You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial information included in "Appendix I – Accountants' Report" to this document, together with the accompanying notes.

Our combined financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The publicly available financial information of our Group may not be directly comparable to the financial information contained in this document. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Risk Factors" and "Business" in this document.

OVERVIEW

We are an established distributor of F&B and other products under recognised international and domestic Third-Party Brands and our Own Brands with substantial scale in Peninsular Malaysia. Since our inception in 1982, with our long years of operating history, we have served a wide group of retail and channels serving diverse end-customer base in Malaysia of more than 11,000 active customers that ranges from hypermarkets and supermarkets, convenience stores, kiosks, provision shops, hotels, restaurants, café, bars, school canteens, bakery ingredients shops, F&B dealers and merchandisers. We offer our customers a diverse product portfolio of F&B and other household products with over 4,000 SKUs across nine core categories spanning from 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 and our Own Brands, namely *CED*, *Mega Fresh*, *Mega Food*, *Sayangku* and *Snowcat* SNOWCAT for honey, sugar, salt, frozen seafood, frozen meat, and pet care products, etc. In addition, we also provide our suppliers with warehousing, logistics, sale and marking support and other value-added services by allowing them to benefit from our broad industry knowledge and expertise in sourcing, procurement, physical distribution, warehousing, logistics, other supply chain solutions and services.

Our revenue for FY2019, FY2020, FY2021 and 4M2022 amounted to approximately RM497.4 million, RM564.6 million, RM668.7 million and RM266.7 million, respectively, while our net profit during the same period amounted to approximately RM17.7 million, RM18.8 million, RM23.6 million and RM11.9 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 February 2019. Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising our Group are ultimately controlled by the Controlling Shareholders. Our Group's business is mainly conducted through SCCSB, SCCM Pahang, SCC Seafood, SCCM East Coast, SCCM, Chop Chin Huat and SCC Logistics while our Company and other entities within our Group have not been involved in any other significant activities prior to the Reorganisation. Upon the completion of the Reorganisation, our Company became the holding company of the companies now comprising our Group. The financial information in the Accountants' Report set out in Appendix I to this document has been prepared as if our Company had always been the holding company of the subsidiaries comprising our Group. Our operating subsidiaries were under common control of the Controlling Shareholders, immediately before and after the Reorganisation. As such, the Reorganisation is regarded as a business combination under common control, and for the purpose of the Accountants' Report set out in Appendix I to this document, the financial information has been prepared on a combined basis.

The IASB has issued a number of new/revised IFRSs during the Track Record Period. For the purpose of the preparation of the combined financial information, our Group has consistently adopted all those new/revised IFRSs that are relevant to our operations and are effective throughout the Track Record Period. Except for the adoption of IFRS 16, the adoption of those new/revised IFRSs does not have any significant impact on the combined financial information.

Our combined financial information has been prepared in accordance with the IFRSs and applicable disclosure provisions of the Listing Rules and the disclosure requirements of the Companies Ordinance. The Company's functional currency is HK$ and majority of its subsidiaries have RM as their functional currency. Our combined financial information is presented in RM, which is our presentation currency.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that key factors affecting our results of operations, financial position and cash flow include the following:

Economic conditions of Malaysia

During the Track Record Period, we generated all of our revenue in Malaysia, which had experienced economic growth in recent years, achieving a CAGR of per capita nominal GDP of approximately 2.5% from 2017 to 2021. According to the F&S Report, benefited from a stable economic situation and a stable social environment, Malaysia has seen a rapid development in urbanisation in the past five years. The consumer price index and the consumer price index of food and beverages in Malaysia reached 123.1 and 137.1 in 2021, increased by 2.5% and 1.7%, respectively. In turn, the mean monthly household disposable income has experienced a rapid increase from RM5,928 of 2016 to RM6,764 of 2019 which reflects a growth in FMCG end market demand during the period up to 2019. Although the monthly household disposable income for 2020 decreased, the MCO stimulated the demand of food and beverages due to more meals at home and the demand of hygiene and health products. With over 70% of the Malaysian population concentrated in Peninsular Malaysia, there is a huge demand for F&B distribution services in Peninsular Malaysia where all our warehouses and most of our customers are located, and at the same time, we rely on local F&B dealers and merchandisers to distribute our products to customers in East Malaysia. Hence, economic growth, the increasing population in Peninsular Malaysia, growing consumption price in Malaysia and the growing demands for both domestic and imported F&B products in Malaysia are the key drivers to boost the growth of our business. On the other hand, with our customers primarily including hypermarkets and supermarkets, provision shops, F&B dealers and merchandisers, convenience stores and kiosks which resell our products to end consumers, and HORECA, in Malaysia. Therefore, changes in disposable income levels, discretionary consumer spending and preferences of end consumers would affect the business performance of our customers, which would in turn affect our business. As such, if Malaysia experiences any adverse economic conditions due to circumstances beyond our control, such as local economic downturn, natural disasters, outbreak of COVID-19 pandemic and/or other contagious disease outbreaks or terrorist attacks, consumers may choose to spend discretionary dollars less frequently which could result in change in consumer preference over choice of F&B products and decline in dining outside, and consequently, affect the businesses of our customers by reducing the amount they spend on meals while dining out or the amount they spend on certain non-daily necessity F&B products. If our customers' sales decrease, our overall business and results of operations may be materially and adversely affected.

In addition, the F&B distribution industry in Malaysia is also driven by strengthened international collaboration. For example, the latest agreement between China and Malaysia on the construction of express railway as well as a series of One Belt One Road projects may bring more opportunities for the FMCGs distribution industry by gathering and connecting the capital, information and population of different countries and regions along the route. In addition, the Regional Comprehensive Economic Partnership (RECP) was signed on 15 November 2020. RCEP is a free trade agreement between the Asia-Pacific nations of Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam. The 15 member countries account for about 30% of the world's population and around 30% of global GDP as of 2020, making it the biggest trade bloc in history, and the resulting zero-tariff international trade may bring huge incremental space to the FMCGs distribution market.

Our product portfolio and the development of our Own-Brand Products

We offer more than 4,000 SKUs of products covering nine major product categories including F&B products such as (i) dairy products, (ii) frozen food, (iii) packaged food and commodities, (iv) sauce, oil and condiments, (v) beverages, (vi) specialty products, and non-F&B products such as (vii) personal and baby care products, (viii) pet care products and (ix) cleaning and kitchen supplies.

Our profitability and results of operations are therefore affected by our sales product mix of our product portfolio. Depending on their quality and brands, our diversified portfolio of F&B products and other products has different cost bases and selling prices, and hence different gross profit margins. Moreover, products within the same product segment may generate different gross profit margins due to different quality and brands as well. During the Track Record Period, gross profit margin for each major product types vary from 8.6% to 44.6%.

In response to changes in customers' preference driven by market conditions and other factors such as impact of pandemic, we may refine our product mix and diversify our product portfolio. For instance, according to the F&S Report, people are generally becoming more aware of the importance of healthy diet and lifestyle and stockpile of necessary foods especially during the outbreak of COVID-19 pandemic. Such change in consumer behaviour will stimulate the growth in specialty products, packaged food and commodities and frozen food which boosts the construction of cold chain distribution system in the F&B distribution industry. Given that our gross profit margins may be diverse across different types of products, changes in our product mix will have a direct impact on our results of operations and financial conditions. For further details, please see the paragraph headed "By product type" in this section.

Our results of operation and financial performance could be significantly affected by the change in composition of our distribution and sales of Third-Party Brand Products and our Own Products. Since our commencement of business, we engaged in distribution and sales of Third-Party Brand Products and our business had been expanding along with the expansion of both our product portfolio and brand portfolio. Our brand portfolio comprised over 200 brands and our product portfolio included more than 4,000 SKUs. The diversity of products offering is one of our competitive edge over our competitors in attracting customers. In addition, our engagement with several recognised international or domestic brand owners as their distributor put us in a favourable position when customers are searching for such brands. As such, the more diversified product portfolio we offer or the more brand owners engaged us as a distributor, the more likely the demand for our products will increase and the financial performance of our Group will be improved.

Since 2007, we started developing, selling and distributing our Own-Brand Products. According to the F&S Report, Own-Brand Products are self-packaged, especially food products, normally have higher profit margin, which would further promote the long-run development of F&B distributors. Furthermore, the cost of products from our OEM suppliers and raw material suppliers is generally less than the cost of purchase from the Third-Party Brand owners as there is higher mark up on the cost of production charged by these suppliers. Hence, according to the F&S Report, the Own-Brand business has become one of the key strategies of many F&B distribution companies with increasing importance attached on new product innovations and launches. As a whole, our Directors take the view that the evolution in our product diversity and the development of our Own Products will continue to affect our results of operation and financial performance.

Pricing and sales volume of our products

We generally set prices of our products on a cost-plus basis after taking into accounts various factors including, among other things, the procurement costs and other costs, the type of products, the volume of orders, the price recommended by our suppliers, principal business activities of the customers, prevailing market conditions, the pricing of our competitors and the pricing strategy as determined by the management of our Group.

To enhance our competitiveness in the market, we may adopt flexible measures like adjusting our pricing strategies in view of changes in the market especially the price fluctuations of other comparable products in the market, providing various marketing and promotion initiatives such as sales incentive schemes and product discounts, etc. to meet our target profit margin. Notwithstanding the aforesaid efforts in improving our competitiveness in terms of selling price of products, if we cannot have edge over our selling price with the targeted profit margin because of the price reduction pressure resulting from market competition, changes in consumer preferences or any other reasons, our sales performance and results of operations may be adversely affected. Should we enter into any price war, we may have to adjust our selling price downwards to avoid losing any market share and our results of operations may be negatively impacted.

For illustrative purposes only, the following table sets out a sensitivity analysis on our profit before tax based on hypothetical fluctuation of the average selling price (ASP) of our products for the Track Record Period. Fluctuations are assumed to be 3%, 6% and 9% for the corresponding years, respectively.

	Impact on profit before tax for			
Hypothetical fluctuations	**FY2019**	**FY2020**	**FY2021**	**4M2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*
ASP of our products				
+/-3%	+/-14,923	+/-16,939	+/-20,062	+/-8,000
+/-6%	+/-29,846	+/-33,878	+/-40,124	+/-15,999
+/-9%	+/-44,769	+/-50,817	+/-60,186	+/-23,999

For illustrative purposes, for FY2019, FY2020, FY2021 and 4M2022, it is estimated that we would achieve breakeven on our profit before tax if our average selling price decreased by approximately 4.6%, 4.8%, 4.9% and 6.2%, respectively, given all other variable remaining intact.

Our sales volume is also another key driver of our revenue and gross profit growth. Since we generate gross profit through selling our products in high volume to cover all selling and distribution expenses and administrative and other operating expenses, significant fluctuation of demand in sales volume may affect our operating results.

For illustrative purposes only, the following table sets out a sensitivity analysis on our profit before tax based on hypothetical fluctuation of the sales volume of our products for the Track Record Period given other factors remain unchanged. Fluctuations are assumed to be 10%, 25% and 45% for the corresponding years/period, respectively.

	Impact on profit before tax for			
Hypothetical fluctuations	**FY2019**	**FY2020**	**FY2021**	**4M2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Sales volume of our products				
+/-10%	+/-6,619	+/-7,973	+/-9,451	+/-3,875
+/-25%	+/-16,547	+/-19,933	+/-23,627	+/-9,688
+/-45%	+/-29,784	+/-35,880	+/-42,529	+/-17,439

For illustrative purposes, for FY2019, FY2020, FY2021 and 4M2022, it is estimated that we would achieve breakeven on our profit before tax if our sales volume decreased by approximately 34.7%, 34.0%, 34.7% and 42.6%, respectively, given all other variable remaining intact.

Inventories

For FY2019, FY2020, FY2021 and 4M2022, we recorded cost of sales of approximately RM431.2 million, RM484.9 million, RM574.2 million and RM227.9 million representing approximately 86.7%, 85.9%, 85.9% and 85.5% of our total revenue respectively.

The cost of sales represents mainly cost of inventories sold consisting of the purchase cost of finished products and raw material provided by our suppliers, which include (i) international and domestic brand owners, wholesalers or distributors; and (ii) raw material suppliers and OEM suppliers, as well as the direct cost such as direct labour cost for our Own Products. The cost of inventories sold for the Track Record Period accounted for approximately 98.2%, 98.0%, 97.9% and 98.1% of total cost of sales, respectively. The five largest suppliers amounted to approximately 51.0%, 47.1%, 43.6% and 39.8% of our total purchase during the Track Record Period, respectively. Accordingly, any increase in the cost of inventories sold will adversely affect our financial position and operating results if we cannot shift the burden of increase in cost to our customers. We rely on the continuous supply of products from our suppliers and any decline or interruption in the supply of the products to us will also adversely impact on our financial position and operating results.

The table below sets forth the sensitivity analysis on our cost of inventories sold, based on hypothetical fluctuations of 3%, 6%, and 9%, respectively, and their effects on our Group's profit before tax for FY2019, FY2020, FY2021 and 4M2022 while all other variables remain unchanged:

	Impact on profit before tax for			
Hypothetical fluctuation	**FY2019**	**FY2020**	**FY2021**	**4M2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Cost of inventories sold				
+/-3%	-/+12,705	-/+14,254	-/+16,872	-/+6,709
+/-6%	-/+25,409	-/+28,508	-/+33,744	-/+13,417
+/-9%	-/+38,114	-/+42,762	-/+50,616	-/+20,126

For illustrative purposes, for the Track Record Period, it is estimated that we would achieve breakeven on our profit before tax if our cost of inventories sold increased by approximately 5.4%, 5.7%, 5.8% and 7.4% respectively, given all other variable remaining intact.

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in details in Note 3 to the Accountants' Report in Appendix I. Critical accounting estimates and judgments are set forth in Note 3 to the Accountants' Report in Appendix I. Critical accounting estimates and judgments are those that are important to the portrayal of our financial conditions and results of operations and require our management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following significant accounting policies involve the most critical accounting estimates and judgments used in the preparation of our combined financial statements.

Our significant accounting policies, critical accounting estimates and judgments which are important for an understanding of our financial condition and results of operations are set out below. See Note 3 of the Accountants' Report in Appendix I to this document for further details.

Revenue Recognition

IFRS 15 "Revenue from contracts with customers" is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Revenue from the distribution of FMCGs is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed. We have product return policy under which any failure to notify us the return based on defective product, incorrect specification or expired product within one business day shall be deemed acceptance by the customers and based on the previous historical record, such returns were insignificant for years. Our management estimates that it is highly unlikely that a significant reversal in the revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. During the Track Record Period, products returned by our customers to us amounted to approximately RM16.7 million, RM16.0 million, RM22.9 million and RM7.1 million, respectively, representing 3.4%, 2.9%, 3.4% and 2.7% of our total revenue, which was generally due to return of defective products sold by us that were damaged during transportation and delivery, products that did not correspond to the product specifications, and products which have already expired or will soon expire upon delivery, etc.

Revenue from logistics, warehousing services and others is recognised over time (except for sales of miscellaneous goods is recognised at a point in time) upon the performance obligation is satisfied. Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets. Dividend income from unlisted investments of money market funds is recognised when the Group's rights to receive dividend is established.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Lease Liabilities

We have consistently applied IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, throughout the Track Record Period. We lease various assets for operation. On adoption of IFRS 16, our Group recognised the full lease liabilities in relation to leases which had previously been classified as "operating leases" if they meet certain criteria set out in IFRS 16. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. The lease liabilities were measured at the present value of the remaining lease payments, discounted using our Groups' incremental borrowing rate. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the Group's combined statement of profit or loss.

Right-of-use Assets

We recognise right-of-use assets as at the date of which the leased asset is available for use by our Group. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial measurement of the lease liabilities, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless we are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Please refer to Note 3 of the Accountants' Report set out in Appendix I to this document for further details.

Loss allowance for trade and other receivables

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 provision reflects either 12-month expected credit losses, or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk except for trade and other receivables for which loss allowance is determined on lifetime basis. The management of our Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on our Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

Allowance for inventories

The management of our Group reviews the inventory ageing analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. Our Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

RESULTS OF OPERATION

The following table sets forth a summary of our combined statements of profit or loss for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	FY2019	**FY2020**	**FY2021**	**4M2021**	**4M2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	497,435	564,632	668,738	217,055	266,652
Cost of sales	(431,248)	(484,899)	(574,230)	(184,218)	(227,899)
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]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit before tax	22,950	27,108	32,756	13,072	16,508
Income tax expenses	(5,292)	(8,311)	(9,168)	(3,870)	(4,582)
Profit for the year/period	17,658	18,797	23,588	9,202	11,926

Non-IFRS Measure: Adjusted Net Profit

To demonstrate the comparison between period to period, we use adjusted net income as additional financial measure, which is not required by or presented in accordance with IFRS. We added back [**REDACTED**] for comparison. The use of this non-IFRS measure may have limitations as an analytical tool, and you should not consider them 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. The following tables set forth the reconciliations of our non-IFRS financial measure for the Track Record Period to the nearest measure prepared in accordance with IFRS:

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

DESCRIPTION OF CERTAIN COMBINED STATEMENTS OF PROFIT OR LOSS

Revenue

We generate our revenue from distribution and sales of Third-Party Brand Products and our Own Products and to an insignificant extent provision of logistics, warehousing services and others in Malaysia during the Track Record Period. Our revenue represents the fair value of amounts received and receivable from sales of products and provision of services by our Group to external customers, net of discounts and sales returns.

By business segment

	FY2019		**FY2020**		**FY2021**		**4M2021**		**4M2022**	
	Revenue		**Revenue**		**Revenue**		**Revenue**		**Revenue**	
	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
– Own Products	92,476	18.6	106,096	18.8	125,533	18.8	42,850	19.7	51,877	19.5
Sub-total	491,248	98.8	553,379	98.0	658,164	98.4	213,990	98.6	263,723	98.9
Logistics and other services	6,187	1.2	11,253	2.0	10,574	1.6	3,065	1.4	2,929	1.1
Total/overall	497,435	100.0	564,632	100.0	668,738	100.0	217,055	100.0	266,652	100.0

For FY2019, FY2020, FY2021 and 4M2022, our revenue generated from distribution of Third-Party Brand Products under distribution agreements entered into between us and our suppliers amounted to approximately RM317.3 million, RM370.5 million, RM449.1 million and RM176.0 million, representing approximately 63.8%, 65.6%, 67.2% and 66.0% of our total revenue, respectively. Meanwhile, our revenue generated from sales of Third-Party Brand Products in the absence of such distribution agreements amounted to approximately RM81.5 million, RM76.8 million, RM83.5 million and RM35.8 million, representing approximately 16.4%, 13.6%, 12.4% and 13.4% of our total revenue, respectively. Our revenue generated from sales of Own Products contributed approximately RM92.5 million, RM106.1 million, RM125.5 million and RM51.9 million, representing approximately 18.6%, 18.8%, 18.8% and 19.5% of our total revenue, respectively. The revenue from logistics, warehousing services and others amounted to approximately RM6.2 million, RM11.3 million, RM10.6 million and RM2.9 million respectively, representing approximately 1.2%, 2.0%, 1.6% and 1.1% of our total revenue, respectively.

Among our Own Products, the proportion of Own-Brand Products in total Own Products increased from approximately 55.8% for FY2019 to 64.6% for FY2020 then to 68.8% for FY2021, with an increase in amount of approximately RM16.9 million and RM17.8 million for FY2020 and FY2021, respectively, or a CAGR of 29.3% from FY2019 to FY2021 and an increase of 13.1% for 4M2022 compared to the same period last year. We increased one more brand, *Mega Food* which primarily provides cheese products during FY2019 and contributed approximately 5.6%, 8.0%, 6.9% and 7.2% of total revenue of Own-Brand Products for FY2019, FY2020, FY2021 and 4M2022, respectively. Revenue generated from *Mega Fresh* which primarily provides frozen foods contributed approximately 59.0%, 52.4%, 45.7% and 43.4% of total revenue of Own-Brand Products during the Track Record Period. *CED* , which offers specialty products, recorded a CAGR of 49.9% from FY2019 to FY2021 and a growth of 3.8% for 4M2022 compared with 4M2021 primarily benefited from the rise of awareness of healthy lifestyle during the Track Record Period, especially the period under MCO. White-Label Products, comprising frozen seafood and meats, accounted for approximately 44.2%, 35.4%, 31.2% and 38.5% of total revenue of Own Products for the Track Record Period, respectively. The revenue of White-Label Products decreased in FY2020 mainly attributable to the decrease of sales to HORECA and school canteens and resumed a growth of 4.3% for FY2021 compared to the prior year due to increasing sales to hypermarkets and supermarkets and provisions shop of approximately RM3.4 million and RM1.5 million which was partially offset by the decrease in sales to school canteens of approximately RM2.6 million. The revenue of White-Label Products continued to grow at approximately 36.5% for 4M2022 comparing with 4M2021 mainly owing to the increase in average selling price from RM11.3 for 4M2021 to RM14.0 for 4M2022.

The top five Third-Party Brand Products accounted for approximately 38.5%, 37.1%, 35.3% and 32.9% of total revenue of Third-Party Brand for the Track Record Period, respectively. Brand A, an ice-cream and frozen dessert brand, accounted for approximately 17.4%, 18.1%, 17.2% and 14.4% of total revenue of Third-Party Brand for the Track Record Period, respectively. Brand B, which offers nutritional dairy products, recorded a CAGR of 6.9% from FY2019 to FY2021 and a growth of 26.4% for 4M2022 comparing with 4M2021 primarily benefited from the marketing effort by the supplier and rising demand for nutritional products during the Track Record Period. *Ajinomoto* AJI-NO-MOTO, which offers mainly seasonings, cooking oils and sweeteners, recorded a CAGR of 14.8% from FY2019 to FY2021 and a growth of 21.6% for 4M2022 comparing with 4M2021 primarily benefited from more home cooking during the Track Record Period especially under MCO in FY2020 and FY2021. Brand C, which offers mainly frozen meats decreased year-over-year by 17.2% for FY2020 mainly attributable to the drop of sales to school by approximately RM1.4 million, or 49.5% decrease. The sales of Brand C recorded a growth of 8.8% for FY2021 comparing with FY2020 due to competitive pricing of drop of 2.9% in average selling price in simulating sales. The sales of Brand C continued to record a growth of 41.9% for 4M2022 comparing with 4M2021 mainly due to the increase in average selling price of 3.4% and increase in sales to hypermarkets and supermarkets of approximately RM2.5 million. Brand D, which offers milks focusing on baby, children and women increased year-over-year by approximately 1.8% for FY2020. The sales of Brand D recorded a decrease of approximately 10.7% for FY2021 compared to the prior year primarily due to the decrease of quantity sold by approximately 11.5% for FY2021 comparing with FY2020. The sales of Brand D dropped by approximately 7.9% for 4M2022 comparing with 4M2021 mainly resulting from the decrease of quantity sold by approximately 7.9% with no material change in average selling price.

By product types

During the Track Record Period, we sold F&B products and other products to our customers. The table below sets forth a breakdown of our revenue generated from our distribution and sales business (excluding logistics and others) and average selling price (ASP) by product types for the years indicated:

	FY2019			FY2020			FY2021			4M2021			4M2022		
			ASP (approximately)			*ASP (approximately)*			*ASP (approximately)*			*ASP (approximately)*			*ASP (approximately)*
	RM'000	*%*	*RM*	*RM'000*	*%*	*RM*	*RM'000*	*%*	*RM*	*RM'000*	*%*	*RM*	*RM'000*	*%*	*RM*
F&B products															
Dairy products[(1)]	151,575	30.9	3.3	170,472	30.8	3.6	188,894	28.7	3.7	60,114	28.1	3.7	67,442	25.6	3.8
Frozen food[(2)]	126,720	25.8	6.8	132,074	23.9	6.5	147,969	22.5	6.7	52,332	24.5	6.8	63,840	24.2	7.9
Packaged food and commodities[(3)]	62,250	12.7	1.8	71,529	12.9	2.0	87,387	13.3	2.1	26,845	12.5	2.1	34,036	12.9	2.2
Sauce, oil and condiments[(4)]	55,792	11.3	5.8	60,149	10.9	5.7	70,660	10.7	5.7	23,400	10.9	6.2	33,758	12.8	6.7
Beverages[(5)]	39,918	8.1	1.6	42,277	7.6	1.7	64,822	9.8	2.1	19,812	9.3	1.8	27,598	10.5	2.2
Specialty products[(6)]	14,896	3.0	5.2	21,251	3.8	5.3	33,156	5.0	5.3	10,212	4.8	5.3	12,035	4.6	5.6
Sub-total of F&B products	451,151	91.8		497,752	89.9		592,888	90.0		192,715	90.1		238,709	90.6	
Non-F&B products															
Personal and baby care products[(7)]	22,866	4.7	9.5	26,399	4.8	9.5	30,023	4.6	10.4	9,873	4.5	10.1	12,458	4.7	10.8
Pet care products	3,461	0.7	6.0	5,943	1.1	6.6	7,765	1.2	6.5	2,491	1.2	6.5	3,737	1.4	6.2
Cleaning and kitchen supplies[(8)]	13,770	2.8	8.3	23,285	4.2	7.2	27,488	4.2	7.5	8,911	4.2	7.2	8,819	3.3	7.6
Sub-total of Non-F&B products	40,097	8.2		55,627	10.1		65,276	10.0		21,275	9.9		25,014	9.4	
	491,248	100.0		553,379	100.0		658,164	100.0		213,990	100.0		263,723	100.0	

Notes:

1. The dairy products sold by us include ice-cream, milk and cheese.

2. The frozen food sold by us includes frozen seafood, frozen meat and frozen french fries.

3. The packaged food and commodities sold by us include rice and cereal, canned food, and snacks.

4. The sauce, oil and condiment sold by us include cooking ingredients, baking and dessert ingredients and honey.

5. The beverages sold by us include various flavoured and carbonated drinks, bottled mineral water and juices.

6. The specialty products sold by us include organic beans, organic sugar, natural salt and pure honey under our Own Brands.

7. The personal and baby care products sold by us include various skincare, hair care and oral care products.

8. The cleaning and kitchen supplies include non-F&B products such as household bleach and kitchen towels.

The revenue generated from sales of F&B products for FY2019, FY2020, FY2021 and 4M2022 were approximately RM451.2 million, RM497.8 million, RM592.9 million and RM238.7 million, representing approximately 90.7%, 88.2%, 88.6% and 89.5% of our total revenue, respectively. The remaining categories, personal and baby care products, pet care products and cleaning and kitchen supplies contributed approximately RM40.1 million, RM55.6 million, RM65.3 million and RM25.0 million, representing approximately 8.1%, 9.8%, 9.8% and 9.4% of our total revenue for FY2019, FY2020, FY2021 and 4M2022, respectively.

The top three product categories we distributed, 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 business for the Track Record Period, respectively. The top two fastest growth products during the Track Record Period are pet food and specialty products which recorded a CAGR of 49.8% and 49.2% from FY2019 to FY2021, respectively and a growth of 50.0% and 17.8% for 4M2022, respectively comparing with 4M2021, primarily from the contribution from *Sayangku* , *Snowcat* SNOWCAT and *CED* , our Own Brands, due to increase in awareness of specialty products and demand for quality pet products during the Track Record Period especially during FY2020 under MCO.

By major customer types

The table below sets out a breakdown of the number of active customers and our revenue 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	Revenue	%	No. of active customers	Revenue	%	No. of active customers	Revenue	%	No. of active customers	Revenue	%	No. of active customers	Revenue	%
	(approximately)	*RM'000*		*(approximately)*	*RM'000*		*(approximately)*	*RM'000*		*(approximately)*	*RM'000*		*(approximately)*	*RM'000*	
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	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
HORECA	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
School canteens	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:

1. 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.

2. 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.

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

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.

The revenue of all major types of customers recorded growth in both FY2019 and FY2020 except for decrease in revenue from sales to HORECA and school canteens. The number of active customers of HORECA and school canteens decreased by 35 and 15, respectively in FY2020 due to business difficulty during MCO while the average revenue per customer of HORECA and school canteens recorded a year-over-year decrease of 23.2% and 37.7%, respectively for FY2020. As such, the revenue of HORECA and school canteens dropped by 25.7% and 39.6%, respectively for FY2020. Except for school canteens which recorded a decrease in number of customers of 83 and shrinkage of average revenue per customer of approximately 31.0% for FY2021, the number of customers and average revenue per customer of other customers recorded an increase of more than approximately 1,210 and approximately 8.7%, respectively for FY2021 which contributed an increase in both revenue and gross margin of distribution and sales business for FY2021 by approximately 18.9% and 19.5%, respectively. Hypermarkets and supermarkets are the top customers among our distribution and sales business which accounted for approximately 52.7%, 52.9%, 52.8% and 53.4% of the total revenue of distribution and sales business for the Track Record Period, respectively. Revenue from sales of frozen food to hypermarkets and supermarkets recorded a year-over-year growth of approximately 4.5%, 16.1% and 23.4% for FY2020, FY2021 and 4M2022, respectively and accounted for approximately 34.0%, 31.4%, 30.8% and 32.6% of total revenue generated from hypermarkets and supermarkets for the Track Record Period, respectively.

Cost of sales

Cost of sales sold primarily consists of cost of inventories sold which is mainly composed of cost of FMCGs and other direct costs. The table below sets forth the breakdown of the cost of sales for the years indicated.

	FY2019		**FY2020**		**FY2021**		**4M2021**		**4M2022**	
	RM'000	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*
Cost of inventories sold	423,489	98.2	475,138	98.0	562,397	97.9	180,646	98.1	223,620	98.1
Others[(1)]	7,759	1.8	9,761	2.0	11,833	2.1	3,572	1.9	4,279	1.9
Total cost of sales	431,248	100.0	484,899	100.0	574,230	100.0	184,218	100.0	227,899	100.0

Note:

1. Others include labour costs and depreciation of property, plant and equipment and right-of-use assets.

Our cost of inventories sold mainly represents the amounts paid to our suppliers for purchase of finished goods and raw materials sold which amounted to approximately 98.2%, 98.0%, 97.9% and 98.1% of our total cost of sales for the Track Record Period.

Gross profit and gross profit margin

By business segments

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

	FY2019			FY2020			FY2021			4M2021			4M2022		
	Gross profit		Gross profit margin	Gross profit		Gross profit margin	Gross profit		Gross profit margin	Gross profit		Gross profit margin	Gross profit		Gross profit margin
	RM'000	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*
Distribution and sales															
– Third-Party Brands	44,011	66.5	11.0	49,933	62.6	11.2	58,109	61.5	10.9	21,420	65.2	12.5	24,078	62.1	11.4
– Own Products	19,329	29.2	20.9	23,690	29.7	22.3	29,890	31.6	23.8	9,526	29.0	22.2	12,396	32.0	23.9
Sub-total	63,340	95.7	12.9	73,623	92.3	13.3	87,999	93.1	13.4	30,946	94.2	14.5	36,474	94.1	13.8
Logistics and other services	2,847	4.3	46.0	6,110	7.7	54.3	6,509	6.9	61.6	1,891	5.8	61.7	2,279	5.9	77.8
Total/overall	66,187	100.0	13.3	79,733	100.0	14.1	94,508	100.0	14.1	32,837	100.0	15.1	38,753	100.0	14.5

The gross profit margin of Own Brands, increasing from 23.2% for FY2019 to 27.3% for FY2021, was higher than that of the Third-Party Brands which decreased from 11.0% for FY2019 to 10.9% for FY2021. The gross profit margin of Own Products recorded a growth from 22.2% for 4M2021 to 23.9% for 4M2022 while the gross profit margin of Third-Party Brands decreased from 12.5% for 4M2021 to 11.4% for 4M2022. Among the Own Brands, *Mega Fresh* and *CED* contributed an aggregate of 76.3%, 76.1%, 76.8% and 73.4% of total gross profit of Own Brands for the Track Record Period. A new brand, *Mega Food*, introduced in FY2019 which contributed 10.6%, 9.1%, 7.7% and 7.6% of total gross profit of Own Brands for FY2019, FY2020, FY2021 and 4M2022, respectively, and the rise of contribution from *Sayangku* which accounted for 8.6%, 10.8%, 12.5% and 15.3% of total gross profit of Own Brands for FY2019, FY2020, FY2021 and 4M2022, respectively.

The gross profit margin of *Mega Fresh* was maintained at approximately 13.3%, 16.4%, 15.8% and 16.9% for the Track Record Period, respectively and the lower margins in FY2021 was mainly due to cost per unit increased by 6.7% while ASP was increased by 5.9% in FY2021 to retain competitiveness. The gross profit margin of Mega Fresh rebounded to 16.9% for 4M2022 mainly due to the increase in average selling price from RM4.2 for 4M2021 to RM4.8 for 4M2022, or 14.3%, outweighing the increase of cost per unit of 10.8% for 4M2022 comparing with 4M2021. As such, the revenue of *Mega Fresh* recorded a growth of 9.8% and 3.8% for FY2021 and 4M2022, respectively, compared with the prior year same period. The gross profit of *CED* grew at CAGR of 52.7% from FY2019 to FY2021 with increasing gross profit margin from 34.7% for FY2019 to 36.0% for FY2021 due to competitive pricing strategy. The gross profit margin of CED decreased to 35.4% for 4M2022 mainly due to the increase of cost per unit increased by 4.9% for 4M2022 comparing with FY2021 outweighing the increase in average selling price of 4.0% for 4M2022 comparing with FY2021. The gross profit margin of White Label Products decreased by 1.9% in FY2020 mainly due to increase in cost of sales to school canteens by 8.2% rendering the gross profit of White Label Products decreased by 2.7%. The gross profit margin then increased slightly to 16.2% for FY2021 mainly due to improvement in gross profit margin of sales to hypermarkets and supermarkets by 0.8% amid the shrinkage of sales to school canteens in FY2021 comparing with FY2020 which gross profit margin was the highest among other customers. The gross profit margin of White Label products was improved to 17.3% for 4M2022 mainly due to the increase in average selling price of 18.6% for 4M2022 outweighing the increase of cost per unit of 17.1% for 4M2022 comparing with FY2021.

By major customer type

The table below sets out a breakdown of gross profit 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:

	FY2019			FY2020			FY2021			4M2021			4M2022		
Customer Types	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**
	RM'000	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*
Retail chains and channels															
Hypermarkets and supermarkets	33,534	52.9	13.0	39,560	53.7	13.5	48,275	54.9	13.9	17,115	55.3	14.9	20,161	55.3	14.3
Provision shops*(Note 1)*	10,499	16.6	12.4	13,886	18.9	13.1	17,502	19.9	12.8	5,921	19.1	14.4	6,422	17.6	12.9
Convenience stores and kiosks	4,943	7.8	14.7	5,305	7.2	15.3	5,464	6.2	15.2	1,795	5.8	15.7	1,972	5.4	14.8
Subtotal	48,976	77.3		58,751	79.8		71,241	81.0		24,831	80.2		28,555	78.3	

	FY2019			FY2020			FY2021			4M2021			4M2022		
Customer Types	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**
	RM'000	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*	*RM'000*	*%*	*%*
Retail chains and channels															
F&B dealers and merchandisers	5,908	9.3	9.1	8,732	11.9	11.1	9,899	11.2	11.0	3,753	12.1	12.0	4,727	13.0	12.6
HORECA	2,143	3.4	15.3	1,524	2.1	14.7	1,678	1.9	13.8	582	1.9	15.2	986	2.7	14.6
School canteens	3,665	5.8	23.8	1,966	2.6	21.2	1,161	1.3	21.8	487	1.6	21.2	712	1.9	22.1
Others[(Note 2)]	2,648	4.2	13.4	2,650	3.6	12.3	4,020	4.6	12.9	1,293	4.2	14.1	1,494	4.1	12.2
Total/overall	63,340	100.0	12.9	73,623	100.0	13.3	87,999	100.0	13.4	30,946	100.0	14.5	36,474	100.0	13.8

Notes:

1. 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.

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

The gross profit margin of our distribution and sales business for FY2020 was approximately 13.3%, an improvement of approximately 0.4%, which was mainly contributed by the hypermarkets and supermarkets, provision shops and F&B dealers and merchandisers. The gross profit margin then remained stable at approximately 13.4% for FY2021 mainly resulting from compensating effect of increasing gross profit margin of hypermarkets and supermarkets by approximately 0.4% and decreasing gross profit margin of provision shops by approximately 0.3%. The gross profit margin was then improved to approximately 13.8% for 4M2022 mainly due to improvement of gross profit margin of sales to hypermarkets and supermarkets of approximately 0.4% from approximately 13.9% for FY2021 to approximately 14.3% for 4M2022. The gross profit margin of F&B dealers and merchandisers improved from approximately 9.1% for FY2019 to 11.1% for FY2020, an increase of approximately 2.0% primarily owing to the combined effect of improvement of average gross margin of frozen foods and dairy products sold to F&B dealers and merchandisers from approximately 13.9% for FY2019 to approximately 14.7% for FY2020 and the increase in proportion of revenue from the aggregate of frozen foods and dairy products in total revenue from F&B dealers and merchandisers from approximately 15.8% for FY2019 to approximately 25.3% for FY2020. The gross profit margin was then kept at 11.0% for FY2021 and was improved to 12.6% for 4M2022. The gross profit margin of sales to convenience stores and kiosks recorded an improvement from approximately 14.7% for FY2019 to approximately 15.2% for FY2021 mainly attributable to the contribution of gross profit margin of dairy products sales to convenience stores and kiosks to the total gross profit margin of sales to convenience stores and kiosks improved from 10.7% for FY2019 to 11.8% for FY2021. The gross profit margin then decreased to 14.8% for 4M2022 mainly due to drop of gross profit margin of dairy products from 15.4% for FY2021 to 15.1% for 4M2022.

By product type

The following table sets forth a breakdown of our gross profit and gross profit margin of our distribution and sales business (excluding revenue from logistics and others) by product types for the years indicated.

	FY2019		FY2020		FY2021		4M2021		4M2022	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RM'000	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*
F&B products										
Dairy products	18,266	12.1	20,187	11.8	21,649	11.5	7,974	13.3	7,795	11.6
Frozen food	18,347	14.5	20,058	15.2	20,855	14.1	7,347	14.0	9,693	15.2
Packaged food and commodities	6,053	9.7	6,274	8.8	7,510	8.6	3,111	11.6	3,012	8.8
Sauce, oil & condiment	6,088	10.9	6,467	10.8	6,462	9.1	2,635	11.3	3,703	11.0
Beverages	4,185	10.5	5,686	13.4	10,595	16.3	2,906	14.7	4,215	15.3
Specialty products	5,234	35.1	7,761	36.5	12,026	36.3	3,608	35.3	4,289	35.6
Subtotal of F&B products	58,173		66,433		79,097		27,581		32,707	
Non-F&B products										
Personal and baby care products	2,516	11.0	2,587	9.8	2,712	9.0	1,115	11.3	1,180	9.5
Pet care products	1,419	41.0	2,381	40.1	3,460	44.6	1,240	49.8	1,641	43.9
Cleaning and kitchen supplies	1,232	8.9	2,222	9.5	2,730	9.9	1,010	11.3	946	10.7
Subtotal of Non-F&B products	5,167		7,190		8,902		3,365		3,767	
	63,340		73,623		87,999		30,946		36,474	

During the Track Record Period, the gross profit of dairy products, frozen food and packaged food and commodities, being the major F&B categories, in aggregate, accounted for approximately 64.5%, 58.3%, 52.9% and 52.9% of the total gross profit for FY2019, FY2020, FY2021 and 4M2022, respectively. The average gross profit margins of these three types of products was stable at approximately 12.5% and 12.4% for FY2019 and FY2020. The gross profit margin was then decreased to approximately 11.8% for FY2021 mainly resulting from the drop of gross profit margin of dairy products and frozen food from approximately 11.8% for FY2020 to approximately 11.5% for FY2021 and approximately 15.2% for FY2020 to approximately 14.1% for FY2021, respectively. The gross profit margin of dairy products, frozen food and packaged food and commodities then rebounded to 12.4% for 4M2022. The overall average gross profit margin of distribution and sales slightly improved to approximately 13.3% and approximately 13.4% in both FY2020 and FY2021, respectively. The overall average gross profit margin was then improved to 13.8% for 4M2022.

Amid different products, specialty products and pet care products achieved the highest gross profit margin of approximately 36.5% and 44.6% during the Track Record Period, respectively. The proportion of revenue of both products to total revenue of our distribution and sales business increased from approximately 3.0% and 0.7% for FY2019 to approximately 3.8% and 1.0% for FY2020, respectively contributed an aggregate increase in the overall gross profit margin of approximately 0.5% for FY2020. Both products kept the gross profit margin at approximately 36.3% and 44.6% for FY2021 and 35.6% and 43.9% for 4M2022, respectively which accounted for approximately 16.4% and 15.3% of total gross profit for FY2021 and 4M2022, respectively.

The gross profit margin of dairy products dropped approximately 0.3% in FY2020 from 12.1% for FY2019 primarily attributable to the decrease of gross profit margin of three brands of milk related products, contributing approximately 0.6% drop in the gross profit margin of dairy products which was partially set off by the contribution of the increase in gross profit margin of dairy products of approximately 0.3% from Brand A and Brand B. The gross profit margin of dairy products decreased slightly to approximately 11.5% for FY2021 mainly because of the increase in unit cost of approximately 2.7% being larger than the increase in average selling price of approximately 2.2%, especially the increase of unit cost of Brand A and Brand B of approximately 7.2% and 16.9%, respectively. The gross profit margin was then improved to 11.6% for 4M2022 mainly due to improvement of gross profit margin of Brand A of 0.6% comparing with FY2021.

The gross profit margin of frozen food recorded an increase of approximately 0.7% in FY2020 from 14.5% for FY2019 mainly through improvement in control over the supply costs, especially the gross profit margin of *Mega Fresh* was improved from approximately 13.3% for FY2019 to approximately 16.4% for FY2020 which contributed a gain of approximately 1.2% of gross profit margin of frozen food. The gross profit margin then decreased to approximately 14.1% in FY2021 mainly due to drop in gross profit margin of both *Mega Fresh* and Brand C of approximately 0.6% and 3.2%, respectively comparing with

FY2020. The gross profit margin was improved to 15.2% for 4M2022 mainly due to improvement in gross profit margin of Mega Fresh and White Label of 1.1% and 1.1%, respectively comparing with FY2021.

The gross profit margin of packaged food and commodities shrank from approximately 9.7% for FY2019 to 8.8% for FY2020 mainly attributable to tightening of the discount margin offered by the supplier, *Mondelez* without adjusting the selling price at the same extent to preserve our growth in gross profit. The brands of products offered by *Mondelez* accounted for approximately 78.4%, 74.8%, 62.7% and 55.9% of our total revenue from sales of packaged food and commodities for the Track Record Period, respectively. As such, the revenue from packaged food and commodities recorded a CAGR of 18.5% from FY2019 to FY2021. The gross profit margin recorded a drop of 0.2% to 8.6% for FY2021 comparing with FY2020 mainly attributable to rise of unit cost of approximately 5.1% being higher than the increase in average selling price of 4.9% comparing with FY2020. The gross profit margin recorded a growth of 0.2% to 8.8% for 4M2022 comparing with FY2021 mainly due to improvement in gross profit margin of sales to hypermarkets and supermarkets from 8.6% for FY2021 to 9.3% for 4M2022.

The gross profit margin of sauce, oil and condiments remained stable at 10.9% and 10.8% for FY2019 and FY2020, respectively. The gross profit margin then decreased to approximately 9.1% for FY2021 which was mainly caused by the decrease of gross profit margin of Ajinomoto by 1.9%. The gross profit margin increased to 11.0% for 4M2022 mainly caused by improvement in gross profit margin of Ajinomoto by 0.9%. Revenue generated from products of Ajinomoto accounted for approximately 37.6%, 38.7%, 39.1% and 33.8% of total revenue of sauce, oil and condiments for the Track Record Period, respectively.

The gross profit margin of beverages improved from approximately 10.5% for FY2019 to approximately 13.4% for FY2020 mainly attributable to the increase of proportion of carbonated drinks to total beverages from approximately 29.2% for FY2019 to 35.4% for FY2020. Among the brands of carbonated drinks, the gross profit margin of one brand of brewed drink products, which accounted for 51.7% and 60.6% of our total revenue from sales of carbonated drinks for FY2019 and FY2020, respectively, improved from approximately 38.3% for FY2019 to 44.5% for FY2020. With the increase of revenue and gross profit of this brand of brewed drink products for FY2021 of 123.7% and 92.2%, respectively compared with the prior year, the gross profit margin of beverages contributed an improvement of margin of 2.4% for beverages out of the total improvement of 2.9% for FY2021. The gross profit margin then decreased to approximately 15.3% for 4M2022 mainly attributable to the decrease in proportion of the sales of the brand of brewed drink products with high gross profit margin to total revenue of beverages from 31.4% for FY2021 to 26.0% resulting from increasing sales of other brands.

The gross profit margin of specialty products which are our Own-Brand Products increased from approximately 35.1% for FY2019 to 36.5% for FY2020 mainly due to reduction of discount offer to the customers in salt products resulting in improvement of gross profit margin of salt products which contributed a gain in overall gross profit margin of specialty products of approximately 2.0% for FY2020, respectively. The gross profit margin of one own brand of specialty products with higher gross profit margin decreased by 1.7% during FY2021 resulted in the slight drop of gross profit margin of specialty products from 36.5% for FY2020 to 36.3% for FY2021. The gross profit margin of specialty products then decreased to 35.6% for 4M2022 as the gross profit margin of another own brand of specialty products decreased by approximately 0.6% comparing with FY2021.

While the average selling price of personal and baby care products in FY2020 remained unchanged to remain competitive in the market, in light of rising cost of 17.0%, the gross profit margin decreased by approximately 1.2% to approximately 9.8% in FY2020. The gross profit margin decreased further from approximately 9.8% for FY2020 to approximately 9.0% for FY2021 mainly 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 rebounded to 9.5% for 4M2022 as the rise in average selling price exceeded the increase in average unit cost by 0.5% comparing with FY2021.

There were two brands of products under pet care category, *Sayangku* and *Snowcat* SNOWCAT, which are our Own Brands, accounted for approximately 96.8%, 98.9%, 100% and 100% of total revenue from pet care products during the Track Record Period, respectively. The increase of revenue for FY2020 of approximately RM2.5 million consisted mainly of the increase in sales of *Sayangku* of approximately RM2.3 million through our marketing efforts. The decrease in gross profit margin of both *Snowcat* and *Sayangku* in FY2020 of approximately 1.8% and 1.7%, respectively pulled down the overall gross profit margin of pet care products to approximately 40.1% for FY2020. The gross profit margin was 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 more sales of relatively lower cost items of these two brands during FY2021. The gross profit margin then decreased to 43.9% 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 50.0% comparing with 4M2021.

Other income

Other income of approximately RM1.9 million, RM2.8 million, RM1.3 million and RM0.2 million for FY2019, FY2020, FY2021 and 4M2022 mainly consisted of rental income, interest income, exchange gain, dividend income and government grants which in aggregate accounted for approximately 76.5%, 71.3%, 46.8% and 60.6% of our total other income for the Track Record Period, respectively. The rental income was derived mainly from leasing of investment properties. There was government grants in respect of wage subsidy in relation to COVID-19 received from the Malaysian government of approximately RM0.9 million for FY2020 while there were grants of approximately RM46,000 received in FY2021 which contributed to the decrease of other income from approximately RM2.8 million for FY2020 to approximately RM1.3 million for FY2021. Other income decreased by approximately 60.0% from approximately RM0.5 million for 4M2021 to approximately RM0.2 million for 4M2022, primarily due to decrease of rental income of approximately RM0.1 million.

Selling and distribution expenses

Our selling and distribution expenses mainly consist of (i) staff costs; (ii) transportation expenses; (iii) vehicle maintenance expenses; (iv) travelling expenses and (v) marketing and advertising expenses. The following table sets forth a breakdown of the components of our selling and distribution expenses for the years/periods indicated.

	FY2019		FY2020		FY2021		4M2021		4M2022	
	RM'000	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*
Staff costs	13,859	45.6	17,818	49.0	18,648	45.8	5,745	48.4	6,185	43.5
Transportation expenses[1]	7,813	25.8	9,024	24.8	10,106	24.8	2,794	23.6	3,738	26.3
Travelling expenses	2,465	8.1	2,126	5.8	2,285	5.6	692	5.8	862	6.0
Vehicle maintenance expenses	2,378	7.8	2,885	8.0	3,194	7.9	1,109	9.4	1,033	7.3
Marketing and advertising expenses	2,609	8.6	3,456	9.5	4,685	11.5	1,037	8.8	1,880	13.2
Others[2]	1,245	4.1	1,040	2.9	1,781	4.4	473	4.0	530	3.7
	30,369	100.0	36,349	100.0	40,699	100.0	11,850	100.0	14,228	100.0

Note:

1. The amounts include the cost for engaging third party service providers for clearance of overseas shipments and port-to-warehouse delivery, which amounted to approximately RM1.3 million, RM2.1 million, RM2.6 million and RM0.9 million for FY2019, FY2020, FY2021 and 4M2022, respectively.

2. Others represent expenses incurred for sales and distribution such as packing material, insurance expenses and sundry expenses.

Our selling and distribution expenses increased during the Track Record Period primarily due to the increased staff costs. The selling and distribution expenses expressed as a percentage of our total revenue were kept stable at approximately 6.1% for FY2019 and 6.4% for FY2020. Such percentage was then decreased to 6.1% for FY2021 and further decreased to 5.3% for 4M2022.

Administrative and other operating expenses

Our administrative and other operating expenses mainly consist of (i) staff costs; (ii) utility expenses; (iii) insurance; (iv) depreciation; and (v) professional fee. The following table sets forth a breakdown of the major components of our administrative and other operating expenses, for the years/periods indicated.

	FY2019		FY2020		FY2021		4M2021		4M2022	
	RM'000	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*
Staff costs	5,768	44.9	7,203	50.3	7,214	45.1	2,612	46.5	2,719	44.4
Utility expenses	2,777	21.6	2,724	19.0	2,467	15.4	434	7.7	906	14.8
Insurance	465	3.6	767	5.3	640	4.0	223	4.0	256	4.2
Depreciation of property, plant and equipment	287	2.2	357	2.5	507	3.2	164	2.9	127	2.1
Depreciation of right-of-use assets	298	2.3	188	1.3	197	1.2	16	0.3	94	1.5
Depreciation of investment properties	257	2.0	265	1.9	–	–	–	0.6	–	–
Professional fee	480	3.7	315	2.2	770	4.8	215	3.8	122	2.0
Others[(1)]	2,523	19.7	2,501	17.5	4,207	26.3	1,952	34.2	1,897	31.0
	12,855	100.0	14,320	100.0	16,002	100.0	5,616	100.0	6,121	100.0

Note:

1. Others represent repair and maintenance, office expenses and sundry expenses.

During the Track Record Period, we incurred administrative and other operating expenses of approximately RM12.9 million, RM14.3 million, RM16.0 million and RM6.1 million, respectively, accounting for approximately 2.6%, 2.5%, 2.4% and 2.3%, respectively, of our total revenue. Our administrative expenses increased gradually from FY2019 to FY2021 mainly due to increase in staff costs for more employees were hired to enhance the administration to meet the enlarged scale of operation.

[**REDACTED**]

[**REDACTED**] comprise professional and other expenses in relation to our [**REDACTED**]. Our [**REDACTED**] amounted to approximately RM[**REDACTED**], RM[**REDACTED**], RM[**REDACTED**] and RM[**REDACTED**] for FY2019, FY2020, FY2021 and 4M2022, respectively.

Finance costs

Our finance costs amounting to approximately RM1.9 million, RM1.6 million, RM1.4 million and RM0.5 million for FY2019, FY2020, FY2021 and 4M2022, respectively, and consisted of interest expenses on our bank overdrafts, interest-bearing borrowings and lease liabilities.

Interest expenses on bank overdrafts and interest-bearing borrowings amounted to approximately RM1.8 million, RM1.4 million, RM1.2 million and RM0.4 million, representing approximately 92.9%, 91.1%, 88.1% and 90.4% of the total finance cost for FY2019, FY2020, FY2021 and 4M2022, respectively. Interest expenses on lease liabilities amounted to approximately RM0.1 million, RM0.2 million, RM0.2 million and RM47,000, representing approximately 7.1%, 8.9%, 11.9% and 9.6% of the total finance cost for FY2019, FY2020, FY2021 and 4M2022, respectively. Interest expense on leasing liabilities represents part of the expenses related to lease under the adoption of IFRS 16.

Income tax expenses

Since our operation is based in Malaysia, our Group is subject to corporate income tax in accordance with the tax regulations of Malaysia. The standard corporate tax rate in Malaysia was 24% throughout the Track Record Period subject to certain tax concessions and exemptions.

Our effective income tax rate, equal to the sum of our income tax expenses divided by our profit before tax, was approximately 23.1%, 30.7%, 28.0% and 27.8% for FY2019, FY2020, FY2021 and 4M2022, respectively. Our effective tax rate for FY2019 was relatively consistent with the standard corporate tax rate of 24% in Malaysia. The effective tax rates for FY2020, FY2021 and 4M2022 were higher than the standard rate mainly due to non-deductible expenses of approximately RM2.0 million, RM1.4 million and RM0.7 million, respectively which mainly were [**REDACTED**].

During the Track Record Period and up to the Latest Practicable Date, we fulfilled all of our tax obligations and had not been subject to any tax audit and/or investigation by Inland Revenue Board of Malaysia or any relevant departments due to irregularities alleged against or committed by our Group.

RESULTS OF OPERATIONS

4M2022 compared with 4M2021

Revenue

Our revenue increased by approximately RM49.6 million or 22.8% from approximately RM217.1 million for 4M2021 to approximately RM266.7 million for 4M2022. Such increase was mainly as a result of the combined effects of:

(i) Increase in the revenue from Third-Party Brand Distribution: the revenue has increased by approximately RM40.7 million or approximately 23.8% from approximately RM171.1 million in 4M2021 to approximately RM211.8 million in 4M2022 which was mainly attributable to the increase in revenue contributed by (i) sauce, oil and condiments of approximately RM10.4 million primarily contributed by the increase in sales of three brands of products of RM6.7 million in aggregate,

(ii) beverage products of approximately RM7.8 million primarily due to increase of number of active customers and hence increase in sales of one brand of brewed drink products, two brands of coffee drink and one brand of flavoured drinks of approximately RM1.3 million, RM2.2 million and RM1.3 million, respectively, (iii) packaged food and commodities of approximately RM7.2 million primarily due to the increase in sales of one brand of canned food of RM3.8 million and (iv) dairy products of approximately RM7.2 million primarily due to a new Third-Party brand of milk products and the increase in sales of Brand B which contributed approximately RM2.8 million and RM2.2 million, respectively in 4M2022.

(ii) Increase in the revenue from Own Products: the revenue has increased by approximately RM9.0 million or approximately 21.0% from approximately RM42.9 million in 4M2021 to approximately RM51.9 million in 4M2022 which was mainly attributable to the increase in revenue contributed by (i) frozen food of approximately RM5.9 million of which White Label accounted for the increase of approximately RM5.4 million primarily benefited from the increase in customers of hypermarkets and supermarkets which contributed an increase of approximately RM4.2 million and (ii) specialty products of approximately RM1.8 million primarily due to increase in demand of such products.

Cost of sales

Our cost of sales increased by approximately RM43.7 million or 23.7% from approximately RM184.2 million for 4M2021 to approximately RM227.9 million for 4M2022, generally in line with the increased sales of our products of approximately 22.8%.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately RM6.0 million or approximately 18.3% from approximately RM32.8 million for 4M2021 to approximately RM38.8 million for 4M2022. The increase in our gross profit is generally in line with the increasing sales from our distribution business mainly in dairy products, frozen food, sauce, oil and condiments and beverage which accounted for approximately 76.8% of the increase in total gross profit for 4M2022.

Our gross profit margin decreased slightly from approximately 15.1% for 4M2021 to approximately 14.5% for 4M2022 mainly resulting from decrease in gross profit margin of distribution business from approximately 14.5% for 4M2021 to approximately 13.8% for 4M2022 mainly due to the decrease of gross profit margin of dairy products from approximately 13.3% for 4M2021 to approximately 11.6% for 4M2022 which was mainly contributed by the impact of the decrease in gross profit margins of Brand A and Brand D of 0.8% in aggregate.

Other income

Other income decreased by approximately 60.0% from approximately RM0.5 million for 4M2021 to approximately RM0.2 million for 4M2022, primarily due to decrease of rental income of approximately RM0.1 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 19.3% from approximately RM11.9 million for 4M2021 to approximately RM14.2 million for 4M2022, primarily due to (i) the increase in marketing and advertising of approximately RM0.8 million mainly attributable to more marketing activities conducted during 4M2022 to promoting sales; and (ii) the increase in transportation expenses and travelling expenses of approximately RM0.9 million and RM0.2 million, respectively in meeting the increasing activities of sales.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 8.9% from approximately RM5.6 million for 4M2021 to approximately RM6.1 million for 4M2022, primarily due to the increase in utility expenses of approximately RM0.5 million.

Finance costs

Our finance costs remained stable at approximately RM0.5 million as at 30 April 2021 and 2022 notwithstanding the balances of interest-bearing borrowings as at 30 April 2022 increased by approximately RM11.2 million comparing with that of 30 April 2021 as the drawdown of material interest-bearing borrowings was made near the end of 4M2022 while the drawdown was made at the middle of 4M2021.

Income tax expenses

Income tax expenses increased by approximately 17.9% from approximately RM3.9 million for 4M2021 to approximately RM4.6 million for 4M2022. The increase was mainly due to the increase in profit before tax by approximately 26.3% which was partially offset by the decrease of non-deductible items which consisted of mostly non-recurring [**REDACTED**] of approximately RM0.2 million.

Our effective tax rate, which is calculated based on income tax expenses divided by profit before tax, was approximately 29.6% and 27.8% for 4M2021 and 4M2022, respectively.

Profit for the period and net profit margin

As a result of the foregoing, our net profit increased by approximately 29.3% from approximately RM9.2 million for 4M2021 to approximately RM11.9 million for 4M2022. Our net profit margin was improved from approximately 4.2% for 4M2021 to 4.5% for 4M2022 mainly resulting from decrease of [**REDACTED**] which contributed an increase of net profit margin of 0.4%.

Non-IFRS measures – Adjusted net profit margin

Our adjusted net profit margin (Non-IFRS measure) decreased from approximately 5.3% for 4M2021 to 5.1% for 4M2022.

FY2021 compared with FY2020

Revenue

Our revenue increased by approximately RM104.1 million or 18.4% from approximately RM564.6 million for FY2020 to approximately RM668.7 million for FY2021. Such increase was mainly as a result of the combined effects of:

(i) Increase in the revenue from Third-Party Brand Distribution: the revenue has increased by approximately RM85.3 million or approximately 19.1% from approximately RM447.3 million in FY2020 to approximately RM532.6 million in FY2021 which was mainly attributable to the increase in revenue contributed by (i) beverage products of approximately RM22.5 million primarily due to increase of number of active customers and increase in sales of one brand of brewed drink products, and two brands of flavoured drink products of approximately RM11.2 million and approximately RM3.8 million, respectively, (ii) dairy products of approximately RM17.9 million primarily due to adoption of a relatively competitive pricing strategy, (iii) packaged food and commodities of approximately RM15.9 million primarily due to the increase in sales of one brand of chocolate of approximately RM5.1 million and (iv) frozen food of approximately RM10.7 million primarily coming from the increase in sales of Brand C and one Third-Party Brand of frozen processed food of approximately RM1.6 million and RM4.6 million, respectively.

(ii) Increase in the revenue from Own Products: the revenue has increased by approximately RM19.4 million or approximately 18.3% from approximately RM106.1 million in FY2020 to approximately RM125.5 million in FY2021 which was mainly attributable to the increase in revenue contributed by (i) frozen food of approximately RM5.2 million of which White Label accounted for the increase of approximately RM1.7 million primarily due to the adoption of a relatively competitive pricing strategy and (ii) specialty products of approximately RM11.9 million primarily due to increase in demand of such products.

Cost of sales

Our cost of sales increased by approximately RM89.3 million or 18.4% from approximately RM484.9 million for FY2020 to approximately RM574.2 million for FY2021, generally in line with the increased sales of our products of approximately 18.4%.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately RM14.8 million or approximately 18.6% from approximately RM79.7 million for FY2020 to approximately RM94.5 million for FY2021. The increase in our gross profit is generally in line with the increasing sales from our distribution and sales business mainly in beverage, packaged food and commodities, dairy products and specialty products which accounted for approximately 80.4% of the increase in total gross profit for FY2021.

Our gross profit margin was kept stable at approximately 14.1% for both FY2020 and FY2021 mainly resulting from a combined effect of (i) the increase in the gross profit margin contribution from sales of higher margin products, namely beverages and pet care products which was offset by the decrease in gross profit contribution from sales of dairy products and frozen food; and (ii) increase in gross profit margin of logistics and other services from approximately 54.3% for FY2020 to 61.6% for FY2021 resulting mainly from increase in proportion of relatively higher margin marketing incentive income from suppliers to total revenue of logistics and other services from 34.2% for FY2020 to 45.7% for FY2021.

Other income

Other income decreased by approximately 53.6% from approximately RM2.8 million for FY2020 to approximately RM1.3 million for FY2021, primarily due to decrease of wage subsidy received from the government of approximately RM0.8 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 12.1% from approximately RM36.3 million for FY2020 to approximately RM40.7 million for FY2021, primarily due to (i) the increase in marketing and advertising of approximately RM1.2 million mainly attributable to more activities conducted during FY2021; and (ii) the increase in transportation expenses and staff costs of approximately RM1.1 million and RM0.8 million, respectively.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 11.9% from approximately RM14.3 million for FY2020 to approximately RM16.0 million for FY2021, primarily due to the increase in (i) sundry expenses of RM1.7 million resulted from increase in miscellaneous expenses, such as stamp duty and provision for loss allowance of trade receivables in aggregate of approximately RM1.0 million; (ii) legal and professional fees of approximately RM0.5 million which was mainly attributable to the acquisition of a piece of land during FY2021 and distribution of investment properties to them equity owners of the Company.

Finance costs

Our finance costs decreased by approximately 12.5% from approximately RM1.6 million for FY2020 to approximately RM1.4 million for FY2021. The decrease was mainly due to the decrease in effective interest rates for interest-bearing borrowings in FY2021.

Income tax expenses

Income tax expenses increased by approximately 10.8% from approximately RM8.3 million for FY2020 to approximately RM9.2 million for FY2021 which was mainly contributed by the increase of revenue of approximately 18.4% for FY2021. Our effective tax rate, which is calculated based on income tax expenses divided by profit before tax, was approximately 30.7% and 28.0% for FY2020 and FY2021, respectively which were higher than the standard tax rate of 24% mainly due to non-deductible items of approximately RM2.0 million and RM1.4 million for FY2020 and FY2021, respectively.

Profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately 25.5% from approximately RM18.8 million for FY2020 to approximately RM23.6 million for FY2021. Our net profit margin increased from 3.3% for FY2020 to 3.5% for FY2021 mainly due to the decrease in the percentage of both selling and distribution expenses and administrative and other operating expenses over the revenue for FY2021 of approximately 0.4% which was partially offset by the increase in [**REDACTED**].

Non-IFRS measures – Adjusted net profit margin

Our adjusted net profit margin (non-IFRS measure) increased slightly from approximately 3.9% for FY2020 to 4.3% for FY2021.

FY2020 compared with FY2019

Revenue

Our revenue increased by approximately RM67.2 million or 13.5% from approximately RM497.4 million for FY2019 to approximately RM564.6 million for FY2020. Such increase was mainly as a result of the combined effects of:

(i) Increase in the revenue from Third-Party Brand Distribution: the revenue has increased by approximately RM48.5 million or approximately 12.2% from approximately RM398.8 million in FY2019 to approximately RM447.3 million in FY2020 which was mainly attributable to the increase in revenue contributed by (i) dairy products of approximately RM16.3 million primarily due to the increase in sales of Brand A, an international ice-cream brand, under our distribution by approximately 16.6%, (ii) packaged food and commodities of approximately RM9.3 million primarily due to an increase in average selling price of approximately 11.1%, and (iii) non-F&B products of approximately RM13.0 million primarily due to the increase in the revenue from cleaning and kitchen supplies.

(ii) Increase in the revenue from Own Products: the revenue has increased by approximately RM13.6 million or approximately 14.7% from approximately RM92.5 million in FY2019 to approximately RM106.1 million in FY2020 which was mainly attributable to the increase in revenue contributed by (i) specialty products of approximately RM6.4 million, (ii) dairy products of approximately RM2.6 million, (iii) pet care products of approximately RM2.5 million and (iv) frozen food of approximately RM2.3 million. The increase was primarily attributable to the increase in demand of dairy products, specialty products and pet care products during the pandemic period and our enhanced efforts in the promotion of our Own Products which was reflected by the increase in marketing and advertising expenses by approximately 32.5% in the respective year.

Cost of sales

Our cost of sales increased by approximately RM53.7 million or 12.4% from approximately RM431.2 million for FY2019 to approximately RM484.9 million for FY2020, generally in line with the increased sales of our products mainly in dairy products and packaged food and commodities and frozen food as aforementioned.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately RM13.5 million or approximately 20.5% from approximately RM66.2 million for FY2019 to approximately RM79.7 million for FY2020. The increase in our gross profit is generally in line with the increasing sales from our distribution and sales business mainly in dairy products and packaged food and commodities as aforementioned.

Our gross profit margin was improved slightly from approximately 13.3% for FY2019 to approximately 14.1% for FY2020 mainly resulting from increase in gross profit margin of distribution and sales business from approximately 12.9% for FY2019 to 13.3% for FY2020 and increase in gross profit margin of logistics and other services from approximately 46.0% for FY2019 to 54.3% for FY2020.

Other income

Other income increased by approximately 46.2% from approximately RM1.9 million for FY2019 to approximately RM2.8 million for FY2020, primarily due to wage subsidy received from the government of approximately RM0.9 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 19.7% from approximately RM30.4 million for FY2019 to approximately RM36.3 million for FY2020, primarily due to (i) the increase in staff costs related to sales, marketing and advertising of approximately RM4.0 million for FY2020 comparing with FY2019 resulting from increase in number of sales and marketing staff and increase in bonus for performance for meeting performance target; and (ii) the increase in transportation expenses of approximately RM1.2 million mainly resulting from increase in sales activities for FY2020.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 11.4% from approximately RM12.9 million for FY2019 to approximately RM14.3 million for FY2020, primarily due to the increase in staff costs of approximately RM1.4 million mainly resulting from increase in number of administrative staff.

Finance costs

Our finance costs decreased by approximately 17.2% from approximately RM1.9 million for FY2019 to approximately RM1.6 million for FY2020. The decrease was mainly due to the decrease in inception of interest-bearing borrowings for FY2020 and effective interest rates for interest-bearing borrowings in FY2020.

Income tax expenses

Income tax expenses increased by approximately 57.0% from approximately RM5.3 million for FY2019 to approximately RM8.3 million for FY2020. The increase was mainly due to the increase in profit before tax by approximately 18.1% and the increase of non-deductible items of approximately RM1.5 million mainly resulting from [**REDACTED**]. Our effective tax rate, which is calculated based on income tax expenses divided by profit before tax, was approximately 23.1% and 30.7% for FY2019 and FY2020, respectively.

Profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately 6.5% from approximately RM17.7 million for FY2019 to approximately RM18.8 million for FY2020. Our net profit margin remained stable at approximately 3.5% for FY2019 and 3.3% for FY2020.

Non-IFRS measures – Adjusted net profit margin

Our adjusted net profit margin (non-IFRS measure) increased from approximately 3.6% for FY2019 to 3.9% for FY2020.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

The following table sets forth a summary of our combined statements of cash flows for the years indicated.

	For the year ended 31 December			For the four months ended 30 April	
	2019	**2020**	**2021**	**2021**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
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	(6,316)	(8,471)	(8,552)	(2,600)	(3,249)
Net cash from/(used in) operating activities	15,012	31,648	5,005	3,924	(3,742)
Net cash (used in)/from investing activities	(10,922)	(7,500)	567	3,454	(2,450)
Net cash from/(used in) financing activities	1,463	(22,764)	(14,214)	(7,834)	10,161
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 year/period	6,075	11,628	13,012	13,012	4,370
Cash and cash equivalents at the end of the year/period	11,628	13,012	4,370	12,556	8,339

Net cash from operating activities

Our net cash from operating activities for FY2019 was approximately RM15.0 million, primarily comprising cash generated from operations of approximately RM21.3 million and income tax paid of approximately RM6.3 million. Our cash generated from operations reflected profit before tax for the year of approximately RM23.0 million, as adjusted for the following major items: (i) depreciation of property, plant and equipment, investment properties and right-of-use assets of approximately RM3.4 million in aggregate; (ii) finance costs of approximately RM1.9 million which primarily comprised of interest expenses on lease liabilities and bank borrowings; and (iii) interest income of approximately RM0.5 million. Our change in working capital contributed to a cash outflow of approximately RM6.7 million, which was primarily due to (i) increase in inventories of approximately RM4.2 million due to the growing operations for the year which resulted in the increase in the stockpile of products;

(ii) increase in trade and other receivables of approximately RM8.9 million primarily due to increase in trade receivables during the year; and partially offset by (iii) the increase in trade and other payables of approximately RM6.4 million primarily due to increase in purchase of products before year end in view of expected increase in sales after year end.

Our net cash from operating activities for FY2020 was approximately RM31.6 million, primarily comprising cash generated from operations of approximately RM40.1 million and income tax paid of approximately RM8.5 million. Our cash generated from operations reflected profit before tax for the year of approximately RM27.1 million, as adjusted for the following major items: (i) depreciation of property, plant and equipment, investment properties and right-of-use assets of approximately RM3.4 million in aggregate; (ii) finance costs of approximately RM1.6 million which primarily comprised of interest expenses on lease liabilities and bank borrowings; and (iii) interest income of approximately RM0.5 million. Our change in working capital contributed to a cash inflow of approximately RM8.1 million, which was primarily due to (i) the increase in trade and other payables of approximately RM13.6 million primarily due to increase in purchase during FY2020; and partially offset by (ii) increase in inventories of approximately RM1.6 million to meet the expected sales in January 2021; and (iii) increase in trade and other receivables of approximately RM4.0 million primarily due to increase in trade and other receivable during FY2020.

Our net cash from operating activities for FY2021 was approximately RM5.0 million, primarily comprising cash generated from operations of approximately RM13.6 million and income tax paid of approximately RM8.6 million. Our cash generated from operations reflected profit before tax for the year of approximately RM32.8 million, as adjusted for the following major items: (i) depreciation of property, plant and equipment and right-of-use assets of approximately RM4.4 million in aggregate; (ii) finance costs of approximately RM1.4 million which primarily comprised interest expenses on lease liabilities and bank borrowings; and (iii) interest income of approximately RM0.3 million. Our change in working capital contributed to a cash outflow of approximately RM26.1 million, which was primarily due to (i) the increase in trade and other receivables of approximately RM22.8 million primarily due to increase in trade and other receivable during FY2021; (ii) the increase in inventories of approximately RM12.0 million to meet the expected sales in January 2022 and partially offset by (iii) the increase in trade and other payables of approximately RM8.7 million primarily due to increase in purchase during FY2021.

Our net cash used in operating activities for 4M2022 was approximately RM3.7 million, primarily comprising cash used in operations of approximately RM0.5 million and income tax paid of approximately RM3.2 million. Our cash used in operations reflected profit before tax for the period of approximately RM16.5 million, as adjusted for the following major items: (i) depreciation of property, plant and equipment and right-of-use assets of approximately RM1.5 million in aggregate; (ii) finance costs of approximately RM0.5 million which primarily comprised of interest expenses on lease liabilities and interest-bearing borrowings; and (iii) interest income of approximately RM0.1 million. Our change in working capital contributed to a cash outflow of approximately RM20.1 million, which was primarily due to (i) the increase in trade and other receivables of approximately RM25.6 million primarily due to increase sales during 4M2022; (ii) the increase in inventories of approximately RM7.6 million to meet the expected sales in April 2022 and partially offset by (iii) the increase in trade and other payables of approximately RM13.1 million primarily due to increase in purchase during 4M2022.

We expect our net operating cash outflows position as at 30 April 2022 will be improved through our efforts in improving the cash flows from operating activities including:

- Closely examining the aging of the trade and other receivables and adopting progressive approach in demanding payments from the customers. We may negotiate with the customers in amicable manner to accelerate the payments or consider shortening their credit terms. We will closely monitor the collection of payments from customers to ensure payments without delay or compromising the credit terms we offer to minimise the over aged and overdue receivables.

- Closely reviewing the inventory turnover item by item. We will monitor the aging of the inventory and identify any overstock items or slow items for improvement and adjustment in purchases to minimise unnecessary stockpile without meeting forecast sales and speed up the turnover. We will also review the sales situation of our customers by brands to make appropriate re-order of inventory at an appropriate time to avoid the unnecessary quantities of inventories.

- Closely monitoring the settlement to the suppliers. We will endeavour to negotiate with the suppliers with more favourable credit terms in light of increasing quantity ordered. We will maximise the utilization of the credit terms offered by the suppliers without undermining the relationship with the suppliers.

- Closely reviewing the pricing strategy. We will adjust our pricing of our products in responding to the market demand. Price may be reduced to stimulate the sales when the demand is stagnant and increased in case the demand is strong. Through the adaptation of pricing in time in meeting the fast-changing market, we expect to procure better sales and cash flows.

Net cash (used in)/from investing activities

Our net cash used in investing activities for FY2019 was approximately RM10.9 million, primarily representing the purchase of investment properties, right-of-use assets and property, plant and equipment of approximately RM9.3 million in aggregate and placement of pledged bank deposits of approximately RM2.2 million.

Our net cash used in investing activities for FY2020 was approximately RM7.5 million, primarily representing the purchase of property, plant and equipment of approximately RM4.6 million, net placement of financial assets at FVPL of approximately RM6.0 million and partially set off by withdrawal of pledged bank deposits of approximately RM2.8 million.

Our net cash from investing activities for FY2021 was approximately RM0.6 million, primarily representing the net proceeds of disposal of financial assets at FVPL of approximately RM5.7 million which was partially set off by the purchase of property, plant and equipment of approximately RM5.1 million.

Our net cash used in investing activities for 4M2022 was approximately RM2.5 million, primarily representing the purchase of property, plant and equipment of approximately RM1.5 million and deposit paid for property, plant and equipment of approximately RM1.1 million.

Net cash (used in)/from financing activities

Our net cash from financing activities for FY2019 was approximately RM1.5 million, primarily representing payment of finance costs of approximately RM1.9 million, repayment of lease liabilities of approximately RM1.0 million and the increase in repayment of amount due to the Controlling Shareholders of approximately RM4.1 million and partially offset by the net increase in interest-bearing borrowings of RM8.6 million.

Our net cash used in financing activities for FY2020 was approximately RM22.8 million, primarily representing finance costs paid of approximately RM1.6 million, net payment of bank borrowings and lease liabilities of approximately RM10.0 million and RM0.7 million respectively, dividends paid to our Group's shareholders of approximately RM10.5 million, and the increase in repayment of amount due to the Controlling Shareholders of approximately RM1.6 million and partially offset by the advance from related parties of approximately RM1.7 million.

Our net cash used in financing activities for FY2021 was approximately RM14.2 million, primarily representing finance costs paid of approximately RM1.4 million, dividends paid to our Group's shareholders of approximately RM10.5 million, the repayment to Ultimate Controlling Party and related parties of an aggregate of approximately RM3.9 million and partially offset by the net increase in bank borrowings and lease liabilities of an aggregate of approximately RM1.6 million.

Our net cash from financing activities for 4M2022 was approximately RM10.2 million, primarily representing net increase of interest-bearing borrowings of approximately RM13.2 million and partially offset by the repayment to the Ultimate Controlling Party of approximately RM2.1 million.

Net current assets

The following table sets out our Group's current assets and liabilities as of the dates indicated.

	As of 31 December			As of 30 April	As of 30 June
	2019	2020	2021	2022	2022
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000* *(unaudited)*
Current assets					
Non-current assets held for distribution to owners	–	10,017	–	–	–
Financial assets at FVPL	–	5,954	233	234	234
Inventories	43,942	45,031	56,292	63,634	69,455
Trade and other receivables	70,814	73,024	95,032	119,632	119,261
Pledged bank deposits	15,674	12,844	13,430	13,419	13,572
Bank balances and cash	11,883	13,012	4,480	8,339	9,603
Income tax recoverable	165	–	–	–	–
	142,478	159,882	169,467	205,258	212,125
Current liabilities					
Trade and other payables	35,112	51,037	55,777	66,804	75,672
Bank overdrafts	255	–	110	–	–
Interest-bearing borrowings	25,980	21,088	26,065	39,864	33,186
Lease liabilities	777	1,380	1,412	1,338	1,301
Income tax payable	–	376	1,651	3,656	4,833
Dividend payables	13,350	20,517	–	–	–
	75,474	94,398	85,015	111,662	114,992
Net current assets	67,004	65,484	84,452	93,596	97,133

Our net current assets decreased by approximately RM1.5 million from approximately RM67.0 million as at 31 December 2019 to approximately RM65.5 million as at 31 December 2020, primarily due to (i) the increase in current liabilities of approximately RM18.9 million, which was primarily driven by the increase in trade and other payables of approximately RM15.9 million; and offset by (ii) the increase in current assets of approximately RM17.4 million, which was primarily driven by the increase of non-current assets held for distribution to owners of approximately RM10.0 million, and the increase in financial assets at FVPL of approximately RM6.0 million.

Our net current assets increased by approximately RM19.0 million from approximately RM65.5 million as at 31 December 2020 to approximately RM84.5 million as at 31 December 2021, primarily due to (i) the increase in current assets of approximately RM9.6 million, which was primarily driven by the increase in inventories and trade and other receivables of approximately RM11.3 million and RM22.0 million, respectively which was partially set off by decrease in non-current assets held for distribution to owners, financial assets at FVPL and bank balances and cash of approximately RM10.0 million, RM5.7 million and RM8.5 million, respectively; and (ii) the decrease in current liabilities of approximately RM9.4 million, which was primarily driven by decrease in dividend payable of approximately RM20.5 million which was partially offset by the increase in interest-bearing borrowings and trade and other payables of approximately RM5.0 million and RM4.7 million, respectively.

Our net current assets 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 (i) the increase in current assets of approximately RM35.8 million, which was primarily driven by 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; and offset by (ii) the increase in current liabilities of approximately RM26.6 million, which was primarily driven by the increase in trade and other payables and interest-bearing borrowings of approximately RM11.0 million and RM13.8 million, respectively.

Our net current assets increased by approximately RM3.5 million from approximately RM93.6 million as at 30 April 2022 to approximately RM97.1 million as at 30 June 2022, primarily due to (i) the increase in current assets of approximately RM6.8 million, which was primarily driven by the increase in inventories and bank balance and cash of approximately RM5.9 million and RM1.3 million, respectively and offset by (ii) the increase in current liabilities of approximately RM3.3 million primarily driven by the increase in trade and other payables and income tax payable of approximately RM8.9 million and RM1.1 million, respectively which was offset by the decrease in interest-bearing borrowings of approximately RM6.7 million.

PRINCIPAL FINANCIAL POSITION ITEMS

Property, Plant and Equipment

Our property, plant and equipment primarily consist of freehold land and buildings, leasehold improvements, plant and machinery, furniture, fixtures and office equipment and motor vehicles.

As of 31 December 2019, 2020 and 2021 and 30 April 2022, our property, plant and equipment amounted to approximately RM27.6 million, RM30.0 million, RM32.3 million and RM32.8 million, respectively.

Our property, plant and equipment increased by approximately RM2.4 million from RM27.6 million as of 31 December 2019 to RM30.0 million as of 31 December 2020 primarily due to the additions of plant and machinery and motor vehicles of approximately RM3.0 million and RM1.6 million, respectively in FY2020, which were partially offset by depreciation charges for FY2020 of approximately RM2.0 million.

Our property, plant and equipment increased by approximately RM2.3 million from RM30.0 million as of 31 December 2020 to RM32.3 million as of 31 December 2021 primarily due to the additions of freehold land located at Pahang Darul Makmur, Malaysia, plant and machinery and motor vehicles of approximately RM1.5 million, RM1.5 million and RM1.9 million, respectively in FY2021, which were partially offset by depreciation charges for FY2021 of approximately RM2.7 million.

Our property, plant and equipment increased by approximately RM0.5 million from RM32.3 million as of 31 December 2021 to approximately RM32.8 million as of 30 April 2022 primarily due to the additions of leasehold improvements, plant and machinery and motor vehicles of approximately RM0.5 million, RM0.3 million and RM0.7 million, respectively in 4M2022, which were partially offset by depreciation charges for 4M2022 of approximately RM1.0 million.

Right-of-use assets

Our right-of-use assets of approximately RM6.8 million, RM8.4 million and RM9.5 million as of 31 December 2019, 2020 and 2021, respectively represented our right to use of leased land and properties and motor vehicles with lease terms of over one year which is initially measured at cost and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability under IFRS 16.

The right-of-use assets increased from approximately RM6.8 million as at 31 December 2019 to approximately RM8.4 million as of 31 December 2020 mainly attributable to addition of leased motor vehicles and leased properties of approximately RM1.0 million and RM1.7 million, respectively which was offset by depreciation of approximately RM1.1 million. The right-of-use assets then increased to approximately RM9.5 million as of 31 December 2021 mainly attributable to reclassification from investment properties of approximately RM1.7 million resulting from the occupation of the investment properties by the Group for its own use and addition of motor vehicles of approximately RM1.0 million which was offset by depreciation of approximately RM1.7 million. The right-of-use assets then decreased to approximately RM8.9 million as of 30 April 2022 mainly attributable to the depreciation of approximately RM0.5 million.

Investment properties

The investment properties consist of several pieces of freehold and leasehold land and buildings in Malaysia with indefinite useful lives and useful lives of 50 years or over the lease term, respectively. The investment properties decreased from approximately RM12.9 million as at 31 December 2019 to approximately RM1.8 million as at 31 December 2020 mainly due to derecognition of approximately RM1.0 million upon disposal of a subsidiary and reclassification as non-current assets held for distribution to owners as dividend in specie of approximately RM9.8 million. The investment properties were then reclassified to right-of-use assets and property, plant and equipment of RM1.7 million and RM0.1 million, respectively as our Group intended to occupy the investment properties for its own use during FY2021.

Financial assets at Fair Value through Profit and Loss ("FVPL")

The financial assets at FVPL of approximately RM6.0 million, RM0.2 million and RM0.2 million as of 31 December 2020 and 2021 and 30 April 2022, respectively represented unlisted investment in money market funds invested during FY2020 and FY2021 which are managed by banks in Malaysia (the "Funds") and mainly invested in deposit and money market instruments and/or liquid assets. The Funds can be redeemed from time to time and bear return at market rates. The fair values of the Funds are reported by the banks with reference to the fair value of the underlying instruments at the end of each reporting period. There was dividend income from the Funds of approximately RM0.2 million, RM31,000 and RM1,000 recorded as other income for FY2020, FY2021 and 4M2022, respectively.

We have treasury policy in place of which the main objective is to identify and effectively manage the financial risk associated with treasury activities including the investment. Our policy recognises the need to maximise returns on investments whilst maintaining a strong focus on capital preservation and liquidity of the Group. We utilise surplus cash without affecting our liquidity to make prudent investment decisions based on a number of factors, such as market risk associated, expected return, credit risk of the investment product, duration of investments, expected future cash flow, investment market conditions and macroeconomic situation. The major guidelines, among others, are not to invest in any medium to high risk and any illiquid investment products. An investment review group will be led by the finance manager to identify and review the investment opportunities before making recommendations to our chief financial officer, Mr. Tham Sai Cheong. Mr. Tham, a qualified accountant in the Malaysia with more than 28 years of experience in the accounting and finance field, is responsible for reviewing investment recommendations and make decision on investment. Our finance department will closely monitor the performance of the investment with reference to our expected returns and current treasury position. We will make redemption or selling decision upon maturity of the investment or situation time of selling having considered the returns and our liquidity need. We believe that our policy and internal control regarding the investment in financial assets are sufficient and effective. Investment in financial asset at FVPL after the [**REDACTED**] will be subjected to the Company's compliance with the requirements under Chapter 14 of the Listing Rules. During the Track Record Period, we did not suffer any loss on our principal investment amounts and our actual rate of return for these financial assets at FVPL ranged from 1.47% to 2.88%, generally within our expected return rates.

Inventories

Our inventories mainly consist of F&B products and other products which are stated at lower of cost and net realisable value. We monitor and review our inventory levels on a daily basis to minimise the risk of unnecessary inventory build-up. We plan our purchase of products to meet the expected customer demands in a timely manner without weakening our liquidity. Our inventories accounted for approximately 30.8%, 28.2%, 33.2% and 31.0% of our total current assets as of 31 December 2019, 2020 and 2021 and 30 April 2022, respectively.

The following table sets forth the component of inventories, net of write-down provision, as of the dates indicated:

	As of 31 December			**As of 30 April**
	2019	**2020**	**2021**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Raw materials	1,889	1,401	1,579	1,551
Finished goods	42,053	43,630	54,713	62,083
	43,942	45,031	56,292	63,634

As of 31 December 2019, 2020 and 2021 and 30 April 2022, we had inventories in the amount net of write-down provision, of approximately RM43.9 million, RM45.0 million, RM56.3 million and RM63.6 million, respectively. The inventories as of 31 December 2020 increased slightly by approximately RM1.1 million comparing with that of 31 December 2019. The inventories then increased to RM56.3 million as of 31 December 2021 mainly due to stock up on products in meeting expected rising demand.

We regularly review the condition of our inventories on product-by-product basis and make allowance to write down our inventories to the net realisable value if their expected net realisable value is lower than the cost of the inventories or any of the inventories is identified as obsolete or slow-moving. In addition, we adopt a prudent inventory management policy to ensure a sufficient provision to cover any inventories by reviewing the expiry date and condition of the finished products. We managed to control the inventory levels in optimal levels by managing the re-ordering level and deliver the inventories in time to our customers.

The following table sets forth the aging of inventories and movement from gross to net amounts of inventories as of the dates indicated:

	As of 31 December						As of 30 April	
	2019		2020		2021		2022	
	RM'000	%	*RM'000*	%	*RM'000*	%	*RM'000*	%
Within 30 days	29,068	63.6	31,063	66.3	35,019	59.5	43,640	65.7
31 to 60 days	7,942	17.4	8,221	17.6	12,963	22.0	10,650	16.0
61 to 90 days	2,688	5.9	2,777	5.9	2,926	5.0	3,766	5.7
91 to 120 days	1,271	2.8	861	1.8	1,445	2.5	2,090	3.1
121 to 180 days	1,864	4.1	922	2.0	1,521	2.6	1,401	2.1
Over 180 days but less than 1 year	1,461	3.2	1,286	2.7	1,095	1.8	1,446	2.2
Over 1 year	1,360	3.0	1,751	3.7	3,909	6.6	3,471	5.2
	45,654	100.0	46,881	100.0	58,878	100.0	66,464	100.0
Less: Write-down provision of inventories								
Opening balance	1,490		1,712		1,850		2,586	
Add:								
Provision for the year/period	222		138		736		244	
Closing balance	1,712		1,850		2,586		2,830	
Inventories – net	43,942		45,031		56,292		63,634	
Average inventory turnover days*(Note)*	36		34		32		32	

Note: The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year or period.

Our inventory turnover days decreased slightly from approximately 36 days in FY2019 to 34 days for FY2020 and further decreased to 32 days for FY2021 and 4M2022, primarily due to our improved inventory management and acceleration of sales of products.

As at the Latest Practicable Date, inventories with the carrying amounts of approximately RM57.5 million, representing approximately 90.4% of the inventories balance as at 30 April 2022, has been sold or utilised.

Trade and other receivables

The following table sets forth the components of our trade and other receivables as of the dates indicated:

Trade receivables

	As of 31 December			As of 30 April
	2019	**2020**	**2021**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade receivables	70,325	70,032	90,775	114,758
Less: loss allowances	(2,206)	(2,211)	(2,673)	(3,540)
	68,119	67,821	88,102	111,218

During the Track Record Period, the normal credit period granted by our Group to its trade debtors was up to 90 days. The trade receivables decreased by approximately RM0.3 million or 0.4% from RM68.1 million as at 31 December 2019 to approximately RM67.8 million as at 31 December 2020 owing to acceleration of collection during FY2020. The trade receivables increased to RM88.1 million as at 31 December 2021 with the increase in sales during the last four months of FY2021. The trade receivables further increased to approximately RM111.2 million along with the sales in 4M2022.

We review the risk associated with the trade receivables and estimates the loss allowance by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on our Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. As at 31 December 2019, 2020 and 2021 and 30 April 2022, trade receivables of approximately RM30.2 million, RM25.4 million, RM34.8 million and RM42.1 million, respectively, were past due but not impaired and were classified into part of the group of risk of late-payment whose estimated credit losses are insignificant. As a result of the review, we recorded loss allowances on our trade receivables of approximately RM2.2 million, RM2.2 million, RM2.7 million and RM3.5 million as of 31 December 2019, 2020 and 2021 and 30 April 2022, respectively, on our combined statements of financial position.

The following table sets forth the aging analysis of the trade receivables, net of loss allowances, based on invoice date as of the dates indicated:

	As of 31 December						As of 30 April	
	2019		2020		2021		2022	
	RM'000	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*
Within 30 days	36,321	53.3	41,263	60.8	52,101	59.1	66,941	60.2
31 to 60 days	24,436	35.9	21,575	31.8	28,719	32.6	36,430	32.8
61 to 90 days	6,860	10.1	4,983	7.4	6,116	6.9	6,279	5.6
Over 90 days	502	0.7	–	–	1,166	1.4	1,568	1.4
Total	68,119	100.0	67,821	100.0	88,102	100.0	111,218	100.0

The following table sets forth a summary of average turnover days of trade receivables for the year indicated:

	FY2019	FY2020	FY2021	4M2022
Average trade receivables turnover days*(note)*	49	47	43	45

Note: The calculation of trade receivables turnover days is based on the average of the opening balance and closing balance of trade receivables for the relevant year divided by credit sales and multiplied by the number of days in the relevant year/period.

The collection period of trade receivables were approximately 49 days, 47 days, 43 days and 45 days for FY2019, FY2020, FY2021 and 4M2022, which were generally stable.

As at the Latest Practicable Date, the subsequent settlement of our trade receivables, net of loss allowance amounted to approximately RM111.2 million, 100% of our trade receivables as of 30 April 2022.

Other Receivables

The other receivables represented mainly the deposits paid to suppliers, prepayment of [**REDACTED**], other deposit and receivables. The other receivables amounted to approximately RM2.7 million, RM5.2 million, RM6.9 million and RM8.4 million as of 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. The other receivables increased by approximately RM2.5 million from RM2.7 million as at 31 December 2019 to RM5.2 million as at 31 December 2020 mainly due to increase in (i) marketing fee receivables from the suppliers of approximately RM0.7 million; (ii) deposits paid to suppliers of approximately RM1.4 million; and (iii) consideration receivable related to disposal of a subsidiary of approximately RM0.4 million. The other receivables then increased to approximately RM6.9 million as of 31 December 2021 mainly due to (i) increase in deposits paid to suppliers of approximately RM1.2 million and (ii) increase in prepaid [**REDACTED**] of RM0.4 million. The other receivables further increased to approximately RM8.4 million as of 30 April 2022 mainly attributable to the increase in other deposits and deposits paid to suppliers of approximately RM1.5 million.

Pledged bank deposits

As of 31 December 2019, 2020 and 2021 and 30 April 2022, pledged bank deposits of approximately RM15.7 million, RM12.8 million, RM13.4 million and RM13.4 million, respectively, are bank deposits which are pledged as securities in favour of banks for bank facilities granted to our Group. The pledged bank deposits are denominated in RM and bear annual interest rates ranging from 1.50% to 3.65% during the Track Record Period.

Bank balances and cash

Our bank balances and cash consist of cash at banks and in hand. As of 31 December 2019, 2020 and 2021 and 30 April 2022, bank balances and cash amounted to approximately RM11.9 million, RM13.0 million, RM4.5 million and RM8.3 million, respectively. Our bank balances and cash were largely denominated in RM.

Trade and other payables

The following table sets forth the components of our trade and other payables as of the dates indicated:

Trade Payables

	As of 31 December			As of 30 April
	2019	**2020**	**2021**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Trade payables	26,652	30,758	37,111	48,781

Our trade payables continued to increase by approximately RM4.1 million to approximately RM30.8 million as of 31 December 2020 from approximately RM26.7 million as of 31 December 2019. The increase in balances of trade payable as at the end of each reporting period was due to increase in purchase of products for sales during the last two months before the year end. The balance increased to RM37.1 million as of 31 December 2021 mainly attributable to increase in purchase in last four months of FY2021 to meet the expected increase in sales. The trade payables continued to increase to approximately RM48.8 million as of 30 April 2022 along with increasing purchases in meeting increasing sales during 4M2022.

The following table sets forth a summary of average turnover days of trade payables for the year indicated:

	FY2019	FY2020	FY2021	4M2022
Average trade payables turnover days$^{(Note)}$	19	22	22	23

Note: The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables for the relevant years divided by cost of sales and multiplied by the number of days in the relevant years/period.

Our trade payables are non-interest bearing and are normally with normal credit terms up to 60 days. The trade payables turnover days were relatively stable at the range of approximately 19 days to 23 days for FY2019, FY2020, FY2021 and 4M2022.

As at the Latest Practicable Date, approximately RM48.8 million or 100% of our trade payables as at 30 April 2022 were fully settled.

Other payables

Other payables consisted of primarily the accrued expenses and other payables, salary payables, contract liabilities in relation to marketing incentive, rental and other deposited and amount due to the Controlling Shareholders and related parties. As of 31 December 2019, 2020 and 2021 and 30 April 2022, our other payables were approximately RM8.5 million, RM20.3 million, RM18.7 million and RM18.0 million, respectively.

The increase of other payables by approximately RM11.8 million from approximately RM8.5 million as of 31 December 2019 to approximately RM20.3 million as of 31 December 2020 was mainly due to increase in salary payables of approximately RM2.7 million mainly resulting from increase in bonus accrual for performance in relation to the revenue growth in FY2020, increase in contract liabilities in relation to increase in marketing incentives in relation to the revenue growth in FY2020 of approximately RM3.9 million and the increase in amount due to the Controlling Shareholders and related parties of approximately RM1.2 million and RM1.7 million, respectively.

The decrease of other payables by approximately RM1.6 million from approximately RM20.3 million as of 31 December 2020 to approximately RM18.7 million as of 31 December 2021 was mainly attributable to decrease in amount due to related parties and Ultimate Controlling Party of approximately RM1.7 million and RM2.2 million, respectively due to settlements made during FY2021 and the decrease in salary payables of approximately RM0.3 million which was partially set off by the increase in contract liabilities in relation to increase in marketing incentives in FY2021 of approximately RM2.6 million. The balance of other payables was kept stable at approximately RM18.0 million as of 30 April 2022.

CAPITAL EXPENDITURES AND COMMITMENTS

During the Track Record Period, we incurred capital expenditure primarily on purchases of property, plant and equipment and investment properties. Our capital expenditures during FY2019, FY2020, FY2021 and 4M2022 was approximately RM9.2 million, RM4.6 million, RM5.1 million and RM1.5 million, respectively.

We intend to fund our planned capital expenditures through a combination of the [**REDACTED**] from the [**REDACTED**], bank borrowings and cash flow from operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

INDEBTEDNESS

At the close of business on 30 June 2022, being the latest practicable date on which such information was available to us, our Group has outstanding indebtedness comprising amounts due to the Controlling Shareholders and related parties, bank borrowings and lease liabilities. The Group complied with the financial covenants of the bank borrowing facilities during the Track Record Period and up to 30 June 2022. The following table sets forth the components of our indebtedness and contingent liabilities as of the dates indicated:

	At 31 December			As of 30 April	As of 30 June
	2019	**2020**	**2021**	**2022**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
					(Unaudited)
Amounts due to the Controlling Shareholders	3,446	4,657	2,430	352	**347**
Amounts due to related parties	3	1,687	–	–	**–**
	3,449	6,344	2,430	352	**347**
Bank borrowings	49,314	38,209	41,425	54,526	**47,518**
Lease liabilities	1,955	3,811	3,392	2,912	**2,681**
	54,718	48,364	47,247	57,790	**50,546**
Contingent liabilities	–	–	–	–	**–**

Amounts due to the Controlling Shareholders and related parties

As at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, our amounts due to our Controlling Shareholders amounted to approximately RM3.4 million, RM4.7 million, RM2.4 million, RM0.4 million and RM0.3 million, respectively. All our amounts due to our Controlling Shareholders were non-trade in nature, unsecured, interest free, repayable on demand and will be fully settled prior to the [**REDACTED**].

As of 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, our amounts due to related parties were approximately RM3,000, RM1.7 million, nil, nil and nil, respectively. The amounts due to related parties were non-trade in nature, unsecured, interest free and repayable on demand.

Bank borrowings

Our bank borrowings comprise secured loans and trade financing facilities. As of 30 June 2022, being the latest practicable date for the indebtedness statement, our Group had total outstanding bank borrowings of approximately RM47.5 million. The following table sets forth the components of our bank borrowings as of the dates indicated:

	As of 31 December			As of 30 April	As of 30 June
	2019	**2020**	**2021**	**2022**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
					(Unaudited)
Secured bank loans					
Non-current	23,079	17,121	15,250	14,662	14,332
Current	25,980	21,088	26,065	39,864	33,186
	49,059	38,209	41,315	54,526	47,518
Bank overdrafts	255	–	110	–	–
	49,314	38,209	41,425	54,526	47,518

The secured bank borrowings are repayable as follows:

	As of 31 December			As of 30 April	As of 30 June
	2019	**2020**	**2021**	**2022**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
					(Unaudited)
Within 1 year	25,980	21,088	26,065	39,864	33,186
Between 1 and 2 years	1,909	1,914	1,943	1,912	1,906
Between 2 and 5 years	8,399	7,498	6,626	6,193	6,043
Over 5 years	12,771	7,709	6,681	6,557	6,383
	49,059	38,209	41,315	54,526	47,518

As at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, our bank borrowings comprised term loans and bank overdrafts amounting to approximately RM49.1 million, RM38.2 million, RM41.4 million, RM54.5 million and RM47.5 million, respectively. Our bank borrowings were primarily denominated in RM. The weighted average effective interest rates on the secured bank borrowings as at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022 are approximately 4.60%, 3.85%, 3.51%, 3.61% and 3.55% per annum, respectively. As at 30 June 2022, our bank borrowings amounted to approximately RM47.5 million. The secured bank overdrafts are interest-bearing at base lending rate plus a percentage ranging from 0.75% per annum to 3.50% per annum during the Track Record Period and up to 30 June 2022.

As of 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, our bank borrowings were secured by:

(i) guarantee provided by the Controlling Shareholders;

(ii) guarantee provided by the government of Malaysia;

(iii) properties owned by the related party, the parents of the Controlling Shareholders;

(iv) certain investment properties with aggregate net carrying amount of approximately RM10.6 million, RM1.8 million, nil, nil and nil as at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, respectively;

(v) certain property, plant and equipment with aggregate net carrying amount of approximately RM19.0 million, RM18.8 million, RM18.8 million, RM18.7 million and RM18.7 million as at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, respectively;

(vi) certain non-current assets held for distribution to owners with aggregate net carrying amount of nil, approximately RM6.5 million, nil, nil and nil as at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, respectively;

(vii) certain right-of-use assets with aggregate net carrying amount of approximately RM4.7 million, RM4.6 million, RM4.4 million, RM4.4 million and RM4.3 million as at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, respectively; and

(viii) pledged bank deposits with carrying amount of approximately RM15.7 million, RM12.8 million, RM13.4 million, RM13.4 million and RM13.6 million as at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, respectively.

The guarantees and the pledged properties provided by the Controlling Shareholders and the related party are expected to be released and replaced by a corporate guarantee to be given by our Company upon the [**REDACTED**] and the banks have provided their consent in this regard.

As at 30 June 2022, our unutilised banking facilities amount to approximately RM39.2 million.

Lease liabilities

Lease liabilities represent the aggregate lease payment obligations not yet fulfilled under the lease agreements primarily for leasing the properties and motor vehicles. Under IFRS 16, "Lease", leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by our Group. The following table sets forth the details of lease liabilities in terms of current and non-current:

	As of 31 December			As of 30 April	As of 30 June
	2019	**2020**	**2021**	**2022**	**2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000* (Unaudited)
Current	777	1,380	1,412	1,338	1,301
Non-current	1,178	2,431	1,980	1,574	1,380
	1,955	3,811	3,392	2,912	2,681

As of 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022, we had outstanding lease liabilities of approximately RM2.0 million, RM3.8 million, RM3.4 million, RM2.9 million and RM2.7 million , respectively. During the Track Record Period and up to 30 June 2022, we did not breach any covenants of the lease agreements.

Contingent Liabilities

As at 31 December 2019, 2020 and 2021, 30 April 2022 and 30 June 2022 and the Latest Practicable Date, we had no significant contingent liabilities.

Save as disclosed in "Indebtedness" in this section, we did not have, at the close of business on Latest Practicable Date, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Statement of Indebtedness

As at 30 June 2022, the latest practicable date of indebtedness, other than as disclosed in this document, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, finance lease commitments, any guarantees or other material contingent liabilities, or other banking facilities. Since 30 June 2022 and up to the Latest Practicable Date, there has been no material adverse change in our indebtedness.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as at each of the dates indicated or for each of the years/period:

	For the year ended/as at 31 December			For the four months ended/as at 30 April
	2019	2020	2021	2022
Gross profit margin(1)	13.3%	14.1%	14.1%	14.5%
Net profit margin(2)	3.5%	3.3%	3.5%	4.5%
Return on equity(3)	19.6%	21.7%	21.4%	N/A(11)
Return on total assets(4)	9.3%	9.3%	11.1%	N/A(11)
Interest coverage(9)	16.8	25.4	30.5	43.1
Current ratio(5)	1.7	1.6	1.8	1.7
Quick ratio(6)	1.1	1.1	1.2	1.1
Gearing ratio(7)	57.0%	48.5%	40.7%	47.1%
Net debt to equity ratio(8)	44.1%	33.5%	36.7%	40.2%
Non-IFRSs financial measures:				
Adjusted net profit margin (non-IFRS measure)(10)	3.6%	3.9%	4.3%	5.1%

Notes:

1 Calculated by dividing gross profit for the year/period by revenue for the year/period.

2 Calculated by dividing net profit for the year/period by revenue for the year/period.

3 Calculated by dividing profit for the year by the total equity as at the respective year-end date.

4 Calculated by dividing profit for the year by the total assets as at the respective year-end date.

5 Calculated as current assets less pledged bank deposits divided by current liabilities.

6 Calculated as current assets less inventories and pledged bank deposits divided by current liabilities.

7 Calculated by dividing total debt (being the interest-bearing borrowings, bank overdrafts, and lease liabilities) by the total equity as at the respective year/period-end date multiplied by 100%.

8 Net debt to equity ratio is calculated based on interest-bearing borrowings, bank overdrafts and lease liabilities net of cash and cash equivalents as at the respective year-end date divided by total equity as at the respective year/period-end date and multiplied by 100%.

9 Interest coverage equals profit before interest and tax divided by net interest expense in the relevant year.

10 Ratio calculation excluded the [**REDACTED**] of approximately RM[**REDACTED**], RM[**REDACTED**], RM[**REDACTED**] and RM[**REDACTED**] for FY2019, FY2020, FY2021 and 4M2022, respectively. These are non-IFRSs measures.

11 Such ratio is not applicable as it is not comparable to annual numbers.

Gross profit margin, net profit margin and adjusted net profit margin (non-IFRS measures)

The gross profit margin, net profit margin and adjusted net profit margin (non-IFRS measure) for each year/period of the Track Record Period are described in the paragraphs headed "Gross profit and gross profit margin", "Profit for the period and net profit margin", "Profit for the year and net profit margin" and "Non-IFRS measures – Adjusted net profit margin" in this section respectively.

Return on Equity

Our return on equity were approximately 19.6%, 21.7%, 21.4% for each of FY2019, FY2020 and FY2021, respectively.

The increase in return on equity for FY2020 as compared to that of FY2019 was mainly due to the decrease in total equity for FY2020 by approximately 3.8% comparing with FY2019 primarily resulting from a dividend of approximately RM20.5 million in FY2020 coupled with the increase in net profit for the year for FY2020 by approximately 6.5% comparing with FY2019.

The decrease in return on equity for FY2021 as compared to that of FY2020 was mainly due to the increase in total equity for FY2021 by approximately 27.3% comparing with FY2020 which outweighed the increase in net profit for the year for FY2021 by approximately 25.5% comparing with FY2020.

Return on Total Assets

Our return on total assets were approximately 9.3%, 9.3% and 11.1% for FY2019, FY2020 and FY2021, respectively. The return on total assets was unchanged at approximately 9.3% for both FY2019 and FY2020. The increase of return on total assets to approximately 11.1% for FY2021 was mainly due to the increase in net profit for the year of approximately 25.5% for FY2021 outweighing the increase in total assets of approximately 6.0% for FY2021.

Current and Quick Ratio

Our current ratios were approximately 1.7, 1.6, 1.8 and 1.7 as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively while the quick ratios as at the same year/period end were kept at a relatively healthy position at approximately 1.1, 1.1, 1.2 and 1.1, respectively.

Gearing ratio

Our gearing ratios were approximately 57.0%, 48.5%, 40.7% and 47.1% as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. The gearing ratio decreased from approximately 57.0% as at 31 December 2019 to 48.5% as at 31 December 2020 as the total equity decreased from approximately RM90.0 million as at 31 December 2019 to approximately RM86.6 million as at 31 December 2020 primarily due to the dividends of approximately RM20.5 million, while the total debts decreased from approximately RM51.3 million as at 31 December 2019 to approximately RM42.0 million as at 31 December 2020 primarily due to the decrease in interest-bearing borrowings of approximately RM10.9 million. The gearing ratio decreased to approximately 40.7% as at 31 December 2021 primarily due to the increase in total equity for FY2021 of approximately 27.3% outweighing the increase in total debts of 6.7% for FY2021. The gearing ratio increased to 47.1% as at 30 April 2022 as the total debts as at 30 April 2022 increased by 28.2% comparing to 31 December 2021 while the total equity increased by 10.8% as of 30 April 2022 comparing with 31 December 2021.

Net Debt to Equity Ratio

Our net debt to equity ratios as at 31 December 2019, 2020, 2021 and 30 April 2022 were approximately 44.1%, 33.5%, 36.7% and 40.2%, respectively. Our net debt to equity ratio decreased from approximately 44.1% for FY2019 to approximately 33.5% as at 31 December 2020 primarily attributable to the decrease in net debt of approximately 26.8% for FY2020 resulting from both net repayment of loan of approximately RM10.9 million and increase of cash and cash equivalent of approximately RM1.1 million. The net debt to equity ratio then increased to approximately 36.7% as at 31 December 2021 primarily due to decrease in bank balances and cash of approximately RM8.5 million for FY2021 which contributed the increase of net debt by approximately 39.4% for FY2021. The net debt to equity ratio further increased to approximately 40.2% as at 30 April 2022 primarily attributable due to the increase in the net debt by 21.7% comparing with 31 December 2021.

Interest coverage ratio

Our interest coverage ratios were approximately 16.8 times, 25.4 times, 30.5 times and 43.1 times for FY2019, FY2020, FY2021 and 4M2022, respectively.

The interest coverage ratio was increased to 25.4 times for FY2020 from 16.8 times for FY2019 as the net interest expenses decreased by approximately 23.8% comparing with FY2019 primarily due to the decrease in interest-bearing borrowings of approximately RM10.9 million while profit before interest and tax for FY2020 increased by approximately 15.6% comparing with FY2019. The interest coverage ratio was increased to 30.5 times for FY2021 as the profit before interest and tax for FY2021 increased by approximately 20.0% while the net interest expenses remained unchanged during FY2021. The interest coverage ratio was then to 43.1 times as a result of increasing profit before interest and tax for 4M2022 of approximately 25.4% comparing with 4M2021.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. For details of related party transactions, please refer to "Related Party Transactions" in Note 26 to the Accountants' Report which is set out in Appendix I to this document.

These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed, please refer to "Financial Risk Management Objectives and Policies" in Note 29 to Accountants' Report which is set out in Appendix I to this document.

Capital Management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on basis of the gearing ratio. As of 31 December 2019, 2020 and 2021 and 30 April 2022, our gearing ratios were approximately 57.0%, 48.5%, 40.7% and 47.1%, respectively. The Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt to keep the capital structure optimal.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any financial guarantees or other commitments to guarantee the payment obligations of any third parties during the Track Record Period and as at the Latest Practicable Date. As at the Latest Practicable Date, we have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our combined financial information. As at the Latest Practicable Date, we do not have any retained or contingent interest in assets transferred to an uncombined entity that serves as credit, liquidity or market risk support to such entity. As at the Latest Practicable Date, we did not have any variable interest in an uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

[**REDACTED**]

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$[**REDACTED**] (equivalent to approximately RM[**REDACTED**]) and non-[**REDACTED**] expenses of approximately HK$[**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**].

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 14 February 2019 as an investment holding company and had no distributable reserve available for distribution to our Shareholders as at the Latest Practicable Date.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account, the existing financial resources available to our Group including internally generated funds from operating activities, existing banking facilities available and the estimated [**REDACTED**] from the [**REDACTED**], our Group has sufficient working capital for its present requirements for the next 12 months from the date of this document.

DIVIDEND POLICY

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 Directors may recommend payment of dividend in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our Articles of Association and the Companies Act, including the approval of our Shareholders. Any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. For FY2019, FY2020, FY2021 and 4M2022, we declared dividends of approximately RM13.5 million, RM20.5 million, nil and nil, respectively, to the shareholders of our Group. Among the dividend declared in FY2020 of approximately RM20.5 million, RM10.5 million was settled in cash and the remaining amount of approximately RM10.0 million had been settled in the form of dividend in specie of properties, which had an aggregate net book value of approximately RM10.0 million as of the date of distribution in FY2021. However, any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors.

None of the properties was utilised as part of our main business operations during the Track Record Period.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

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 or indebtedness 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 our combined financial statements set out in the Accountants' Report set out in Appendix I to this document.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that our business operations and business model have 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 "Impact of COVID-19 on our business and operation" disclosed below.

Impact of COVID-19 on our business and operation

To combat further spread of COVID-19 pandemic, MCO was reinstated in different states of Malaysia for varying periods from January 2021 to May 2021. States with lower counts of COVID-19 cases were placed under the more relaxed CMCO or RMCO. However, due to the continual threat of COVID-19 and resurgence in the number of confirmed cases, on 10 May 2021, the Malaysia government announced the reinstatement of a nationwide MCO with effect from 12 May 2021 to 7 June 2021 which was subsequently extended until 28 June 2021. On 15 June 2021, the Malaysia government unveiled the National Recovery Plan ("**NRP**") which comprises four phases. All states in Malaysia were placed under phase one of the NRP which mirrors the MCO previously imposed and states shall only transition to a next phase when the number of COVID-19 cases reduces to below the threshold value of 4,000, the cases in the intensive care unit have dropped from the critical level and 10% of the population in Malaysia has been fully vaccinated. Most states in Malaysia have achieved the thresholds imposed by the Government of Malaysia and have then transitioned into phase three and phase four of NRP where social distance measures were relaxed in light of the improvement in overall COVID-19 infection numbers.

Starting from 1 April 2022, Malaysia has transitioned from the "Recovery Phase" into the "Endemic Phase" with some of the measures taken be loosened and the borders of Malaysia has reopened. The Malaysian government further announced more relaxations on the standard operating procedures to prevent the spread of COVID-19 pandemic and the same have been implemented since 1 May 2022 where amongst others, all economic activities are also allowed to open and individuals may enter into premises regardless of their vaccination status, unless they are COVID-19 positive, or under a home surveillance order which they will be prohibited from entering the premises. Our Directors believe that, given no material disruption in the supply chain and continuous increasing demand of our products during FY2021 and contingent plans we devised to combat any measures under enhanced MCO, the COVID-19 pandemic does not have significant adverse impacts to 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.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to Appendix II of this document for the unaudited pro forma adjusted combined net tangible assets.

APPLICATION FOR RECOGNITION OF MAZARS LLP AS RECOGNISED PIE AUDITORS BY THE FRC

Background

We have appointed Mazars CPA Limited (the "**Mazars HK**") Certified Public Accountants, Hong Kong and Mazars LLP, an overseas audit firm of public accountants and chartered accountants in Singapore (the "**Mazars SG**") to act as our Company's joint reporting accountants in our application for [**REDACTED**] and we intend to continue their appointment as our joint auditors until the conclusion of the first annual general meeting of our Company after the [**REDACTED**].

The amendments to the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong) have become effective

As from 1 October 2019 (the "**Effective Date**"), the amendments to the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong) ("**FRCO**") takes effect and the FRC has become Hong Kong's independent regulator of listed entity auditors. After the Effective Date, all audit firms intending to carry out any engagement (the "**PIE Engagement**") with a public interest entity ("**PIE**") are subject to a system of registration (for Hong Kong auditor firms) and recognition (for non-Hong Kong audit firms) as recognised PIE auditors (the "**Recognised PIE Auditors**"). A PIE is either (a) a listed corporation whose listed securities comprise at least shares or stocks; or (b) a listed collective investment scheme. Hence, after the [**REDACTED**], our Company will become a PIE.

Any non-Hong Kong audit firm is required to be recognised by the FRC as Recognised PIE Auditors before the audit firm can (i) "undertake" (i.e. accept an appointment to carry out) any PIE Engagement; and (ii) carry out any PIE Engagement for an overseas entity.

Under the FRCO, the overseas equity issuer, like our Company, must seek a statement of no objection (the "**SNO**") from the Stock Exchange to engage its non-Hong Kong auditors to undertake its PIE Engagement. After the issue of the SNO, the FRC will consider the application for recognition of the non-Hong Kong auditor as a Recognised PIE Auditor (as defined in section 3A of the FRCO).

Our application for the recognition of Mazars SG as Recognised PIE Auditors by the FRC under the FRCO

Considering that we will become a PIE after the [**REDACTED**] and we intend to continue to engage Mazars SG as one of our joint auditors, we must apply to the FRC for its recognition of Mazars SG as Recognised PIE Auditors.

The recognition of an overseas auditor is specific to the overseas entity which makes the application for recognition. Once the overseas auditor has been recognised and during the period in which the recognition takes effect, the overseas entity does not have to re-apply for recognition if it appoints that recognised overseas auditor to carry out other PIE engagements.

On 10 February 2021, we applied to the Stock Exchange for a SNO to support our Company's application to the FRC for its recognition of Mazars SG as a Recognised PIE Auditor. On 13 May 2021, we received the SNO from the Stock Exchange. On 24 May 2021, we applied to the FRC for its recognition of Mazars SG as Recognised PIE Auditors.

On 16 June 2021, the FRC approved the recognition application and granted an approval-in-principle recognising Mazars SG as Recognised PIE Auditors of our Company (the "**Recognition**"). On 29 June 2021, Mazars SG accepted our appointment to act as Recognised PIE Auditors of our Company. On 6 July 2021, we notified FRC that Mazars SG had undertaken the engagement for us in relation to the said appointment. On 15 November 2021, our application for renewal of the Recognition was approved by the FRC, which shall take effect from 1 January 2022. Details of Mazars SG's background are as follows:

(i) Mazars SG is the member firm of Mazars Group, a major and reputable accounting organisation with an international network and Mazars SG is an audit firm (chartered accountants) registered with the Institute of Singapore Chartered Accountants ("**ISCA**"). In Singapore, Mazars SG serves as auditors for many corporations listed on the Singapore Stock Exchange. ISCA is also a member of the ASEAN Federation of Accountants and the International Federation of Accountants ("**IFAC**");

Meanwhile, the regulatory body that is signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding (IOSCO MMOU) in Singapore is Monetary Authority of Singapore.

(ii) The audit partners of Mazars SG are approved company auditors pursuant to the Accountants Act in Singapore. Mazars SG and all its audit partners are also registered with the Accounting and Corporate Regulatory Authority ("**ACRA**") as approved statutory audit firm/auditors in Singapore, supervised and regulated by the ACRA.

ACRA is the national regulator of business entities, public accountants and corporate service providers in Singapore. ACRA was established to provide a responsive and trusted regulatory environment for businesses, public accountants and corporate service providers. ACRA's role is to achieve synergies between the monitoring of corporate compliance with disclosure requirements and regulation of public accountants performing statutory audit.

ACRA was formed as a statutory board on 1 April 2004, following the merger of the then Registry of Companies and Businesses, and the Public Accountants' Board. Auditors of public interest entities in Singapore must be registered with the ACRA. One of the key responsibilities of ACRA is to conduct inspections and monitoring programs on registered auditors to assess the degree of compliance with auditing and ethical standards. ACRA carries out inspection at the firm level or engagement level or both. A firm review focuses on the review of an audit firm's quality control systems and practices and the degree of compliance with the requirements of the International Standards of Quality Control 1. An engagement review aims to assess the degree of compliance with auditing and ethical standards of an audit engagement conducted by an auditor. Accordingly, Mazars SG is subject to periodical inspection and monitoring conducted by the ACRA, known as the Practice Monitoring Programme ("**PMP**").

The PMP is rigorous and involves the following steps:

- Practice reviewers appointed by the Public Accountants Oversight Committee ("**PAOC**") inspect a selection of a public accountant's audits to check if the audits were performed in accordance with the Singapore Standards on Auditing ("**SSA**") and other requirements.

- The practice reviewer's findings are reviewed by the Practice Monitoring Sub-Committee ("**PMSC**"), which comprises experienced public accountants and lay-members. The PMSC then reports to the PAOC with recommended actions, if its view is that the public accountant has not complied with the SSA.

- The PAOC decides on the review outcome and, if it concludes that the public accountant has not complied with the SSA and other requirements, orders the public accountant to undertake remedial actions, or makes other orders to protect the public interest.

- When ACRA inspects public accountants in accounting entities that audit listed companies and other public interest entities, it reviews the firm's quality control policies against the Singapore Standard on Quality Control 1 and recommends improvements where appropriate.

Further, ACRA is a statutory regulator in Singapore with the power to inspect statutory auditors in Singapore and to impose sanctions on those which have breached the legal or regulatory requirements or professional conduct. ACRA is also a member of The International Forum of Independent Audit Regulators which comprising 50 independent audit regulators from jurisdictions in Africa, the Americas, Asia, Europe, the Middle East and Oceania.

(iii) Mazars SG confirms that it has conducted the audit in accordance with Hong Kong Standards on Auditing (equivalents to International Standards on Auditing). Furthermore, Mazars SG has confirmed that it has complied with the ACRA Code of Ethics and the independence and the ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and is based on the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, published by the IFAC. Mazars SG confirms that it is independent of our Company in accordance with the rules of IFAC.

(iv) In addition, Mazars HK and Mazars SG have had past experience in acting as the joint reporting accountants for the initial public offering of the shares and joint auditors of Nexion Technologies Limited (Stock code: 8420), Mindtell Technology Limited (Stock code: 8611), Infinity Logistics and Transport Ventures Limited (Stock code: 1442) and MBV International Limited (Stock code: 1957) on GEM/the Main Board of the Stock Exchange. In addition, the key team members (including the partner-in-charge) of Mazars SG assigned to our Company's [**REDACTED**] project have had more than 5 years of auditing experience in Malaysia, including the relevant local accounting and tax knowledge in Malaysia. Therefore, our Directors are of the view that the appointment of Mazars SG as one of the joint reporting accountants and joint auditors can enhance the efficiency, effectiveness and quality of work throughout the audit.

After the [**REDACTED**], in addition to Mazars SG, Mazars HK, which is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20 of the Listing Rules, will also be the proposed auditors of our Group, together acting as joint auditors until the conclusion of the first annual general meeting of our Company.