Prospective investors should consider carefully all of the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [**REDACTED**]. *The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.*

This document contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The [**REDACTED**] *price of the* [**REDACTED**] *could decline due to any of these risks and you may lose all or part of your investment.*

We believe that there are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to our operations in Malaysia; (iv) risks relating to the [**REDACTED**]; and (v) risks relating to the statement in this document.

RISKS RELATING TO OUR BUSINESS

Our Group's business and operation depend on our suppliers' ability to duly supply products and raw materials to us and our business relationship with our suppliers.

During the Track Record Period, we sourced our F&B products from independent suppliers. Our suppliers for Third-Party Brand Products play a vital role in our F&B distribution and sales business in that we rely on their ability and efficiency to supply large quantities of products to us for onward supply to our customers. Similarly, we also rely on our OEM suppliers and raw material suppliers given the fact that they are responsible for most of the manufacturing process of our Own Products, except for the processing of some of these products by ourselves. However, we generally did not enter into exclusive distribution agreements with our suppliers for Third-Party Brand Products, and save for the non-exclusive distribution agreements with some of our major suppliers, we generally did not enter into any long-term supply agreements with our raw material suppliers and most of our OEM suppliers generally transacted with us on a transaction-by-transaction basis during the Track Record Period. Although our procurement team monitors our business connection with our suppliers, there is no assurance that our suppliers will continue to supply products to us with desired quality and in required quantities, in a timely manner and on terms commercially acceptable to us.

It is also possible that our major suppliers may suffer financial or other difficulties, adversely affecting their ability to continue to supply products to us, which in turn could have an adverse effect on the business of our Group. In addition, we cannot guarantee that we will not have any material dispute with our major suppliers in the future in connection with the performance of a party's obligations or the scope of a party's responsibilities under the relevant supply agreement or terms of order. Hence, if we fail to maintain business relationships with our major suppliers, or to obtain supplies from alternative sources on a timely basis or on commercially reasonable terms, our ability to deliver our products to our customers on a timely basis or in the required quantities could be adversely affected, which would in turn have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we also sell certain products such as dairy products, organic products and pet care products under our major Own Brands, namely *CED*, *Mega Fresh*, *Mega Food* MEGA, *Sayangku* and *Snowcat* SNOWCAT and White-Label Products including frozen seafood and frozen meat, which are purchased from our suppliers. The revenue generated from sales of our Own-Brand Products for FY2019, FY2020, FY2021 and 4M2022 amounted to approximately RM51.6 million, RM68.5 million, RM86.3 million and RM31.9 million, respectively, representing approximately 10.4%, 12.1%, 12.9% and 12.0% of our total revenue for the respective years/period whilst the revenue derived from our White-Label Products amounted to approximately RM40.9 million, RM37.6 million, RM39.2 million and RM20.0 million, representing approximately 8.2%, 6.7%, 5.9% and 7.5% of our total revenue for FY2019, FY2020, FY2021 and 4M2022, respectively. Although currently we have no concrete plan to promote our Own-Brand Products or White-Label Products over Third-Party Brand Products and we have tried to avoid any excessive competition, there may still be direct or indirect competition between our Own-Brand Products or White-Label Products and the Third-Party Brand Products. If we fail to promptly and actively manage such competition, our suppliers may not be willing to supply products to us with desired quality and in required quantities, in a timely manner and on terms commercially acceptable to us, or at all. For more information, please refer to the paragraphs headed "Business – Measures to avoid excessive competition and cannibalisation".

We generally do not enter into long-term agreements with our customers and some of our customers with substantial bargaining power account for a significant portion of our revenue.

Our customers generally comprise hypermarkets and supermarkets, provision shops, convenience stores and kiosks, HORECA etc., which make purchases from us based on consumers' demands. We generally do not enter into long-term agreements with the above customers for the sale of our products except for major customers that are large retail chains, which set forth the general terms in their trading terms agreements with us during the Track Record Period. Since our customers are generally not obligated to retain their business relationships with us or to continue purchasing products from us, we cannot assure you that the volume, number and/or purchase price of our customers' orders will remain constant or increase, or that we will be able to maintain or add to our existing customer base. If any of these customers decides to reduce their orders or terminate their business relationships with us and we fail to expand our business with existing customers or attract new customers, we may experience no growth or even a decrease in our revenue, and hence our business, financial condition and results of operations could be materially and adversely affected.

On the other hand, our major customers are mainly hypermarkets and supermarkets, which are well-established retail chains and have significant bargaining power when they purchase products from us. For instance, our largest customer during the Track Record Period is a retail chain in Malaysia which accounted for approximately 7.8%, 8.7%, 9.1% and 9.0% of our revenue, respectively, in that period. These customers may be in a position to decline our request for a price increase or to actively request lower prices and, if they do, our product sales and thus results of operations in relation to sales to these customers could experience no growth or even be adversely affected.

Increase in the costs of products sourced from suppliers or costs incurred in our logistics operations and our exposure to foreign currency risk may materially affect our results of operations.

Our results of operations are susceptible to increases in the cost of sales, which primarily consists of cost of inventories sold. For FY2019, FY2020, FY2021 and 4M2022, our cost of inventories sold amounted to approximately RM423.5 million, RM475.1 million, RM562.4 million and RM223.6 million, respectively. Please refer to the paragraphs headed "Financial information – Key factors affecting our results of operations – Inventories" in this document for the sensitivity analysis on our cost of inventories sold, based on hypothetical fluctuations in our cost of inventories sold and their effects on our profit before tax during the Track Record Period. A rise in the cost of inventories sold may be caused by various external factors over which we have no control, such as seasonality, fluctuations in supply and demand and other economic conditions, availability and quality of ingredients or raw materials. Recent fluctuations in inflation and crude oil price may also increase our cost of purchase. For instance, as we purchase certain imported products or raw materials outside Malaysia, the logistics costs of such products or raw materials could be affected by the fluctuation of crude oil price, which may in turn affect the costs of our purchase. If the costs of our purchase rise as a result, we may have to reflect the increase in our pricing of the relevant products. And if we are unable to pass on all of the increased costs to our customers through increasing the price of our products, our overall results of operations and financial condition could be materially and adversely affected.

Moreover, as we purchase some of our products from overseas markets, we may have to pay our suppliers with foreign currencies, such as AUD, EURO, NZD, THAI-BAHT and USD, which may be affected by the fluctuations of the exchange rate between Malaysian Ringgit and the foreign currency and may further affect our cost of purchase. For further details about our currency conversion and exchange rate risks, please refer to the paragraphs headed "Risks relating to our operations in Malaysia – We are exposed to currency conversion and exchange rate risks." in this section.

Overall, if we are unable to obtain the requisite quantities of products at commercially reasonable prices in accordance with our customers' requirements, our business could be adversely affected. In the event that our cost of inventories sold increase in the future and we are unable to pass the increase in cost onto our customers immediately, our results of operations may be affected.

Moreover, inflation in the costs we incur in our logistics operations, such as the costs of deploying and operating our logistics vehicles and the costs of engaging external transportation service providers, may also result from different external factors, including a rise in crude oil price over which we have no control. If the costs in relation to our logistics operations rise as a result of inflation and if we are unable to pass all of the increased costs to our customers, our overall results of operations and financial condition could be materially and adversely affected.

Our Group may fail to secure distributorship from suppliers of Third-Party Brand Products due to suppliers' general preference for self-owned warehouses.

During the Track Record Period, our self-operated warehouses include both self-owned and leased warehouses, and we also leased storage spaces from external warehouse and logistics service providers on an as-needed basis for storage of our inventories and delivery of the same to our customers. In FY2020, we had attempted to secure distributorship of products supplied by a major supplier in Western Peninsular Malaysia, but were eventually declined by the supplier, partly due to, to the best knowledge and belief of our Directors, brand owners' general preference for distributors which can deploy self-owned warehouses with sufficient storage spaces for their products. For further details, please refer to the paragraphs headed "Business – Business strategies – I. Further enhancing our distribution and sales capabilities by investing in cold chain and other infrastructure – (i) Setting up a new warehouse with cold storage facilities and upgrading our self-owned warehouses with advanced features – Setting up a new warehouse – (D) Estimated and indicative demand arising from new business" in this document.

While we strive to expand our distribution network by acquiring or setting up new self-owned warehouses and reducing our reliance on leased storage spaces, there is no assurance that we will have self-owned warehouses with sufficient and available storage capacity in the areas where we attempt to secure new or maintain existing distributorships. If we are unable to provide sufficient self-owned storage spaces for prospective or existing distribution of products from new or existing suppliers of Third-Party Brand Products, we may not be able to secure new or maintain existing distributorships of Third-Party Brand Products, which may in turn materially and adversely affect our product and brand portfolio, overall results of operations and financial condition.

Our Own-Brand Sales depend on the strength of our brands and our reputation and any failure to maintain and enhance our brands and our reputation may materially adversely affect the level of market recognition of, and confidence in, our Own-Brand Products.

Our Directors consider that our brands and reputation are critical to the success of our Own-Brand Products and believe that our brands are recognised among our customers in terms of quality and reliability. From FY2019 to FY2021, our revenue generated from our Own-Brand Products has gradually increased from approximately RM51.6 million for FY2019 to approximately RM68.5 million for FY2020, and to approximately RM86.3 million for FY2021 and decreased from approximately RM42.9 million for 4M2021 to approximately RM31.9 million for 4M2022. Our ability to develop, maintain and enhance the image and recognition of our Own Brands will depend on a number of factors and, in particular, our brands, reputation and product sales could be materially and adversely affected if:

- our Own-Brand Products are damaged or defective;
- our Own-Brand Products fail to meet the expectations or requirements of our customers;
- our customer services including our sales support and after-sales services are considered ineffective and unsatisfactory by our customers;
- we fail to deliver our Own-Brand Products on time;
- we are subject to product liability claims; or
- we are subject to significant product recalls.

Failure to protect our brands and/or reputation may lead to reduction in customer orders which may materially and adversely affect our business and results of operations.

Our measures to avoid excessive competition and cannibalisation among products available under different brands may not be effective.

Some of our products are available under different brands in our brand portfolio and any product overlap may give rise to an inherent risk of excessive competition and potential cannibalisation amongst the brands. In view of this, we will perform certain measures to minimise such risk. Please refer to the paragraphs headed "Business – Measures to avoid excessive competition and cannibalisation" for further details. If these measures are ineffective, excessive competition and cannibalisation may arise and adversely affect the sales performance of our Third-Party Brand Products and/or Own Products. Also, our suppliers may not be willing to supply products to us with desired quality and in required quantities, in a timely manner and on terms commercially acceptable to us, or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our business and operations may be materially and adversely affected if the global COVID-19 prolongs or any new variant of the COVID-19 pandemic develops.

The global widespread of COVID-19, which is considered to be highly contagious, has posed a serious public health threat in Malaysia and the countries from which our products are imported. To contain the spread of COVID-19, the Malaysia government has announced measures, including travel restrictions, 14-day quarantine for travellers or returners from affected regions and safe distancing measures in order to reduce risk of local transmission of COVID-19. It also imposed tough measures across Malaysia, including the "Movement Control Order" ("**MCO**") and "Conditional Movement Control Order" ("**CMCO**") with effect from 18 March 2020, which had been extended several 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. However, in view of the third wave of COVID-19, CMCO was reinstated in certain states and regions in Malaysia since October 2020, which had been subsequently extended to most states until 31 December 2020. During the implementation of MCO, most government and private premises are closed except for those for provision of essential services including, among others, retail and food supply and there is a general prohibition of mass movements and gatherings across Malaysia, 14-day quarantine for returners and prohibition of foreigners entering Malaysia and thus, most business, social and other activities have to be suspended. Our Directors believe that the business and operations of our customers, particularly, HORECAs, have been severely affected as all social dinning activities have to be suspended. There is also no assurance that our overseas suppliers or the manufacturers from the countries affected by COVID-19, which may impose similar tough measures, would be able to (a) maintain their normal business operation without disruptions; and/or (b) continue to supply products to us as usual in the event that restrictions on freight logistics are imposed, and there is no guarantee that we would be able to purchase products from these suppliers with volume similar to that before if COVID-19 pandemic persists for a substantial period. The situation will be worse off if the spread of COVID-19 pandemic intensifies whereby our supply of products from overseas countries will also be disrupted, particularly when there is any transportation bans or restrictions following escalation of the spread of COVID-19 or the development of new variant of COVID-19 pandemic.

Hence, the outbreak of COVID-19 pandemic has disrupted not only our operations but also the operations of both our overseas and domestic suppliers and domestic customers, particularly the HORECAs. If the development of the COVID-19 pandemic persists or becomes more severe whereby our customers and suppliers are forced to close down all or part of their businesses after prolonged disruptions to their operations, we may experience a delay or shortage of supplies from our suppliers, or termination of our orders by our customers. In such event, our operations may be severely disrupted which may have a material and adverse effect on our business, financial conditions and results of operations.

Further, with the re-opening of the borders of Malaysia 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. For fully vaccinated travellers, quarantine upon arrival is no longer required and only a RT-PCR test to be done 2 days prior to departure to Malaysia together with a professional RTK-Ag test to be done within 24 hours upon arrival is required.

The Malaysian government has further revised on the standard operating procedures in Malaysia where more relaxations are implemented and came into effect on 1 May 2022. In particular, all businesses are allowed to operate from 15 May 2022.

In addition, if any of our employees are suspected of having contracted COVID-19 pandemic, some or all of our employees may be quarantined and we will be required to disinfect our workplace, our warehouses and/or our processing facilities. If it happens, we may face a shortage of labour and our operations may be severely disrupted.

Our revenue and profitability may also be materially affected if the outbreak of COVID-19 pandemic affects the overall economic and market conditions in Malaysia and the economy slowdown and/or negative business sentiment could potentially have an adverse impact on our business and operations. We are uncertain as to when the outbreak of COVID-19 pandemic will be contained, and we also cannot predict if the impact of the outbreak will be short-lived or long-lasting. If the outbreak of COVID-19 pandemic is not effectively contained within a short period of time, our business, financial condition, results of operations and prospects may be materially and adversely affected. For further details of the potential effects of COVID-19 pandemic on our business and operations, please refer to the sections headed "Summary – Recent developments and no material adverse change" and "Business – Impact of COVID-19 on our business and operations" in this document.

Changes in end-consumers' preference, consumer spending patterns and general economic conditions could cause sales to decline.

Our customers generally comprise hypermarkets and supermarkets, provision shops, convenience stores and kiosks, school canteens, HORECA, etc., which purchase from us pursuant to the then prevailing market trend of different varieties of products and end consumers' demands. As such, our sales could be affected by a number of factors beyond our control, including, among other things, changes in end-consumers' spending level and preferences, general economic conditions in Malaysia and discretionary spending priorities, which affect the demand for our products. The end-consumers' spending level and preferences are affected by an array of general factors, such as level of disposable income, taxation, unemployment level, consumer confidence, general market, social, political, economic and public health conditions (including COVID-19), media influences, etc. Any unfavourable changes to these factors may result in lower consumer spending, adversely affecting the industries in which our customers engaged in, which would indirectly lead to uncertainty in regards to the market demand for our products. If we fail to adjust our product mix and brand mix to adapt to changes in customer preferences and trends, our products may lose attractiveness to end consumers, which would also result in a loss of customers, and our sales may deteriorate accordingly. Negative consumer sentiment is often noted during economic downturn. As such, our sales may decline during future economic downturns, which may affect our operating results, profits, business or financial condition.

Our Group faces the risk of obsolescence for our inventories.

Our operations involve storage and stocking of a broad range of products with a focus on F&B products in our warehouses which have specified shelf life up to approximately 36 months. Our inventories, net of write-down provisions, as at 31 December 2019, 2020, 2021 and 30 April 2022 were approximately RM43.9 million, RM45.0 million, RM56.3 million and 63.6 million, respectively, and our inventory turnover days for FY2019, FY2020, FY2021 and 4M2022 were approximately 36 days, 34 days, 32 days and 32 days, respectively. In light of the nature of our products, our Group has set up features in our existing ERP system to allow our staff to monitor the inventory level and minimise incidences of overstocking. Our inventory inevitably faces obsolescence risks where, for instance, there are unexpected material fluctuations or abnormalities in the supply and demand of our products by suppliers and customers, respectively or where there are changes in end-consumers' tastes and preferences, which may lead to decreased demand and overstocking of particular products.

In addition, the nature of some of our products such as frozen food and dairy products, require storage maintained at different level of frozen conditions in our warehouses with cold storage facilities. Any unexpected and adverse changes in the optimal storage conditions of our warehouses with cold storage facilities may expedite the deterioration of such products and in turn heighten the risk of inventory obsolescence or exposure to litigation matters.

We rely on external warehouse and logistics service providers for the storage of our inventories on an as-needed basis.

During the Track Record Period, since our self-owned and leased warehouses had almost reached their full utilisation rate, our Group relied on external warehouse and logistics service providers for the storage and delivery of our inventories on an as-needed basis. Our products are generally stored in our eight self-owned and four leased warehouses which are strategically located in major regions in Peninsular Malaysia. During the Track Record Period, the weighted average utilisation rate was approximately 86.4%, 87.1%, 79.5% and 85.6%, respectively, for our self-operated warehouses, which was close to being fully utilised. For further details of third-party warehouse and logistics service providers, please refer to the paragraphs headed "Our warehouses – Warehouse and logistics service providers" in this document.

There is no assurance that the external warehouse and logistics service providers engaged by our Group will continue working with our Group or to fulfil our needs and expectations in terms of cost and quality of service. In the event that such external warehouse and logistics service providers are not able to fulfil our requirements, or we are unable to maintain the existing arrangements with them on favorable terms or should any of them terminate the service agreement between us, and we are not able to seek alternative warehouse and logistics service providers in a timely manner and/or at reasonable prices, our business operations and our financial conditions could be adversely affected.

Further, as elaborated in the paragraphs headed "Risks relating to our business – Our Group may fail to secure distributorship from suppliers of Third-Party Brand Products due to suppliers' general preference for self-owned warehouses." in this section, to the best knowledge and belief of our Directors, suppliers have a general preference for distributors which can deploy self-owned warehouses with sufficient storage spaces for their products. Compared with the use of self-operated warehouses (including leased warehouses), distributors generally have even less control and flexibility in relation to logistics, food safety, quality assurance, etc. if they utilise storage spaces from external warehouse and logistics service providers. As a result, the use of leased storage spaces from external warehouse and logistics service providers may not be acceptable to certain suppliers. If any of our prospective or existing suppliers requires us to deploy self-operated warehouses for their products and we are unable to do so, these suppliers may not supply products to us and our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to claims under product liability or food safety for the products distributed by us.

We are not involved in most of the manufacturing of the products sold by us nor do we have control over their quality save and except for our White-Label Products of frozen seafood or frozen meat that are processed by us, and other products such as honey and salt that are packaged by us, at our processing plant. Our sale of products with a focus on F&B products involves an inherent risk of our products being found to be unfit for human consumption or causing illness, for instance, product contamination or degeneration, illegal tampering by unauthorised third parties or other problems may arise at various stages of production, product transportation and storage. We cannot guarantee that our suppliers are in full compliance with all the relevant health and safety standards, licencing or permits requirements, customs clearance and quality assurance measures in such processes before the supply of products to us.

In addition, certain of our products are offered under our Own Brands and therefore any quality concerns on our Own-Brand Products may have an adverse impact on our business and reputation. We cannot guarantee that all suppliers that supply Third-Party Brand Products to us will fully comply with all the relevant health and safety standards, licencing or permits requirements, customs clearance and quality assurance measures in relation to production, preparation, handling and storage of their products. Also, as concerns our Own-Brand Products such as honey, beans and sugar and White-Label Products including frozen seafood and frozen meat, upon receipt of the products from our suppliers or in the course of subsequent processing, packaging and storage of the White-Label Products in our warehouses, we cannot guarantee that our internal control procedures and quality safeguards will be completely effective in ensuring that the quality of our White-Label Products will not deteriorate as a result of contamination, improper storage conditions or other unforeseeable reasons. Hence, there is no assurance that we will not face any product liability claims or a product recall, or any litigation or legal proceedings, in the future.

Any dispute over the attribution of product liability of our products that may arise would divert our resources in defending legal proceedings and efforts in our business operations, which may adversely affect our results of operations. If we are adjudged to be liable in a personal injury incident, it could also have a material adverse effect on our reputation, business and financial performance.

Any claims or actions regarding our product liability might also adversely affect our company image, reputation and customer preference for our products. Our operational and financial resources, as well as our management attention may be diverted from our business and operations to the defence of such proceedings. Our financial performance may be materially and adversely affected by the potentially substantial legal costs incurred. Our Group's reputation may also be affected during the often-prolonged process of litigation while the outcome remains uncertain. Furthermore, any settlements or judgments against us may strain our financial resources and adversely affect the profitability of our Group.

Adverse publicity about the safeness or quality of our products, whether they are valid or not, may adversely affect the overall consumer confidence in our products and the resultant sales of our products to our customers. Any incident that erodes consumer confidence in or affinity of our products, whether or not justified, could significantly reduce their respective values and damage our business reputation. If there is a decrease in consumer confidence as a result of health concerns or adverse publicity on our products, our business, financial condition and results of operations may be materially adversely affected.

We have limited control over the sales practices and activities of F&B dealers and merchandisers which are our customers.

During the Track Record Period, we sold our products to F&B dealers and merchandisers. We retain no ownership control over the products sold to them, and all material risks and rewards associated with the products are transferred to them upon delivery and acceptance. They are mainly only required to comply with our instructions in regard to strategies and manner for marketing and promotion of the products we sold to them. As a result of the above, we have limited control over the sales practices and activities of the F&B dealers and merchandisers. During the Track Record Period, we have entered into supply agreements with some of them, which generally allow us to terminate the agreement and seek damages in the event of a specific or material breach by them. Although the supply agreements impose contractual obligations on the F&B dealers and merchandisers, there is no assurance that they will at all times strictly adhere to such obligations or other terms and conditions of the agreements. For example, the F&B dealers and merchandisers under the supply agreements may contravene food safety and health laws and regulations in Malaysia or deviate from our instructions on marketing and promotional strategies. Any of the said scenarios could jeopardise the brands and reputations of both our suppliers and our own. It would also have negative impact on consumer perception of our products, which would inevitably damage our relationship with our suppliers. If we are unable to identify any non-compliance incidents or take actions in a timely manner, it may cause us to breach the distribution agreements with our suppliers. We may be entitled to remedies under the terms of the supply agreements, but there is no assurance that such remedies will be sufficient to cover all losses we may incur. All these factors may adversely affect our business, financial condition and results of operations.

The loss of any key members of our management team may impair our Group's ability in maintaining business relationships with our existing suppliers and customers, and identifying and securing new business and the loss of any skilled workforce may hinder the growth of our business.

The success of our business depends on the continual contributions and dedication of our key management team. The key members of our senior management team have extensive experience in the F&B distribution industry. In particular, our executive Directors have in average over 26 years of experience in the industry and possess in-depth knowledge of various aspects of the F&B market development in Malaysia. Since the establishment of our Group, our management team has built amicable and long-lasting business relationships with our suppliers and customers and maintained our Group's reputation. SB Soon, our executive Director, the Chairman of our Board and our chief executive officer, is responsible for the overall business strategic direction, planning, management and operational development of our Group; CA Soon and LS Soon, our executive Directors, are responsible for overseeing the operation and sales management of our Group.

Our Group also relies on our senior management to manage our business successfully. If any key member of our senior management team resigns or otherwise terminates the employment contract, we may not be able to recruit new management members of comparable industry experience and knowledge in a timely manner or at all. In addition, the relationships and reputation that members of the Group's management team have established and maintained with our customers contribute to the Group's ability to maintain good customer relations. The service agreements entered into between our Group and our senior management cannot prevent our senior management from terminating their employment. Hence, the resignation of any of our senior management may impair our Group's ability to maintain business growth and identify and develop new business opportunities or otherwise to manage our business effectively.

On the other hand, our growth also relies on our ability to identify, hire, train and retain suitable and skilled workforce in logistics, sales and marketing, procurement and other personnel to operate our business. We cannot assure you that we will be able to hire and retain an adequate number of qualified and skilled employees to develop and grow our business. The inability to recruit and retain a sufficient number of such employees could limit our ability to grow or our plan to expand our distribution network. Any deterioration of labour relations may adversely affect our operational stability and efficiency. Although we had not encountered any material labour disputes with our employees during the Track Record Period, we cannot assure you that favourable labour relations can continue to be maintained in the future. Any industrial action or strike by our labour force beyond our Group's control may also cause temporary or prolonged disruption to our business operations.

Our cash flow may deteriorate due to potential mismatch in time between receipt of payments from our customers and payments to our suppliers, and we may take a long time to collect our trade receivables.

While our suppliers generally grant us a credit period of up to 60 days, we generally give credit terms to our customers of up to 90 days. As a result, there are often time lags between receiving payments from our customers and making payments to our suppliers, resulting in potential cash flow mismatch. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and trade receivables turnover days. During the Track Record Period, our trade payables turnover days were approximately 19 days, 22 days, 22 days and 23 days, respectively, while our trade receivables turnover days were approximately 49 days, 47 days, 43 days and 45 days, respectively. For further details please refer to the section headed "Financial Information" in this document. Given such differences during the Track Record Period, in the event that we fail to receive payments from our customers on a timely basis, our cash flows and financial performance could be affected adversely and materially.

Even if we are able to recover any losses incurred from our customers pursuant to the terms of the contract, we expect the process of such recovery and/or settlement will be time-consuming and require financial and other resources. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Our current evaluation of the credit status of our customers and credit control policies may not be adequate to safeguard against material credit risks.

During the Track Record Period, we have not encountered any material delay in payment by our customers. However, there can be no assurance that such payment by our customers will be made on time in the future. Any failure by our customers to make payment to us in a timely manner may have adverse impact on our operations, as it diverts our management resources, time and attention to pursuing unsettled invoices, and thus affect our business, financial position, results of operations and prospects.

There may be negative cash flows from operating activities during our operations which may have a material adverse effect on us.

We recorded negative cash flows from operating activities of approximately RM3.7 million as at 30 April 2022 notwithstanding cash flows of approximately RM19.6 million from the operating cash flows before movement in working capital. Please refer to the paragraphs headed "Financial information – Liquidity and capital resources – Cash flows" for further details. We may continue to experience net cash outflows from our operating activities for the foreseeable future, and we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. If we are unable to maintain adequate working capital, we may not be able to meet our payment obligations or operating cash and capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be exposed to credit risk on trade receivables.

Our financial position and liquidity are dependent on the creditworthiness of our customers. Provision for expected credit loss is made when our Group will not collect all amounts due. The provision is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The management of our Group estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. Please refer to the paragraphs headed "Financial information – Significant accounting policies, critical accounting estimates and judgments – Loss allowance for trade and other receivables" for more details. As at 31 December 2019, 2020, 2021 and 4M2022, our Group recognised loss allowance for trade receivables of approximately RM2.2 million, RM2.2 million, RM2.7 million and RM3.5 million, respectively. If customers with whom we have substantial trade receivables face difficulty in making payments to us in the future due to economic downturn, individual customer's deteriorating financial condition or any other reasons, we may be forced to make additional loss allowances or write-off the relevant receivables, and our results of operations, financial condition and cash flows may be adversely affected. During the Track Record Period, we had written off bad debts in the sum of approximately RM50,000, RM0.2 million, RM0.3 million and RM0.2 million, respectively.

Our Group will be adversely affected by any significant or prolonged disruption to our processing machines and cold storage facilities.

Our business of sales of Own Products which require processing by ourselves is dependent on the uninterrupted operation of our processing facilities. If the use or efficiency of our processing machines or equipment is hampered or disrupted due to, for instance, power shortages or breakdowns or if our processing machines are damaged due to accident, fire or other natural disasters, our ability to process and deliver our Own Products in a timely manner may be materially affected. This may in turn adversely affect the financial position and results of operations of our Group.

We also face operational risks with regard to our cold storage facilities. Any prolonged and/or significant downtime arising from major and unexpected repairs or servicing or mechanical failure of any of our warehouses, particularly the nine cold storage facilities, could disable us from properly storing some of our products, such as frozen products (including seafood and meat) and dairy products, and result in significant disruptions to our operations, either within a short period of time or at all, which could lead to diminished product quality. There is no assurance that the Independent Third Party service provider(s) we engaged for repair and maintenance will restore our refrigeration system in a timely manner.

Our cold storage facilities are also subject to a number of other risks, such as fires, floods, burglary, explosions, natural disasters, third-party interferences, disruptions in power supply and power outages. These could result in significant damage to our cold storage facilities and/or inventories and lead to significant disruption to our operations. These risks could also result in environmental pollution, personal injury or wrongful death claims and other damage which may materially and adversely affect our Group's business and financial performance.

Our Group's operation is susceptible to unexpected business disruptions and irregularities.

Our business and operations are subject to unexpected material disruptions brought about by natural disasters, including, among others, outbreak of diseases or extreme weather such as droughts, floods, excessive cold or heat, storms, and other conditions or calamities, as well as irregularities in our operations such as fire, power and water outage and other discontinuation of utilities beyond our Group's control. If any of these events occurs at or in the vicinity of our warehouses, it may directly cause substantial damage or destruction to our facilities and stocks of products. We cannot guarantee that the precautionary measures implemented at our warehouses will be effective in sufficiently mitigating or minimising such risks of business disruptions. There is no assurance that the steps taken by our Group to mitigate the potential impacts of such disruptions will be adequate and effective. the occurrence of any of the aforementioned incidents in the future may cause injuries to our employees, partial or total loss of our stocks and/or material damage or destruction to our machinery and equipment. Our operations may be severely impaired or even put to a halt, which may lead to material adverse impacts on our Group's results of operations.

We may not be able to adequately protect our trademarks, which could harm the sales business of our Own-Brand Products.

Our Directors believe that our registered trademarks are important as these trademarks enable customers to differentiate our business from our competitors. Details of our intellectual property rights are set out in the paragraph headed "B. Further information about the business of our Group – 2. Intellectual property rights of our Company" in Appendix IV to this document. The major trademarks which are material to the sales business of our Own-Brand Products are registered in Malaysia for the appropriate category for use. Unauthorised use of our trademarks and brand names may damage our brand and reputation. Although we have registered our trademarks and are not aware of any infringement of our intellectual property rights in the past, there is no assurance that infringement of our intellectual property rights will not take place in the future. In certain jurisdictions that do not have developed intellectual property laws or a record of protecting intellectual property rights, we may face considerable difficulties and costly litigation in order to protect and enforce such rights. In the event that we are not able to protect our intellectual property rights, our brand, reputation and financial position and results of operations may be harmed.

Our profitability may be materially and adversely affected by the potential increase in depreciation charges.

Our business strategies and future plans include setting up of a new warehouse, expanding our logistics operations through the purchase of logistics vehicles and purchase of processing machines for processing (including freezing, filling, bottling and labelling) our Own Products. For details, please refer to the sections headed "Business – Business strategies" and "Future Plans and [**REDACTED**]" of this document.

As a result of the intended establishment of a new warehouse and purchase of additional logistics vehicles and machinery, it is expected that our depreciation charges will increase and will be charged to our combined statement of profit or loss and affect our financial performance after the [**REDACTED**]. Accordingly, our profitability and our business, financial condition and results of operation are expected to be adversely affected.

We may engage in acquisition and investment activities, which could require significant management attention, disrupt our business and adversely affect our operating results.

While our Group plans to acquire and invest in companies along our supply value chain if there are appropriate opportunities in the market, we may not be able to find suitable acquisition or investment candidates and complete the acquisitions and investments on favourable terms, if at all. In pursuit of such acquisition or investment opportunities, our Group may experience significant pressure to deploy capital depending on the amount of consideration commanded by the seller and our Group may experience intense competition from other bidders.

Although due diligence and detailed analysis will be conducted before acquisition and investment activities are undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by our Group and by professionals are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate.

We may not ultimately strengthen our competitive position or achieve our goals through the acquisitions and investments, for example, we may face challenges in integrating the business of the acquired companies into that of our Group in a manner that permits us to achieve business and operating synergies, cost savings and other anticipated benefits. Acquisitions and investments may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses, and adversely impact our cash flow. Furthermore, any acquisition and investment could be viewed negatively by investors. Therefore, our business, financial performance and results of operations may be adversely impacted.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss.

During the Track Record Period, we had invested in unlisted investments in money market funds managed by banks in Malaysia. The funds mainly invested in deposit and money market instruments and/or liquid assets. As at 31 December 2019, 2020, 2021 and 30 April 2022, our financial assets at fair value through profit or loss amounted to approximately nil, RM6.0 million, RM0.2 million and RM0.2 million, respectively.

The values of financial assets at fair value through profit or loss are marked to market, and net changes in their fair value are recorded as our other income or other expenses, and therefore directly affects our results of operations. During the Track Record Period, our dividend income arising from financial assets at fair value through profit or loss was approximately nil, RM0.2 million, RM0.03 million and RM1,000 respectively. We did not incur material fair value losses for financial assets at fair value through profit or loss during the Track Record Period. However, we cannot assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Failure to fulfil our obligations in respect of contract liabilities may adversely affect our results of operation, liquidity and financial position.

Our contract liabilities refer to marketing incentive such as trade discounts, rebates and/or other price incentives offered to our customers. Generally, after customers make purchases with us, certain marketing incentive may be offered and made available to them for their future purchases. The unused marketing incentives at the end of the reporting periods represent our obligations to be performed and are recognised as contract liabilities. As at 31 December 2019, 2020, 2021 and 30 April 2022, our contract liabilities amounted to approximately RM0.6 million, RM4.4 million, RM7.0 million and RM8.1 million, respectively. For further details, please refer to the paragraphs headed "Financial information – Principal financial position items – Trade and other payables – Other payables" in this document.

There is no assurance that we will be able to fulfill our obligation in respect of the contract liabilities when, for instance, there is a shortage of stocks required by our customers due to various reasons and thus no purchase can be made and our customers cannot utilise the marketing incentives. If we are not able to fulfil our obligations with respect to our contract liabilities, our relationship with our customers may be adversely affected. As a result, our results of operation, liquidity and financial position may be adversely affected.

Our workforce includes foreign labour and any difficulties in recruiting and/or retaining foreign labour could affect our operations and financial performance.

As at 30 April 2022, 26 out of 743 of our employees were foreign labour, representing approximately 3.5% of our total workforce. All our foreign workers possessed valid, subsisting and enforceable working permits. During the Track Record Period, we recruited our foreign labour from Nepal. There is no assurance that we can continually recruit sufficient foreign labour to support our business operation for the following reasons:

- possible shortage in the supply of foreign labour;
- possible increase in the salary and wages of foreign labour;
- possible freezing of entry of foreign workers from certain countries due to border closures arising from COVID-19; and
- possible changes in government policies and conditions on foreign labour intake and the relevant laws and regulations relating to the employment of foreign labour in Malaysia.

In addition, we may have difficulty renewing working permits of our foreign workers if there are changes in the relevant laws and regulations which imposes additional requirements for renewal of working permits of foreign workers.

The employment of foreign labour in Malaysia is subject to the laws and regulations summarised in the paragraph headed "Regulatory Overview – 4. Employment and Labour Protection" in this document. Any material difficulties in recruiting and/or retaining foreign labour or any material adverse change in the relevant laws and regulations in relation to the employment of foreign labour in Malaysia could hinder our recruitment of foreign labour, and we may have to recruit local labour to substitute the foreign workforce for the relevant job positions, in which case our recruitment and employment costs will be increased. If we are unable to pass these additional costs on to our customers, our profitability and results of operations may be affected.

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.

We have maintained insurance coverage which includes fire damage insurance, burglary insurance, goods in transit insurance, consequential loss insurance, motor vehicle insurance, purchase credit insurance, machinery breakdown insurance, office insurance and public liability insurance. While our Directors are of the view that the amount of our insurance coverage is in line with the customary standard in the industry and is adequate for our operations, it may not be adequate to fully compensate for all kinds of losses we may suffer in the future. For example, insurance covering losses from acts of war, terrorism, or natural disasters is either unavailable or cost prohibitive. In addition, our insurers will review our policies every year and we cannot guarantee that our policies can be renewed on similar or other acceptable terms or at all. Furthermore, if we suffer unexpected severe losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospects.

We may be unable to successfully implement our business strategies and future plans.

As part of our business strategies and future plans, we intend to, amongst others, enhance our distribution and sales capabilities by setting up a new warehouse, upgrade our existing self-owned warehouses with advanced features, expand our logistics operations, acquire new processing machines, upgrade our ERP system to improve our operational efficiency and strengthen the promotion and marketing of our Own-Brand Products. For further details, please refer to the paragraph headed "Business – Business strategies" in this document.

While we have planned such expansion based on our outlook of the business prospects, there is no assurance that such expansion plans will be commercially successful or the actual outcome of those expansion plans will match our expectations. Any future development of our business is subject to the availability of resources and the constraints of market conditions which may be constantly changing. Any over-expansion could exert pressure on our limited managerial, operational and financial resources and may in turn pose risks to our operational and financial stability. For example, we may not be able to implement our expansion plans in a timely manner to support our business growth. Failure to manage our expansion plans properly may result in increased operational costs and lower profits than anticipated.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The F&B distribution business may be subject to increasingly stringent licencing requirements, environmental protection regulations and hygiene standards, which can increase our operating costs.

As at the Latest Practicable Date, we have obtained all material permits and licences for our business operations, such as specific licenses for importing business, distribution business, food processing business and Halal certificates. Moreover, F&B distributors shall also hold the required licenses, certificates and permits in relation to quality and safety control systems for their warehouses and processing facilities for maintaining food safety. However, some of these permits and licences are subject to periodic renewal and reassessment by the relevant government authorities and organisations, and the standards of compliance required in relation thereto may from time to time be subject to changes. For further details, please refer to the paragraph headed "Business – Licences, certificates and permits" in this document.

We cannot guarantee that we will be successful in renewing all the relevant licences we currently have upon their expiration. It is possible that we may be required to suspend our operation until the relevant licences are issued or even cease certain aspects of our business if we fail to obtain such licences for reasons that may go beyond our control. Any failure to comply with the existing regulations or future legislative changes could require our Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or suspensions of some or all of our business, which could materially and adversely affect our financial condition and results of operations.

On the other hand, we cannot guarantee that the Malaysia government will not amend the current regulations and policies that will affect our Group's operation and business in the future. We cannot assure you that the licensing requirements for our operations in Malaysia will not become more stringent in the future. Any imposition of onerous obligations on us to comply with licensing or permits requirements may increase our costs of operation and in turn adversely affect our profitability.

Changes in Malaysian food safety laws may affect our business.

As a distributor with a focus on F&B products which are intended for direct human consumption, we are subject to extensive food safety laws and regulations of Malaysia under which we distribute and sell our products. If we fail to comply with food safety laws in Malaysia, we may be subject to fines, suspension of operations, loss of relevant licences and, in more extreme cases, legal proceedings against us and our management. There can be no assurance that the Malaysia government will not impose additional or stricter laws or regulations on food safety, providing for stricter and more comprehensive monitoring and regulation of F&B distributors in respect of, for instance, distribution, processing and sales of F&B products, which may lead to an increase in our costs of complying with such regulations. We may be unable to pass these additional costs on to our customers. Any of these events could adversely affect our business, results of operations and financial condition.

There may be disintermediation by brand owners in the F&B industry in the future.

Our business model involves sourcing F&B products from international and domestic brand owners and distributing them to large retail chains, such as hypermarkets, supermarkets, and convenience stores in Malaysia. During the Track Record Period, 80.2%, 79.2%, 79.6% and 79.4% of our revenue were generated from the distribution and sales of Third-Party Brands. According to the F&S Report, large brand owners may adopt disintermediation strategy and build up their own comprehensive distribution networks, in which case the demand for our distribution services will be reduced. In addition, according to the F&S Report, given that the availability of online distribution options for business-to-business and the development of e-commerce in Malaysia facilitate the ordering of products through the internet, brand owners and manufacturers may remove certain levels in the supply chain or sell directly to the retail chains or end consumers to reduce costs in the process. Any decrease in demand for our distribution services due to disintermediation in the logistics industry could adversely affect our business, financial condition and results of operations.

The industry in which we operate in is highly competitive.

According to the F&S Report, the market size by revenue of Malaysia F&B distribution market reached RM24.2 billion in 2021. The industry players generally face strong competition, based upon factors including distribution network, brand and product offering and stable business relationship with brand owners, suppliers and customers. Some of our competitors, particularly the major players have been in the F&B distribution industry in Malaysia for a longer period of time and/or listed on the eligible stock exchanges and thus, have substantially greater resources to market and distribute their products. There is also no assurance that our current or potential competitors will not distribute products which are comparable or more superior or adapt more quickly to evolving industry trends and changes in consumers' preferences. Intense competition may lead our existing or potential competitors to adopt irrational or hostile business strategies, such as unreasonable or predatory price reductions and poaching of our employees, any of which may result in loss of our market share and reduced profit margins if we are forced to lower our pricing in response to such tactics adopted by our competitors. Should we face increased competition or if we cannot adapt effectively to market conditions, end-consumers' preferences and/or competitive environment, our Group may not be competitive and our revenue and profitability will be materially and adversely affected.

Align with the increasing trend of online distribution options for business-to-business, we may also compete with new types of competitors which operate under a different business model and are capable of offering products with relatively lower selling prices to customers as such business model would be able to reduce the reliance of different intermediaries in the supply chain.

In addition, during the Track Record Period, we generally do not enter into any exclusive distribution agreements with our suppliers. Our existing or potential competitors may obtain exclusivity in the products we sell in the future. We may be unable to source these products from other suppliers at equally competitive pricing. Consequently, our market share may be adversely affected. We may also face loss of our existing customers if they opt to purchase the new products sold by our existing or potential competitors as the product differentiation is low. As a result, if we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations may be adversely affected.

Any outbreak of animal diseases or epidemic of contagious diseases in Malaysia or overseas countries may have a material adverse effect on our business operations and financial condition.

Some of the F&B products we currently distribute are imported from overseas countries or from local suppliers. Any outbreak of animal diseases or other epidemics in these countries and/or in Malaysia may severely impair our suppliers' ability to supply or may render their products contaminated or otherwise unsafe. There have also been sporadic outbreaks of the H5N1 influenza or avian influenza A among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans in Malaysia. Any epidemic of contagious diseases affecting humans, such as avian influenza and swine influenza, might also result in unfavourable business operating conditions for our suppliers and customers such as decline in the catering and food retail industry, slowdown in economic growth and overall negative business sentiment. As our revenue heavily relies on the continuous and stable supply of products by our suppliers and sales of products to our customers, our business and financial performance may in turn be materially and severely affected. Furthermore, the occurrence of such outbreaks of animal or communicable diseases affecting humans in the countries from which we import our products may generate public concerns for safety of the products, influence customers' confidence in our brand and adversely affect our reputation.

We are susceptible to the development and growth in the downstream industries in Malaysia.

Our products are mainly sold to customers, including hypermarkets and supermarket chains, provision shops, F&B dealers and merchandisers, convenience stores and kiosks and HORECA. Hence, our business is susceptible to the development and growth in the downstream industries in which our customers are engaged. In general, if any of the downstream industries slumps or is not sustained or slows down due to a variety of factors beyond our control, such as economic downturn, epidemic outbreak or any negative publicity relating to any health-related matters, the demand for our products may be affected correspondingly whereby our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our Group's operations are subject to disruptions in transportation and fluctuations in logistics costs.

We provide delivery service of our products to our customers. For such purposes, we currently maintain a fleet of logistics vehicles and would engage third-party transportation service providers to deliver our products on an as-needed basis. Repair and maintenance expenses in relation to our logistics vehicles are incurred.

Although logistics costs are taken into account in the prices we quote to our customers, there is no assurance that we will be able to pass on all or any increases in logistics costs to our customers or otherwise offset the effects of any such increases in logistics costs. If we are unable to pass on the increased costs to our customers, our profit margin will be reduced and our business, results of operations, financial condition and prospects will be adversely affected.

Disruption of transportation services arising from factors such as unfavourable weather conditions, labour unrest or significant downtime arising from major and unexpected repairs or other events which are out of our control could affect our Group's ability to supply products to customers on time.

Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations.

The F&B distribution industry in Malaysia is affected by various macroeconomic factors, including changes in economic conditions, employment levels, disposable income levels and consumer spending patterns in Malaysia, which are beyond the control of our Group. In particular, some of our Group's major customers are hypermarkets and supermarkets in Malaysia and our sales to these customers are driven by demand from consumers, any deterioration of the Malaysia economy, decrease in disposable consumer income, fear of a recession or decreases in consumer confidence may lead to a reduction of average spending of consumers, which could in turn reduce the demand for our products by our customers and materially and adversely affect our financial condition and results of operation. In addition, our continued success will depend upon our ability to anticipate, identify and respond to the changing economic and other conditions in a timely manner, failing which our financial condition and results of operations may be adversely affected.

RISKS RELATING TO OUR OPERATIONS IN MALAYSIA

Changes in the social, political, regulatory and economic environment and policies of Malaysia may have an adverse effect on our Group.

Our Group's business, financial condition and results of operations and the prospects of the industry in which we operate in will depend, to some degree, on the social, political, regulatory and economic developments in Malaysia. Any adverse developments in the social, political, regulatory and economic environment including prolonged and/or widespread economic slowdown in Malaysia would decrease economic activities in Malaysia and affect our business and profitability. Any uncertainty in the global and local economies would affect investors' confidence, which will correspondingly have a negative impact on the distribution industry in Malaysia.

Our business and operations are subject to a wide range of laws and regulations such as those relating to consumer protection, quality of goods and product safety. Government authorities may inspect, examine or enquire on our compliance with the relevant statutory and regulatory requirements from time to time. If we fail to comply with any applicable laws and regulations, we may face penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative sanctions and litigation.

If any sanctions, fines and other penalties, which are material, are imposed on us for non-compliance with the applicable requirements, guidelines, laws or regulations, or if the Malaysia government imposes higher regulatory requirements or adopts measures such as price control, our business, reputation, results of operations and financial condition may be materially and adversely affected. Our Group's failure to comply with such laws and regulations may also result in reprimand, penalties, compounds and fines against us. Please refer to the section headed "Regulatory Overview" for further details.

We are exposed to currency conversion and exchange rate risks.

Since a substantial amount of income and profit of our Group is denominated in RM, any fluctuations in the value of RM may adversely affect the amount of dividends, if any, payable to the Shares in HK$ to our Shareholders.

The Central Bank of Malaysia had intervened in the foreign exchange market in the past to stabilise the RM and pegged the RM to the US$ in September 1998. In July 2005, the Central Bank of Malaysia adopted a managed float system which benchmarked the RM to a currency market to ensure that the RM remains close to its fair value. Our Group cannot assure you that the Malaysian government will not impose more restrictive or additional foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to less independence in the Malaysian government's conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets.

Furthermore, fluctuations in the RM's value against other currencies we used to settle our purchases, such as AUD, EURO, NZD, THAI-BAHT and USD may create foreign currency translation gains or losses and may have an adverse effect on our Group's business, financial condition and results of operations. We recorded exchange differences arising from the translation of foreign operations for combination/consolidation recognised in other comprehensive income or loss, amounting to a gain of approximately nil, RM26,000 and RM25,000 respectively for FY2019, FY2020 and FY2021, while we recognised a loss of RM60,000 for 4M2022. For the details of foreign currency translation, please refer to the paragraphs headed "Foreign currency translation" in note 3 to the Accountants' Report as set out in Appendix I to this document.

In addition, we had exchange gain arising from the settlement of transactions recognised in profit or loss of approximately RM0.3 million for FY2019; while we recognised a loss of approximately RM0.1 million, RM0.2 million and RM19,000, respectively for FY2020, FY2021 and 4M2022. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into RM, of our Group's net assets, earnings or any declared dividends. Consequently, this may adversely affect our Group's ability to pay dividends or satisfy other foreign exchange requirements.

Moreover, foreign exchange fluctuations may have a significant positive or negative effect on our results of operations. We are exposed to, among others, foreign currency risk related to our Group's financial instruments. Certain financial liabilities of our Group are denominated in currencies other than the functional currency of the respective group entities of our Group and we are therefore exposed to foreign currency risk. The sensitivity analysis in relation to foreign currency risk of foreign currency denominated liabilities is set out in "Foreign currency risk" in note 29 to the Accountants' Report as set out in Appendix I to this document.

In addition, in light of the potential foreign exchange fluctuations described above, there is no assurance that our Group will be able to pass all of our consequently increased costs driven by currency fluctuations to our customers. If we are unable to do so, our overall results of operations and financial condition could be materially and adversely affected.

Our Group's principal subsidiaries are incorporated in Malaysia and their main assets are located in Malaysia, therefore it could be difficult to enforce a foreign judgment against our Malaysian subsidiaries, our Directors and our management in Malaysia.

Our Group's principal subsidiaries are incorporated under the laws of Malaysia. A large majority of our Directors and members of the senior management team are residents of Malaysia and a substantial portion of the assets and the assets of our Directors and management are located in Malaysia. Enforceability of certain foreign judgment in Malaysia is by virtue of the Reciprocal Enforcement of Judgments Act 1958, in which a foreign judgment must be registered before it can be enforceable. The registration of such foreign judgments is only possible if the judgment is given by a superior court from a country listed in the First Schedule of the Reciprocal Enforcement of Judgment Act 1958, which includes the United Kingdom, Hong Kong, Singapore, New Zealand, Republic of Sri Lanka, India and Brunei Darussalam. In the event the foreign judgment is not from a country listed in the First Schedule of the Reciprocal Enforcement of Judgements Act 1958, the only method of enforcement at common law is by securing a Malaysian judgment. As a result, it could be difficult to enforce a foreign judgment against our Malaysian subsidiaries, our Directors or our management in Malaysia.

We are subject to tax audit and investigation in Malaysia.

The Malaysia tax regime is based on a self-assessment system. Persons chargeable including companies in Malaysia have legal obligations to make self-assessment on the tax payable and file necessary tax returns annually with their remittance of tax. Malaysian Inland Revenue Board is empowered by the Malaysia Income Tax Act 1967 to carry out audit and investigation on persons chargeable to determine, inter alia, whether their tax returns are accurate and complete. The Malaysia Income Tax Act 1967 also empowers Malaysia Inland Revenue Board to impose additional tax and/or penalties on persons chargeable if Malaysia Inland Revenue Board determines that the persons chargeable are in fact subject to more tax payables than are reported in the self-assessed tax returns.

We calculate the amount of our taxes and make payment thereof in accordance with the applicable tax laws. We may be subject to additional taxes or penalty if Malaysia Inland Revenue Board have a different view from us with respect to our self-assessed tax payables in our filed tax returns. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any tax audit and/or investigation by Inland Revenue Board of Malaysia or other relevant tax authorities due to irregularities alleged against or committed by our Group. As we may in the future be subject to such tax audit and/or investigation by Malaysian

Inland Revenue Board or other relevant tax authorities from time to time, in the event that Malaysia Inland Revenue Board or other relevant tax authorities impose additional tax or penalty on our Group, our profit margin may decrease and consequently our financial results may be adversely affected.

Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact on our business.

Natural disasters and other acts of god which are beyond our control may materially and adversely affect the economy and livelihood of the people in Malaysia. Our operations and financial condition may be adversely affected, especially when such events occur in regions in which our operations and suppliers are located.

Acts of war, terrorists' attacks and political unrest may cause damage or disruption to our facilities, our employees, our suppliers and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

RISKS RELATING TO THE [REDACTED]

Termination of the [REDACTED].

[REDACTED]

There has been no prior [REDACTED] the Shares and an active [REDACTED] for the Shares may not develop or be sustained.

Prior to the [**REDACTED**], no [**REDACTED**] for the Shares existed. Following the completion of the [**REDACTED**], the Stock Exchange will be the only market on which the Shares are [**REDACTED**]. We cannot assure our investors that an active [**REDACTED**] for the Shares will develop or be sustained after the [**REDACTED**]. In addition, we cannot assure our investors that the Shares will [**REDACTED**] in the [**REDACTED**] at or above the [**REDACTED**] subsequent to the [**REDACTED**]. The [**REDACTED**] for the Shares is expected to be fixed by the [**REDACTED**], and may not be indicative of the [**REDACTED**] of the Shares following the completion of the [**REDACTED**]. If an active [**REDACTED**] for the Shares does not develop or is not sustained after the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of the Shares may be materially and adversely affected.

The [REDACTED] and [REDACTED] of the Shares may be volatile, which may result in a substantial loss for our investors.

The [**REDACTED**] of the Shares may be volatile and may fluctuate widely in response to factors beyond our control, including variations in the level of [**REDACTED**] of the Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. These broad market and industry factors may significantly affect the [**REDACTED**] of the Shares, regardless of our actual operating performance.

In addition to market and industry factors, the [**REDACTED**] and [**REDACTED**] for the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, may cause the [**REDACTED**] of the Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the [**REDACTED**] and [**REDACTED**] of the Shares. There is no assurance that such changes will not occur.

Further, there will be a gap of several days between [**REDACTED**] of the [**REDACTED**]. The [**REDACTED**] of the Shares is expected to be determined on the [**REDACTED**] while the Shares will not commence [**REDACTED**] on the Stock Exchange until the [**REDACTED**]. As a result, investors may not be able to [**REDACTED**] or otherwise [**REDACTED**] the Shares during the period between the [**REDACTED**] and the [**REDACTED**] and hence are subject to the risk that the price of the [**REDACTED**] could fall during the period before [**REDACTED**] of the [**REDACTED**] begins.

There will be a time gap of several business days between [REDACTED] and [REDACTED] of our Shares [REDACTED] under the [REDACTED]. The [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED].

The [**REDACTED**] of our Shares will be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. It is expected that there will be a considerable gap of time between the [**REDACTED**] of our Shares/[**REDACTED**] and the commencement of [**REDACTED**]. Investors may not be able to [**REDACTED**] or otherwise [**REDACTED**] the Shares until the commencement of [**REDACTED**] and accordingly, holders of our Shares are subject to the risk that the [**REDACTED**] of their Shares could fall before [**REDACTED**] begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time when [**REDACTED**] begins.

Additional equity fund raising may lead to dilution of Shareholders' interests and decrease in [REDACTED] of the Shares.

We may find opportunities to grow through acquisitions that cannot currently be anticipated. Secondary issue(s) of securities after the [**REDACTED**] may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by issuing new equity securities in the future to new and/or existing Shareholders after the [**REDACTED**], such new Shares may be priced at a discount to the then prevailing market price. If existing Shareholders are not offered an opportunity to participate, their shareholding interest in our Company will be diluted.

Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the [**REDACTED**] of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

There may be dilution because of the issuance of Shares pursuant to the options which may be granted under the Share Option Scheme.

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the Shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this document.

Historical dividends are not indicative of our Group future's dividends.

During the Track Record Period, our Group declared dividends of approximately RM13.5 million, RM20.5 million, nil and nil, respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. Our future declarations of dividends will be subject to, among other things, the discretion of our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. In any event, there can be no assurance that we will be able to declare or distribute any dividend.

Future disposal or perceived disposal by our existing Shareholders of a substantial number of the Shares in the [REDACTED] may materially and adversely affect the prevailing [REDACTED] of the Shares.

Disposal of substantial amounts of the Shares in the [**REDACTED**] after the completion of the [**REDACTED**], or the perception that disposal may occur, may adversely affect the [**REDACTED**] of the Shares and materially impair our future ability to raise capital through [**REDACTED**] of the Shares. There is no assurance that our major Shareholders will not dispose of their shareholdings. Any significant disposal of the Shares by any of the major Shareholders may materially affect the prevailing [**REDACTED**] of the Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the [**REDACTED**] of the Shares.

Investors may experience difficulties enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection of minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles of Association, the Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on the protection of minority Shareholders is set out in Appendix III to this document.

RISKS RELATING TO THE STATEMENT IN THIS DOCUMENT

Investors should read the entire document and should not rely on any information contained in press articles or other media coverage regarding us and the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there may be press and media coverage regarding the [**REDACTED**] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information to the press or media and do not accept any responsibility for such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecasts and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government, official or other resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any of our or their respective directors or affiliates or advisers or any other parties involved in the [**REDACTED**] and, therefore, we and all the aforesaid parties make no representation as to the accuracy of such facts and statistics. Due to the possibly flawed or ineffective data collection methods or discrepancies between published information and market practice, the facts and statistics disclosed in this document may be inaccurate or may not fairly reflect the actual situations or market conditions. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. Please refer to the section headed "Forward-looking Statements" in this document for further details.