landlord or the burden of reinstatement cost. Apart from cold storage facilities, the expected increase in designated general storage capacity would also facilitate the optimisation of our storage space and enhance the efficiency in distribution of our products that are stored under general condition and improve our operational results.

During the Track Record Period, our Group also leased storage spaces from warehouse and logistics service providers on an as-needed basis for storage of our inventories and delivery of the same to our customers. As these external service providers need to accommodate other market players in the F&B distribution industry in Malaysia, the common facilities such as loading docks for loading and unloading of products need to be shared with other users. Thus, we are subject to the loading and unloading schedule of the external service providers which may not fit our own schedule for receiving and delivering products. Moreover, we are also subject to the availability of storage spaces of these warehouse and logistics service providers from time to time. Our timetable for delivery may also be subject to the availability of their delivery vehicles. As a result, our delivery schedule and operation may be affected. In light of the above, our Directors believe that setting up a new warehouse of our own could improve our operational efficiency and flexibility.

On the other hand, though our Group generally does not have exclusive distributorship of the Third-Party Brands, there is a genuine need for our warehouse expansion because, to the best knowledge and experience of our Directors, this will not be a material factor in assessing our need for setting up new warehouses since exclusivity of a brand product has no direct bearing on the level of demand for our products. After making enquiries with some of our suppliers of Third-Party Brand Products, and as further proved by the F&S Report, our Directors note that both renowned international and domestic Third-Party Brands in Malaysia, including some of our Group's suppliers, generally do not grant exclusive distributorship to any distributor for their F&B products due to the immense demand for their products, their large operation scale and their policy to avoid reliance on any particular distributor. Hence, it is the popularity and consumer acceptance of a brand product among customers and general consumers that are crucial in giving rise to immense demand for the products, which in return results in the increasing demand for warehousing spaces for storage of these products and has become a more significant driver of our need to expand our warehousing spaces.

During the Track Record Period, the weighted average utilisation rate of our self-operated warehouses was approximately 83.1%, 86.4%, 87.1% and 79.5%, respectively, which was close to being fully utilised. As such, in order to leverage the market growth and deepen our market penetration, our Directors believe it is imperative that we continue to enhance our warehousing capabilities. In this regard, we have targeted two regions, namely Eastern and Western Peninsular Malaysia, to put into action our warehousing capacity expansion plan. We have first implemented such strategy by planning to purchase a new warehouse, namely Kuala Terengganu WH I(B), in Eastern Peninsular Malaysia, where we generated revenue accounting for approximately 71.5%, 67.9%, 64.5% and 61.0% respectively of our total revenue from distribution during the Track Record Period. Currently, we operate a warehouse, namely Kuala Terengganu WH II located at Gong Badak, which is leased from Independent Third Parties and has a designated general storage capacity of approximately 760 CBM. We plan to relocate our operation therein to Kuala Terengganu WH I(B) to be acquired and set up, since: (i) the lease term is generally without certainty for renewal or extension; (ii) the capacity of Kuala Terengganu WH II had reached its saturation level and there is no room for further expansion given its building structure and layout which had been approved by the relevant government authorities and that it is illegal for us to add additional structure or extend the building without the prior written approval from the relevant government authorities which has to be applied for by the landlord; and (iii) during the Track Record Period, our lease agreements generally explicitly restricted us from altering its existing building structure due to the aforementioned reasons. For further details of our expansion in Eastern Peninsular Malaysia, please refer to the paragraphs headed "Our warehouses – Recent acquisition" in this section.

In addition, to further the expansion strategy, we also plan to establish a new warehouse with cold storage facilities in Klang in the state of Selangor in Western Peninsular Malaysia ("**New Klang WH**"). The New Klang WH is intended to complement the operation therein by increasing the designated capacity by approximately 5,400 CBM, half of which would be used for cold storage.

Our Directors believe that such increases are justifiable, considering the following factors:

(A) Significantly inadequate storage capacity of our existing self-owned and leased warehouses

The revenue generated from our distribution business in Western Peninsular Malaysia amounted to approximately RM53.5 million, RM68.0 million, RM85.1 million and RM110.5 million, respectively, for FY2018 to FY2021, representing a growth at a CAGR of approximately 27.3%. By reason of such revenue growth, our two self-owned warehouses in Western Peninsular Malaysia, namely Puchong WH I and Seremban WH I, which have a total designated storage capacity of approximately 2,060 CBM (1,630 CBM for general storage and 430 CBM for cold storage), had been highly utilised from FY2018 to FY2021 with an overall utilisation rate of approximately 81.2% for the same period. We have also leased an additional warehouse specifically for cold storage, namely Seremban WH II, which has a designated cold storage capacity of approximately 70 CBM since January 2013 under a short-term lease period which had been renewed over the years and the current lease of which will expire in January 2024. This leased cold storage warehouse has been ramped up at an overall average utilisation rate from approximately 76.3% in FY2018 to 87.3% in FY2021. For FY2021, the utilisation rates of our self-owned and leased warehouses in Western Peninsular Malaysia were approximately 80.4% for general storage and 97.8% for cold storage.

Due to the high utilisation rates of our self-owned and leased warehouses as demonstrated above in view of the historical sales growth in Western Peninsular Malaysia during the Track Record Period, we have also engaged two Independent Third Party warehouse and logistics service providers in Western Peninsular Malaysia for the provision of additional storage space (the "**I3P Storage Spaces**") on an as-needed basis. The actual average monthly usage of I3P Storage Spaces amounted to approximately 766 CBM, 1,027 CBM, 1,562 CBM and 2,307 CBM, respectively, for the Track Record Period, representing a CAGR of approximately 44.4% from FY2018 to FY2021.

The said increase in the usage of the I3P Storage Spaces was primarily attributable to the increased actual average monthly usage of the I3P Storage Spaces specifically for our cold storage products in Western Peninsular Malaysia, which amounted to approximately 766 CBM, 691 CBM, 845 CBM and 1,239 CBM, respectively, for the Track Record Period, representing a CAGR of approximately 17.4% from FY2018 to FY2021. During the Track Record Period, approximately 58.5% to 71.6% of our total cold storage products in Western Peninsular Malaysia were stored in the I3P Storage Spaces. For general storage purposes, the actual average monthly I3P Storage Spaces used by us was approximately 336 CBM in FY2019, accounting for approximately 20% of our total general storage usage in Western Peninsular Malaysia. With the growth of our sales since FY2019, the actual average monthly I3P Storage Spaces used by us for general storage had doubled and increased to approximately 717 CBM in FY2020 and 1,068 CBM in FY2021.

Our Directors believe that such a high proportion of I3P Storage Spaces usage will not only expose us to additional business risk and uncertainty for securing I3P Storage Spaces to meet the requirements of our orders for storage and maintenance of the quality of our F&B products, but also hinder our ability to obtain more business from customers by sourcing new products or SKUs from existing or new suppliers. In order to minimise potential business operational risk arising from a high proportion of I3P Storage Spaces usage and enhance our operational efficiency and flexibility, our Directors consider it a radical and definite solution for us to set up our own storage facilities in Western Peninsular Malaysia to substitute the I3P Storage Spaces. In light of the above, upon successful setting up of the New Klang WH, we intend to progressively reduce our usage of the I3P Storage Spaces in Western Peninsular Malaysia on a phased approach with a view to eventually terminating all such usage.

We have adopted a prudent approach in establishing our self-owned warehouses. Despite our continual revenue growth in Western Peninsular Malaysia during the Track Record Period, we had maintained three existing self-owned and leased warehouses in the region at a constant storage capacity of approximately 2,130 CBM since the beginning of the Track Record Period and utilised the I3P

Storage Spaces on an as-needed basis to satisfy the increasing needs for storage spaces in response to the historical sales growth. As such, the increase of storage space of approximately 5,400 CBM from setting up the New Klang WH would amount to an increase of approximately 121.7% of our historical aggregate storage space in Western Peninsular Malaysia of approximately 4,437 CBM (the aggregate designated storage capacity of our self-owned and leased warehouses and the actual average monthly usage of I3P Storage Spaces by our Group in Western Peninsular Malaysia for FY2021). Our Directors consider that such increase will be able to satisfy our need for storage space arising from our long-term business growth for approximately three to five years after commencement of operation of the New Klang WH in FY2023.

(B) Expected general market growth of F&B distribution in Western Peninsular Malaysia

Our Directors believe that there is sufficient demand in the F&B distribution market in Western Peninsular Malaysia. According to the F&S Report, the most populated areas in Malaysia are located in Western Peninsular Malaysia and along Southern Peninsular Malaysia. Kuala Lumpur, the capital city of Malaysia located in Western Peninsular Malaysia, is Malaysia's largest and fastest-growing city with close to approximately 8 million citizens living in the metro area, and is its economic, financial and cultural centre. The federal territory of Kuala Lumpur is enclosed by the highest populated state of Selangor.

According to the data released by the Department of Statistics Malaysia, the nominal GDP of Western Peninsular Malaysia had increased at a CAGR of approximately 4.2% from 2016 to 2020, which is higher than that of the whole Peninsular Malaysia (approximately 3.8%) and its other major regions (Southern: approximately 3.1%; Northern: approximately 3.7%; Eastern: approximately 3.9%). In addition, according to the Household Expenditure Survey Report published by the Department of Statistics Malaysia, from 2016 to 2019, the F&B expenditure of Western Peninsular Malaysia increased at a CAGR of approximately 5.5%, which is higher than that of the whole Peninsular Malaysia (approximately 4.8%) and is also the highest among its major regions (Southern: approximately 5.4%; Northern: approximately 3.5%; Eastern: approximately 3.9%).

Further, according to the F&S Report, driven by the faster economy development and growing urbanisation in Western Peninsular Malaysia, the F&B distribution market in Western Peninsular Malaysia plays an increasingly important role in Malaysia. In particular, according to the F&S Report, the market size of the F&B distribution market in Western Peninsular Malaysia increased from approximately RM6.4 billion in 2016 to approximately RM8.1 billion in 2020, representing a CAGR of approximately 6.1%, and the percentage of revenue generated from Western Peninsular Malaysia's F&B

distribution industry against the revenue in the whole Peninsular Malaysia also increased from approximately 42.9% to approximately 43.4% in the same period. Looking forward, it is expected that the Western Peninsular Malaysia F&B market will continue to develop with strong economy growth momentum and increasing income and expenditure level, especially for Kuala Lumpur as the economic, financial and cultural centre of Malaysia. In this context, the market size of the F&B distribution market in Western Peninsular Malaysia is estimated to grow steadily from approximately RM8.7 billion in 2021 to approximately RM11.3 billion by 2025, representing a CAGR of approximately 6.6%.

Specifically, the cold chain market in the state of Selangor where the New Klang WH will be located is expected to see rapid growth in the coming years, as evidenced by the increase in annual household expenditure on frozen food and dairy products in Selangor from approximately RM1,508.0 million in 2015 to approximately RM1,952.2 million in 2019, representing a CAGR of approximately 6.7%, which is expected to grow further from approximately RM2,030.3 million in 2020 to approximately RM2,537.9 million by 2024, representing a CAGR of approximately 5.7%, according to the F&S Report. Our Directors believe that this could present significant business potential and demand for our frozen food and dairy products, which justifies our need to substantially increase our designated cold storage capacity.

As stated in the paragraph headed "Industry overview – Competitive landscape analysis" in this document, the Malaysia F&B distribution market competitive landscape is fragmented in nature and highly competitive 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. The Malaysia F&B distribution market is quite fragmented with over 200 players and the top five players accounted for a total share of 22.4% in terms of revenue. Company A ranked first by revenue in 2020, with a market share of 9.3%, followed by Company B (5.1%), Company C (3.4%) and Company D (2.4%). Our Group ranked fifth with revenue in 2020 of approximately RM497.8 million, accounting for approximately 2.2% of total market size. According to the F&S Report, 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. Companies with a wide variety of quality and safe F&B products, large distribution network and well-established logistics such as cold chain infrastructure will gain more competitive advantages.

Our Directors are of the view that notwithstanding the fragmented F&B distribution market in Malaysia, our Group will be able to capture and capitalise on the expected general market growth of the F&B distribution market in Western Peninsular Malaysia and the business opportunities arising therefrom, taking into account, in particular, (i) our extensive geographical coverage and sales network supported by our self-operated warehouses and logistics operation in the major sales regions in Peninsular Malaysia, and by external warehouse and logistics service providers in other regions; (ii) our substantial logistics infrastructure and operation supported by our own logistics fleet, the majority of which are refrigerated vehicles; (iii) our ability to obtain distributorships and maintain long-term business relationships with many well-known international and domestic F&B brand owners; (iv) our diverse customer base with a focus on well-established retail chains which have the capacity to place large and frequent purchases with us; and (v) our extensive brand and product portfolio with more than 4,000 SKUs with different price ranges across nine core categories during the Track Record Period, including dairy products and frozen food, which enables us to offer a one-stop purchase experience to our customers. Our Directors believe that upon implementation of our business strategies, including the setting up of the New Klang WH, we will be in a strengthened position to outcompete our market rivals, many of which are, as mentioned above, small- and medium-sized local players with small logistics fleets and storage spaces which may not have the necessary facilities to support a substantial cold chain F&B distribution operation.

(C) Proven track record of our historical sales growth in Western Peninsular Malaysia

The increase in the demand for F&B products in Western Peninsular Malaysia and our ability to capture the same are also reflected by our business growth in the region. Our revenue generated from our distribution business in Western Peninsular Malaysia has shown a steadily increasing trend, from approximately RM53.5 million for FY2018 to approximately RM110.5 million for FY2021, at a CAGR of approximately 27.3%.

Our Directors believe that our business growth is also well supported by our customers' increasing demand for our products in Western Peninsular Malaysia which further justifies the setting up of the New Klang WH. There has been a general upward trend in customer demand in Western Peninsular Malaysia, taking into account, among others, (i) the historical revenue growth of our existing portfolio and/or brands of our products for our distribution business in Western Peninsular Malaysia at a CAGR of approximately 27.3% from FY2018 to FY2021; (ii) historical revenue growth at a CAGR of approximately 14.9% for our distribution business in Malaysia from FY2018 to FY2021; (iii) expected increase in demand in the F&B distribution market in Western Peninsular Malaysia as demonstrated by its growth of market size by revenue at a CAGR of approximately 6.6% from 2021 to 2025 according to the F&S Report; and (iv) the growth in the number of our active customers in Western Peninsular Malaysia from approximately 2,500 in FY2018 to approximately 3,200 in FY2021, and in their points of sales in Western Peninsular Malaysia from approximately 3,750 in FY2018 to approximately 4,541 in FY2021. Furthermore, we recorded a high customer retention rate as evidenced by the fact that revenue generated from repeat customer accounts contributed over 90% of our total revenue for FY2019, FY2020 and FY2021. Our historical actual storage usage in Western Peninsular Malaysia had accordingly increased steadily, amounting to a monthly average of approximately 2,000 CBM, 2,939 CBM, 3,347 CBM and 4,107 CBM, respectively, for the Track Record Period, representing a CAGR of approximately 27.1% from FY2018 to FY2021.

Based on the above proven track record of revenue growth, our Directors expect that our business in Western Peninsular Malaysia will continue to grow in the future along with the general Malaysia F&B distribution market which we will be able to capture with the implementation of our proposed business strategies.

(D) Estimated and indicative demand arising from new business

As part of our Group's continuous effort in securing new distributorships and in procuring existing customers to purchase additional products from us, we have secured, or expect to secure, new business with the following potential supplier and existing customers:

(i) We are currently in the final stage of negotiation with a potential supplier the parent company of which is listed on Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") for the potential distribution of their products which mainly include cooking oils and margarine;

(ii) We have reached an agreement with an existing customer listed on Bursa Malaysia which is a large-scale convenience retail chain store operator with approximately 500 retail sales points across Malaysia as at 31 December 2021. Since January 2022, on top of the products we currently supply to the customer, we have additionally provided our cold storage products to approximately 280 retail sales points of the customer in Western Peninsular Malaysia; and

(iii) We have reached an arrangement with Customer B, a retail chain in Peninsular Malaysia with more than 2,000 outlets as at 31 December 2021. Pursuant to such arrangement, on top of the products we previously supplied to the customer, we have been additionally providing products which mainly include peanut butter and organic sugar commencing from May 2021.

Furthermore, some of our major customers in Western Peninsular Malaysia, namely Customer D (a retail chain in Peninsular Malaysia with more than 30 outlets) and Customer E (a retail chain in Peninsular Malaysia with more than 15 outlets), have indicated an intention to continue to expand their sales network, with an intended expansion plan to open new retail sales points in Western Peninsular Malaysia in the next two to three years, which our Directors believe will lead to a higher demand from the said customers for our products.

In addition, our Directors are of the view that the setting up of a new self-owned warehouse would assist us in securing more distributorships in the future. In FY2020, we had attempted to secure distributorship of products supplied by Supplier B (one of the five largest suppliers of our Group during the Track Record Period, further details of which are set out in the paragraphs headed "Major suppliers" below in this section) in Western Peninsular Malaysia to expand the designated geographic coverage of our distributorship. We considered ourselves a competitive candidate given our (i) long-term business relationship with Supplier B for distribution of its products in Eastern Peninsular Malaysia, (ii) consistent ability to deploy self-owned warehouses with cold storage facility in Eastern Peninsular Malaysia for timely product delivery without material food safety and hygiene issues for more than 10 years, and (iii) ability to fulfill their key requirements for distributorship in Western Peninsular Malaysia in respect of, for instance, geographic coverage, financial conditions and other infrastructure. However, we were eventually declined by Supplier B by reason of not having sufficient self-owned storage capacity in the relevant area in Western Peninsular Malaysia. To the best knowledge and belief of our Directors, this is generally due to brand owners' preference for distributors which can deploy self-owned warehouses with sufficient storage spaces for the products with a minimum capacity of at least approximately 720 CBM per each year to be distributed, mainly because the distributor would have greater control and flexibility over its self-owned warehouse in relation to logistics, food safety, quality assurance, etc. Our existing self-owned warehouses in Western Peninsular Malaysia, namely Puchong WH I and Seremban WH I, had a total designated storage capacity of only approximately 1,710 CBM and 350 CBM, respectively, and were close to being fully utilised generally with an average utilisation rate of approximately 84.8% and 93.6%, respectively, for FY2020, which, to the best belief, knowledge information and estimation of our Directors having made reasonable due diligence inquiries, did not appeal to Supplier B when it selected a distributor of its dairy products in Western Peninsular Malaysia. In light of the above, we believe the New Klang WH can assist us in securing future business opportunities. Based on expected increase in self-owned designated storage capacity in Western Peninsular Malaysia after the setting up of the New Klang WH which we expect would be a favourable factor in securing distributionships due to suppliers' general preference for self-owned warehouses as explained above, our Directors expect that by the time the New Klang WH commences operation in FY2023, we would be able to secure more distributorships from other suppliers, which could further justify the setting up thereof;

Our Directors believe that the business opportunities in relation to potential distributorships and customers in Western Peninsular Malaysia as mentioned above, if materialised, will bring about considerable customer demand. By reason of the high utitlisation rates of our existing warehouses, the setting up of the New Klang WH will therefore be crucial for accommodating our further intensified need for storage space in order to capture such opportunities.

(E) Other uses of the New Klang WH

The New Klang WH is also expected to facilitate the distribution of, and the expansion of customer base for, our frozen fish and seafood products.

As elaborated below in the paragraphs headed "Business strategies – II. Developing the business of our Own Products – (i) Acquiring new processing machines", we intend to acquire a new quick freezing machine which is expected to enable us to take up more substantial orders from new customer categories, such as supermarkets and HORECA. It is our plan that after the frozen fish products are processed at our Kuantan WH (HQ), the New Klang WH will be one of the warehouses to receive the products for cold storage and for subsequent distribution to customers in Western Peninsular Malaysia. Given the considerable business opportunity associated with the acquisition of the new quick freezing machine, our Directors believe that our need to substantially increase our designated cold storage capacity is justifiable.

Apart from the above, the New Klang WH is also intended for receiving and storing imported frozen seafood delivered to us from the Klang shipping port in order to distribute the same to customers in Klang, Kuala Lumpur and other neighboring areas. Currently, Kuantan WH (HQ) is the warehouse designated for receiving and storing such imported frozen seafood. Since the New Klang WH is in closer proximity than Kuantan WH (HQ) to the Klang shipping port and to the customers in Western Peninsular Malaysia who would purchase our frozen seafood, our Directors believe that the New Klang WH can enhance operational efficiency, reduce delivery lead time and lower the cost of transportation for distribution of frozen seafood in Western Peninsular Malaysia.

The New Klang WH is expected to increase our designated general storage capacity by approximately 2,700 CBM and designated cold storage capacity by 2,700 CBM by 2023. Based on (i) our existing designated storage capacity and storage utilisation rates; (ii) the expected future growth of our business with reference to our historical growth during the Track Record Period; and (iii) the growth of the F&B distribution industry in Malaysia according to the F&S Report, our Directors believe that the warehousing spaces shall be sufficient once the New Klang WH has commenced operation by 2023.

Breakeven and payback periods of the new self-owned warehouse

We expect to use approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]) for the setting up of our new self-owned warehouse, of which approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]) will be funded by the [**REDACTED**] of the [**REDACTED**] which would include (i) estimated costs for the construction of the warehouses and setting up of cold storage facilities of approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]) primarily with reference to quotations obtained by our Group; (ii) estimated costs for purchasing new equipment and machinery for use in the new warehouse of approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]) with reference to quotations obtained by our Group and the historical costs for purchasing such items; and (iii) estimated costs for purchasing more inventory from our suppliers of approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]) with reference to the anticipated orders from customers. Costs of acquiring the land and annual recurring costs are expected to be funded by banking borrowings, internal resources and/or the net cash generated from our operations which is generally in line with our practice for acquiring warehouses during the Track Record Period. It is estimated that, based on our Directors' best estimation in light of the current market conditions, the payback period for the New Klang WH would be not more than approximately five years and that breakeven could be achieved within not more than approximately three months, respectively. Such estimations of the breakeven and payback periods for setting up the new self-owned warehouse have taken into consideration a number of factors including, among others: (i) estimated initial amounts for setting up the new warehouse of approximately RM[**REDACTED**]; (ii) estimated economic benefit to be generated by the new warehouse based on the historical annual growth rate of Western Peninsular Malaysia; (iii) estimated annual operating costs for the new warehouse of approximately RM[**REDACTED**] which was primarily based on (a) estimated annual staff costs to be incurred for recruitment of additional employees for the new warehouse; (b) estimated annual depreciation charges based on estimated capital expenditure for construction of the warehouse premises and purchases of warehousing equipment and machinery; and (c) estimated maintenance costs and other operating expenses with reference to the historical costs incurred during the Track Record Period; (iv) estimated ramp up rate based on the historical statistics of our existing warehouses which commenced operation during the Track Record Period; (v) assumed savings and other economic benefits that could be potentially attained based on the key assumptions mentioned above. Furthermore, we will closely monitor our cash flow position to ensure that we have sufficient working capital available to meet the operational needs of the new warehouse.

Hypothetical cost and benefit analysis

Our Directors consider that it is in our interest to set up, rather than lease, the new warehouse using the [**REDACTED**] from the [**REDACTED**]. The hypothetical cost and benefit analysis of the leasing and buying of the new warehouse is summarised as follows:–

		Leasing warehouse *RM'000 approximately*	Buying warehouse *RM'000 approximately*
Upfront cost(Note 1)	*a*	6,848	13,520
Total recurring cost(Note 2)	*b*	26,700	7,005
Total tax saving(Note 3)	*c*	(6,408)	(1,681)
Total costs over 20-year period	$d = a + b + c$	27,140(i)	18,844(ii)
Assumed saving	$e = (i) - (ii)$		8,296

Notes:

1. "Upfront cost" refers to the estimated construction and/or renovation cost for setting up the new warehouse.

2. "Total recurring cost" refers to either the estimated cost for leasing a warehouse, which is based on the prevailing market rental for warehouses with similar size and location, or the estimated annual interest for buying a warehouse, which is based on the prevailing market interest rate.

3. "Total tax saving" is "Total recurring cost" multiplied by the prevailing standard corporate tax rate in Malaysia.

The above analysis is only a hypothetical analysis based on estimated cash outlays and savings without taking into account non-cash items such as depreciation for illustrative purposes, assuming that a leased warehouse suitable for our operation would be readily available in the market. As storage of our frozen food and most of our dairy products, on which our expansion plans will focus, will require cold storage to maintain food quality and safeness, cold storage facility will be a primary criterion of our new warehouse. However, to the best of the knowledge, information and belief of our Directors and according to the F&S Report, it is difficult to locate a suitable leased warehouse in the market which is equipped with cold storage facilities of a sufficient storage capacity, mainly because warehouses for lease in the market are mainly for general storage only and restriction may be imposed by the landlord in relation to any alteration of warehouse layout which may be required for the installation of cold storage facility. This is consistent with the fact that most of our leased warehouses are not equipped with large cold storage facilities.

Furthermore, the above analysis is unable to take into account certain factors which we consider are in favour of buying a warehouse, in particular the impact from fluctuation in lease costs and failure in lease renewal. If we lease a warehouse, lease costs will be subject to changes upon each renewal of lease agreement, the rate of which is uncertain. Further, in the event we fail to renew a lease for any reasons, (i) operation of the warehouse and logistics might be interrupted due to relocation, (ii) the investment in renovation for the leased warehouse will be forfeited and (iii) additional renovation cost will be required for the new warehouse to which we have to relocate. In contrast, buying a warehouse (i) minimises the risk of any material disruption to our warehouse operations; (ii) avoids the incurring of additional costs for relocation, including the costs for restoring the leased premises and reinstalling necessary equipment and facilities on the new premises, in the event of non-renewal of the lease; and (iii) protects us from any abrupt increase in lease costs upon renewal of leases.

Upgrading our self-owned warehouses with advanced features

In view of our anticipated business growth and the addition of a new warehouse, we expect to experience a significant increase in inventory level, more intensive warehousing activities, and increased consumption of electricity particularly by our cold storage facilities. In view of this, we plan to upgrade our self-owned warehouses with advanced features, according to the following plans:

(i) *Acquisition of handheld computers*: We plan to acquire approximately 60 smart handheld computers for use in our warehouses to improve inventory management and streamline our stocktaking process with the following features:

– collection of data such as quantity, location and status of products, which allows our warehousing personnel to access various product information, such as image, description and weight, thereby reducing the time for locating and retrieving items and facilitate the efficient storage of inventories at the most suitable zone and shelving unit;

– consolidation of data from our warehouses and integration with our ERP system to give us real-time data and statistics about the status of our inventories for procurement and inventory planning

(ii) *Installation of solar panels*: As at the Latest Practicable Date, we had installed solar panels at our Kuantan WH (HQ), Puchong WH I and Kota Bharu WH, which are all equipped with cold storage facilities, to conserve energy given the power consumption by the cold storage facilities. We intend to also install solar panels at our Mentakab WH, Seremban WH I, Alor Setar WH, Kuala Terengganu WH I(B), and New Klang WH, after which most of our self-owned warehouses as at 31 December 2021 with cold storage facilities will be partly powered by solar energy. We expect that (a) the solar power generated would lead to an aggregate annual saving of electricity cost of approximately HK$0.8 million[(Note)]; (b) the solar panels can provide an alternative source of power and act as a temporary back-up power source, especially for our cold storage facilities, in the event of a power outage and disruptions; (c) we will be able to support our warehouse operation partly with renewable solar energy, thus causing less environmental pollution.

Note: the aggregate annual saving of electricity cost is the sum of the estimate cost saving each year at each of the warehouses at which we propose to install solar panels, respectively calculated from the daily saving of electricity cost derived from (i) the estimate hourly solar power generation (in kilowatt-hour) at each of the above warehouses (which varies according to the number of solar panels that can be installed at such warehouses having regard to their respective layout) multiplied by (ii) 3.5 hours (being the estimate time in a day with sufficient sunlight for the solar panels to generate solar energy up to their capacity), and multiplied by (iii) electricity tariff per kilowatt-hour which would otherwise be incurred. The daily saving of electricity cost is then projected to obtain an annual amount, namely the annual saving of electricity cost.

(ii) Acquiring and upgrading cold and other logistics vehicles

Owing to the temperature-sensitive nature of dairy products and frozen food, we must deliver them to our customers under appropriate storage conditions to maintain their safeness and quality As such, our Directors take a holistic view in the combined contribution of our logistics operations and our warehouses to our business and believe that the success of our business depends, to a large extent, on our ability to readily mobilise a sizeable logistics fleet with the majority being refrigerated vehicles to deliver our products in a timely manner, which is important for us to maintain food safety and quality assurance, particularly for dairy products and frozen food, increase customers' satisfaction levels and sustain our future growth.

As at 31 December 2021, our logistics fleet consisted of a total of over 140 logistics vehicles, of which approximately 100 are refrigerated vehicles. The utilisation rate of our logistics fleets during the Track Record Period was approximately 77.6%, 81.1%, 83.1% and 78.5%, respectively, which was close to being fully utilised and would have direct impact on our ability to take up orders and make timely delivery. Therefore, we intend to purchase 13 new logistics vehicles (including six new refrigerated vehicles) and replace 10 existing logistics vehicles (including five refrigerated vehicles) which have been in use for not less than 15 years.

This strategy is commensurate with our existing business model of relying on our self-operated logistics vehicles. We estimate that the annual savings generated from purchasing the above vehicles as opposed to engaging external transportation service providers would be approximately RM0.7 million (equivalent to approximately HK$1.3 million), which is estimated primarily based on (i) the excess of the estimated annual unit costs for engaging external transportation service providers over the average annual unit operating costs of each of the logistics vehicles, (ii) multiplied by the number of such additional vehicles proposed to be purchased.

(iii) Enhancing our cold chain and other management and information systems

Our Directors believe that advanced, effective and customised information technology systems can improve our operational efficiency, control and reduce operating costs and achieve higher profitability. To support our business expansion, we plan to engage a third-party service provider to customise and install an upgraded ERP system which would contain the following key features:

(i) Compatible and connected with our warehouses with advanced features and the Ordering App by deploying an IoT system to synchronise our data with our warehouses with advanced features and the Ordering App;

(ii) Centralised data and real-time analysis to generate business analytical reports for evaluation of our business strategies and planning; and

(iii) Performing financial analysis and generating forecast reports for our management.

Implementation plan

We expect to apply approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], for further enhancing our distribution capabilities by investing in cold chain and other infrastructure.

A detailed breakdown of the costs of implementing the above strategies, with the amount to be incurred over the specified periods, is as follows:

	Implementation activities	FY2022	FY2023	FY2024	Total
		Approximately HK$'000	*Approximately HK$'000*	*Approximately HK$'000*	*Approximately HK$'000*
(i)	**Setting up and upgrade of warehouses**				
	– Setting up New Klang WH	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	– Upgrade of warehouses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Sub-total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii)	**Acquisitions and replacement of vehicles**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(iii)	**Enhancing our cold chain and other management and information systems**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

II. Developing the business of our Own Products

We plan to develop the business of our Own Products by (i) purchasing new processing machines for processing our Own-Brand Products and White-Label Products and (ii) conducting marketing and promotional activities of our Own-Brand Products.

(i) Acquiring new processing machines

During the Track Record Period, we had two processing facilities at our Kuantan WH (HQ) and Puchong WH I for carrying out the processing activities mainly including freezing, filling, bottling and labelling of our Own Products. Our processing machines and equipment are mainly used for processing frozen food, salt, honey, sugar, beans, oatmeal, etc. From FY2018 to FY2021, the revenue generated from our Own Products had increased from approximately RM74.2 million for FY2018 to RM125.5 million for FY2021, representing a CAGR of approximately 19.2% and steady growth in demand for our Own Products.

During the Track Record Period, (i) the utilisation rate of our honey processing (having its bottleneck at the bottling and labelling process with the use of honey bottling machine and honey labelling machine) was approximately 70.2%, 75.9%, 85.7% and 110.1%, respectively; (ii) the utilisation rate of our salt processing (having its bottleneck at the filling process with the use of the salt filling machine) was approximately 53.3%, 82.4%, 91.9% and 129.4%, respectively; and (iii) the utilisation rate of our dry food processing (having its bottleneck at the packaging process by manual labour with the assistance of multiple separate machines and equipment) was approximately 63.6%, 94.5%, 94.5% and 124.4%, respectively, which were all close to being fully utilised*(Note)*. In view of this, we plan to purchase eight additional processing machines, including one quick freezing machine for processing frozen fish, one filling machine for processing salt, one bottling machine and one labelling machine for processing honey, and four machines for one packaging production line for processing dry food, such as sugar, beans, oatmeal, etc. The expected average life span of the new processing machines to be acquired is approximately ten years under normal usage and fair wear and tear.

Note: Each of the mentioned utilisation rates is calculated by dividing the actual total processed volume of the relevant machine in the relevant year by its annual designated processing capacity of the relevant year which is derived from (i) the estimated number of product units processed in a minute, (ii) which is projected to obtain an hourly amount and multiplied by the number of hours for which the relevant machine operates on a day, thus giving a daily designated processing capacity, which is then further projected to obtain an annual amount by (iii) multiplying it by the number of working days of the relevant year, resulting in the annual designated processing capacity.

We expect that the new processing machines will enable us to, inter alia, take up more orders, save labour costs and enhance processing efficiency, particulars of which are as follows:

(a) *Taking up more orders*: The quick freezing machine is designated to handle fish products which have to be processed immediately upon their arrival at our processing facility to maintain food hygiene. Our existing quick freezing machine requires more than 10 hours to complete the freezing process of fish products and is of limited processing capacity. Hence, during the Track Record Period, we could only take up orders of a limited size, mainly from school canteens and had to reject some orders of a more substantial size from various other customer categories such as supermarkets and HORECA. After acquiring the new quick freezing machine, which requires an expected processing time of approximately one hour only and has a substantially higher processing capacity, we expect to be able to take up more orders and expand our customer base for our frozen fish products.

(b) *Saving labour costs*: In respect of the machines for dry food packaging, during the Track Record Period, our processing staff packaged dry food mainly manually with the assistance of multiple separate machines and equipment. After acquiring the new machines which centralise the weighing, filling and sealing processes of dry food and reduce the degree of labour input, the level of automation of the dry food packaging process can be enhanced. Assuming that the designed processing capacity of the packaging production line would be fully utilised, there would be hypothetically annual saving of approximately RM0.3 million[(Note)] that could be potentially saved by comparing the anticipated headcount to be deployed by using the proposed new machines compared with that for the current manual operation of the existing machines. Under the current scale of the operation, the number of labour required in the packaging process is expected to see an approximately 66.7% immediate reduction, from six at present to two after the said acquisition.

(c) *Enhancing processing efficiency*: With the new processing machines to be acquired, the overall production and operational efficiency of our relevant processing activities will improve. We expect that the maximum production capacity of salt, honey, sugar, beans, oatmeal, etc. will on average be increased by approximately 100% after all the processing machines are purchased in 2023 since there will be an additional production line on top of our existing machines for processing honey and salt, and a new production line as mentioned above to replace the existing machines for processing dry food.

Note: After the acquisition of the new dry food packaging machine, we will only require two processing staff to operate it, and the annual designed processing capacity of the new machine is expected to be approximately 2.1 times of our existing processing capacity. If we were to attain such increased processing capacity with our existing machines which require mainly manual operation, approximately 13 processing staff would be required. As such, with the new machine the operation of which requires 11 fewer processing staff (a processing staff member has an estimated average annual salary of approximately RM24,000, inclusive of discretionary bonuses and employees provident fund contributions, by the time the new dry food packaging machine is put into use), the annual saving of labour costs in connection therewith is expected to amount to approximately RM0.3 million.

(ii) Conducting marketing and promotional activities for our Own-Brand Products

Our Own-Brand Distribution business has seen a stable growth over the years. From FY2018 to FY2021, our revenue generated from sales of our Own-Brand Products has gradually increased from approximately RM34.1 million for FY2018 to approximately RM86.3 million for FY2021 representing a CAGR of approximately 36.3%. Moreover, such increase in revenue generated from sales of our Own-Brand Products for FY2019, FY2020 and FY2021 (as compared to FY2018, FY2019 and FY2020, respectively) accounted for approximately 30.5%, 25.1% and 17.1% of our total increase in revenue, respectively. Gross profit generated from our Own-Brand Products also recorded a steady growth during the Track Record Period, amounting to approximately RM7.6 million, RM12.0 million, RM17.6 million and RM23.5 million, respectively. Furthermore, according to the F&S Report, (i) with some F&B distributors starting to develop their own-brand products, the own-brand products sector in Malaysia is representing an upward trend; (ii) the market size by revenue of the F&B distribution industry for own-brand products sector in Malaysia grew from approximately RM1.4 billion in 2016 to approximately RM1.9 billion in 2020, with a CAGR of approximately 8.0%; (iii) it is forecasted that such market size will reach approximately RM2.8 billion by 2025, showing a CAGR of approximately 8.4% from 2021; and (iv) the proportion of own-brand products in the overall F&B distribution market in Malaysia is likely to reach approximately 9.4% by 2025. In light of the above, our Directors believe there would be sufficient demand and growth potential for our Own-Brand Products.

During the Track Record Period, our marketing and advertising expenses and related staff costs incurred amounted to approximately RM12.8 million, RM16.5 million, RM21.3 million and RM24.4 million, respectively. In order to reach out to more customers and to strengthen the brand recognition of our Own-Brand Products, we intend to further deploy a variety of marketing campaigns in Malaysia, such as:

(a) *Media marketing*: Placing advertisements on traditional media such as in-store promotion, outdoor and public transport advertising and billboards; placing advertisements on social media platforms and engaging key opinion leaders to promote our products; and

(b) *Point of sales materials ("**POSM**") and promotional events*: Placing eye-catching advertising materials and display on the premises of our customers to communicate product information, such as block display, gondola-end display, posters, danglers, standees, flags and decorations, etc.; encouraging end consumers to purchase our Own-Brand Products by giving away free gifts such as kitchen utensils on purchases over a certain amount; holding promotional events for end consumers who purchase our Own-Brand Products, such as lucky draws or similar contests to win different prizes.

We intend to deploy the above marketing campaigns mainly to promote our Own-Brand Products under *CED* and *Sayangku* . During the Track Record Period, (i) revenue generated from *CED* amounted to approximately RM11.3 million, RM14.6 million, RM20.9 million and RM32.9 million, representing 33.0%, 28.4%, 30.5% and 38.1% of our total revenue generated from sales of Own-Brand Products, respectively; and (ii) revenue generated from *Sayangku* amounted to approximately RM0.5 million, RM2.4 million, RM4.7 million and RM6.6 million, representing approximately 1.5%, 4.7%, 6.9% and 7.6% of our total revenue generated from sales of Own-Brand Products, respectively. We intend to continue to allocate more resources to develop *CED* , which had been one of our major brands throughout the Track Record Period generating substantial revenue with considerable growth. Meanwhile, we also deem it favourable for us to promote *Sayangku* , our Own Brand offering pet care products. According to the F&S report, the market size by revenue of pet care products distribution market in Malaysia grew at a CAGR of approximately 7.9% from approximately RM260.3 million in 2016 to approximately RM352.7 million in 2020, and is expected to increase from approximately RM385.9 million in 2021 to approximately RM534.3 million by 2025, representing a CAGR of approximately 8.5%. To secure more customers who purchase our *Sayangku* branded products, we will consider to (i) designate a *Sayangku* promotion team to specifically take charge of the execution of the aforementioned marketing campaigns in relation to *Sayangku* and coordinate with our sales team to approach existing and new customers; and (ii) promote *Sayangku* by placing it as our recommended products on our proposed Ordering App (as defined below). Based on (i) the CAGR in revenue of *Sayangku* of approximately 133.2% from FY2018 to FY2021; (ii) the expected growth of the Malaysia pet care product distribution market (iii) the proposed marketing campaigns to be conducted for *Sayangku* ; and (iv) the measures for identifying and securing customers for *Sayangku* as set out above, we believe that *Sayangku* would have significant growth potential.

Implementation plan

The estimated total investment costs are (i) approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] for acquiring new processing machines; and (ii) approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] for conducting marketing and promotional activities, particulars of which are as follows:

Implementation activities	Unit	FY2022	FY2023	FY2024	Total
		Approximately HK$'000	*Approximately HK$'000*	*Approximately HK$'000*	*Approximately HK$'000*
Purchase of machines and equipment	8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Marketing and promotional activities					
– Media marketing		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– POSM and promotional events		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

III. Developing e-commerce business by launching a mobile application

We believe that with the popularisation of technology, e-commerce should no longer be exclusively for retail customers but should also cater to corporate customers, and there is an increasing need for a more efficient ordering platform for our corporate customers. Owing to our large and diverse customer base with more than 11,000 active customers, we receive and process a large number of orders from various types of customers every day. Also, due to our historical business growth during the Track Record Period, particularly amid the outbreak of the COVID-19 pandemic, we would generally be required to process and manage a high volume of orders and replenishment requests from a large number of customers across Peninsular Malaysia for a wide variety of products with over 4,000 SKUs in a frequent and timely manner. Currently, our customers generally place orders with our sales team, which is potentially prone to miscommunication, requires more labour input and is generally less efficient. According to the F&S Report, there is a rising trend for leading market players in the F&B distribution industry in Malaysia (one of which being a listed Malaysian company which specialises in distributing consumer goods and healthcare and performance products) to introduce a business-to-business mobile application via which corporate customers can place orders and make payment, in order to enhance operational efficiency and customer experience. To streamline the ordering process and in line with the market trend, we plan to develop our e-commerce operations by engaging a third party service provider to design and customise a mobile application ("**Ordering App**") for us. Our Directors also believe that the Ordering App will create a more convenient and pleasant purchasing experience for customers and allow customers to make orders ahead of business hours, with the following main features:

(i) *Centralised database and synchronising systems:* The Ordering App will consolidate all purchasing information, ordering history and customers' products preferences into a centralised database using a back-end system, and generate reports for management's and also our suppliers' reference; the database will be synchronised with and compatible with our ERP system for timely preparation and delivery by our relevant personnel;

(ii) *Online payment:* The Ordering App will allow online payment and automatically generate invoices and receipts, in order to reduce late payments, bad debts and cash flow mismatch; and

(iii) *Online marketing:* We can promote specific products on the Ordering App by recommending these items on the main page.

Since the Ordering App is expected to be synchronised and compatible with our ERP system, our Directors believe that the Ordering App will enhance the efficiency of our overall operation, considering the following factors:

(i) *Timely ordering instructions.* Currently, when we receive orders from customers through traditional means, our personnel will input the information of the orders into our ERP system, after which our warehouse staff can retrieve the information and prepare for delivery. This practice is prone to misunderstanding and a certain period of delay. With the Ordering App, our relevant departments will be immediately notified and receive records of the latest purchase orders for timely processing and delivery, which can minimise internal miscommunication and delivery lead time. This allows our warehouse staff to attend to purchase orders, our logistics team to respond and make delivery arrangement, our procurement team to be notified of the reduction of inventory level and our sales and marketing team to monitor customer preference and trend, all in a more efficient manner.

(ii) *Updating inventory and delivery status.* We will be able to keep our customers up-to-date of the inventory and delivery status once the information on the ERP system is available to the Ordering App. Customers will no longer be required to use traditional methods only, such as calling or texting, to contact our staff for delivery progress, as notifications will be sent when there is a change in the ordering status (such as order confirmation, product dispatch and arrival). We expect that this could effectively save our time and resources spent on answering customers' routine queries about such information.

(iii) *Enhanced communication.* As the information is shared between the ERP system and the Ordering App and runs between us and our customers, after sychronisation of the two systems, information about purchase orders and our service arrangements will be more accessible to our customers and they in turn can keep us informed of any service issues, which enables us to resolve misunderstandings before escalation of disputes, thus improving overall operational efficiency and fostering better business relationships with our customers.

According to the F&S Report, retailers such as hypermarkets and supermarkets have displayed an increasing reliance on business-to-business mobile ordering applications to purchase products, instead of relying on sales staff to assist them. Therefore, our Directors consider that it would be against the market trend as mentioned above in relation to the use of mobile ordering application by leading market players if we do not develop and introduce the Ordering App, which may reduce our competitiveness in the market especially when convenience, ease and swiftness of ordering gradually become more important factors in our customers' selection of suppliers of F&B products.

The Ordering App is expected to be launched and put into use by the fourth quarter of FY2023.

Based on the preliminary quotations obtained by us, the cost of engaging a third party service provider to develop the Ordering App would be approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**] and we expect to apply approximately HK$ [**REDACTED**] (equivalent to approximately RM[**REDACTED**]), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], to this strategy. The remaining amount of the said cost and the annual maintenance cost of the system are expected to be funded by our internal resources.

IV. Strategic acquisitions and investments along our supply value chain

In view of the expected growth in the F&B distribution industry in Malaysia, we plan to continue to expand our business and explore potential business opportunities by acquiring majority or entire shareholding of, or investing in, local company(ies) or acquiring business(es) in the F&B supply value chain, including horizontal and vertical acquisitions and investments. Based on our industry experience, we will carefully consider and evaluate each potential target with the main considerations on strategic fit, ease of integration and financial targets. In particular, we seek potential acquisition or investment opportunities and select potential targets based on a number of selection criteria, such as:

(i) *Business focus*: For horizontal acquisition and investment, we mainly look for distributors that offer us an opportunity to undertake new F&B distributorships which they have secured to enrich our brand and/or product portfolio. For vertical acquisition and investment, we mainly look for companies or businesses along the F&B supply value chain (including manufacturers, brand owners, wholesalers, etc., being the upstream and downstream operators of our Group), in particular brand owners and OEM suppliers which may be incorporated into our Own-Product Distribution business;

(ii) *Existing customer and supplier base*: We target companies or businesses with established customer and supplier base as evidenced by long-term agreements and/or business relationship with their suppliers and customers. For horizontal acquisition and investment, we intend to look for targets especially with notable suppliers and customers, such as international brand owners and large-scale retail chains. For vertical acquisition and investment, we intend to look for targets, mainly brand owners and OEM suppliers, which offer popular products and/or have a great variety of product types or new products in their offerings. We expect that companies or businesses which fulfill this criterion can commence or continue its business operations shortly upon successful acquisition or investment, which we consider to be cost-effective; and

(iii) *Target size and scale of operation*: We primarily look for established medium-sized companies or businesses with an operating track record of approximately five years or above which have the potential for future growth with an expected annual revenue of approximately RM21 million (equivalent to approximately HK$40 million) or above and net profit margin above 3%.

(iv) *Established reputation*: For the purpose of assessing the reputation of the targets, we intend to conduct a range of background checks in the course of the due diligence exercises, such as credit check, litigation search and media search, which, if practicable, will also extend to the senior management members and shareholders of the targets. Furthermore, where practicable, we plan to conduct interviews with the suppliers and customers of the target companies during our due diligence exercises to assess their business relationship. In doing so, we would be particularly on alert against any complaints by or disputes with such suppliers and customers which would affect the continuity of the targets' business cooperation with them;

(v) *Target geographic location:* For horizontal acquisition and investment, we plan to explore targets mainly in locations in Western and Eastern Peninsular Malaysia. If we acquire distributor(s) in the above regions with existing customer base, we can expand our distribution channel and establish a more complete business presence across Peninsular Malaysia; and

(vi) *Cross-business opportunities*: Having targeted companies or businesses with existing customer and supplier base, we would also consider whether acquisition of or investment in such targets can present cross-business opportunities, whereby (i) for horizontal acquisition and investment, we may sell our products to their customers and vice versa and may also secure distributorship of the products supplied by their suppliers beyond the original distribution area served by the target companies or businesses, and (ii) for vertical acquisition and investment, we may sell our products, including our Own Products, to the customers of the targets and secure supplies of raw materials from their suppliers.

We expect that our strategic acquisitions and investments would have a favourable impact on our financial performance. Having leveraged our deep market insights and over long years of experience in the F&B distribution industry in Malaysia with a large and extensive network of market practitioners covering international and domestic brand owners, retail chain stores, F&B customers and suppliers, we believe we can identify targets that are able to contribute positively to our business, financial conditions and results of operations.

We note that at this stage it is uncertain as to the number of suitable targets available in the market which meet our selection criteria as mentioned above, considering that (i) the private information of a company, such as the number of customers and suppliers, is not available to us before the due diligence practices to be conducted by us during our negotiation with a target company; and (ii) we intend to adopt a holistic selection approach under which if a company fails to meet one criterion, it may still be regarded as a suitable target if it fulfils other criteria to our satisfaction. Nevertheless, as a general indication of the availability of potential targets in the market, there were approximately 85 to 170 F&B distributors in Western and Eastern Peninsular Malaysia in 2020, according to the F&S Report.

We consider that it will be feasible for our Group to identify suitable target companies in the market. According to the F&S Report, the F&B distribution industry in Malaysia is expected to have an acceleration in mergers and acquisitions in the future and will go through a period of consolidation in the coming years. Many Malaysia leading F&B distributors have carried out some mergers and acquisitions activities with both upstream and downstream companies. As such, we believe the practice of acquisition and investment is not uncommon in the Malaysia market and we do not foresee any material difficulty in looking for potential target companies. To facilitate the identification of targets, (i) we intend to designate a team comprising our senior management members as the task force to oversee the implementation of the acquisition and investment plan; (ii) our personnel, especially those who have first-hand information of and are more familiar with the market players, will be instructed to identify potential targets in the market which may meet our selection criteria; and (iii) our executive Directors may also identify potential targets with their personal connection and industry experience and will serve as the panel to review the suitability of a target company before embarking on negotiation.

We expect to commence the process of identifying targets for acquisition or investment and negotiation with them in first quarter of 2023 followed by a series of feasibility studies and due diligence exercises subject to the identification of suitable targets. If we are satisfied with the evaluation results, we target to acquire or invest in a maximum of two of such target companies or businesses with an indicative average investment size for each target of approximately HK$8 million and up to HK$16 million, having primarily taken into account our financial targets and expected market valuation of notable and other comparable acquisition in Malaysia. Please refer to some examples of such notable transactions in the paragraphs headed "Industry Overview – Overview of the food and beverage distribution industry in Malaysia – Developing trends of the food and beverage distribution industry in Malaysia – iii) increasing industry consolidation" in this document. As at the Latest Practicable Date, we had not identified any potential targets.

Due to a number of uncertainties out of our control, there is no guarantee that we can acquire or invest in any of our potential targets. Our management may also consider it advisable to adjust our strategies, plans or targets in response to any economic, political, regulatory, market or other commercially significant factors in the future.

To pursue this strategy, we expect to apply approximately HK$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**]. If the cost of our proposed acquisition or investment exceeds the amount of the [**REDACTED**] we propose to apply, we intend to settle the remaining amount of such cost with other sources of fund, such as our internal resources and/or bank borrowings.

OUR PRODUCTS

We have always been keen on building a diversified product portfolio through a meticulous selection process. Our Directors believe that our ability to offer products of different types, qualities and prices, coupled with our strategy to regularly introduce new products that meet the constantly changing market trend and consumers' preferences, are indispensable to our success in the F&B distribution industry.

During the Track Record Period the products sold by our Group were more than 4,000 SKUs that can be broadly categorised into (i) dairy products, (ii) frozen food, (iii) packaged food and commodities, (iv) sauce, oil and condiments, (v) beverages and (vi) quality health products, complemented by other non-F&B products, including (i) personal and baby care products, (ii) pet care products and (iii) cleaning and kitchen supplies.

The following table sets forth the breakdown of our revenue by our major product category during the Track Record Period:–

	FY2018 Revenue		**FY2019 Revenue**		**FY2020 Revenue**		**FY2021 Revenue**	
	RM'000 approximately	*Over total revenue %*	*RM'000 approximately*	*Over total revenue %*	*RM'000 approximately*	*Over total revenue %*	*RM'000 approximately*	*Over total revenue %*
F&B products								
Dairy products[1]	135,498	31.2	151,575	30.9	170,472	30.8	188,894	28.7
Frozen food[2]	109,252	25.2	126,720	25.8	132,074	23.9	147,969	22.5
Packaged food and commodities[3]	56,881	13.1	62,250	12.7	71,529	12.9	87,387	13.3
Sauce, oil and condiment[4]	43,753	10.1	55,792	11.3	60,149	10.9	70,660	10.7
Beverages[5]	40,305	9.3	39,918	8.1	42,277	7.6	64,822	9.8
Quality health products[6]	11,434	2.7	14,896	3.0	21,251	3.8	33,156	5.0
Subtotal	397,123	91.6	451,151	91.8	497,752	89.9	592,888	90.0
Non-F&B								
Personal and baby care products[7]	22,259	5.1	22,866	4.7	26,399	4.8	30,023	4.6
Pet care products	837	0.2	3,461	0.7	5,943	1.1	7,765	1.2
Cleaning and kitchen supplies[8]	13,503	3.1	13,770	2.8	23,285	4.2	27,488	4.2
Total[9]	433,722	100.0	491,248	100.0	553,379	100.0	658,164	100.0

Notes:

1. The dairy products sold by us include ice-cream, milk and cheese.
2. The frozen food sold by us includes frozen seafood, frozen meat and frozen french fries.
3. The packaged food and commodities sold by us include rice and cereal, canned food and snacks.
4. The sauce, oil and condiment sold by us include cooking ingredients, baking and dessert ingredients and honey.
5. The beverages sold by us include various flavoured and carbonated drinks, bottled mineral water and juices.
6. The quality health products sold by us include organic beans, organic sugar, natural salt and pure honey.
7. The personal and baby care products sold by us include various skincare, hair care and oral care products.
8. The cleaning and kitchen supplies include non-F&B products such as household bleach and kitchen towels.
9. Remaining revenue are logistics and other services.

During the Track Record Period, our brand portfolio had approximately 140 international brands, approximately 80 domestic brands and five major Own Brands.

Top brands and principal products

Set out below are the particulars of some of the principal branded products we distribute:

Major product category	Number of SKU	Number of brands	Shelf life	Approximate ASP(Note)
	more than approximately	*approximately*	*months approximately*	*RM*
(i) F&B products				
(a) Dairy products • Ice-cream • Milk Powder • Cheese	390	35 brands comprising of: – 34 Third-Party Brands – 1 Own-Brand	up to 24	3.7

Key brands
Third-Party Branded:

A spreads and margarine brand.

A British ice-cream and frozen dessert brand

A New Zealand brand, offers mainly nutritional dairy products.

Own-Brand:
Mega Food offers cheese products

Sample products




Major product category	Number of SKU	Number of brands	Shelf life	Approximate ASP(Note)
(b) Frozen food • Frozen meat • Frozen nuggets • Frozen spring rolls	970	33 brands comprising of: – 32 Third-Party Brands – 1 Own-Brand	up to 36	6.7

Key brands
Third-Party Branded

An India brand, offers mainly frozen meat, coffee, spices and cereals.

A Malaysian frozen and fast-food brand, mainly offers burgers, nuggets, sausages and french fries.

A Malaysia brand, mainly offers frozen pastry skin.

Own-Brand:
Mega Fresh offers frozen food

Our Own-Brand offering frozen food and vegetables

Sample products



Major product category	Number of SKU *more than approximately*	Number of brands *approximately*	Shelf life *months approximately*	Approximate ASP*(Note)* *RM*
(c) Packaged food and commodities • biscuits • crisps • candies • chocolate • canned food (such as canned fish, vegetables, meat and fruits)	1,020	75 Third-Party Brands	up to 24	2.1
Key brands **Third-Party Branded** *Cadbury:* A British confectionery brand, offers mainly chocolate bars.	*Chipsmore:* A Malaysian brand, offers mainly chocolate chip cookies.	*Jacob's:* An American brand, offers mainly crackers.	*Oreo:* An American brand offering sandwich cookie.	*Toblerone:* A Swiss brand, offers mainly chocolate bar.

Sample products

Major product category	Number of SKU *more than approximately*	Number of brands *approximately*	Shelf life *months approximately*	Approximate ASP*(Note)* *RM*
(d) Sauce, condiments and edible oils • honey • cooking sauce • salad dressing • various food seasoning ingredients • cooking oils • margarine	600	70 Third-Party Brands	up to 36	5.7
Key brands **Third-Party Branded** *Ajinomoto:* A Japanese brand, offers mainly seasonings, cooking oils, frozen foods, beverage and sweeteners.	*AB Mauri:* An American brand, offers mainly yeast and bakery ingredient products.	A Malaysian brand, offers mainly various cooking ingredients and coconut products.	A brand for soya sauce and sauces	

Sample products


Major product category	Number of SKU	Number of brands		Shelf life	Approximate ASP(Note)
	more than approximately	*approximately*		*months approximately*	*RM*
(e) **Beverages**	520	50 Third-Party Brands		up to 24	2.1
• various flavoured, carbonated drinks • chocolate drinks • bottled mineral water • juice					

Key brands

Third-Party Branded

An Australian brand, offers mainly craft brewed soft drinks.	A Singapore brand, offers a wide range of beverage & food products.	*An American brand, offers mainly fruit-based beverages.*	A Japanese brand, offers mainly canned coffee.	A British brand, offers mainly blackcurrant-based soft drinks and fruit drink concentrate.

Sample products




Major product category	Number of SKU	Number of brands	Shelf life	Approximate ASP(Note)
(f) **Quality health products**	90	2 Own-Brand	up to 24	5.3
• honey • salt • sugar • peanut butter	CED	*CED* offers quality health products, such as honey, oatmeal, salt, beans, sugar and peanut butter.		

Sample products

Major product category	Number of SKU *more than approximately*	Number of brands *approximately*	Shelf life *months approximately*	Approximate ASP(Note) *RM*
(ii) Non-F&B products				
(a) Personal and baby care products	1,340	23 Third-Party Brands	up to 36	10.4

- various skincare, hair care and oral care products
- disposable diapers
- baby oil, lotion and powder

Key brands

Third-Party Branded

L'Oreal: A French brand, offers mainly personal care products.

Garnier: A French brand, offers mainly hair care and skin care products.

An American brand of disposable diapers and baby wipes.

An American brand, offers mainly menstrual hygiene products.

Sample products


(b) Pet care products	10	2 Own-Brands	up to 24	6.5

- Cat food

Key brands

Own-Brand

Sayangku offers cat food.

SNOWCAT

Snowcat offers cat food.

Major product category	Number of SKU	Number of brands	Shelf life	Approximate ASP(Note)
	more than approximately	*approximately*	*months approximately*	*RM*
(c) Others				
• Cleaning and kitchen supplies products, such as – pest control products – cleaning agents – Air freshener	620	32 Third-Party Brands	up to 36	7.5
Key brands **Third-Party Branded**				
An American brand, offers mainly cleaning and kitchen supplies.	An American brand, offers mainly kitchen towels.	An American brand offers mainly insecticide product.	An American brand of air fresheners	

Sample products

Note: ASP reflects the average selling price in FY2021 for the relevant product categories.

During the Track Record Period, four of our customers engaged us as their OEM supplier to sell our organic honey under their brands across Malaysia. These customers principally operate a supermarket business. After sourcing the honey from our OEM supplier, we process, package and label such products not only under one of our Own Brands, *CED*, but also under the trademarks and brand names of our customers, which are primarily renowned retail chains. Since our customers are purchasing honey from both under our Own Brands and theirs, such OEM arrangements increases our sales of honey. We apply and exercise the same food safety and quality assurance measures on these products as we would for our own brands. During the Track Record Period, our sales as an OEM supplier to these customers accounted for approximately 0.1%, 0.2%, 0.2% and 0.1%, respectively, of our total revenue.

Measures to avoid excessive competition and cannibalisation

In order to enhance our brand diversity and offer more choices to our customers, we adopt a multi-brand strategy, with a mix of diversified product offering during the Track Record Period. As a result, some of our products are available under different brands in our brand portfolio. Our Directors are aware that any product overlap may give rise to an inherent risk of excessive competition and potential cannibalisation amongst the brands. Nevertheless, we are of the view that such risk would not be material due to the following reasons:

(i) *Sufficient market demand for F&B products*. The market size by revenue of the F&B market in Malaysia increased from approximately RM47.0 billion in 2016 to approximately RM55.7 billion in 2020, representing a CAGR of approximately 4.3%, and it is expected to grow steadily from RM58.7 billion in 2021 to RM70.5 billion by 2025, representing a CAGR of approximately 4.7%, according to the F&S Report. Given the expected market growth, our Directors believe that there will be sufficient market demand for the same product under different brands even if there exists limited product overlap.

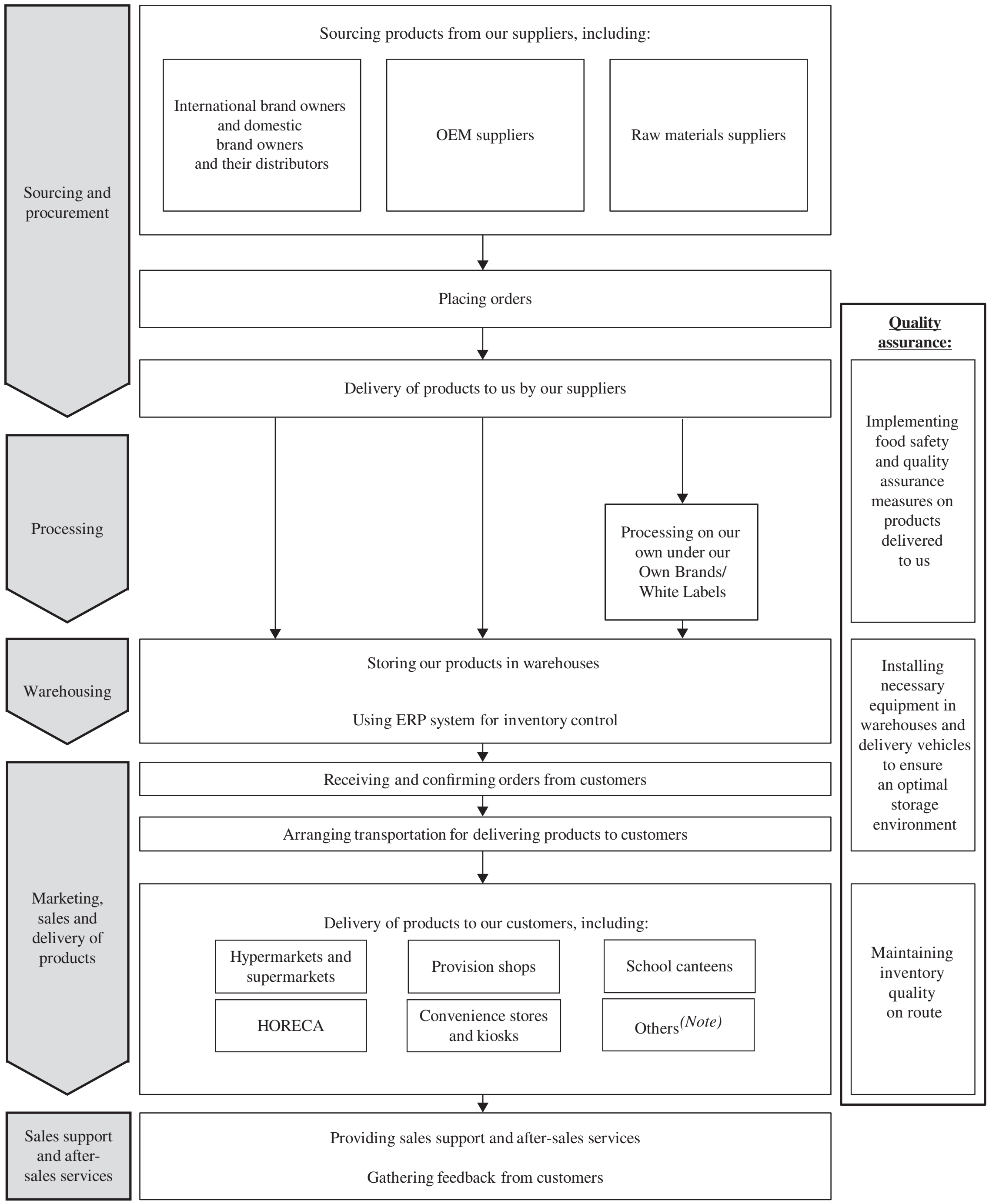
(ii) *Industry trend of F&B distributors in Malaysia in offering Own-Brand Products*. Some of our products are available under both Third-Party Brands and our Own Brands. According to the F&S Report, there is a rising trend for the F&B distributors in the Malaysia F&B distribution industry to offer products under their Own Brands in addition to Third-Party Branded Products to differentiate themselves from other competitors and strengthen their brand reputation. The market size by revenue of the F&B distribution industry for Own-Brand Products sector grew from approximately RM1.4 billion in 2016 to approximately RM1.9 billion in 2020, with a CAGR of 8.0%, and it is forecasted that such market size will reach approximately RM2.8 billion by 2025, representing a CAGR of approximately 8.4% from 2021, according to F&S Report. In view of the above, our Directors believe that it is not uncommon for F&B distributors to develop and sell their Own-Brand Products in addition to Third-Party Branded Products.

(iii) *Continuous monitoring of our inventories*. We continuously monitor the inventory levels of our products to keep track on any potential cannibalisation or excessive competition among these products. Upon discovery of such risk, we will carry out relevant analysis and adjust our strategies to mitigate the risk;

(iv) *Exercise due care in selection of products*. We would exercise due care in product selection and explore those which are different from our then existing products in terms of their nature and price range to avoid excessive competition.

In view of the above measures, our Directors believe that the risk of excessive competition or potential cannibalisation is duly mitigated and thus extremely remote. During the Track Record Period, there were no complaint, legal proceedings or threatened legal proceedings brought by our suppliers against our Group regarding competition or breach of any supply agreements.

The following sets forth our Group's operational flow:



Note: Other customers include pharmacies, book stores and pet shops.

OUR CUSTOMERS

During the Track Record Period, we served more than 11,000 active customers in Malaysia (which have placed orders with us during the respective years in the Track Record Period) which varied in size, business nature and model, with a focus on well-established retail chains, including (i) hypermarkets and supermarkets including *Nirwana, TF Value-Mart, BS Group and Sabasun*, (ii) provision shops and (iii) convenience stores and kiosks. Besides, we also provide our products to other customers, namely (i) F&B dealers and merchandisers, (ii) school canteens, (iii) HORECA that engage in food service industry and (iv) others. To illustrate our high customer retention rate, revenue generated from repeat customer accounts contributed over 90% of our total revenue for FY2019, FY2020 and FY2021.

The table below sets out a breakdown of our revenue generated from our distribution business (excluding revenue generated from logistics and others) by our major customer type during the Track Record Period:

Customer Types	FY2018 Revenue		FY2019 Revenue		FY2020 Revenue		FY2021 Revenue	
	RM'000 (approximately)	*%*	*RM'000 (approximately)*	*%*	*RM'000 (approximately)*	*%*	*RM'000 (approximately)*	*%*
Retail chains and channels								
Hypermarkets and supermarkets	239,169	55.1	258,853	52.7	292,537	52.9	347,157	52.8
Provision shops	75,436	17.4	85,000	17.3	106,352	19.2	136,570	20.8
Convenience stores and kiosks	28,495	6.6	33,601	6.8	34,736	6.3	35,856	5.4
Subtotal	343,100	79.1	377,454	76.8	433,625	78.4	519,583	79.0
F&B dealers and merchandisers	47,402	10.9	64,610	13.2	78,550	14.1	89,995	13.7
HORECA	13,748	3.2	13,996	2.9	10,399	1.9	12,132	1.8
School canteens	13,411	3.1	15,367	3.1	9,284	1.7	5,314	0.8
Others[(Note)]	16,061	3.7	19,821	4.0	21,521	3.9	31,140	4.7
Total	433,722	100.0	491,248	100.0	553,379	100.0	658,164	100.0

Note: Other customers include pharmacies, bookstores, bakery ingredient shops and pet shops.

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 Revenue		FY2019 Revenue		FY2020 Revenue		FY2021 Revenue	
	RM'000	%	*RM'000*	%	*RM'000*	%	*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

We generated all revenue from Malaysia of which Eastern Peninsular Malaysia contributed approximately 71.5%, 67.9%, 64.5% and 61.0% of total revenue of distribution during the Track Record Period. With effort in expanding distribution business in other areas, the aggregate of Northern and Western Peninsular Malaysia grew at fast pace with an increase in revenue of approximately RM25.5 million, RM33.3 million and RM55.0 million, or an increase of approximately 21.8%, 23.3% and 31.2% for FY2019, FY2020 and FY2021 respectively, compared with their previous year.

Major customers

During the Track Record Period, the revenue generated from our five largest customers in aggregate accounted for approximately 30.2%, 27.6%, 26.8% and 27.9% of our total revenue, respectively, and the revenue generated from our single largest customer accounted for 9.0%, 7.8%, 8.7% and 9.1% of our total revenue, respectively. During the Track Record Period, our five largest customers conduct business in Malaysia and mainly operate hypermarkets and supermarkets, and they purchased F&B products and non-F&B products offered by our Group. As at 31 December 2021, we had established long-term business relationship with our five largest customers during the Track Record Period ranging from approximately 11 to 26 years.

The following table sets forth the revenue from our five largest customers based on their ranking in terms of revenue contribution to our Group during the Track Record Period:

FY2021

Rank	**Customer**	**Background of customer**	**Credit term**	**Payment method**	**Commencement year of our business relationship**	**Transaction amounts**	**As a percentage of total revenue**
			days			*RM'000 approximately*	*%*
1	Customer A	A retail chain in Peninsular Malaysia with more than 60 outlets.	15-60	Bank transfer, cheque	1995	60,829	*9.1*
2	Billion Group	A retail chain in Peninsular Malaysia with more than 45 outlets.	30-60	Bank transfer, cheque	2008	36,883	*5.5*
3	Nirwana Group	A retail chain in Peninsular Malaysia with more than 15 outlets.	15-60	Bank transfer, cheque	1995	31,818	*4.8*
4	Customer B	A retail chain in Peninsular Malaysia with more than 2,000 outlets.	30	Bank transfer, cheque, cash	2004	28,605	*4.3*
5	TF Value-Mart	A retail chain in Peninsular Malaysia with more than 35 outlets.	30-60	Bank transfer, cheque	1998	27,912	*4.2*
Total						186,047	27.9

FY2020

Rank	Customer	Background of customer	Credit term *days*	Payment method	Commencement year of our business relationship	Transaction amounts *RM'000 approximately*	As a percentage of total revenue *%*
1	Customer A	A retail chain in Peninsular Malaysia with more than 60 outlets.	15-60	Bank transfer, cheque	1995	48,990	*8.7*
2	Nirwana Group	A retail chain in Peninsular Malaysia with more than 15 outlets.	15-60	Bank transfer, cheque	1995	32,325	*5.7*
3	Billion Group	A retail chain in Peninsular Malaysia with more than 45 outlets.	30-60	Bank transfer, cheque	2008	28,581	*5.1*
4	TF Value-Mart	A retail chain in Peninsular Malaysia with more than 35 outlets.	30-60	Bank transfer, cheque	1998	27,048	*4.8*
5	Customer B	A retail chain in Peninsular Malaysia with more than 2,000 outlets.	30	Bank transfer, cheque, cash	2004	14,078	*2.5*
Total						151,022	26.8

FY2019

Rank	Customer	Background of customer	Credit term	Payment method	Commencement year of our business relationship	Transaction amounts	As a percentage of total revenue
			days			*RM'000 approximately*	*%*
1	Customer A	A retail chain in Peninsular Malaysia with more than 60 outlets.	15-60	Bank transfer, cheque	1995	38,738	*7.8*
2	Nirwana Group	A retail chain in Peninsular Malaysia with more than 15 outlets.	15-60	Bank transfer, cheque	1995	32,940	*6.6*
3	TF Value-Mart	A retail chain in Peninsular Malaysia with more than 35 outlets.	30-60	Bank transfer, cheque	1998	28,665	*5.8*
4	Billion Group	A retail chain in Peninsular Malaysia with more than 45 outlets.	30-60	Bank transfer, cheque	2008	24,416	*4.9*
5	BS Group	A retail chain in Peninsular Malaysia with more than 10 outlets.	15-60	Bank transfer, cheque	2010	12,678	*2.5*
Total						137,437	27.6

FY2018

Rank	Customer	Background of customer	Credit term	Payment method	Commencement year of our business relationship	Transaction amounts	As a percentage of total revenue
			days			*RM'000 approximately*	*%*
1	Customer A	A retail chain in Peninsular Malaysia with more than 60 outlets.	15-60	Bank transfer, cheque	1995	39,439	*9.0*
2	Nirwana Group	A retail chain in Peninsular Malaysia with more than 15 outlets.	15-60	Bank transfer, cheque	1995	36,226	*8.2*
3	Billion Group	A retail chain in Peninsular Malaysia with more than 45 outlets.	30-60	Bank transfer, cheque	2008	24,458	*5.6*

Rank	Customer	Background of customer	Credit term	Payment method	Commencement year of our business relationship	Transaction amounts	As a percentage of total revenue
			days			*RM'000 approximately*	*%*
4	TF Value-Mart	A retail chain in Peninsular Malaysia with more than 35 outlets.	30-60	Bank transfer, cheque	1998	23,880	*5.4*
5	Customer C	A retail chain in Peninsular Malaysia with more than 5 outlets.	15-60	Bank transfer, cheque	1995	8,981	*2.0*
Total						132,984	30.2

All of our five largest customers during the Track Record Period had continuous business relationship with us since they had started purchasing from us.

To the best knowledge and belief of our Directors, none of our Directors or Shareholders who owns more than 5% of the share capital of our Company immediately following completion of the Capitalisation Issue and the [**REDACTED**], nor any of their respective associates, had any interest in any of the five largest customers of our Group for each of the financial years in the Track Record Period. During the Track Record Period, part of our revenue was generated from sales to customers who are connected persons of our Group. Please refer to the section headed "Connected Transactions" in this document for further details.

Salient terms of orders placed by our customers

Our customers generally place orders with our sales team. As a follow-up, we would issue an invoice to the customer. The orders from our customers are generally on the following summarised terms:

Product description	:	The product code, quantity required and unit price of the ordered products are set out.
Payment and credit term	:	Full payment by bank transfer, cheque or cash within a credit period of generally up to 90 days.
Rebate	:	We generally offer unconditional and conditional sales rebates as an incentive for our customers.
Place of delivery	:	Product will be delivered to premises in Malaysia as designated by the customer.
Delivery lead time	:	Generally not more than four days.

For our customers which are typically large retail chains, we may enter into trading terms agreements with them, which generally are binding for one year and may be automatically renewed and provide for sales rebate and a credit period of generally up to 90 days.

During the Track Record Period, conditional sales rebates (offered by us to our customers, which were mainly hypermarkets and supermarkets, primarily based on their ability to meet certain targets set by us in relation to their purchase amount) and unconditional rebates (offered by us without conditions to our customers, which were typically hypermarkets and supermarkets), amounted in aggregate to approximately RM1.6 million, RM2.1 million, RM7.9 million and RM5.5 million, respectively. Generally, we offer unconditional rebates mainly to hypermarkets and supermarkets given their generally larger and more frequent purchases from us compared with other customers. For customers with which we have a relatively long business relationships or those which may have the capacity to place large purchases with us, we generally offer conditional rebates based on their fulfilment of certain purchase targets. Unconditional and conditional rebates are not mutually exclusive.

Our F&B dealers and merchandisers

During the Track Record Period, we sold our products to more than approximately 540, 790, 830 and 900 F&B dealers and merchandisers, respectively. Our Directors believe that it is more cost-efficient to market and sell our products to local dealers and merchandisers when the market size of the F&B distribution industry in certain geographic locations do not justify the expenses for setting up a local warehouse and logistics operation. Forming business relationships with local F&B dealers and merchandisers enables us to establish our business presence in areas of Malaysia where our warehouses are unable to cover, such as Perak and East Malaysia. Depending on the scale and capabilities of the F&B dealers and merchandisers and the complexity of the distribution logistics, we may engage more than one F&B dealer and merchandiser for a specific area for the onward sales to local retailers or directly to end consumers in specified territories.

Most of the F&B dealers and merchandisers conduct business with our Group on an order by order basis as our customers only through placing orders with our sales team, except for one F&B dealer, with its business based in East Malaysia, which have also signed three non-exclusive supply agreements with our Group in FY2019, which were all in force as at 31 December 2021.

During the Track Record Period, there were no major changes in the movement in the number of F&B dealers and merchandisers who have entered into supply agreements with us. There were no historical sales which are non-recurring during the Track Record Period.

The table below sets out the movements in the number of our F&B dealers and merchandisers and turnover rate during the Track Record Period:

		FY2018	FY2019	FY2020	FY2021
		approximately	*approximately*	*approximately*	*approximately*
Recurring	*a*	536	549	799	835
New *(Note 1)*	*b*	112	287	130	162
Inactive *(Note 2)*	*c*	(99)	(37)	(94)	(87)
Net movement for the year	*d = b + c*	13	250	36	75
Total	*e = a + d*	549	799	835	910
Percentage of net change to total	*f = d/e*	2.4%	31.3%	4.3%	8.0%

Notes:

1. "New" refers to our new customers in a particular financial year which did not place purchase order with us in the preceding year(s) but had placed at least one purchase order with us in that year.

2. "Inactive" refers to our inactive customers in a particular financial year which did not place any purchase order with us in that year.

The increase in new customers for FY2019 was mainly attributable to our new distributorships secured from Supplier C in that year. The number of F&B dealers and merchandisers for FY2020 and FY2021 remained relatively stable as compared with the previous year.

In line with the industry practice, we are in a seller-buyer relationship with our F&B dealers and merchandisers where we sell our products in bulk to them, who then sell the products to, inter alia, local retailers or directly to general consumers. We retain no ownership control over the products sold to the F&B dealers and merchandisers, and all significant risks and rewards associated with the products are transferred to them upon delivery and acceptance. To comply with the terms of our marketing obligations under the distribution agreements with our suppliers, we generally supply marketing and promotional materials of our products to F&B dealers and merchandisers and require them to observe reasonable directions and instructions given by our Group. The three supply agreements entered into between us and the F&B dealer and merchandiser mainly contain the following summarised terms:

Contract term	:	The initial term generally ended on our financial year end date, which would thereafter be automatically renewed for one year annually unless terminated by either party.
Geographical areas	:	The F&B dealer is authorised to sell, distribute, advertise and promote the sales of the products only in specified territories of East Malaysia.
Exclusivity	:	Non-exclusive
Product return	:	We do not accept any product return from the F&B dealer, except for damaged or expired goods, and we do not have any obsolete stock arrangements with them, which is in line with industry practice according to our Directors.
Pricing policies	:	We provide a recommended resale price list to the F&B dealer for their reference.
Sales targets	:	We do not require the F&B dealer to achieve a specific sales volume or meet sales targets.
Minimum purchase amounts	:	We do not impose any minimum purchase commitments on the F&B dealer.
Credit terms	:	We generally provide for a credit period of up to 90 days.
Assignment	:	The F&B dealer may not assign, sub-contract or delegate its obligations to any third party without our prior consent.
Termination	:	Either party may terminate the agreement upon prior written notice to the other party.

Revenue from the distribution of our products to the F&B dealers and merchandisers is recognised at a point in time at which the customer obtains the control of the ordered products, which generally coincides with the time when the products are delivered to customers and the title is passed. This is generally consistent with the timing of revenue recognition for our sales of products to other customers. During the Track Record Period, our (i) revenue generated from sales to F&B dealers and merchandisers amounted to approximately RM47.4 million, RM64.6 million, RM78.6 million and RM90.0 million, representing approximately 10.8%, 13.0%, 13.9% and 13.5% of our total revenue, respectively; (ii) revenue generated from sales to the one F&B dealer which entered into three supply agreements with us in 2019 amounted to approximately nil, RM3.1 million, RM5.8 million and RM7.4 million, representing approximately nil, 0.6%, 1.0% and 1.1% of our total revenue, respectively.

To the best knowledge and belief of our Directors, none of our Directors or Shareholders who owns more than 5% of the share capital of our Company immediately following completion of the [**REDACTED**] and the Capitalisation Issue, nor any of their respective associates, had any interest in any of the F&B dealers and merchandisers of our Group during the Track Record Period. All our F&B dealers and merchandisers during the Track Record Period and as at the Latest Practicable Date were Independent Third Parties.

Entities which are our customers and also our suppliers

Customers which are also our suppliers

Due to the nature of our distribution business, some of our customers are also our suppliers, from which we have purchased products such as beverages and dairy products. During the Track Record Period, for instance, some of our customers such as hypermarkets and supermarkets, to which we had supplied products, had placed different products on sale at a discount, and we had purchased from these customers such products which were not available in our product offerings for onward sale to our customers such as wholesalers. During the Track Record Period, our (i) revenue generated from sales to our major customers who are also our suppliers amounted to approximately RM60.1 million, RM61.6 million, RM59.4 million and RM59.7 million, representing approximately 13.7%, 12.4%, 10.5% and 8.9% of our total revenue, respectively; and (ii) gross profit generated from the same amounted to approximately RM8.2 million, RM7.5 million, RM7.8 million and RM6.7 million, representing approximately 13.9%, 11.3%, 9.8% and 7.1% of our total gross profit, respectively and (iii) gross profit margin generated thereof was approximately 13.6%, 12.2%, 13.1% and 11.3%, respectively. Such major customers from which we had purchased products during the Track Record Period included *Nirwana*. During the Track Record Period, our purchase from our customers who are also our suppliers amounted to approximately RM0.1 million, RM1.1 million, RM0.6 million and RM63,000, respectively, which we believe to be insignificant.

Suppliers which are also our customers

Due to the nature of our distribution business, some of our suppliers are also our customers, to which we have provided logistics services and marketing and sales support services, and sold our products.

In relation to logistics services provided to our suppliers, we may render delivery services to them when some of our logistics vehicles are not fully loaded for a particular delivery, which allows us to utilise the spare capacity of our logistics vehicles to deliver products for our suppliers to their customers. Our Directors believe that such practice optimises the loading capacities of our logistics vehicles.

Upon the request of certain suppliers, we may also provide particular marketing and sales support services to them. For instance, we assist in the promotional activities initiated by our suppliers and charge them a fee. Where our sales representatives carry our ice-cream products in our logistics vehicles to routinely visit our customers' retail premises for conducting on-site sales to our customers, we charge a service fee for our sales support services provided to the ice-cream supplier. Our sales representatives may also be responsible for other sales support services such as setting up promotional displays, stock arrangement, fridge cleaning and promoting new products.

Some of our suppliers may source from us various kind of products that are not available in their product offerings. For instance, whilst they supply us with local frozen seafood, they may also purchase imported frozen seafood from us for resale to their customers. Since our product offerings are different from theirs, purchasing from one another can increase both of our product portfolio.

During the Track Record Period, our (i) revenue generated from our suppliers to which we provided the aforementioned services and products amounted to approximately RM4.3 million, RM6.7 million, RM8.2 million and RM8.7 million, representing approximately 1.0%, 1.4%, 1.4% and 1.3% of our total revenue, respectively; our gross profit generated from such suppliers amounted to approximately RM2.6 million, RM2.7 million, RM5.3 million and RM6.0 million, representing approximately 4.5%, 4.1%, 6.6% and 6.4% of our total gross profit, respectively; and (iii) gross profit margin generated thereof was approximately 60.5%, 40.3%, 64.6% and 69.2%, respectively. Our major suppliers which were also our customers during the Track Record Period included Supplier A, Supplier B, *Mondelez* and *Etika*. During the Track Record Period, our revenue generated from providing the aforesaid services and products to such major suppliers amounted to approximately RM3.0 million, RM3.0 million, RM5.1 million and RM5.4 million, respectively and our gross profit generated from the same amounted to approximately RM1.9 million, RM1.7 million, RM3.7 million and RM4.0 million, respectively.

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 target prices of the products we offer to our customers varies with each order. The management of our Group will review and revise the price list of our products daily after taking into account, among other things, 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. In particular, for our Own Products, our Group has complete autonomy in determining the selling prices, which were primarily based on the prevailing market conditions, input costs, and competitive perspectives. As for the Third-Party Brand Products, pricing is typically based on the prices recommended by the brand owners of the Third-Party Brand Products in accordance with the terms of the relevant distribution agreements.

Our Directors believe that we are able to pass on part of the increase in our procurement costs to our customers under our pricing policy. Comparing the pricing of similar products offered by our competitors from time to time, we believe that our price set for our products during the Track Record Period represented good value for money and remained competitive while still being capable of maintaining reasonable profit margins.

Credit policy and payment methods

Before taking up orders from a new customer, we generally obtain its credit report and assess its credibility. We grant credit period to our customers based on, *inter alia*, their credit records, financial position, operating scale, duration of business relationship and usual purchase amount. We also constantly monitor customers' payment and credit records and adjust their credit term, if necessary. For major customers with which we have maintained stable business relationship, we generally offer a credit period up to 60 days. Our management closely monitors the credit exposure and repayment conditions of our customers. We will make provisions if our management believes that any customer is or is likely to be in financial distress and is unable to settle its long outstanding trade amount. For further details of our credit policy, please refer to the paragraphs headed "Financial Information – Principal financial position items – Trade and other receivables" in this document.

Payment from our customers is usually settled by way of bank transfer, cheque or cash. During the Track Record Period, approximately 90.4%, 90.8%, 92.5% and 95.1% of our total revenue, respectively, was settled by bank transfer and by cheque, and during the Track Record Period approximately 9.6%, 9.2%, 7.5% and 4.9% of our total revenue, respectively, was settled in cash.

Product return policy

We generally accept returns of (i) any defective products sold by us that were damaged during transportation and delivery; (ii) products that did not correspond to the product specifications, after examination and upon approval by our management; or (iii) any products which have already expired or will soon expire upon delivery. Our Group strongly encourages our customers to give notice of such instances as soon as possible and make a return request. Any failure to notify us within one business day shall be deemed acceptance by the customer.

The process and cost of return will generally be borne by our Group, where the products concerned would be identified, segregated, collected and transported back to our Group's warehouses. In the alternative, our customers, after consulting with us, may also destroy the products by themselves. For any potential product return, we would perform proper inspection and examination of the defective or damaged products. Products returned may be further returned to our suppliers or destroyed by us. As a follow-up measure, a credit note will be issued.

During the Track Record Period, products returned by our customers to us amounted to approximately RM12.7 million, RM16.7 million, RM16.0 million and RM22.9 million, respectively, representing 2.9%, 3.4%, 2.9% and 3.4% of our total revenue. Up to the Latest Practicable Date, we did not experience any material product return due to product quality defects or damages, nor did we receive any liability claims in relation to the same.

OUR SUPPLIERS

During the Track Record Period, we sourced products from more than 170 suppliers, which were primarily (i) international brand owners and domestic brand owners, wholesalers and distributors for over 200 international brands and domestic brands in Malaysia and originated in different countries such as the United Kingdom, New Zealand, the United States and Japan, and (ii) raw material suppliers and OEM suppliers. We generally place orders with our suppliers by email, who would then issue to us the relevant invoices setting out, among other things, the description, quantity and unit price of the products ordered and place of delivery.

Selection of suppliers

Our Group considers the ability to source and supply diverse and high-quality products can showcase our reliability and instill customer confidence. Ever since our Group was founded and commenced our business in the F&B distribution industry, we have been continuously expanding our scale of operations by embarking on new business relationships with reputable suppliers.

We explore new brands and products mainly via (i) the introduction by our existing supplier(s) or new suppliers; (ii) attending trade fairs and exhibitions; and (iii) Internet search. When selecting and evaluating a potential supplier, we generally consider (i) the product portfolio it is able to offer; (ii) the quality and pricing of its products; (iii) the brand origin and (iv) market demand and preference for its products. Before we make any purchases, we require our OEM suppliers and raw material suppliers to provide health certificates, inspection reports and relevant qualifications for the products. These certificates and reports shall be issued by the relevant government authorities or recognised authorities or institutions so as to prove that the products have passed all requisite tests, are safe for human consumption or use, and comply with the relevant food hygiene regulations in Malaysia. For further details, please refer to the paragraphs headed "Food safety and quality assurance – Sourcing and procurement" below in this section.

We may also request small quantities of sample products from potential suppliers for examination and evaluation. Before placing any purchases in large quantity, we will study the historical sales data of Third-Party Branded Products and assess its market size. Once we have identified and selected potential brand owners or distributors and their products, we will negotiate for distributorship of the products in Malaysia and subject to their consent, enter into distribution agreement with them for distributing their products. However, not all brand owners or distributors prefer entering into a distribution agreement with us. In such a case, we have to purchase products from these suppliers in bulk based on the terms of individual orders for onward sale of the products to our customers.

Major suppliers

During the Track Record Period, our five largest suppliers in aggregate accounted for approximately 50.5%, 51.0%, 47.1% and 43.5%, respectively, of our total purchases, and our largest supplier accounted for approximately 15.0%, 17.1%, 15.2% and 14.8% of our total purchases, respectively. As at 31 December 2021, we had established long-term business relationship ranging from approximately four to 25 years with our five largest suppliers during the Track Record Period.

The table below sets out certain information of our Group's five largest suppliers based on their ranking in terms of cost of purchases incurred by our Group during the Track Record Period:

FY2021

Rank	**Supplier**	**Background of Supplier**	**Principal products supplied to our Group**	**Credit term**	**Payment method**	**Commencement year of our business relationship**	**Transaction amount**	**As a percentage of total purchases**
				days			*RM'000 approximately*	*%*
1	Supplier A	A Malaysia subsidiary of a British multinational consumer goods company listed on the London Stock Exchange and Euronext Amsterdam with a market capitalisation of approximately GBP101.0 billion*(Note)*.	Ice-cream	30	Bank transfer	2003	85,065	*14.8*
2	Supplier B	A Malaysia subsidiary of a global dairy nutrition company listed on the New Zealand's Exchange with a market capitalisation of approximately NZD4.8 billion*(Note)*.	Milk powder, milk, cheese and other dairy products	7	Bank transfer	1996	58,140	*10.1*
3	*Mondelez*	A Malaysia affiliate of an American multinational F&B company listed on the Nasdaq Stock Market with a market capitalisation of approximately USD92.5 billion*(Note)*.	Chocolate bar, chocolate chip cookies and biscuits	3	Bank transfer	2017	49,005	*8.5*

Rank	Supplier	Background of Supplier	Principal products supplied to our Group	Credit term	Payment method	Commencement year of our business relationship	Transaction amount	As a percentage of total purchases
				days			*RM'000 approximately*	*%*
4	*Etika*	A FMCG company in Malaysia principally engaged in the manufacturing, distribution and marketing of beverage and dairy products across certain markets in South East Asia reaching over 40,000 customers.	Soft drinks, canned coffee, milk and other beverage products	40	Bank transfer	2005	32,649	*5.7*
5	Ajinomoto (Malaysia) Berhad	A listed subsidiary in Malaysia of a global food and biotechnology corporation principally engaged in the production of, inter alia, seasonings, interlayer insulation materials, cooking oil and amino acids, listed on the Tokyo Stock Exchange with a market capitalisation of approximately JPY1,887.0 billion*(Note)*.	Sauce & condiment	7	Bank transfer	2010	25,038	*4.4*
Total							249,897	*43.5*

Note: The market capitalisation value was updated on 31 December 2021.

FY2020

Rank	Supplier	Background of Supplier	Principal products supplied to our Group	Credit term	Payment method	Commencement year of our business relationship	Transaction amount	As a percentage of total purchases
				days			*RM'000 approximately*	*%*
1	Supplier A	A Malaysia subsidiary of a British multinational consumer goods company listed on the London Stock Exchange and Euronext Amsterdam with a market capitalisation of approximately GBP101.0 billion*(Note)*.	Ice-cream	30	Bank transfer	2003	72,349	*15.2*
2	Supplier B	A Malaysia subsidiary of a global dairy nutrition company listed on the New Zealand's Exchange with a market capitalisation of approximately NZD4.8 billion*(Note)*.	Milk powder, milk, cheese and other dairy products	7	Bank transfer	1996	54,569	*11.5*
3	*Mondelez*	A Malaysia affiliate of an American multinational F&B company listed on the Nasdaq Stock Market with a market capitalisation of approximately USD92.5 billion*(Note)*.	Chocolate bar, chocolate chip cookies and biscuits	3	Bank transfer	2017	47,928	*10.1*

Rank	**Supplier**	**Background of Supplier**	**Principal products supplied to our Group**	**Credit term**	**Payment method**	**Commencement year of our business relationship**	**Transaction amount**	**As a percentage of total purchases**
				days			*RM'000 approximately*	*%*
4	*Etika*	A FMCG company in Malaysia principally engaged in the manufacturing, distribution and marketing of beverage and dairy products across certain markets in South East Asia reaching over 40,000 customers.	Soft drinks, canned coffee, milk and other beverage products	40	Bank transfer	2005	28,255	*5.9*
5	Ajinomoto (Malaysia) Berhad	A listed subsidiary in Malaysia of a global food and biotechnology corporation principally engaged in the production of, inter alia, seasonings, interlayer insulation materials, cooking oil and amino acids, listed on the Tokyo Stock Exchange with a market capitalisation of approximately JPY1,887.0 billion[(Note)].	Sauce & condiment	7	Bank transfer	2010	21,110	*4.4*
Total							224,211	*47.1*

Note: The market capitalisation value was updated on 31 December 2021.

FY2019

Rank	Supplier	Background of Supplier	Principal products supplied to our Group	Credit term	Payment method	Commencement year of our business relationship	Transaction amount	As a percentage of total purchases
				days			*RM'000 approximately*	*%*
1	Supplier A	A Malaysia subsidiary of a British multinational consumer goods company listed on the London Stock Exchange and Euronext Amsterdam with a market capitalisation of approximately GBP101.0 billion*(Note)*.	Ice-cream	30	Bank transfer	2003	73,012	*17.1*
2	Supplier B	A Malaysia subsidiary of a global dairy nutrition company listed on the New Zealand's Exchange with a market capitalisation of approximately NZD4.8 billion*(Note)*.	Milk powder, milk, cheese and other dairy products	7	Bank transfer	1996	53,195	*12.4*
3	*Mondelez*	A Malaysia affiliate of an American multinational F&B company listed on the Nasdaq Stock Market with a market capitalisation of approximately USD92.5 billion*(Note)*.	Chocolate bar, chocolate chip cookies and biscuits	3	Bank transfer	2017	42,233	*9.9*

Rank	Supplier	Background of Supplier	Principal products supplied to our Group	Credit term	Payment method	Commencement year of our business relationship	Transaction amount	As a percentage of total purchases
				days			*RM'000 approximately*	*%*
4	*Etika*	A FMCG company in Malaysia principally engaged in the manufacturing, distribution and marketing of beverage and dairy products across certain markets in South East Asia reaching over 40,000 customers.	Soft drinks, canned coffee, milk and other beverage products	40	Bank transfer	2005	30,599	*7.2*
5	Ajinomoto (Malaysia) Berhad	A listed subsidiary in Malaysia of a global food and biotechnology corporation principally engaged in the production of, inter alia, seasonings, interlayer insulation materials, cooking oil and amino acids, listed on the Tokyo Stock Exchange with a market capitalisation of approximately JPY1,887.0 billion*(Note)*.	Sauce & condiment	7	Bank transfer	2010	18,778	*4.4*
Total							217,817	*51.0*

Note: The market capitalisation value was updated on 31 December 2021.

FY2018

Rank	Supplier	Background of Supplier	Principal products supplied to our Group	Credit term *days*	Payment method	Commencement year of our business relationship	Transaction amount *RM'000 approximately*	As a percentage of total purchases *%*
1	Supplier A	A Malaysia subsidiary of a British multinational consumer goods company listed on the London Stock Exchange and Euronext Amsterdam with a market capitalisation of approximately GBP101.0 billion*(Note)*.	Ice-cream	30	Bank transfer	2003	56,421	*15.0*
2	Supplier B	A Malaysia subsidiary of a global dairy nutrition company listed on the New Zealand's Exchange with a market capitalisation of approximately NZD4.8 billion*(Note)*.	Milk powder, milk, cheese and other dairy products	7	Bank transfer	1996	47,305	*12.5*
3	*Mondelez*	A Malaysia affiliate of an American multinational F&B company listed on the Nasdaq Stock Market with a market capitalisation of approximately USD92.5 billion*(Note)*.	Chocolate bar, chocolate chip cookies and biscuits	3	Bank transfer	2017	39,087	*10.4*
4	*Etika*	A FMCG company in Malaysia principally engaged in the manufacturing, distribution and marketing of beverage and dairy products across certain markets in South East Asia reaching over 40,000 customers.	Soft drinks, canned coffee, milk and other beverage products	40	Bank transfer	2005	30,510	*8.1*

Rank	Supplier	Background of Supplier	Principal products supplied to our Group	Credit term *days*	Payment method	Commencement year of our business relationship	Transaction amount *RM'000 approximately*	As a percentage of total purchases *%*
5	Ajinomoto (Malaysia) Berhad	A listed subsidiary in Malaysia of a global food and biotechnology corporation principally engaged in the production of, inter alia, seasonings, interlayer insulation materials, cooking oil and amino acids, listed on the Tokyo Stock Exchange with a market capitalisation of approximately JPY1,887.0 billion(Note).	Sauce & condiment	7	Bank transfer	2010	17,160	*4.5*
Total							190,483	*50.5*

Note : The market capitalisation value was updated on 31 December 2021.

To the best knowledge and belief of our Directors, none of our Directors or Shareholders who owns more than 5% of the share capital of our Company immediately following completion of the [**REDACTED**] and the Capitalisation Issue, nor any of their respective associates, had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Salient terms of distribution agreements

Our Directors believe that entering into legally binding distribution agreements with our suppliers is beneficial to our Group in consolidating our market position, primarily because such arrangements solidify the business relationships, confidence and mutual co-operation between our Group and our suppliers, thereby allowing our Group to secure stable and sufficient supplies of highly demanded products at a competitive price and to maintain a diversified product portfolio.

As at 31 December 2021, we had over distribution agreements in force which were entered into with over 30 suppliers covering more than 100 Third-Party Brands. Our agreements with our suppliers of Third-Party Brand Products generally contain the following summarised terms:

Contractual term	:	The agreement is generally binding and effective for a fixed period ranging from one to three year(s) and may be automatically renewed or contain an option to renew.
Product description	:	The products to be distributed are listed out together with their description and specifications.

Area(s) of distribution	:	Area(s) of distribution in Malaysia are specified in each agreement. Distributorship is non-exclusive.
Price payment and credit terms	:	Payment is by cash, cheque or bank transfer within a credit period of generally up to 60 days.
Minimum purchase commitment	:	We may be required to place orders for our suppliers' products totalling not less than a certain purchase amount over a specified period.
Performance targets	:	We may be subject to certain performance targets such as sales targets set out in the distribution agreement.
Rebate	:	We are generally offered rebate as an incentive to reach certain sales targets set out in the distribution agreement.
Appointment(s) of sub-distributor	:	We are generally restricted from appointing sub-distributors unless consent is obtained.
Resale price	:	Resale price are mainly recommended by our supplier or determined by us after discussion with our suppliers.
Our obligations	:	We shall assist in promoting and maximising the sales of the products and ensure that the products are well preserved and are in good conditions for sale.
Delivery cost and arrangement	:	The products are delivered to our designated warehouses at the supplier's cost.
Title and risk of loss	:	Title to the products and legal risks pass to us when we have accepted the products delivered to us.
Product return	:	We may return defective or damaged products provided that such defect or damage is not attributable to our negligence. This standard is in line with the industry practice.
Termination	:	Either party may terminate the agreement upon prior written notice to the other party in accordance with the agreement.

Our Directors confirm that, as at the Latest Practicable Date, there had not been any material breach of the terms of the distribution agreements entered into between our Group and the respective suppliers.

During the Track Record Period, our aggregate minimum purchase commitments per year under the distribution agreements amounted to not less than RM0.6 million, RM9.7 million, RM11.4 million and RM11.5 million, respectively. Failure to fulfill the said minimum purchase commitments generally constitutes a breach of the distribution agreements and, if material, may entitle the supplier to terminate the agreement. During the Track Record Period, there were occasions where we were unable to fulfill the minimum purchase commitments under two distribution agreements as the then market demand did not warrant our purchase of the required amount.

For the first distribution agreement with minimum purchase commitments of approximately RM0.6 million (for one month in 2018 since the agreement commenced in December 2018) and RM7.2 million (annual commitment for FY2019, FY2020 and FY2021), our shortfall in purchase amount amounted to approximately RM0.4 million, RM3.8 million, RM3.3 million and RM3.4 million, respectively. Since this was the first agreement entered into by us with the supplier in FY2018 for distribution of the relevant products, it was uncertain as to the exact market demand for the products.

For the second distribution agreement with minimum purchase commitments of approximately RM2.5 million (for seven months since the agreement commenced in June 2019), RM4.2 million (annual commitment for FY2020) and RM4.2 million (annual commitment for FY2021), there was no shortfall in relation to such aggregate amounts. Our Group's failure to meet the commitments stemmed from the fact that the said commitments were expressed as weekly minimum order volume under the agreement, which we had failed to achieve in some weeks. However, when taken in aggregate, our purchase amounts for FY2019, FY2020 and FY2021 exceeded the aggregate minimum purchase commitments under the agreement.

In view of the above, we had diligently communicated with the suppliers of the two said distribution agreements regarding our difficulties in meeting the above commitments and were not subjected to any consequence arising therefrom, and the suppliers continued to supply products to us.

In relation to performance targets, we are generally subject to various sales targets, the fulfillment of which may entitle us to certain amount of rebate. During the Track Record Period, the rebate received by us amounted to approximately RM2.6 million, RM3.1 million, RM3.9 million and RM5.7 million, respectively. The consequences of failing to meet the performance targets prescribed by our suppliers include, for instance, issuing of a warning letter to us by the supplier, appointment of additional distributors for its products within the same distribution territory, and termination of our distribution agreement with them, which may vary with respect to each distribution agreement we entered into with our suppliers. During the Track Record Period, our Group had not experienced any of the above-mentioned incidents or consequences. In practice, our suppliers generally adopt a flexible approach towards our meeting of such targets as they take into account the prevailing market conditions and our performance of other obligations under the distribution as a whole, such as marketing and sales price adjustment. We generally communicate closely with our suppliers and if necessary, express our difficulties in meeting sales targets and they would generally provide us with various means of support. For instance, they may (i) enhance marketing strategies for product promotion and providing us with more flexibility in pricing to stimulate the sales of their products and (ii) adjust our performance targets to make them more achievable and practicable in view of the economy, market demand and industry trend at the time.

During the Track Record Period, we had also engaged raw material suppliers and OEM suppliers for our Own Products. We give our OEM suppliers the specifications of our Own-Brand Products, our trademarks as well as the packaging and labelling requirements. Upon our confirmation on the sample products, they proceed to mass production. Our raw material suppliers provide for both our Own-Brand Products and White-Label Products. Our raw material suppliers supply the raw materials to us for our processing (including freezing, packaging and labelling) at our processing facilities for which we either sell to our customers as White-Label Products or we further label the products under our own brand names for sale.

For the compliance with Halal standard, our Halal products are processed separately from non-Halal material to avoid contaminations. We generally entered into OEM agreements with some of our OEM suppliers for a fixed period, ranging from one to two years. Agreements with our OEM suppliers generally contain terms such as product details, production requirements, products inspection and acceptance criteria, agreed price and payment and delivery terms. During the Track Record Period, we generally did not enter into any long-term agreements with our raw material suppliers and we generally purchase raw materials from them on an order-to-order basis.

MARKETING AND OTHER SUPPORT SERVICES

Our dedicated sales team, composed of 340 personnel as at 31 December 2021, is entrusted to provide quality sales support services to our suppliers, such as setting up promotional displays, stock arrangement and marketing of new products. Being one of the distributors of certain international branded products in Malaysia, we would assist in the promotional activities initiated by the brand owners or distributors from time to time.

Our sales representatives and customer service personnel also handle general enquiries, product return and complaints. They are required to provide prompt responses by way of phone or email to ensure all customers' concerns are properly acknowledged and followed-up. For serious complaints such as large quantity product return, our customer service personnel will report such matters to the head of sales team for investigation and resolution, who may report such matters further to our executive Directors, if necessary.

As at 31 December 2021, we had three designated marketing personnel responsible for the promotion of our Own-Brand Products, formulating marketing strategies and understanding the F&B market in Malaysia. According to F&S Report, in 2020, the market size by revenue of the Own-Brand business in the F&B distribution industry reached approximately RM1.9 billion, accounting for approximately 8.4% of the total F&B distribution market. The sales of our Own-Brand Products had gradually increased and accounted for approximately 7.8%, 10.4%, 12.1% and 12.9% of our total revenue during the Track Record Period, respectively. To enhance the exposure and marketability of our Own-Brand Products, we advertise by means of active social media marketing, above the line media, e-commerce platforms, hosting road shows, setting up promotional displays and by direct promotion to our customers.

To reinforce our marketing initiatives, our management and the sales team visit our major customers from time to time to collect their feedback, understand their needs and expectations and gain useful information which facilitates our analysis on the market trends and business planning. Our management may also inquire and explore new products to be developed or launched by them.

During the Track Record Period, our staff costs for our sales and marketing team and other related expenses incurred amounted to approximately RM11.1 million, RM13.9 million, RM17.8 million and RM18.6 million, respectively.

OUR WAREHOUSES

To cater for the needs of our customers in various regions of Peninsular Malaysia, our warehouses, which also serve as our distribution centres, are strategically located to cover Eastern Peninsular Malaysia (including Kuantan, Mentakab, Kuala Terengganu, Kota Bharu), Western Peninsular Malaysia (including Puchong, Seremban), Southern Peninsular Malaysia (including Johor Bahru) and Northern Peninsular Malaysia (including Perai, Alor Setar), which covered most states and regions across Peninsular Malaysia.

The table below sets forth the details of our existing and prospective warehouses as at 31 December 2021:

Self-operated warehouses in Peninsular Malaysia	Nature	Built-up area of the premises	Designated storage capacity(Note 1)	Utilisation rate(Note 2) FY2018	FY2019	FY2020	FY2021
		approximately sq.m.	*approximately CBM*	*approximately %*	*approximately %*	*approximately %*	*approximately %*
Eastern							
1. Kuantan WH (HQ)	Self-owned	6,630					
General storage			3,870	93.6	89.0	86.7	80.8
Cold storage			3,020	88.6	95.5	98.9	100.0
2. Kota Bharu WH	Self-owned	2,900					
General storage			1,930(Note 10)	63.5	78.8	80.7	74.3
Cold storage			470	70.5	82.6	78.1	101.1
3. Kuala Terengganu WH I(A)	Self-owned	1,130					
General storage			450	87.6	103.0	84.2	80.6
Cold storage			220	75.9	80.8	77.7	80.6
4. Mentakab WH	Self-owned	1,730					
General storage			680	67.7	91.3	78.1	83.7
Cold storage			60	63.5	69.8	75.2	98.0
5. Kuantan WH	Leased(Note 4)	1,470					
General storage			1,240	NA	NA	81.7	82.3
Cold storage			–	NA	NA	NA	NA
6. Kuala Terengganu WH II	Leased(Note 5)	800					
General storage			760	78.3	95.7	95.0	99.7
Cold storage			–	NA	NA	NA	NA
Sub-aggregate(Note 3)		**14,660**					
General storage			**8,930**	**83.4**	**88.9**	**85.4**	**81.4**
Cold storage			**3,770**	**85.2**	**92.6**	**94.7**	**99.0**
Northern							
7. Alor Setar WH	Self-owned(Note 6)	2,510					
General storage			5,010(Note 11)	94.7	80.2	86.1	69.8
Cold storage			210(Note 11)	53.8	74.4	87.1	50.9
8. Perai WH	Leased(Note 7)	1,570					
General storage			4,970(Note 12)	NA	NA	61.0	64.6
Cold storage			–	NA	NA	NA	NA
Sub-aggregate(Note 3)		**4,080**					
General storage			**9,980**	**94.7**	**80.2**	**83.3**	**67.2**
Cold storage			**210**	**53.8**	**74.4**	**87.1**	**50.9**

Self-operated warehouses in Peninsular Malaysia	Nature	Built-up area of the premises	Designated storage capacity(Note 1)	Utilisation rate(Note 2) FY2018	FY2019	FY2020	FY2021
		approximately sq.m.	*approximately CBM*	*approximately %*	*approximately %*	*approximately %*	*approximately %*
Western							
9. Puchong WH I	Self-owned	3,480					
General storage			1,490	61.8	88.9	82.9	79.0
Cold storage			220	82.7	96.4	86.6	96.6
10. Seremban WH I	Self-owned	1,390					
General storage			140	63.7	68.5	98.8	95.6
Cold storage			210	77.3	102.5	88.4	102.4
11. Seremban WH II	Leased(Note 8)	290					
General storage			–	NA	NA	NA	NA
Cold storage			70	76.3	87.7	83.3	87.3
***Sub-aggregate*(Note 3)**		**5,160**					
General storage			**1,630**	**62.0**	**87.2**	**84.3**	**80.4**
Cold storage			**500**	**79.5**	**97.7**	**86.9**	**97.8**
Southern							
12. Johor Bahru WH	Self-owned	830					
General storage			510(Note 13)	52.1	77.6	91.2	76.7
Cold storage			70(Note 13)	NA	NA	NA	30.6
***Sub-aggregate*(Note 3)**		**830**					
General storage			**510**	**52.1**	**77.6**	**91.2**	**76.7**
Cold storage			**70**	**NA**	**NA**	**NA**	**30.6**
Total number of self-operated warehouse: 12							
Total aggregate(Note 3)		**24,730**					
General storage			**21,050**	**82.7**	**84.1**	**84.8**	**75.2**
Cold storage			**4,550**	**84.1**	**92.7**	**93.7**	**97.6**

Self-operated warehouses in Peninsular Malaysia	Nature	Built-up area of the premises	Designated storage capacity (Note 1)	Utilisation rate (Note 2) FY2018	FY2019	FY2020	FY2021
		approximately sq.m.	*approximately CBM*	*approximately %*	*approximately %*	*approximately %*	*approximately %*
New self-owned warehouse to be acquired							
13. Kuala Terengganu WH I(B) (Note 14)	Self-owned	7,800					
General storage			4,600				
Cold storage			540				
New self-owned warehouse to be set up							
14. New Klang WH	Self-owned	7,080					
General storage			2,700				
Cold storage			2,700				
Total number of self-operated warehouses upon successful setting-up of the new warehouses: 13 (Note 9)							
Aggregate							
– Self-owned							
General storage			21,380				
Cold storage			7,720				
– Leased							
General storage			6,210				
Cold storage			70				
Total		38,810					
General storage			27,590				
Cold storage			7,790				

Notes:

1. Designated storage capacity in terms of CBM is derived from (i) the actual floor area that has been generally used for storage purpose in each of the warehouse premises during the Track Record Period; and (ii) the maximum height that products can be stacked up for storage in each of the warehouse premises taking into account the necessary pathways in the warehouses and the distance between the racks and pallet areas in order to ensure the safety and ease in loading and unloading of products.

2. Storage utilisation rate for a particular period is the mean of the monthly utilisation rate of the total number of months in that period. The monthly storage utilisation rate is calculated by the inventory of a selected date of the month. The daily storage utilisation rate is calculated by the total CBM of the inventory stock stored in the warehouse on a particular day over designated storage capacity.

3. Aggregate storage utilisation rate for a region is the weighted average of the aggregate utilisation rate of all the warehouses in that region during that period.

4. The lease period for Kuantan WH is from 1 October 2020 to 30 September 2023.

5. The lease period for Kuala Terengganu WH II is from 1 March 2020 to 28 February 2023. The leased warehouse is expected to be replaced by Kuala Terengganu WH I(B).

6. Alor Setar WH was originally leased but was acquired by us in FY2019.

7. The lease period for Perai WH is from 1 November 2020 to 31 October 2023.

8. The lease period for Seremban WH II is from 1 January 2022 to 1 January 2024.

9. Upon successful setting-up of Kuala Terengganu WH I(B), we intend to cease to lease one of our leased warehouses.

10. The designated storage capacity was approximately 1,350 CBM for FY2018, FY2019 and FY2020 and increased to approximately 1,930 CBM for FY2021.

11. The designated general storage capacity was approximately 2,880 CBM for FY2018, FY2019 and FY2020 and increased to approximately 5,010 CBM for FY2021; the designated cold storage capacity was approximately 60 CBM for FY2018, FY2019 and FY2020 and increased to approximately 210 CBM for FY2021.

12. The designated storage capacity was approximately 2,210 CBM for FY2020 and increased to approximately 4,970 CBM for FY2021.

13. The designated general storage capacity was approximately 180 CBM for FY2018, FY2019 and FY2020 and increased to approximately 510 CBM for FY2021; the designated cold storage capacity was approximately nil for FY2018, FY2019 and FY2020 and increased to approximately 70 CBM for FY2021.

14. Its designated storage capacity is estimated based on our intended utilisation plan and is subject to changes and adjustment. For further information of the warehouse, please refer to the subsection headed "Recent acquisition" below in this section.

In addition to our self-operated warehouses, we have engaged Independent Third Party warehouse and logistics service providers for storage area as a supporting extension of our distribution network. The warehouses of these warehouse and logistics service providers include Puchong WH II, Perak WH and Shah Alam WH as at 31 December 2021. During the Track Record Period, we had engaged approximately three independent warehouse and logistics service providers, and our expenses for their warehouse and logistics service amounted to approximately RM1.9 million, RM1.9 million, RM2.3 million and RM2.1 million, respectively. The value of the products (in terms of purchase cost) stored with our warehouse and logistics service providers accounted for approximately 11.5%, 13.1%, 13.2% and 17.1%, respectively, of the total value of all our products (in terms of purchase cost) during the Track Record Period.

Our warehouse and logistics service providers are mainly responsible for the receipt, storage, handling and delivery of our products. Our warehouse and logistics service providers are also responsible for the management of the inventories in accordance with our storage requirement. As part of our food safety and quality assurance policies, we place great emphasis on careful selection of our warehouse and logistics service providers. We also scrutinise the internal policies of the service providers' warehouses, particularly in respect of (i) maintenance and hygiene; (ii) storage environment; (iii) manpower; (iv) measures to protect products from contamination; and (iv) contingency measures.

Cold storage facilities

During the Track Record Period, we had engaged in the distribution of frozen products such as seafood and meat and dairy products. Our Directors believe that one of the key challenges is the proper storage of such products under optimal temperature and condition to preserve their safeness, freshness and quality. Of our 12 self-operated warehouses as at 31 December 2021, nine were equipped with cold storage facilities. Our cold storage facilities have designated storage capacity of approximately 4,550 CBM in total as at 31 December 2021.

Our cold storage facilities are individual storage rooms equipped with refrigerating machines supported by temperature adjustment mechanism, which are specifically designed to store a range of temperature-sensitive product types such as dairy products, frozen meat and frozen seafood. This allows us to have greater flexibility in terms of storage of different temperature-sensitive product types.

Our cold storage facilities are designed to be weathertight and insulated. To maintain a low temperature during loading and unloading, the entrances of our warehouses are equipped with vinyl strip curtains and without air leaks. The warehouses are equipped with recorders to continuously log the temperature and humidity levels, etc., and with real time surveillance and alert system. An alarm would be triggered if the storage temperature rises above a pre-set temperature threshold over which our frozen products may be rendered unfit for human consumption. Floors, walls and ceiling of the cold storage facilities are required to be sanitary and free from flaking paint, rust and physical damage which may be a source of contamination.

Furthermore, we have set up strict guidelines covering various aspects of warehousing operations and maintenance aiming to prevent our products from becoming tainted, decomposed or unwholesome. Our designated warehousing personnel closely monitor and ensure a controlled storage environment. The table below sets out the warehouse conditions and inventory control measure implemented at our warehouses:

	Warehouse	**Cold storage**		
Storage temperature	normal conditions	Frozen products: -18°C ± 2°C	Ice-cream: -22°C ± 2°C	Dairy products: -10°C ± 2°C
Humidity	60% to 75%	60% to 75%		60% to 75%
Inventory control	first-in-first-out	first-in-first-out		first-in-first-out

We engaged third-party service providers to provide maintenance and repair services for our cold storage facilities. In case of a power outage, we can contact third-party electricity supplier(s) to swiftly provide us with back-up electricity supply. Moreover, our cold storage facilities are designed to preserve their temperature within a safe range for a period of time even during power outages. During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any material failure or insufficiency of electricity supply. In view of the above contingency measures, we believe that the risk and impact of power failure on our frozen products and on our business are low.

Recent acquisition

During the Track Record Period, our distribution operations in Eastern Peninsular Malaysia contributed the largest proportion of our income and our revenue generated therefrom accounted for approximately 71.5%, 67.9%, 64.5% and 61.0% of our total revenue from distribution. Owing to the high utilisation rate of Kuala Terengganu WH I(A) and Kuala Terengganu WH II (especially for general storage) as stated in the table above in this subsection in relation to our warehouses, our further growth and expansion in Eastern Peninsular Malaysia, particularly in Kuala Terengganu, has been limited. In light of this, in March 2022, we entered into a sale and purchase agreement for the acquisition of a new warehouse (i.e. 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 resources. Kuala Terengganu WH I(B) has an estimated built up area of approximately 7,800 sq. metres and is intended to be utilised mainly for general storage.

Our acquisition of Kuala Terengganu WH I(B) is expected to complete in or about three months from the date when the state authority's consent is obtained. Upon commencement of operation, Kuala Terengganu WH I(B) is expected to progressively replace Kuala Terengganu WH II.

OUR LOGISTICS OPERATION

Our transportation team and vehicles

We have a robust transportation team consisting of our logistics personnel and a fleet of more than 140 logistics vehicles as at 31 December 2021, details of which are set out below:

	Unit owned As at 31 December			
	2018	**2019**	**2020**	**2021**
Refrigerated				
Trucks (more than 3,500 kg)				
– Ice-cream	48	50	56	58
– Frozen Food	38	39	39	42
Sub-total	86	89	95	100
Non-refrigerated				
Trucks (more than 3,500 kg)	33	32	35	42
Vans (up to 3,500 kg)	2	2	2	1
Sub-total	35	34	37	43
Total	121	123	132	143

During the Track Record Period, our logistics vehicles were close to being fully utilised at high utilisation rate of approximately 77.6%, 81.1%, 83.1% and 78.5%, respectively, which is calculated by dividing the actual number of days on which the vehicles are deployed in the relevant year by the total number of working days of the relevant year. The utilisation rate of our logistics vehicles for FY2021 is lower than that for FY2019 and FY2020. For FY2021 compared with FY2020, we recorded an increase in our revenue generated from retail chains and channels, in particular hypermarkets and supermarkets, and a decrease in our revenue for FY2021 compared with FY2020 generated from school canteens. This is mainly attributable to the various social distancing and lockdown measures under the MCO, as a result of which hypermarkets and supermarkets continued to operate and increased purchase volume, while many school canteens remained closed. Consequently, we could meet the increased volume of orders from hypermarkets and supermarkets by more fully loading our logistics vehicles with products to be delivered, while the delivery points (school canteens) which our logistics vehicles needed to travel to had decreased. Thus, our delivery obligations could be fulfilled with less frequent deployment of our vehicles, leading to a lower utilisation rate for FY2021.

As at 31 December 2021, the number of our logistics vehicles rose to more than 140. Out of these logistics vehicles and considering our vehicles have life span of approximately ten years under normal usage and fair wear and tear, approximately 52.4% has a residual lifetime of up to three years, 15.4% has a residual lifetime of more than three years and up to six years, and 32.2% has a residual lifetime of more than six years (equivalent to 32.2%, 15.4% and 52.4% of our self-operated vehicles having used age of up to four years, more than four years and up to seven years, and more than seven years, respectively).

Logistics arrangements

Upon receiving orders we place, our domestic suppliers will arrange at their own cost for the delivery of products to our designated warehouses. It typically takes two to five days for our domestic suppliers to deliver our orders to our designated warehouses.

For our overseas suppliers, they will arrange for delivery of products to the Malaysia shipping port, which general takes one to three months. Our shipment management personnel will closely keep track of the various shipments from suppliers in different countries and arrange for receipt.

Liability, risk and title of the ordered products lie with the suppliers until arrival and receipt of the products at our warehouses (for domestic suppliers) or until the products are loaded onto the vessel (for overseas suppliers). For details about our insurance policy against certain risks such as fire and water damage to our products, please refer to the paragraphs headed "Insurance" below in this section.

For delivery of products to our customers, we generally deploy our own logistics vehicles. Our customers generally instruct us to deliver the products they have ordered to multiple and specific destinations, and may require same-day or short-notice delivery services. To ensure the ordered products reach our customers within the required time frame, our logistics and warehouse management team rigorously executes the logistics arrangements and arranges transportation for delivery of products.

When some of our logistics vehicles are not fully loaded for a particular delivery, we may render delivery services to our suppliers where we utilise the spare capacity of our logistics vehicles to deliver products to their customers. Generally, the distribution agreement entered into between us and our suppliers for distribution of their products separately provides for our delivery service. Under the general arrangements of our delivery services, our obligation is to deliver products to the premises designated by our suppliers. When our services are required, our suppliers may issue a delivery order to us, specifying items to be delivered, quantity, delivery address, delivery date, etc. We will issue a credit note to the supplier and charge a delivery fee each time we render services to them. Our revenue from such services is recognised over time upon the performance obligation, namely the completion of the said delivery order of our suppliers.

Furthermore, during the Track Record Period, we also engaged independent service providers for certain logistics arrangements, such as (i) clearance of overseas shipments and port-to-warehouse delivery and (ii) warehouse-to-customer delivery, when our vehicle utilisation rate is almost full and/or the required delivery destination is not geographically covered by our usual delivery area. During the Track Record Period, our expenses for the transportation services amounted to approximately RM1.2 million, RM1.5 million, RM1.9 million and RM2.4 million, respectively.

To ensure that our products are transported under proper conditions, we typically inspect the logistics vehicles transporting our products before they depart from our warehouses and require that the transportation service providers follow appropriate storage and transportation procedures.

OUR PROCESSING FACILITIES

For some of our Own Products, such as frozen food, honey, sugar and salt, we would process (including freezing, packaging and labelling) raw materials purchased in bulk at our processing facilities. As at 31 December 2021, we operated processing facilities with a total area of approximately 1,000 sq.m. at our Kuantan WH (HQ) and Puchong WH I.

Our processing machines and equipment

Our processing machines and equipment predominantly include a quick freezing machine, a bottling machine and a labelling machine, a filling machine and other processing machines, which are mainly utilised for processing frozen food, salt, honey, sugar, beans and oatmeal. We have comprehensive repair and maintenance procedures for our processing machines and equipment, including regular inspection and cleaning to ensure our processing lines run properly. The average life span of our machines and equipment is approximately ten years under normal usage and fair wear and tear. During the Track Record Period, we had not experienced any material or prolonged interruption to our processing lines due to equipment or machine failure.

FOOD SAFETY AND QUALITY ASSURANCE

We are committed to maintaining food safety and providing high quality products to our customers and end consumers. We have maintained all the relevant and required licences, certificates and permits in relation to our product quality and safety control systems for our warehouses and processing facilities. As at 31 December 2021, we had 27 designated food safety staff to implement our own food safety and quality assurance procedures and ensure the quality standards of our suppliers. As confirmed by our Malaysian legal advisers, liability in relation to food safety including that of third party brands can lie on any persons preparing, selling, packaging, labeling or advertising the food, which can inter alia include that of the retailer, the distributor, the manufacturer or the supplier, depending on the type of offence committed in relation to food safety. As confirmed by our Directors and our Malaysia Legal Advisers, our Group had neither experienced any material adverse publicity on food safety and foodborne illness concerns nor was subject to any investigation regarding the hygiene of our products during the Track Record Period and up to the Latest Practicable Date. Our Directors therefore believe that we have a rigorous and effective food safety and quality control system in place.

We have implemented the following food safety and quality assurance policies and procedures throughout our distribution chain:

(i) **Sourcing and procurement:** Our procurement team performs evaluations on prospective suppliers and takes into account factors including their industry experience and reputation, and require them to provide health certificates, inspection reports and relevant qualifications relating to their products issued by the relevant government authorities or recognised authorities or institutions, before making any purchase from them. Suppliers which have entered into supply agreements with our Group undertake/are obliged to comply with their local laws, rules and regulations, in particular local health and safety standards. During the Track Record Period and up to the Latest Practicable Date, there had not been any material issue or dispute concerning product safety and liability arising from the supply of unsafe products from our suppliers.

(ii) Inventory and storage management:

(a) Upon arrival of products at our warehouses, we inspect the expiry dates, quantities and appearance of the products to ensure compliance with our requirements and that the products are in proper packaging and in good condition for sale.

(b) In respect of storage management, we categorise our products according to their storage requirements, such as the recommended storage temperature, and store them in their designated storage areas in our warehouses. We closely monitor the temperature therein so as to ensure the temperature shall not be higher than the optimal storage temperature of the products.

(c) To reduce the risk of machine and equipment failure, we regularly arrange for external inspection and servicing of our cold storage facilities and carry out regular pest control measures in our warehouses.

(d) We have utilised the ERP system and implemented a first-in-first-out policy in our inventory management to minimise unnecessary write-off of our products. To minimise the risk of obsolescence of our inventory, we may provide to our customers sales discounts and other concessionary offers when a particular Own-Brand Product is close to its expiry date. For Third-Party Brand Products, we may also provide similar sales discounts and offers upon consultation with our suppliers. For any damaged products that are unsold, returned or expired, we would dispose of such products or return them to the relevant supplier to ensure that no unfit product will be supplied to our customers.

(e) We closely monitor and supervise our warehouse and logistics service providers' performance to ensure our products are properly stored, managed and delivered under proper conditions.

(iii) Our processing facilities

All our operations meet the requirement of applicable Malaysia laws and regulations in relation to food and product safety. We implement strict and comprehensive measures in our processing facilities to reinforce sanitation and hygiene in our facilities, such as mandating our staff to wear uniforms, regularly inspect the function and level of hygiene of our processing equipment and perform maintenance and cleaning if necessary.

(iv) Logistics

Our fleet of cold storage logistics vehicles maintain the temperature of food products within the required range and are regularly cleaned to maintain high standard of food hygiene. All our cold storage logistics vehicles are subject to regular maintenance and servicing works.

OUR INVENTORY MANAGEMENT

Inventory policy

Our inventories mainly comprised Third-Party Brand Products we purchased from international and domestic brand owners or distributors, our Own-Brand Products we purchased from our OEM suppliers; and raw materials such as frozen seafood, meat, honey and salt for further processing before sale as our White-Label Products and relevant packaging materials. Our business model involves mass storage and stocking of a wide range of products and raw materials that have specified shelf life in our 12 warehouses as at 31 December 2021 in various regions in Malaysia. An effective and sound inventory management is therefore of vital importance for avoiding obsolescence or overstocking of our inventory, while maintaining the variety and quality of our products. Our Directors believe that successful inventory management generally entails (i) constant monitoring of inventory level; (ii) proper cold storage warehousing; and (iii) stringent food safety and quality assurance system of our products.

Our Group reviews our inventory level on an on-going basis in order to procure products from our suppliers on a timely basis to maintain in our various warehouses a specific level of inventory for each product determined based on the (i) records of historical orders made by our customers and (ii) sales projection derived from our customers' preferences and market trend; and to identify both popular and obsolete or slow-moving products.

In order to maintain accurate inventory records, we conduct monthly stocktaking of fast-moving stock items and our auditors conduct annual stocktaking of all stock items to ensure the actual inventory level matches the information stored in our ERP system. As confirmed by our Directors, there had not been any material discrepancy between the monthly and annual stocktaking and the inventory records kept by our ERP system during the Track Record Period.

If there are sufficient stocks available, our procurement and warehouse management team will collect the products from our warehouses, conduct quality checks and arrange for delivery to our customers within the next business day or such other date as specified by our customers. With the aid of our ERP system, we generally have sufficient stocks in our warehouses to meet the orders of our customers. If the stock level cannot fulfil the orders due to large demand, our procurement team may source and procure the required products from our suppliers.

Furthermore, our Group takes a first-in-first-out approach to handle our stocks. Those products which are delivered to our warehouses earlier in time will be sold to customers first. Such approach minimises the chance of deterioration and obsolescence of products. Our procurement and warehouse management team also conducts manual sample checks on a monthly basis to ensure our consumable inventory have sufficient shelf life before we distribute to our customers. We may offer price reduction for products which will expire shortly. We also dispose of damaged products that are unsold, returned or expired.

We usually review and adjust our inventory level in advance in order to accommodate any anticipated increase or decrease in demand for our products to avoid supply shortage or overstocking and obsolescence. We also make procurement in large quantities on each occasion and on an ongoing basis, taking into account the lead time between ordering and actual delivery of products by our suppliers. By purchasing in large quantities, we can reduce our overhead expenses such as administrative and logistics costs.

Our Directors believe that throughout the Track Record Period we had managed our inventory at a reasonable level based on our historical sales and the assessment by our management team, which minimised storage space and carrying costs, enhanced working capital efficiency and reduced the risk of deterioration of products while in storage, which is especially important to our food safety and quality assurance policies.

IMPACT OF COVID-19 TO OUR BUSINESS AND OPERATION

The first confirmed case of COVID-19 in Malaysia was reported in late January 2020 and, there witnessed a sharp increase in the number of confirmed cases from time to time since March 2020. To contain the COVID-19 outbreak, since March 2020, the Malaysia government imposed certain measures across the nation including the "Movement Control Order" ("**MCO**") and "Conditional Movement Control Order" ("**CMCO**"), which had been extended a few times over the course of two months until 9 June 2020. Malaysia was then expected to move into the Recovery Movement Control Order ("**RMCO**") phase from 10 June 2020 to 31 December 2020 whereby the measures under the MCO were expected to be relaxed by stages. However, in view of the third wave of COVID-19, the CMCO was reinstated in certain states from October 2020, which had been subsequently extended to most states until 31 December 2020. To combat further spread of COVID-19 pandemic, MCO was subsequently reinstated in certain states of Malaysia for varying periods from January 2021 to May 2021. Some states were placed under the CMCO and RMCO. 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, most kindergartens, schools and universities, and most government and private premises except for essential services, to different extent, have to be closed; and the public is prohibited from attending mass gathering or massive events and need to stay at home. Other measures such as travel restrictions and 14-day quarantine for travellers or returnees from affected regions, whether infected or not, were imposed.

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.

According to the F&S Report, the outbreak of COVID-19 in 2020 has caused visible impacts on the overall macroeconomy of Malaysia. Both Malaysia's GDP and per capita nominal GDP fell in 2020 due to the negative impact of COVID-19 pandemic on the economy. 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. Along the gradual control of the pandemic and recovery of the economy, it is expected that both nominal GDP and per capita nominal GDP will increase. However, uncertainties of COVID-19 and the tight measures to combat COVID-19 such as re-lockdown, travel and transportation restriction may further impede the steady recovery of the economy.

The uncertainties brought by COVID-19 pandemic to the economy have caused huge challenges to the F&B distribution market in Malaysia. According to the F&S Report, while the global epidemic situation is still severe, F&B distribution companies in Malaysia are subject to the risks of continual lockdown, hindered international trade, reduced demands for certain products, inventory backlog and loss, which would cause a serious impact on the stable supply of products and the company's revenue growth. In addition, as imported frozen food are extremely vulnerable to catch COVID-19 virus due to its low temperature transportation environment, more stringent inspection and quarantine work need to be implemented, which will prolong the product transportation time and bring higher logistics costs to F&B distribution companies. On the other hand, since the F&B distribution industry involves multiple supply chain links, which require relatively large labour force, ensuring a safe working environment has also become a major challenge faced by F&B distributors. 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.

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.

Notwithstanding the above negative impact, our Directors believe that the F&B market in Malaysia was less affected by the outbreak of COVID-19 pandemic as due to the MCO or CMCO and the resultant social distancing measures, more people have meals at home and reduce social activities. Hence, our financial performance could maintain stable growth amid the ongoing COVID-19 pandemic for FY2020 and FY2021. 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. Our Directors therefore expect that the COVID-19 pandemic would not have any material adverse impact on our Group's financial performance.

Sustainability of our Group's business operation

Notwithstanding the adverse impacts to the (i) overall economy of Malaysia; and (ii) the F&B distribution market due to the ongoing COVID-19 pandemic and its local resurgence, our Directors are confident that the business operation of our Group will remain sustainable for the following reasons:

(i) *There was no material disruption in the sales of our products*. Since the outbreak of COVID-19 pandemic and as at the Latest Practicable Date, we did not experience any material cancellation of orders, with respect to all of our products from our customers. The sales of our products to HORECA and school canteens for FY2020 decreased by approximately RM9.7 million in aggregate as compared to FY2019 due to the reduction of social activities, particularly, social dining and temporary school closure. Nevertheless, our sales to retail chains and channels including hypermarkets and supermarkets, provision shops and convenience stores and kiosks improved significantly as compared to FY2019, with an increase of approximately RM56.2 million in aggregate. Overall, the sales of our F&B products increased to approximately RM497.8 million for FY2020 from approximately RM451.2 million for FY2019, and further increased to approximately RM592.9 million for FY2021. Hence, the Directors consider that the COVID-19 outbreak did not have material adverse impact on the sales of our products.

(ii) *There was no material disruption in the distribution of products.* As at the Latest Practicable Date, our Group distributed products under approximately 140 international brands originated in different countries such as the United Kingdom, New Zealand, the United States and Japan, which are also affected by the outbreak of COVID-19. To the best knowledge and information of our Directors pursuant to their discussions with the relevant suppliers, the production of these F&B products, which are mainly daily necessity products, was generally allowed to be continued and therefore had not been significantly affected by the outbreak of COVID-19. Since the outbreak of COVID-19 and up to the Latest Practicable Date, our Group had not encountered any difficulty in placing orders with our suppliers nor any material delay or disruption in the supply of the products ordered from our suppliers due to any operation suspension of our suppliers or transportation restrictions. Since the outbreak of COVID-19 and up to the Latest Practicable Date, none of our major suppliers had expressed any material difficulties in meeting our Group's purchase demands or delivery schedules because of the outbreak of COVID-19. Nevertheless, we will maintain regular communication with our suppliers to keep updated of the status of their operations. Taking advantage of the broad portfolio of products offered by us, in the event that supplies of certain products from our suppliers are temporarily disrupted, we shall revise our business and marketing strategies accordingly and consider reallocating resources to promote other available products to minimise the relevant impact on our business operation.

(iii) *Change in end consumers' purchase pattern.* To lower the frequency of going out for groceries shopping during the COVID-19 outbreak, end consumers tend to purchase F&B products which have longer shelf lives, such as frozen food, and often in large quantities. As the purchase pattern of end consumers had changed amid COVID-19 in favour of the major product types we distributed such as frozen food, our sales of such products had increased and our Directors believe the COVID-19 outbreak did not have a material adverse impact on our results of operations.

(iv) *Our Group has maintained adequate levels of inventory.* Our Directors confirmed that our Group has maintained its policy amid the ongoing COVID-19 pandemic to keeping approximately one month of inventory based on the anticipated sales of the following three months to reduce the risks of possible disruptions to the global supply chain and its business operations, and had experienced no material inventory shortage or obsolescence since the outbreak of COVID-19 and up to the Latest Practicable Date that resulted in any material adverse impact on our Group's results of operations. Our Directors will closely monitor the inventory level of our Group's products and adjust the procurement plan accordingly.

(v) *Our Group was allowed to continue our operation when the MCO, CMCO or RMCO was in force*. While the MCO, CMCO or RMCO was in force from time to time since March 2020, some industries had to be suspended due to the various social distancing measures and lockdown measures. However, owing to the nature of our business that engages in the distribution and warehousing and logistics management with a focus on F&B products, we were allowed to continue our business operation. Moreover, we engaged in processing (including freezing, filling, bottling and labelling) of our Own Products. Amid the ongoing COVID-19 pandemic, our employees were able to return to work and thus our operation was not affected by the MCO or other tough measures in Malaysia.

(vi) *There was no material disruption in the delivery of our Group's products to its customers.* The shipments and freight transportation of our F&B products to Malaysia are prioritised. Hence, the transportation of products to our warehouses and our onward delivery of the F&B products to our customers were not materially and adversely impacted by the MCO or lockdown measures implemented by the export countries and the Malaysia government. During FY2020 and FY2021, our average inventory turnover days remained relatively stable in a gradual decreasing trend as compared to our average inventory turnover days in FY2018 and FY2019. During the Track Record Period and up to the Latest Practicable Date, our Group had experienced no material logistical difficulty in delivering our products to our customers through its different sales channels.

(vii) *Health and safety measures have been implemented.* Since the outbreak of the COVID-19 pandemic and up to the Latest Practicable Date, there had not been any instance of temporary closure of warehouses which also serve as our distribution centres or staff shortage attributable to the ongoing COVID-19 pandemic and its resurgence in Malaysia. As at the Latest Practicable Date, our Group has implemented the following precautionary measures to safeguard the health and safety of our Group's employees:

(a) requiring all staff to wear a surgical mask at all times at work;

(b) minimising sales staff relocation between warehouses; and

(c) providing protective masks and sanitising products at our Group's office, warehouses and processing facilities.

Since most of our precautionary measures for safeguarding the health and safety of our employees and the food safety of our products were implemented before the outbreak of COVID-19 as our general policy, we had only incurred additional expense of approximately RM50,000, which accounted for (i) hiring additional cleaning services for our warehouses, processing facilities and offices and (ii) bulk purchase of protective masks, hand sanitisers, digital thermometers and cleaning supplies, all of which are for better hygiene and sanitation.

(viii) *Expansion plans.* The COVID-19 outbreak may have negative impact on our expansion plans. We canceled or suspended business trips to visit potential customers as a result of the MCO and other mandatory quarantine measures and reduction of international flights. In addition, due to the strengthened travel restrictions, traveling overseas may incur additional costs and take a longer time. As such, our geographic expansion is slightly affected.

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 will not generate any revenue due to overall suspension of business; (ii) we will 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 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.

Based on the discussion above, our Directors are of the view that the COVID-19 outbreak had not had any material adverse impact on our business operation and financial position as of the date of this document. Nevertheless, in the event that the COVID-19 outbreak cannot be successfully contained globally in a timely manner, we estimate that our product supply and international logistics will continue to be affected. If our supply chain becomes disrupted and if our inventories run out, we may not be able to refill the inventories in a timely manner, which will negatively affect our online sales fulfillment. For details, please see the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – Our business operations may be affected by the outbreak of COVID-19" in this document.

Our business contingency plan

Our Group has implemented certain business contingency plans to ensure the supply chain of products would not be disrupted due to the outbreak of COVID-19. We maintain frequent communications with our major suppliers to ensure that their operation was not disrupted. To ensure effective communication between us and our suppliers, physical meetings between our Group and our suppliers would be replaced by digital meetings. Moreover, we would pay more attention to the collection of receivables and payment of payables, and actively explore external financing opportunities to manage our liquidity position.

We plan to further strengthen the sales of our Own Products. According to the F&S Report, the outbreak of COVID-19 pandemic has led to an increasing trend for customers or end consumers to source F&B products from local markets which have a lower suggested retail price and are more accessible whereas imported products would take a longer time in transportation due to the border control, strict inspection measures and quarantines implemented in both exporting countries and Malaysia. Our Directors believe that this would in turn help boost the demands for our Own Products. To this end, we plan to source more of our Own-Brand Products or raw materials for our White-Label Products from local suppliers and further develop our Own Products and at the same time, expand our warehousing capability and processing facilities, particularly our cold storage capability for frozen seafood and meat etc, to cater for the increase in demand for our Own Products in the future.

COMPETITION

There are various entry barriers for new market players to enter the F&B distribution industry in Malaysia. According to the F&S Report, these include the need to obtain a large number of specific licenses, significant capital investment to set up comprehensive logistics network and the need to have long-term and recurring relationships with customers and suppliers.

Please refer to the section headed "Industry Overview" in this document for further information on the competitive landscape of the F&B distribution industry in Malaysia.

EMPLOYMENT

As at 31 December 2018, 2019, 2020 and 2021, our Group had a total of 621, 656, 699 and 761 full-time employees serving various functions. The table below provides a breakdown of our employee number by function as at the specified dates:

Function	**Number of Employees**(Note) **As at 31 December**			
	2018	**2019**	**2020**	**2021**
Directors and Management	6	7	7	7
Finance	39	43	45	40
Procurement	119	109	110	98
Processing	9	13	11	12
Warehouse and Logistics management	184	197	222	255
Sales	257	279	293	338
Marketing	–	1	3	3
Human Resources	4	4	5	6
Information technology	3	3	3	2
Total	621	656	699	761

Note: As at 31 December 2018, 2019, 2020 and 2021, our Group employed 574, 608, 657 and 733 local workers and 47, 48, 42 and 28 foreign workers in Malaysia respectively.

Recruitment

In addition to inviting job applications on our website, we generally recruit our employees from the open market by placing recruitment advertisements and posting job listings on local newspapers or employment websites. Our Group values human resources and assesses the available human resources on a continuous basis to determine whether additional personnel are required to cope with our business operations and developments. Newly recruited employees are required to undergo a probation period after which they will become our full-time employees, provided that we are satisfied with their performance during the probation period.

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees.

Employee's remuneration and benefits

It is essential to our business development and growth to recruit and retain experienced and skilled labour. To achieve that, we offer competitive remuneration package to our employees, which includes basic salaries, allowances, retirement benefit schemes contributions and discretionary bonuses. The basic salaries of our employees are generally determined by the employee's seniority, position, qualification, working experience and performance. Discretionary bonuses may be paid on an annual basis, depending on the length of services and performance of individual staff and the financial performance of our Group in the preceding year. We also have in place incentive and commission schemes to mainly motivate our sales team, which helps align employees' personal goals with our Group's overall business objectives and hence improve staff performance and commitment. We assess our remuneration package annually to determine whether any adjustments should be made. During the Track Record Period, our staff costs amounted to approximately RM21.7 million, RM24.8 million, RM32.2 million and RM34.0 million, respectively. For further details, please refer to the section headed "Financial Information" in this document.

Our Directors confirm that our Group's relationship with our employees is satisfactory in general. Our Directors believe that the management policies, working environment, career prospects and benefits extended to our employees have contributed to building and reinforcing good employee relations and loyalty. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant labour disputes, and no labour union was established by our employees.

Training

Newly recruited employees are required to receive on board training, on-site production advice and on-the-job coaching aiming to equip them with the right sets of skills to perform the relevant job duties and obligations. In order to ensure that our Group's policies and standards stay abreast of the latest industry practice and developments, we also proactively encourage our employees in different positions to undertake continuous learning and training. For instance, we provide our employees courses in relation to product and service quality assurance, induction training on warehouse and hygienic control, risk analysis, and internal, external and management control. We assess the training programmes taken by our employees on an annual basis to determine whether such programmes are in line with the industry standards. As part of our corporate governance mechanism, we also monitor organisation behaviors and work culture to maintain a healthy, friendly and productive working environment.

INSURANCE

Since our business model involves mass storage and stocking of a significant number of products in our warehouses, they are subject to the inherent risks of unexpected loss and damage. To reduce our exposure to the effects of such risks, we have purchased insurance for our products. Our insurance coverage includes fire damage insurance, burglary insurance, goods in transit insurance, deterioration of stocks insurance, consequential loss insurance, money insurance, purchase credit insurance, motor vehicle insurance, machinery breakdown insurance, electronic equipment insurance, office insurance and public liability insurance. During the Track Record Period, we had incurred insurance expenses of approximately RM0.8 million, RM0.8 million, RM1.2 million and RM1.1 million, respectively.

Our Directors believe that our insurance coverage is in line with the general coverage in the F&B distribution industry and is adequate for our business operations. Nevertheless, as our business continues to expand, we will continue our practice of reviewing our insurance policies from time to time for adequacy in the breadth of coverage. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operations are susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please refer to the section headed "Risk Factors – Risks relating to our business – Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers which would affect our business, financial condition and results of operations" in this document for more details.

HEALTH AND OCCUPATIONAL SAFETY

Our Group strives to create and sustain a healthy and safe working environment for our employees. We have provided our employees with guidance and training on work safety laws and regulations from time to time to ensure that our employees are well acquainted with our safety procedures and policies. In particular, we have implemented internal training programs and a workplace health and safety memorandum, through which our Group educates and reminds our employees of the importance of and the correct practices for health and safety in the workplace. Furthermore, we have implemented a number of internal work safety requirements. In respect of cold storage facilities, for instance, we have provided proper work uniform and equipment, such as layered clothing, gloves with gripping adhesives and steel toe boots with non-slip soles to our employees. Our Group believes that high standards in these areas do not only protect our employees from injuries, but also mitigate our Group's risk of loss and enhance our competitiveness and employee loyalty and commitment.

Our administration and human resources department has designated personnel to record and follow up on any injuries of our employees that have occurred in the course of their employment, so as to ensure insurance claims and treatments are effectively pursued to protect our employees and our Group. During the Track Record Period, there had not been any major injuries of our employees that would have caused a material adverse impact on the business, operations or financial performance of our Group.

ENVIRONMENTAL MATTERS

Due to the nature of our business, our Group's operational activities do not directly generate industrial pollutants, and as such our Group had not directly incurred costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection. Therefore, our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future.

PROPERTIES

As at the Latest Practicable Date, our Group owned eight warehouses on 10 lots of land, two vacant properties and rented four warehouses on five lots of land in Malaysia. We have entered into a sale and purchase agreement on 11 March 2022 for the acquisition of all that piece of land held under PN 8750 No. Lot 4841 Mukim Cenering, Daerah Kuala Terengganu, Negeri Terengganu with postal address at MBKT – PT 2980 (4841), Kawasan Perindustrian Chendering, Chendering, 21080 Kuala Terengganu, Terengganu with an estimated 7,800 sq metres approximately of built-up area to be used as warehouse and office. The said sale and purchase is expected to complete in or about three months from the date when the state authority's consent is obtained. For further information, please refer to the paragraphs headed "Our warehouse – Recent acquisition" in this section.

Owned properties

The following table summarises the information regarding our owned properties in Malaysia as at the Latest Practicable Date that are used as our warehouses, processing facilities and/or offices or for future business development:

	Address	Warehouse	Use of the property	Built-up area *approximately* *sq.m.*
1.	Lot 147A, Kawasan Perindustrian Semambu, 25300 Kuantan, Pahang Darul Makmur, Malaysia	Kuantan WH (HQ)	Warehouse, processing facilities and office	6,630
2.	PT 2986, Kawasan Miel Chendering, Jalan Permint Jaya, 21080 Kuala Terengganu, Terengganu Darul Iman, Malaysia	Kuala Terengganu WH I (A)	Warehouse and office	1,130
3.	S/44, PT 2458, No. 4941, Jalan Padang Tembak, 16100 Kota Bharu, Kelantan Darul Naim, Malaysia	Kota Bharu WH	Warehouse and office	2,900
4.	No. 11, Jalan Lombong Emas 13, Kawasan Perusahaan Ringan, Jalan Tun Dr Ismail, 70200 Seremban, Negeri Sembilan Darul Khusus, Malaysia No. 13, Jalan Lombong Emas 13, Kawasan Perusahaan Ringan, Jalan Tun Dr Ismail, 70200 Seremban, Negeri Sembilan Darul Khusus, Malaysia	Seremban WH I	Warehouse and office	1,390

	Address	Warehouse	Use of the property	Built-up area *approximately sq.m.*
5.	No. 6, Jalan TPP 5/8, Taman Perindustrian Puchong Batu 12, 47130 Puchong, Selangor Darul Ehsan, Malaysia No. 8, Jalan TPP 5/8, Taman Perindustrian Puchong Batu 12, 47130 Puchong, Selangor Darul Ehsan, Malaysia	Puchong WH I	Warehouse, processing facilities and office	3,480
6.	No. 7, Jalan Ekoperniagaan 1/9, Taman Ekoperniagaan, 81100 Johor Bahru, Johor Darul Takzim, Malaysia	Johor Bahru WH	Warehouse and office	830
7.	Lot 19384, Jalan Dagang 2, Taman Perindustrian Temerloh, 28400 Mentakab, Pahang Darul Makmur , Malaysia	Mentakab WH	Warehouse and office	1,730
8.	No. 812-D, Jalan Perusahaan 10, Taman Bandar Baru, 05150 Alor Setar, Kedah Darul Aman, Malaysia	Alor Setar WH	Warehouse and office	2,520
9.	Lot 57883, Gong Badak Industrial Estate, 21300 Kuala Terengganu, Terengganu Darul Iman, Malaysia	–	Vacant (expected to be used for future business development)	*(Note 1)*
10.	H.S.(D) 19178, PT No. 19377, Mukim Mentakab, District Temerloh, Pahang Darul Makmur, Malaysia	to be used for future development	Vacant (with a primary intention to be used for office and warehouse in Eastern Peninsular Malaysia for future business development)	*(Note 2)*

Notes:

1. The land area is measured at 6,443 sq.m.

2. The built-up area of the land is to be determined. The land area is measured at 3,201 sq.m.

Leased properties

The following table summarises the information regarding our leased properties in Malaysia as at the Latest Practicable Date:

	Address	Warehouse	Function	Built-up area of property *approximately sq.m.*	Lease Period
1.	Lot 24670, Kawasan Perindustrian Gong Badak, Jalan Gong Badak, 21300 Kuala Nerus, Terengganu, Darul Iman, Malaysia Lot 24671, Kawasan Perindustrian Gong Badak, Jalan Gong Badak, 21300 Kuala Nerus, Terengganu Darul Iman, Malaysia	Kuala Terengganu WH II	Warehouse and office	800	1 March 2020 – 28 February 2023
2.	No. 25, Jalan Lombong Emas 13, Kawasan Industri Ringan, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan Darul Khusus, Malaysia	Seremban WH II	Warehouse and office	290	1 January 2022 – 1 January 2024
3.	1169, Lorong Perindustrian Bukit Minyak 17, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Seberang Perai Tengah, Pulau Pinang, Malaysia	Perai WH	Warehouse and office	1,570	1 November 2020 – 31 October 2023
4.	Lot PT 122352 (HSD 44589) Lot Baru 153226, Jalan Industri Semambu 10/5, 25300 Kuantan, Pahang Darul Makmur, Malaysia	Kuantan WH II	Warehouse and office	1,470	1 October 2020 – 30 September 2023

Our Directors do not foresee any significant difficulties or impediments in renewing the relevant leases upon their expiration. Please refer to the paragraphs headed "Our warehouses" above in this section for further details.

INTELLECTUAL PROPERTY

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings with regard to, and we had not received notice of any claims of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

For details of our intellectual property portfolio, please refer to the paragraphs headed "Statutory and general information – B. Further information about the business of our Group – 2. Intellectual property rights of our Company" in Appendix IV to this document.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activities, and our Directors had no pending plans to engage in any research and development activities in the foreseeable future.

LICENCES, CERTIFICATES AND PERMITS

As advised by our Malaysian Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our Group had obtained and held all necessary approvals, permit, consents, licenses and registrations required for our business and operations in Malaysia, and that all of them remain in force save and except for some licenses that are currently in the process of renewal. The following table sets out the details of our major licences, certificates and registrations as at the Latest Practicable Date which are necessary for our operations:

Granted under Lembaga Kemajuan Ikan Malaysia Act 1971 and Fish Marketing Regulations 2010

Licence/permit/approval	Holding entity(ies)	Issuing authority	Date of commencement	Date of expiry
Import Licence – Processed Fish	Soon See Beng, SCCM Pahang	Fisheries Development Authority of Malaysia	August 2021	November 2022
Wholesale Licence	Soon See Long, SCC Seafood	Fisheries Development Authority of Malaysia	August 2021	September 2022

Granted under Control of Supplies Act 1961 and Control of Supply Regulations 1974

Licence/permit/approval	Holding entity(ies)	Issuing authority	Date of commencement	Date of expiry
Retail License – Sugar, Cooking Oil & Flour	SCC Seafood	Ministry of Domestic Trade and Consumer Affairs (Malaysia)	27 June 2018	26 June 2023
Wholesale License – Cooking Oil	SCCM	Ministry of Domestic Trade and Consumer Affairs (Malaysia)	25 January 2022	24 January 2025
Wholesale License – Cooking Oil	SCCM	Ministry of Domestic Trade and Consumer Affairs (Malaysia)	23 December 2021	22 December 2022
Wholesale License – Cooking Oil	CCH	Ministry of Domestic Trade and Consumer Affairs (Malaysia)	5 May 2018	4 May 2023
Retail License – Sugar, Cooking Oil & Flour	CCH	Ministry of Domestic Trade and Consumer Affairs (Malaysia)	27 July 2021	26 July 2024
Wholesale License – Cooking Oil	SCC Seafood	Ministry of Domestic Trade and Consumer Affairs (Malaysia)	20 January 2022	19 January 2023
Wholesale License – Cooking Oil	SCC Seafood	Ministry of Domestic Trade and Consumer Affairs (Malaysia)	15 January 2022	14 January 2025

Granted under Feed Act 2009 and Feed (Licence to Import Feed or Feed Additive) Regulations 2012

Licence/permit/approval	Holding entity(ies)	Issuing authority	Date of commencement	Date of expiry
Import Licence	SCCM	Ministry of Agriculture and Agro-based Industry	1 January 2022	31 December 2022

Granted under Feed (Manufacture and Sale of Feed or Feed Additive) Regulations 2012

Licence/permit/approval	Holding entity(ies)	Issuing authority	Date of commencement	Date of expiry
Certificate of Feed or Feed Additive Seller Registration	SCCM	Ministry of Agriculture and Agro-based Industry	6 December 2021	6 December 2022

Granted under Food Act 1983 and Food Regulation 1985

Licence/permit/ approval	Holding entity(ies)	Business Address	Issuing authority	Type of business	Date of commencement	Date of expiry
Food Premise Registration Slip	Chop Chin Huat	Alor Setar WH	Ministry of Health	P3 – Premise where food is prepared, processed, stored and served for sale	29 January 2022	29 January 2025
Food Premise Registration Slip	Chop Chin Huat	Perai WH	Ministry of Health	P3 – Premise where food is prepared, processed, stored and served for sale	24 November 2021	24 November 2024
Food Premise Registration Slip	SCCM	Puchong WH I	Ministry of Health	P1 – Premise where food is manufactured	30 November 2021	30 November 2024
				P3 – Premise where food is prepared, processed, stored and served for sale	29 November 2021	29 November 2024
Food Premise Registration Slip	SCCM	Seremban WH I	Ministry of Health	P3 – Premise where food is prepared, processed, stored and served for sale	29 November 2021	29 November 2024
Food Premise Registration Slip	SCCM	Johor Bahru WH	Ministry of Health	P3 – Premise where food is prepared, processed, stored and served for sale	29 January 2022	29 January 2025
Food Premise Registration Slip	SCCM Pahang	Mentakab WH	Ministry of Health	P3 – Premise where food is prepared, processed, stored and served for sale	29 January 2022	29 January 2025
Food Premise Registration Slip	SCCSB	Kuala Terengganu WH I(A)	Ministry of Health	P3 – Premise where food is prepared, processed, stored and served for sale	13 August 2019	12 August 2022
Food Premise Registration Slip	SCCSB	Kuantan WH I (HQ)	Ministry of Health	P1 – Premise where food is manufactured	20 December 2021	20 December 2024
Food Premise Registration Slip	SCC Seafood	Kota Bharu WH	Ministry of Health	P1 – Premise where food is manufactured	17 January 2022	17 January 2025

In Malaysia, the Department of Islamic Development Malaysia and the Islamic Religious Council in the respective states are the responsible authorities to certify any food, goods or services as halal in accordance with the Trade Description (Certification and Marking of "Halal") Order 2011. Pursuant to the Trade Description (Definition of "Halal") Order 2011, to qualify as halal food, any food that is either manufactured, sold or to be consumed must be in accordance to Islamic Laws. As such, our Group has obtained the Certificates of Authentication Halal for our Own Products, details of which are as follows:

Holder	Licence Details	Date of commencement	Date of expiry
SCC Seafood	Distribution of quail meat (frozen and fresh)	1 December 2020	30 November 2022
SCC Marketing	Distribution of beef ball	1 December 2021	30 November 2023
SCC Marketing	Distribution of organic soya (less sweet and no sugar)	1 February 2019	31 January 2023
SCC Marketing	Distribution of chicken frankfurter	16 May 2020	15 May 2022
SCC Marketing	Distribution of fried chicken burger; fried beef burger; chicken frankfurter; chicken nugget tempura	1 April 2020	31 March 2022
SCC Marketing	Distribution of chicken nugget	1 December 2021	30 November 2023

Holder	Licence Details	Date of commencement	Date of expiry
SCC Marketing	Distribution of Natural Himalayan White Salt	1 August 2020	31 July 2022
SCC Marketing	Distribution of blackcurrant jam; blackcurrant topping; blueberry jam; blueberry topping; cappucino spread; cashew nut spread; chocolate spread; durian kaya; green apply jam; green apple topping	1 March 2020	28 February 2022 *Note*
SCC Marketing	Distribution of garam gunung Himalaya; honey; natural Himalayan pink rock salt; organic cane sugar; organic instant oat; organic rolled oat; pure and raw honey; pure honey	16 June 2021	15 June 2023
SCC Marketing	Distribution of blossom longan honey; organic molasses sugar; psyllium husk; wild flower honey	1 June 2020	31 May 2022

Note: As at the Latest Practicable Date, the Certificate of Authentication Halal expired on 28 February 2022 and SCC Marketing has submitted its renewal application before its expiry on 7 December 2021. An inspection by the Department of Islamic Development Malaysia has been conducted on 17 February 2022. According to our Malaysia Legal Advisers, it is the standard operation procedures and timeframe for such renewal application, and as long as there is no material non-compliance by SCC Marketing, our Directors do not foresee any legal impediment in renewing the said Certificate of Authentication Halal.

Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences, certificates and permits. Furthermore, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, certificates and permits upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such registration that would cause material impacts on our Group's operations and business.

AWARDS AND RECOGNITION

Since the establishment of our Group, we have received a number of awards and recognition in respect of our business management, manufacturing practice and food safety management system. Set out below are some of the major awards and certificates we have obtained in recent years:

Awards or recognition	Awarding body	Year of issue
Sin Chew Business Excellence Awards 2020	Sin Chew Media Corporation Berhad	2020
Superbrands Status (CED)	Malaysia Superbrands Council	2019
Certifications	**Issuing body**	**Expiry date**
MS 1514:2009 – Good Manufacturing Practice (GMP) For Food (First Revision)	SIRIM QAS International Sdn. Bhd.	9 October 2023
MS 1480:2019 – Food Safety According to Hazard Analysis and Critical Control Point (HACCP) System (Second Revision)	SIRIM QAS International Sdn. Bhd.	9 October 2023
ISO 22000:2008 – Food Safety Management Systems – Requirements for Any Organization in the Food Chain	SIRIM QAS International Sdn. Bhd.	9 October 2023

LEGAL PROCEEDINGS & COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there had not been any material or systemic non-compliance of our Group and there were no pending or threatened litigations, arbitrations or claims of material importance against our Group that would have a material or adverse effect on our results of operations or financial condition.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an internal control consultant to conduct a review of our internal control system and have implemented (or will implement no later than the [**REDACTED**]) the relevant suggestions proposed by our internal control consultant. Based on its review, from October to November 2020, the internal control consultant conducted an internal control review and recommended remedial actions in relation to the weaknesses or deficiencies identified during the review process, and the management implemented a series of remedial controls based on the comments of the internal control consultant. The internal control consultant conducted a follow-up review from January to May 2021 and confirmed that these rectifications are in place. As our business continues to expand, we will continue to refine and enhance our internal control system to respond to the evolving requirements of our business operations. We will continue to review our internal control system to ensure due compliance with the applicable laws and regulations.

We have decided to adopt the following measures to ensure on-going compliance with the applicable laws and regulations and to strengthen our internal control upon [**REDACTED**]:

(i) our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;

(ii) our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. Our independent non-executive Directors contribute to the enhancement of corporate value by providing advice and insights based on their extensive administrative experience and specialised knowledge;

(iii) internal control policies and procedures on corporate governance, finance and auditing have been established, setting out the internal approval and review procedures pursuant to which our employees at different departments shall comply with, and the policies and procedures shall be reviewed periodically and approved by the Board;

(iv) our Audit Committee comprising our independent non-executive Directors will provide an independent view of the effectiveness of the financial reporting process, supervise and provide guidance on the internal control and risk management systems of our Group, and oversee the audit process etc.;

(v) our human resources department will review the maximum permitted number of foreign workers regularly and ensure compliance with the relevant laws and regulations in Malaysia in relation to foreign labour, including entry permits, quota, levies and source countries of foreign workers;

(vi) external professional advisers (including Compliance Adviser with effect from [**REDACTED**]) will be engaged to provide professional advice and guidance to our Group to ensure compliance with the Listing Rules and the applicable laws and regulations; and

(vii) if necessary, we may consider appointing external legal advisers as to Hong Kong laws/Malaysian laws to advise us on matters relating to the compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and that the internal control measures are adequate and effective for our business operations.

LIQUIDITY MANAGEMENT MEASURES

Our Group places strong emphasis on our ability to meet financial obligations by accessing readily available cash, funding activities and capital management. During the Track Record Period, we principally financed our operations primarily through cash generated internally from our operations and bank borrowings. Our cash requirements primarily related to our operation and capital expenditures. Our cash and cash equivalents consisted of deposits with banks and cash on hand. During the Track Record Period, we were able to repay our obligations under bank borrowings when they became due. We expect that there will not be any material change in the sources and uses of the cash of our Group upon completion of the [**REDACTED**] and in the future, except that we will have additional funds from the [**REDACTED**] of the [**REDACTED**] for implementing our future plans as detailed in "Future Plans and [**REDACTED**]" in this document.

Our liquidity management focuses on ensuring sufficiency and liquidity of our working capital. Our finance department prepares financial budget and cash flow forecast using standardised assumptions on an annual basis to estimate and project the working capital required for the financial year. Monthly variance analysis is prepared to analyse the actual figures against the forecast with material variations within total context of our Group's operations, which is evaluated by our financial controller and reported to our chief executive officer, who are responsible for monitoring and managing liquidity risk on a continuous basis. A liquidity contingency plan is also in place to guide our management through various liquidity scenarios ranging from minimum cash and liquidity balances to available working capital and operating cost reduction strategies. It assists our Directors to quickly ascertain critical liquidity risk thresholds and predict desired outcomes under normal and extraordinary times. In addition, our Group may from time to time consider negotiating with some of our suppliers for extending the credit terms in order to improve our working capital position. Regarding contracts entered into with our new customers, we would generally negotiate a shorter credit term to further improve our working capital position.

With our liquidity management measures and solutions in place, our Directors believe that we could enhance our cash position, improve our working capital allocation, offer operational transparency and effectively control our liquidity risk.