
SUMMARY

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

OVERVIEW

We are an established distributor of F&B and other products for recognised international and domestic Third-Party Brands, and under our Own Brands with substantial scale in Peninsular Malaysia taking into account: (i) our extensive geographical coverage and sales network attributed to our self-operated warehouses and logistics operation across Peninsular Malaysia, complemented by the warehouse and logistics service of our external service providers in the regions not covered by our self-operated warehouses, which in aggregate cover most parts of Peninsular Malaysia and enables us to distribute and sell our products widely and efficiently; (ii) our substantial warehousing capability with an aggregate designated storage capacity of approximately 25,600 CBM as at 30 April 2022, of which approximately 4,550 CBM are equipped with cold facilities that provide optimal storage condition and temperature to maintain the quality of our products; (iii) our substantial logistics infrastructure with a fleet of over 140 logistics vehicles, of which approximately 100 are refrigerated vehicles; (iv) our ability to obtain distributorships and maintain long-term business relationships with recognised international and domestic brands which normally have a preference for sizeable distributors; (v) our substantial and diverse customer base of more than 11,000 active customers (customers that have placed purchase order(s) with us in a particular financial year or period) which shows a consistent demand for our products and services; and (vi) the wide range of products offered by us with more than 4,000 SKUs across nine core categories during the Track Record Period, as elaborated below.

We serve a wide group of retail chains and channels in Peninsular Malaysia 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 have a diverse product assortment with over 4,000 SKUs across nine core product categories spanning dairy products, frozen food, packaged food and commodities, sauce, oil and condiments, beverages, specialty products, personal and baby care products, pet care products, cleaning and kitchen supplies, covering over 200 international and domestic Third-Party Brands together with our Own Brands. In addition, we also provide our suppliers with warehousing, logistics, sales and marketing support and other value-added services upon the request of our suppliers to allow them to benefit from our broad industry knowledge and expertise and to ensure an efficient and cost-effective distribution flow of their products.

SUMMARY

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

We also operate an extensive distribution platform offering integrated and efficient end-to-end logistics solutions. Headquartered in Kuantan of Malaysia, we had 12 warehouses as at 30 April 2022 strategically set up around our customers across all our key sales regions of Peninsular Malaysia supported by cold chain facilities with designated cold storage capacity of approximately 4,550 CBM as well as our own logistics vehicles including a majority of refrigerated vehicles. Our extensive distribution platform with temperature-controlled warehousing and logistics facilities is our valuable asset and cornerstone of our business, ensuring that goods are stored and handled at the right temperature throughout the whole logistics process in order to maintain the quality of our F&B products and to reduce wastage due to spoilage, particularly for the product categories of ice-cream and other dairy products as well as frozen food.

OUR BUSINESS

Our Business Model

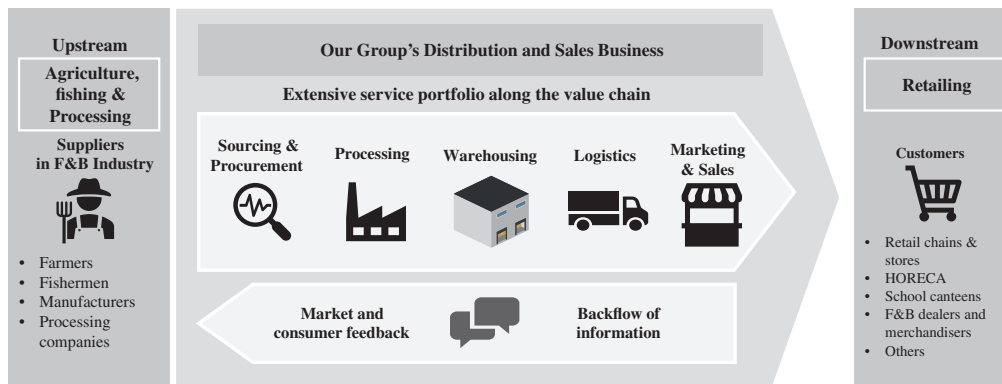
Our business partners are either our suppliers or customers, depending on their position in the F&B value chain and the services we provide to them. Our business model is centered on our role as the key link between suppliers and customers. We help our partners in growing and adding value to their business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

We are strategically focused on distributing F&B and other products to both established international and local retail chains in Malaysia along the rapid shift from traditional markets towards hypermarkets, supermarkets, and convenience stores in Malaysia. In particular, retail chains which have been expanding their network of retail stores in different locations in Malaysia prefer to purchase a wider selection of products from distributors like our Group in huge quantities and great varieties and require frequent replenishment. We in turn purchase products in bulk from our upstream suppliers, and hence, we are able to achieve economies of scale from our purchases and pass any discount granted to us onto our customers. We also cater to the rapidly growing hospitality industry in Malaysia and supply our F&B to hotels, restaurants, cafes (“**HORECA**”). In addition, our procurement capabilities and scalable distribution platform allow us to provide our customers with a comprehensive portfolio of products, brands and services at competitive prices.

SUMMARY

We provide supports to our suppliers of international and domestic branded products in terms of marketing, sales and distribution of their F&B products and other supply chain solutions, enabling their products to reach out to a large and diverse base of retail stores and channels mainly across Peninsular Malaysia. We also provide them with comprehensive and tailored services across the region. Leveraging our substantial market presence, our suppliers can capitalise on the competitive commercial terms and conditions made available by us to grow their business in new or existing markets.

The following diagram sets forth our business model in the F&B value chain:



Our Business

We offer a wide range of services that are classified into two segments, namely distribution and sales, and logistics and other services.

Distribution and Sales business:






Our distribution and sales business is our core business which can be further categorised into two major sub-segments of Third-Party Brand Distribution and Our Own-Product Sales.

– Third-Party Brand Distribution

In conducting our distribution and sales business for Third-Party Brand Products, we may enter into distribution agreements with brand owners or distributors of both recognised international and domestic brands and pursuant to which, we are typically granted the right, which is mainly on a non-exclusive basis, to, distribute and sell their Third-Party Brand Products to customers in a designated territory with provision of marketing and other sales support services. As at 30 April 2022, there were over 30 distribution agreements in force covering more than 100 Third-Party Brand Products. In addition, we also source and procure Third-Party Brand Products in pallets and in bulk from our upstream suppliers, without entering into any distribution agreement with these suppliers for onward wholesale to our customers in smaller portions, who would resell the products onwards to retailers or their other customers.

SUMMARY

– Our Own-Products Sales

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

Logistics and other services:

With an aim to offer integrated F&B supply chain solutions, we offer logistics warehousing services for both our customers and suppliers. We also provide marketing and sale support services to them based on our knowledge and market insights so as to boost sales in their existing markets, enhance efficiency and margins, or expand into new markets.

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

	FY2019		FY2020		FY2021		4M2021		4M2022					
	Revenue		Gross profit		Revenue		Gross profit		Revenue		Gross profit			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Distribution and Sales														
– Third-Party Brands	398,772	80.2	447,283	79.2	532,631	79.6	171,140	78.9	211,846	79.4	11.4			
– Own Products	92,476	18.6	106,096	18.8	125,533	18.8	42,850	19.7	51,877	19.5	23.9			
Sub-total	491,248	98.8	553,379	98.0	658,164	98.4	213,990	98.6	263,723	98.9	13.8			
Logistics and other services														
	6,187	1.2	11,253	2.0	10,574	1.6	3,065	1.4	2,929	1.1	77.8			
Total/overall	497,435	100.0	564,632	100.0	668,738	100.0	217,055	100.0	266,652	100.0	14.5			

SUMMARY

Our revenue increased by approximately 13.5% from approximately RM497.4 million for FY2019 to approximately RM564.6 million for FY2020. Such increase was mainly attributable to the combined effect of the increase in the revenue from Third-Party Brand Distribution of approximately RM48.5 million which mainly consisted of the increase in dairy products, packaged food and non-F&B products of approximately RM16.3 million, RM9.3 million and RM13.0 million, respectively and the increase in the revenue from the Own Products of approximately RM13.6 million which mainly consisted of the increase in specialty products, dairy products, pet care products and frozen food of approximately of RM6.4 million, RM2.6 million, RM2.5 million and RM2.3 million, respectively resulting from increase in demand of dairy products, specialty food and pet care products during the pandemic period and our enhanced effort in marketing our Own Products during FY2020. Our revenue increased by approximately 18.4% from approximately RM564.6 million for FY2020 to approximately RM668.7 million for FY2021. Such increase was mainly attributable to the combined effect of the increase in the revenue from Third-Party Brand Distribution of approximately RM85.3 million which mainly consisted of the increase in dairy products, packaged food, beverages and frozen food products of approximately RM17.9 million, RM15.9 million, RM22.5 million and RM10.7 million, respectively and the increase in the revenue from the Own Products of approximately RM19.4 million which mainly consisted of the increase in specialty products and frozen food of approximately of RM11.9 million and RM5.2 million, respectively resulting from increase in demand of specialty food and pet care products during the MCO and our enhanced effort in marketing our Own Products during FY2021. Our revenue increased by approximately 22.8% from approximately RM217.1 million for 4M2021 to approximately RM266.7 million for 4M2022. Such increase was mainly attributable to the combined effect of the increase in the revenue from Third-Party Brand Distribution of approximately RM40.7 million which mainly consisted of the increase in distribution of sauce, oil and condiments, beverages, packaged food and commodities and dairy products of approximately RM10.4 million, RM7.8 million, RM7.2 million and RM7.2 million, respectively and the increase in the revenue generated from the Own Products of approximately RM9.0 million which mainly consisted of the increase in frozen food and specialty products of approximately of RM5.9 million and RM1.8 million, respectively.

The gross profit margin of Third-Party Brand Products increased 0.2% from 11.0% in FY2019 to 11.2% in FY2020 mainly attributable to improvement in gross profit margins of frozen food and beverage during FY2020.

The gross profit margin of Own Products recorded an increase from 20.9% for FY2019 to 23.8% for FY2021 mainly resulting from the increase in revenue from specialty products under *CED* of approximately RM18.3 million from FY2019 to FY2021 with a high margin of 36.0% for both FY2020 and FY2021. The gross profit margin of White Label products decreased by 1.9% in FY2020 from approximately 18.0% for FY2019 primarily due to shrinkage of activities of school canteens during the implementation of movement control orders in FY2020 which led to a drop of gross profit margin of White Label products sold to school canteens from 29.6% for FY2019 to 25.6% for FY2020. Our gross profit for FY2021 recorded a growth of 18.6% compared with FY2020 while the gross profit margin was kept at 14.1% for FY2020 and FY2021. On the other hand, the gross profit of our distribution and sales

SUMMARY

business for 4M2022 recorded a growth of approximately 17.9% compared with 4M2021 while the gross profit margin of distribution and sales business decreased from approximately 14.5% for 4M2021 to 13.8% for 4M2022 mainly attributable to the decrease of gross profit margin of Third-Party Brand Products from 12.5% for 4M2021 to 11.4% for 4M2022. Amid the Third-Party Brands, one brand of ice-cream product under dairy category contributed 0.5% decrease in gross profit margin of Third-Party Brand Products. Since the sales of our Own Products involves fewer intermediaries (such as third-party brand owners, wholesalers and distributors) in the supply chain and our Group also undertakes the processing of some of our Own Products, coupled with our greater flexibility and autonomy in pricing of our Own Products, our Own Products generally have a higher gross profit margin than our Third-Party Brand Products.

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

OUR PRODUCTS

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



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

SUMMARY

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

	FY2019			FY2020			FY2021			4M2021			4M2022		
	Revenue RM'000	Gross profit margin %	Gross profit RM'000	Revenue RM'000	Gross profit margin %	Gross profit RM'000	Revenue RM'000	Gross profit margin %	Gross profit RM'000	Revenue RM'000	Gross profit margin %	Gross profit RM'000	Revenue RM'000	Gross profit margin %	Gross profit RM'000
F&B															
Dairy products	151,575	30.5	18,266	170,472	12.1	20,187	188,894	11.8	21,649	60,114	27.7	7,974	67,442	25.3	7,795
Frozen food	126,720	25.5	18,347	132,074	14.5	20,058	147,969	15.2	20,855	52,332	24.1	7,347	63,840	23.9	9,693
Packaged food and commodities	62,250	12.5	6,053	71,529	9.7	6,274	87,387	8.8	7,510	26,845	12.4	3,111	34,036	12.8	3,012
Sauce, oil and condiments	55,792	11.2	6,088	60,149	10.9	6,467	70,660	10.8	6,462	23,400	10.8	2,635	33,758	12.7	3,703
Beverages	39,918	8.0	4,185	42,277	10.5	5,686	64,822	13.4	10,595	19,812	9.1	2,906	27,598	10.3	4,215
Specialty products	14,896	3.0	5,234	21,251	35.1	7,761	33,156	36.5	12,026	10,212	4.7	3,608	12,035	4.5	4,289
Sub-total of F&B products	451,151	90.7	58,173	497,752	88.2	66,433	592,888	88.6	79,097	192,715	88.8	27,581	238,709	89.5	32,707
Non-F&B															
Personal and baby care products	22,866	4.6	2,516	26,399	11.0	2,587	30,023	9.8	2,712	9,873	4.5	1,115	12,458	4.7	1,180
Pet care	3,461	0.7	1,419	5,943	41.0	2,381	7,765	40.1	3,460	2,491	1.2	1,240	3,737	1.4	1,641
Cleaning and kitchen supplies	13,770	2.8	1,232	23,285	8.9	2,222	27,488	9.5	2,730	8,911	4.1	1,010	8,819	3.3	946
Sub-total of Non-F&B products	40,097	8.1	5,167	55,627	9.8	7,190	65,276	9.8	8,902	21,275	9.8	3,365	25,014	9.4	3,767
Sub-total	491,248	98.8	63,340	553,379	12.9	73,623	658,164	13.3	87,999	213,990	98.6	30,946	263,723	98.9	36,474
Logistics and other services	6,187	1.2	2,847	11,253	46.0	6,110	10,574	54.3	6,509	3,065	1.4	1,891	2,929	1.1	2,279
Total/overall	497,435	100.0	66,187	564,632	13.3	79,733	668,738	14.1	94,508	217,055	100.0	32,837	266,652	100.0	38,753

SUMMARY




The top three product categories we distributed and sold, namely, dairy products, frozen food and packaged food and commodities, contributed approximately 69.4%, 67.6%, 64.5% and 62.7% of total revenue from distribution and sales business for the Track Record Period, respectively. The top two fastest growth products during the Track Record Period are pet care products and specialty products, which recorded a CAGR of 49.8% and 49.2% from FY2019 to FY2021 and a growth of 50.0% and 17.9% for 4M2022 compared with 4M2021, respectively primarily due to the contribution from *Sayangku* , *Snowcat* SNOWCAT and *CED* , our Own Brands, attributable to the increase in general consumers awareness of quality products and demand for quality pet products during the Track Record Period especially during FY2020 and FY2021 under MCO.

The gross profit margin of our distribution and sales business increased from approximately 12.9% for FY2019 to 13.3% for FY2020. The gross profit margin of our distribution and sales business improved slightly to 13.4% for FY2021 and further improved to 13.8% for 4M2022. Amid different products, specialty products and pet care products achieved highest gross profit margin of 36.5% and 44.6% during the Track Record Period, respectively.

The gross profit margin of our dairy products dropped by approximately 0.3% in FY2020 from approximately 12.1% FY2019 to 11.8% for FY2020 primarily attributable to the decrease of gross profit margin of three brands of our milk related products, which contributed approximately 0.6% drop in the gross profit margin of our dairy products, which was partially set off by the contribution of the increase in gross profit margin of dairy products of approximately 0.4% from products of Brand A and Brand B. The gross profit margin of our dairy products further decreased to approximately 11.5% for FY2021 mainly due to the increase in average unit cost of approximately 2.7%, which exceeded the increase in average selling price of approximately 2.2%, especially the unit cost of products of Brand A and Brand B increased by approximately 7.2% and 16.9%, respectively. The gross profit margin of our dairy products decreased by approximately 1.7% for 4M2022 comparing with 4M2021 mainly due to the decrease of gross profit margin of products of Brand B and Brand D by approximately 2.9% and 2.9%, respectively for 4M2022 comparing with 4M2021.

While the average selling price of personal and baby care products in FY2020 remained unchanged in order to maintain our competitiveness in the market, in light of rising cost of approximately 17.0%, the gross profit margin of personal and baby care products decreased by approximately 1.2%, from approximately 11.0% in FY2019 to approximately 9.8% in FY2020. The gross profit margin of personal and baby care products decreased by approximately 0.8% from approximately 9.8% for FY2020 to approximately 9.0% for FY2021 because the increase in average unit cost of approximately 10.1% outweighed the increase in average selling price of approximately 9.2%. The gross profit margin decreased from 11.3% for 4M2021 to 9.5% for 4M2022 mainly attributable to the decrease of gross profit margin of one brand of feminine care of approximately 5.0%, which contributed to 1.0% decrease of the gross profit margin of person and baby care products for 4M2022 comparing with 4M2021.

SUMMARY

We had two main brands of products under pet care category, namely *Sayangku*  and *Snowcat* SNOWCAT, our Own Brands, accounted for approximately 96.8%, 98.9%, 100% and 100% of total revenue from pet care products from FY2019 to 4M2022, respectively. The increase of revenue for FY2020 of approximately RM2.5 million consisted mainly of the increase in *Sayangku*  of approximately RM2.3 million through our marketing efforts. The decrease in gross profit margin of both *Snowcat* SNOWCAT and *Sayangku*  in FY2020 of approximately 1.8% and 1.7%, respectively pulled down the overall gross profit margin of pet care products to approximately 40.1% for FY2020. The gross profit margin improved from approximately 40.1% for FY2020 to approximately 44.6% for FY2021 mainly due to decrease in cost per unit of approximately 7.8% resulting from tighter cost control measures, such as procuring favourable pricing with suppliers upon increasing purchase volume. The gross profit margin decreased from 49.8% for 4M2021 to 43.9% for 4M2022 mainly due to the decrease of average selling price from RM6.5 for FY2021 to RM6.2 for 4M2022 resulting from a competitive price strategy which increased the revenue by approximately 50% comparing with 4M2021.

OUR CUSTOMERS

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

SUMMARY

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

Customer Types	FY2019			FY2020			FY2021			4M2021			4M2022		
	No. of active customers (approximately)	Revenue RM'000	Gross profit margin %	No. of active customers (approximately)	Revenue RM'000	Gross profit margin %	No. of active customers (approximately)	Revenue RM'000	Gross profit margin %	No. of active customers (approximately)	Revenue RM'000	Gross profit margin %	No. of active customers (approximately)	Revenue RM'000	Gross profit margin %
Retail chains and channels															
Hypermarkets and supermarkets	186	258,853	52.7	191	292,537	52.9	204	347,157	52.8	181	114,706	53.6	192	140,936	53.4
Provision shops ^(Note 1)	7,039	85,000	17.3	7,254	106,352	19.2	8,158	136,570	20.8	6,941	41,253	19.3	7,638	49,739	18.9
Convenience stores and kiosks	1,309	33,601	6.8	1,522	34,736	6.3	1,412	35,856	5.4	1,287	11,409	5.3	1,361	13,323	5.1
Subtotal^(Note 2)	8,478	377,454	76.8	8,892	433,625	78.4	9,697	519,583	79.0	8,330	167,368	78.2	9,120	203,998	77.4
F&B dealers and merchandisers															
HORECA	799	64,610	13.2	835	78,550	14.1	910	89,995	13.7	766	31,312	14.6	811	37,521	14.2
School canteens	1,089	13,996	2.9	1,054	10,399	1.9	1,190	12,132	1.8	907	3,825	1.8	1,026	6,754	2.6
Others ^(Note 3)	503	15,367	3.1	488	9,284	1.7	405	5,314	0.8	338	2,305	1.1	370	3,222	1.2
Others^(Note 3)	938	19,821	4.0	984	21,521	3.9	1,192	31,140	4.7	956	9,180	4.3	1,161	12,228	4.6
Total^(Note 2)	11,746	491,248	100.0	12,185	553,379	100.0	13,324	658,164	100.0	11,160	213,990	100.0	12,424	263,723	100.0

Notes:

- Provision shops are grocery stores which sell a variety of F&B and other products similar to those of supermarkets but typically operate on a smaller business scale.
- Some active customers may own various businesses of different natures and may hence fall under more than one customer category. Therefore, the same customer which has been counted more than once under different categories is regarded as one customer only to reflect the actual total number of customers.
- Other customers include pharmacies, bookstores, bakery ingredient shops and pet shops.

SUMMARY

Revenue from our five largest customers, which were domestic retail chains in Malaysia, amounted to approximately RM137.4 million, RM151.0 million, RM186.0 million and RM74.7 million, respectively in each year/period during the Track Record Period, which in aggregate accounted for approximately 27.6%, 26.8%, 27.9% and 28.0% of our total revenue, respectively during the same year/period. Revenue from our largest customer amounted to approximately RM38.7 million, RM49.0 million, RM60.8 million and RM24.0 million respectively in each year/period during the Track Record Period, representing approximately 7.8%, 8.7%, 9.1% and 9.0% of our total revenue, respectively during the same year/period. As at 30 April 2022, we had established business relationship ranging from approximately 11 to 26 years with our five largest customers during the Track Record Period, which are Independent Third Parties. Our ability to retain customers can be illustrated by the fact that revenue generated from repeat customer accounts (i.e. in respect of a particular year in the Track Record Period, customers that had also placed at least one purchase order with us in the previous year) contributed over 90% of our total revenue from FY2019 to FY2021. We do not over-rely on a few customers as no revenue derived from any single customer accounted for 10.0% or more of our total revenue for each of the Track Record Period.

Through our marketing effort, the number of active customers of our distribution and sales business increased from approximately 11,750 for FY2019 to approximately 13,320 for FY2021 while the average revenue generated from each customer increased from approximately RM41,800 for FY2019 to approximately RM49,400 for FY2021, representing a CAGR of approximately 8.7% from FY2019 to FY2021. Among different customers, the number of customers of HORECA and school canteens decreased by 35 and 15, respectively in FY2020 due to business difficulty during MCO while the average revenue generated per customer of HORECA and school canteens recorded a year-over-year decrease of approximately 23.2% and 37.7%, respectively for FY2020. As such, the revenue of HORECA and school canteens dropped by approximately 25.7% and 39.6%, respectively for FY2020 while the gross profit margin of HORECA and school canteens decreased by approximately 0.6% and 2.6%, respectively for FY2020. Except for school canteens which recorded a decrease in the number of customers of approximately 80 and shrinkage of average revenue generated per customer of approximately 31.0% for FY2021, the number of customers and average revenue per customer of other customers recorded an increase of more than approximately 1,210 and approximately 8.7%, respectively for FY2021 which contributed an increase in both revenue and gross margin for FY2021 by approximately 18.9% and 19.5%, respectively.

OUR SUPPLIERS

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

SUMMARY

Our purchases from our five largest suppliers, which were for our Third-Party Brand Distribution, amounted to approximately RM217.8 million, RM224.2 million, RM249.9 million and RM92.2 million respectively in each year/period during the Track Record Period, which in aggregate accounted for approximately 51.0%, 47.1%, 43.5% and 39.8% of our total purchase, respectively during the same year/period. Our purchases from our largest supplier amounted to approximately RM73.0 million, RM72.3 million, RM85.1 million and RM29.6 million respectively in each year/period during the Track Record Period, which accounted for approximately 17.1%, 15.2%, 14.8% and 12.8% of our total purchase, respectively during the same year/period. As at 30 April 2022, we had established business relationship ranging from approximately five to 26 years with our five largest suppliers during the Track Record Period which are Independent Third Parties. In addition, while fluctuations in inflation and crude oil price may increase our cost of purchase, especially in relation to imported products or raw materials, our Directors consider that during the Track Record Period and up to the date of this document, such fluctuations did not have a material impact on our business operations and financial performance and we did not record any material change of our cost of purchase by reason of such fluctuations, since we were able to pass on the increased costs (if any) to our customers. For further information about the risk involved in our business in relation to fluctuations in inflation and crude oil price, please refer to the paragraphs headed “Risk factors – Risks relating to our business – 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” in this document.

OUR WAREHOUSES, LOGISTICS OPERATIONS AND PROCESSING FACILITIES

With in-depth experience in the F&B distribution market in Malaysia, our Directors believe that the core value of our business is to provide warehousing and logistics services that can create more value to our suppliers and customers and to secure an efficient and cost-effective flow of distribution of products all along. To this end, our warehousing capabilities and logistics operations play a pivotal role. In the F&B industry, a major focus for manufacturers, retailers, and consumers in the F&B industry is to ensure food quality and safety by preventing premature expiry, decay, and spoilage. The increasing demand for frozen food and dairy products requires effective cold storage facilities so that the chemical composition of food items remains intact even after several months. Cold chain logistics are essential for maintaining the quality of frozen food and dairy products and ensuring that low temperature is maintained, as required by frozen food and dairy products, throughout the supply chain. As at 30 April 2022, we operated a network of 12 self-operated warehousing facilities with aggregate designated storage capacity of approximately 25,600 CBM strategically located in all key sales regions of Peninsular Malaysia (nine are equipped with cold storage facilities) and designated cold storage capacity of approximately 4,550 CBM. In addition, we also engaged external warehouse and logistics service providers on an as-needed basis. As at 30 April 2022, we operated a fleet of over 140 logistics vehicles, of which approximately 100 are refrigerated vehicles. With the growing demand for frozen seafood, frozen meat and dairy products, the demand for cold chain infrastructure is expected to increase in the coming years. We intend to invest in cold chain management system. Please refer to the sections headed “Business – Business strategies” and “Future Plans and [REDACTED]” in the

SUMMARY

document for details. While we directly deal with Third-Party Brand owners in respect of the supply of products, we also engaged independent service providers separately for certain logistics arrangements such as clearance of overseas shipments of the products.

As at 30 April 2022, we operated processing facilities for our Own Products at our two self-owned warehouses at Kuantan and Puchong. Our processing facilities are in compliance with the ISO 22000:2005 and MS 1480:2019 standards and are operated in accordance with our quality assurance measures and procedures.

The table below sets forth the breakdown of our revenue generated from our distribution and sales 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	FY2019		FY2020		FY2021		4M2021		4M2022	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Peninsular Malaysia:										
Eastern	333,967	67.2	357,014	63.2	401,575	60.1	134,198	61.8	165,095	61.9
Northern	74,703	15.0	90,958	16.1	120,525	18.0	35,248	16.3	48,335	18.1
Western	68,028	13.7	85,069	15.1	110,453	16.5	35,196	16.2	39,715	14.9
Others	14,550	2.9	20,338	3.6	25,611	3.8	9,348	4.3	10,578	4.0
Total	491,248	98.8	553,379	98.0	658,164	98.4	213,990	98.6	263,723	98.9

OUR COMPETITIVE STRENGTHS

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

SUMMARY

COMPETITIVE LANDSCAPE

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

CONTROLLING SHAREHOLDERS

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

COMBINED FINANCIAL INFORMATION

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

SUMMARY

Combined Statements of Profit or Loss and Other Comprehensive Income

	FY2019 RM'000	FY2020 RM'000	FY2021 RM'000	4M2021 RM'000	4M2022 RM'000
Revenue	497,435	564,632	668,738	217,055	266,652
Cost of sales	<u>(431,248)</u>	<u>(484,899)</u>	<u>(574,230)</u>	<u>(184,218)</u>	<u>(227,899)</u>
Gross profit	66,187	79,733	94,508	32,837	38,753
Other income	1,924	2,813	1,296	491	226
Selling and distribution expenses	(30,369)	(36,349)	(40,699)	(11,850)	(14,228)
Administrative and other operating expenses	(12,855)	(14,320)	(16,002)	(5,616)	(6,121)
Finance costs	(1,909)	(1,581)	(1,373)	(522)	(492)
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit before tax	22,950	27,108	32,756	13,072	16,508
Income tax expenses	<u>(5,292)</u>	<u>(8,311)</u>	<u>(9,168)</u>	<u>(3,870)</u>	<u>(4,582)</u>
Profit for the year/period	17,658	18,797	23,588	9,202	11,926
Other comprehensive income (loss)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on combination/consolidation	<u>—</u>	<u>26</u>	<u>25</u>	<u>57</u>	<u>(60)</u>
Total comprehensive income for the year/period	<u>17,658</u>	<u>18,823</u>	<u>23,613</u>	<u>9,259</u>	<u>11,866</u>

Non-IFRS measure: adjusted net profit

Adjusted net profit (non-IFRS measure) was calculated based on our profit for the year excluding [REDACTED] during the Track Record Period. This is a non-IFRS measure which is not required by or presented in accordance with IFRS. In addition to the IFRSs measures in our combined financial statements, we also use the adjusted net profit (non-IFRS measure) to evaluate our operating performance. Our Directors believe that this non-IFRS measure provides useful information to investors in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across

SUMMARY

accounting periods and to those of our peer companies. The use of this non-IFRS measure may have limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies.

	FY2019 RM'000	FY2020 RM'000	FY2021 RM'000	4M2021 RM'000	4M2022 RM'000
Non-IFRS measures:					
Profit for the year/period	17,658	18,797	23,588	9,202	11,926
Add: [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Adjusted net profit (non-IFRS measure)	<u>17,686</u>	<u>21,985</u>	<u>28,562</u>	<u>11,470</u>	<u>13,556</u>

We recorded net profit for the year of approximately RM17.7 million, RM18.8 million, RM23.6 million and RM11.9 million for the Track Record Period, respectively. The net profit increased from approximately RM17.7 million to approximately RM18.8 million mainly due to the improvement in our gross profit margin from 13.3% for FY2019 to 14.1% for FY2020. While our gross profit margin for FY2020 and FY2021 was kept at 14.1%, the net profit margin increased from approximately 3.3% for FY2020 to approximately 3.5% for FY2021 mainly contributed by the decrease in the percentage of selling and distribution expenses and administrative and other operating expenses for FY2021 over the revenue by approximately 0.4% comparing with FY2020. The revenue of our distribution and sales business which accounted for approximately 98.8%, 98.0% and 98.4% of total revenue, respectively for FY2019 to FY2021 recorded a CAGR of approximately 15.7% from FY2019 to FY2021. We recorded net profit for 4M2022 of approximately RM11.9 million with net profit margin of 4.5%, an improvement of approximately 0.3% comparing with that of 4M2021 which was mainly contributed by the saving in total expenses in terms of percentage of total revenue including selling and distribution expenses, administrative and other operating expenses, finance costs and [REDACTED] of approximately 0.8% which was offset by the decrease in gross profit margin of 0.6%. Our gross profit margin was approximately 13.3%, 14.1%, 14.1% and 14.5% for the Track Record Period. The gross profit margin increased slightly from approximately 13.3% for FY2019 to approximately 14.1% for FY2020 mainly due to an increase in gross profit margin of sales of our F&B products from approximately 12.9% for FY2019 to 13.3% for FY2020. The gross profit margin of our F&B products was then kept at approximately 13.3% for FY2021. Our gross profit margin decreased from 15.1% for 4M2021 to 14.5% mainly due to the drop of gross profit margin of dairy products from 13.3% for 4M2021 to 11.6% for 4M2022. Other income increased by approximately 46.2% in FY2020 comparing with FY2019 primarily due to receipt of government grants in respect of wage subsidy in relation to COVID-19 from the Malaysian government of approximately RM0.9 million for FY2020. Other income decreased by approximately 53.6% to approximately RM1.3 million for FY2021, primarily due to decrease of wage subsidy received from the

SUMMARY

government of approximately RM0.8 million. Other income decreased by approximately 54.0% from approximately RM0.5 million for 4M2021 to approximately RM0.2 million for 4M2022 primarily due to the decrease of rental income of approximately RM0.1 million.

Summary of Key Items in Our Combined Statements of Financial Position

	At 31 December			At
	2019	2020	2021	30 April
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>2022</i>
				<i>RM'000</i>
Non-current assets	47,703	41,173	43,557	45,058
Property, plant and equipment	27,619	29,955	32,321	32,842
Right-of-use assets	6,801	8,350	9,462	8,947
Current assets	142,478	159,882	169,467	205,258
Inventories	43,942	45,031	56,292	63,634
Trade and other receivables	70,814	73,024	95,032	119,632
Pledged bank deposits	15,674	12,844	13,430	13,419
Bank balances and cash	11,883	13,012	4,480	8,339
Total assets	<u>190,181</u>	<u>201,055</u>	<u>213,024</u>	<u>250,316</u>
Non-current liabilities	24,713	20,083	17,822	16,601
Interest-bearing borrowings	23,079	17,121	15,250	14,662
Current liabilities	75,474	94,398	85,015	111,662
Trade and other payables	35,112	51,037	55,777	66,804
Interest-bearing borrowings	25,980	21,088	26,065	39,864
Total liabilities	<u>100,187</u>	<u>114,481</u>	<u>102,837</u>	<u>128,263</u>
Net current assets	67,004	65,484	84,452	93,596
Net assets	89,994	86,574	110,187	122,053

Net assets decreased to approximately RM86.6 million as at 31 December 2020, primarily due to dividend of approximately RM20.5 million and loss on disposal of a subsidiary of approximately RM1.7 million which was offset by profit for the year of approximately RM18.8 million.

Net assets increased to approximately RM110.2 million as at 31 December 2021, primarily attributable to profit for the same year of approximately RM23.6 million.

SUMMARY

Our net assets increased from approximately RM110.2 million as at 31 December 2021 to approximately RM122.1 million as at 30 April 2022, primarily attributable to the profit for the period of approximately RM11.9 million.

Our net current assets decreased from approximately RM67.0 million as at 31 December 2019 to approximately RM65.5 million as at 31 December 2020 primarily due to the increase in current liabilities of approximately RM18.9 million comprising largely increase in trade and other payables of approximately RM15.9 million which was offset by the increase of current assets of approximately RM17.4 million comprising largely of increase in non-current assets held for distribution to owners and financial assets at fair value through profit and loss of an aggregate amount of approximately RM16.0 million.

Our net current assets increased from approximately RM65.5 million as at 31 December 2020 to approximately RM84.5 million as at 31 December 2021 primarily due to the increase of current assets of approximately RM9.6 million which was comprised largely of net impact of the increase in trade and other receivables of approximately RM22.0 million which was offset by the decrease of current liabilities of approximately RM9.4 million which was comprised of net impact of the decrease in dividend payable of approximately RM20.5 million and the increase of trade and other payables and interest-bearing borrowings of approximately RM4.7 million and RM5.0 million, respectively.

Our net current assets then increased by approximately RM9.1 million from approximately RM84.5 million as at 31 December 2021 to approximately RM93.6 million as at 30 April 2022 primarily due to the increase in current assets of approximately RM35.8 million consisting of the increase in trade and other receivables of approximately RM24.6 million, the increase in inventories of approximately RM7.3 million and the increase in bank balance and cash of approximately RM3.9 million, which was offset by the increase in current liabilities of approximately RM26.6 million primarily due to the increase in trade and other payables and interest-bearing borrowings of approximately RM11.0 million and RM13.8 million, respectively.

SUMMARY

Selected Items of Combined Statements of Cash Flows

	FY2019	FY2020	FY2021	4M2021	4M2022
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Operating cash flows before movements					
in working capital	28,045	31,996	39,702	15,209	19,611
Changes in working capital	(6,717)	8,123	(26,145)	(8,685)	(20,104)
Income tax paid	<u>(6,316)</u>	<u>(8,471)</u>	<u>(8,552)</u>	<u>(2,600)</u>	<u>(3,249)</u>
Net cash from (used in) operating activities	15,012	31,648	5,005	3,924	(3,742)
Net cash from (used in) investing activities	(10,922)	(7,500)	567	3,454	(2,450)
Net cash from (used in) financing activities	<u>1,463</u>	<u>(22,764)</u>	<u>(14,214)</u>	<u>(7,834)</u>	<u>10,161</u>
Net increase (decrease) in cash and cash equivalents	5,553	1,384	(8,642)	(456)	3,969
Cash and cash equivalents at the beginning of the reporting period	<u>6,075</u>	<u>11,628</u>	<u>13,012</u>	<u>13,012</u>	<u>4,370</u>
Cash and cash equivalents at the end of the reporting period	<u><u>11,628</u></u>	<u><u>13,012</u></u>	<u><u>4,370</u></u>	<u><u>12,556</u></u>	<u><u>8,339</u></u>

During FY2019 to FY2020, we had a net increase in cash and cash equivalents of approximately RM5.6 million and RM1.4 million, respectively. These net cash flows were mainly contributed by net cash inflows from operating activities which were offset by cash outflows from investing activities and financing activities during these three years. During FY2021, we recorded net decrease in cash and cash equivalents of approximately RM8.6 million which was mainly attributable to the cash inflow from operating activities and investing activities net off cash flow used in financing activities. During 4M2022, we had a net increase in cash and cash equivalents of approximately RM4.0 million, which was mainly attributable to net cash from financing activities of approximately RM10.2 million which were offset by net cash used in operating activities and investing activities of RM6.2 million.

The net cash from operating activities increased from approximately RM15.0 million for FY2019 to approximately RM31.6 million for FY2020 resulting mainly from the increase in changes in trade and other payables of approximately RM7.2 million and increase in changes in inventories and trade and other receivables of approximately RM7.6 million comparing with FY2019. The net cash from operating activities decreased to approximately RM5.0 million for FY2021 mainly attributable to the increase in changes in inventories and trade and other receivables of approximately RM29.3 million comparing with FY2020 resulting from increase in sales during the last four months of FY2021. The net cash from operating activities changed

SUMMARY

to net cash used in operating activities of approximately RM3.7 million for 4M2022 comparing with 4M2021 of net cash from operating activities mainly due to cash decrease resulting from working capital changes of approximately RM11.4 million for 4M2022 outweighing the increase in cash flow from operating activities of approximately RM4.4 million for 4M2022 comparing with 4M2021.

We recorded negative cash flows from operating activities of approximately RM3.7 million as at 30 April 2022 notwithstanding a cash flows of approximately RM19.6 million from the operating cash flows before movement in working capital, mainly attributable to the tax payment of approximately RM3.3 million and the increase of trade and other receivables and inventories of approximately RM7.6 million and RM25.6 million, respectively, which was partially offset by the increase in trade and other payables of approximately RM13.1 million.

The net cash used in investing activities decreased to approximately RM7.5 million from approximately RM10.9 million for FY2019 mainly attributable to the decrease in capital expenditures of approximately RM4.6 million comparing with FY2019. There was net cash flow from the investing activities of approximately RM0.6 million for FY2021 mainly due to the increase in net cash from disposal of financial assets at FVPL of approximately RM11.7 million. The investing activities for 4M2022 generated net cash outflow of approximately RM2.5 million comparing with cash inflow of approximately RM3.5 million for 4M2021 mainly due to the decrease of net proceeds from disposal of financial assets at FVPL of approximately RM5.7 million.

The net cash used in financing activities increased by approximately RM24.2 million in FY2020 from net cash from financing activities of approximately of RM1.5 million for FY2019 mainly attributable to the decrease in inception of interest-bearing borrowings of approximately RM27.0 million in FY2020. The net cash used in financing activities then decreased from approximately RM22.8 million for FY2020 to approximately RM14.2 million for FY2021 mainly due to the increase in inception of interest-bearing borrowings of approximately RM8.4 million in FY2021. The financing activities for 4M2022 generated net cash inflow of approximately RM10.2 million comparing with cash outflow of approximately RM7.8 million for 4M2021 mainly attributable to the increase of net bank borrowings of approximately RM8.1 million and the decrease in dividend paid of approximately RM10.5 million.

SUMMARY

KEY FINANCIAL RATIOS^(Note)

	Year ended/as at 31 December			For the four months ended/as at 30 April
	2019	2020	2021	2022
Gross profit margin	13.3%	14.1%	14.1%	14.5%
Net profit margin	3.5%	3.3%	3.5%	4.5%
Return on equity	19.6%	21.7%	21.4%	N/A
Return on total assets	9.3%	9.3%	11.1%	N/A
Interest coverage	16.8	25.4	30.5	43.1
Current ratio	1.7	1.6	1.8	1.7
Quick ratio	1.1	1.1	1.2	1.1
Gearing ratio	57.0%	48.5%	40.7%	47.1%
Net debt to equity ratio	44.1%	33.5%	36.7%	40.2%
<i>Non-IFRS financial measures:</i>				
Adjusted net profit margin (non-IFRS measure)	3.6%	3.9%	4.3%	5.1%

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

DIVIDEND POLICY

During the Track Record Period, we declared dividends of approximately RM13.5 million, RM20.5 million, nil and nil, respectively. In December 2020, we declared dividend of approximately RM20.5 million of which 10.5 million had been paid in cash and the remaining amount of approximately RM10.0 million had been paid in the form of dividend in specie of certain investment properties, property, plant and equipment (the “**Properties**”) located in Malaysia, which had an aggregate carrying amount and fair values of approximately RM10.0 million and RM15.1 million, respectively as of the date of distribution in FY2021. The Properties were distributed to the then equity owners of the entities now comprising the Group. As at 30 April 2022, all dividend payables have been settled. We do not have any predetermined dividend payout ratio. The declaration of dividend is subject to the discretion of our Board and the approval of our Shareholders. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please refer to the paragraphs headed “Financial Information – Dividend policy” for further details.

SUMMARY

[REDACTED] STATISTICS

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

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

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

Notes:

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

REASONS FOR [REDACTED]

Our Directors believe that there is attractive market potential for us to expand our market share in the F&B distribution industry in Malaysia, as evidenced by, among others, the expected growth of the F&B distribution market in Malaysia, details of which are set out in the section headed “Industry overview” in this document. As such, our Directors are of the view that implementation of our business strategies and future expansion plans as set out in the section headed “Business – Business strategies” in this document is imperative for leveraging the expected market growth and deepening our market penetration in the F&B distribution industry in Malaysia. Furthermore, funding of our business activities was primarily from our internal resources and/or bank borrowings in Malaysia during the Track Record Period. Our Directors consider that current financial resources available to us are only sufficient for the present scale of our business operation, and hence, to implement the said business strategies and future plans, our capital requirement would escalate and our Directors believe that the [REDACTED] from the [REDACTED] will not only enable us to expand and uphold our market competitiveness, but also fund our business strategies and expansion plans since neither our internal resources nor bank borrowing is a viable choice for our future growth in the F&B

SUMMARY

distribution industry in Malaysia. Furthermore, a [REDACTED] status in Hong Kong will enable our Group to (i) gain direct access to the Hong Kong capital market for cost effective capital raising for future expansion and corporate finance exercises; (ii) enhance our corporate profile, recognition and status, which in turn may create greater assurance to our existing and prospective customers and suppliers and can potentially lead to more business opportunities; (iii) improve our bargaining power towards our customers and suppliers; (iv) attract talents to join our Group, gain access to a larger pool of talents and facilitate our in-house talent management through staff retention and development; and (v) improve our operational efficiency and corporate governance through compliance with rigorous disclosure standards which would further enhance our internal control and risk management. For further details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

FUTURE PLANS AND PROPOSED [REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share) and assuming that [REDACTED] is not exercised, the [REDACTED] of the [REDACTED], after deduction of [REDACTED] and other expenses payable by our Company in relation to the [REDACTED], are estimated to be approximately HK\$[REDACTED]. Our Company currently intends to use the [REDACTED] from the [REDACTED] in the following manner:

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

SUMMARY

[REDACTED] EXPENSES

Based on the [REDACTED] of HK\$[REDACTED] (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share) and assuming that [REDACTED] is not exercised, the estimated [REDACTED] in connection with the [REDACTED] are approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) (approximately [REDACTED]% of the [REDACTED] from [REDACTED]), of which approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) and HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) have been charged to our combined statement of profit or loss for FY2019, FY2020, FY2021 and 4M2022, respectively, and approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) is expected to be charged to our combined statement of profit or loss for the eight months ending 31 December 2022 and approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) is expected to be directly attributable to issue of Shares and accounted as a deduction from equity upon the successful [REDACTED] under the relevant accounting standards. The estimated [REDACTED] comprise [REDACTED] related expenses of approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) and [REDACTED] expenses of approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) which are consisted of professional party expenses of approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) and non-professional party expenses of approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]). Prospective investors should note the financial performance of our Group for the financial year ending 31 December 2022 will be materially and adversely affected by the aforementioned [REDACTED].

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

In view of the high utilisation rate of Kuala Terengganu WH I(A) and Kuala Terengganu WH II, we entered into a sale and purchase agreement in March 2022 for the acquisition of Kuala Terengganu WH I(B) (directly, instead of the purchase of a company holding the warehouse) 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. The said acquisition is expected to complete in or about three months from the date when the state authority’s consent is obtained. Please refer to the paragraphs headed “Business – Our warehouses – Recent acquisition” in this document for further details.

After the Track Record Period, our business continued to present growth in various aspects. After the Track Record Period and up to 30 June 2022, our Group had secured more than approximately 700 new customers and our brand portfolio had been further expanded to include approximately 10 new Third-Party Brands. In addition, we had further enriched our product portfolio which increased by more than approximately 600 SKUs after the Track Record Period and up to 30 June 2022. In general, our financial performance for the four months ended 30 April 2022 had also improved as compared with the corresponding period in 2021.

SUMMARY

Our Directors confirm that our business operations and business model had remained stable after the Track Record Period and up to the date of this document as there were no material changes to our business model and the general economic and regulatory environment in which we operate, save for those disclosed in the paragraphs headed “Impact of COVID-19 on our business and operation” below. Our net profit for FY2020 and FY2021 had not been materially and negatively affected by the factors described in the paragraphs headed “Impact of COVID-19 on our business and operation” below. Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position since 30 April 2022 (being the date of our Group’s latest combined audited financial information), and there have been no events since 30 April 2022 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

Impact of COVID-19 on our business and operation

Due to a sharp increase in the number of confirmed cases of COVID-19, the Malaysia government imposed the MCO, the “conditional movement control order” (“**CMCO**”) and/or the “recovery movement control order” (“**RMCO**”) across Malaysia from time to time since March 2020. Under the MCO, to a different extent, kindergartens, schools and universities, and most government and private premises except for essential services have to be closed; and the public is to stay at home. There are other measures such as travel restrictions, quarantine regions, and an extended shutdown of business operations that may also affect our operation. With the re-opening of the borders of Malaysia on 1 April 2022, Malaysian and non-Malaysian will be able to enter or leave the country and fully vaccinated travellers do not have to undergo quarantine.

Following the re-opening of the borders, the Malaysian government has announced a relaxation in the standard operating procedures which came into effect on 1 May 2022. In particular, all businesses are allowed to operate from 15 May 2022.

Our Directors believed that the F&B distribution market in Malaysia was less affected by the outbreak of COVID-19 pandemic as due to the above-mentioned measures and other social distancing measures, more people have meals at home and reduce social activities, which might boost the sale of our F&B products. As a result, notwithstanding that our revenue generated from sales to HORECA and school canteens (the operation of which was more substantially affected by COVID-19) for FY2020 decreased by approximately RM9.7 million in aggregate as compared to FY2019, such decrease was set-off by the increase in our revenue for FY2020 as compared to FY2019 generated from sales to retail chains and channels including hypermarkets and supermarkets, provision shops and convenience stores and kiosks which amounted to approximately RM56.2 million in aggregate. The revenue generated from sales to retail chains and channels increased for FY2021 comparing with FY2020 except that the sales to school canteens for FY2021 still recorded a drop of approximately 42.8% comparing with FY2020. The sales to retail chains and channels recorded growth including sales to school canteens for 4M2022 comparing with 4M2021. Our financial performance could maintain stable growth amid the ongoing COVID-19 pandemic for FY2020, FY2021 and 4M2022 and

SUMMARY

there was no material disruption in the sales of our products. For FY2020, representing the period comprising a period of ten months which had been affected by the outbreak of COVID-19, our revenue increased by approximately 13.5% as compared with FY2019, and our revenue for FY2021 further increased by approximately 18.4% as compared with FY2020. Our revenue for 4M2022 further increased by approximately 22.8% as compared with 4M2021. There was no material disruption in the supply chain of products from our suppliers. Though most of our F&B Third-Party Brand Products are imported from countries which are impacted by the outbreak of COVID-19, to the best knowledge and information of our Directors, the production of F&B products, which are daily necessity products, had not been stopped and our Group therefore had not encountered any material delay or disruption in procuring and receiving products from our suppliers and had maintained adequate level of inventories during the outbreak of COVID-19. By way of illustration, our inventories, net of write-down provisions, as at 31 December 2019, 2020, 2021 and 4M2022 were approximately RM43.9 million, RM45.0 million, RM56.3 million and RM63.6 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. Our Group was also allowed to continue our operation when the MCO, CMCO or RMCO was in force. Hence, there was no material disruption in the delivery to our customers though our sales and marketing activities and communication with our customers could only be conducted by electronic means or video conferencing technologies. Although some of our employees, office staff in particular, were required to work from home from time to time under the pandemic, they were able to provide necessary support to other departments through electronic means, and we had not encountered any material difficulty in relation to working arrangements arising therefrom. Our employees were able to discharge their duties as usual. There was no material disruption in our administration, management and business operations. In addition, the Malaysian government had provided government grants to Malaysian companies as a measure to alleviate any negative impacts caused by the outbreak of COVID-19, and accordingly, we had received wage subsidy of approximately RM0.9 million for FY2020, approximately RM46,000 for FY2021 and nil for 4M2022.

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

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

SUMMARY

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to investment in the [REDACTED]. We believe that the following are some of the major risks that may have a material adverse effect on us: (i) our Group’s business and operation depend on our suppliers’ ability to duly supply products and raw materials to us and our business relationship with our suppliers; (ii) we generally do not enter into long-term agreements with our customers and some of our customer with substantial bargaining power account for a significant portion of our revenue; (iii) increase in the costs of products sourced from suppliers or costs incurred in our logistics operations and our exposure to foreign currency risk may materially affect our results of operations; (iv) our Group may fail to secure distributorship from suppliers of Third-Party Brand Products due to suppliers’ general preference for self-owned warehouses; (v) our Own-Brand Sales depend on the strength of our brands and our reputation and any failure to maintain and enhance both our brands and our reputation may materially and adversely affect market recognition of, and confidence in, our Own-Brand Products; and (vi) our measures to avoid excessive competition and cannibalisation among products available under different brands may not be effective. Please refer to the section headed “Risk Factors” for further details. Investors should read the entire section before deciding to invest in the [REDACTED].