
FUTURE PLANS AND [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives are, among others, to enhance our distribution capabilities, develop our Own Products business, and enhance our operational efficiency, all of which serve to enhance our overall competitiveness. Please refer to the paragraphs headed “Business – Business strategies” in this document for further details.

REASONS FOR [REDACTED] IN HONG KONG

Our Directors believe that there is a genuine funding need to support our expansion plan through the [REDACTED] and the [REDACTED] will further benefit our Group for the following reasons:

Leveraging the market growth and deepening our market penetration

- Our Directors believe that there is attractive market potential for us to expand our market share in the F&B distribution industry in Malaysia. In particular, according to the F&S Report, it is expected that the market size by revenue of Malaysia F&B distribution market will reach approximately RM33.3 billion in 2026, representing a CAGR of approximately 6.5% from 2022. Also, our Directors believe that there is generally a strong demand for F&B products in Malaysia, which are mainly daily items less susceptible to social, economic and public health factors. For instance, for FY2020, despite the outbreak of the COVID-19 pandemic, our Group’s revenue and net profit increased by approximately RM67.2 million and RM1.1 million respectively as compared to FY2019, representing an increase of approximately 13.5% and 6.5%, respectively.
- In view of the said expected market growth and in line with our strategy to expand our F&B distribution and sales business, our Directors believe that the [REDACTED] from the [REDACTED] will enable us to leverage the market growth and deepen our market penetration by implementing our business strategies. For more details and backgrounds of our plans to implement our business strategies, such as to enhance our distribution and sales capabilities by investing in cold chain and other distribution infrastructure and to develop our Own Products, please refer to the paragraphs headed “Business – Business strategies” in this document.

Insufficient financial resources for intended business expansion

- Our Directors consider that it is necessary to maintain a sufficient level of working capital as our Group had generally relied on cash inflows from customers to meet payment obligations to our suppliers as well as to meet the expenses required in the daily operations of our Group during the Track Record Period. Our Group in the past generally relied upon our internal resources and/or bank borrowings for the purposes of business expansion. However, our Directors consider that such resources are only sufficient for our Group for expansion on a limited scale. Moreover, were our Group to only utilise our internal resources, our Directors believe that our Group would not

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be able to capitalise upon the growth opportunities in the Malaysia F&B distribution market and there is no guarantee that our Group’s internal resources can continue to provide sufficient capital, or that our Group will be able to obtain sufficient bank borrowings on favourable terms, prior to the full implementation of our Group’s proposed and future business strategies.

- Assuming our Group utilises debt financing instead of the [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), our Group’s gearing ratio as at 31 December 2021 will increase from approximately 40.7% to 81.2%. Our Directors consider that our financial performance and liquidity may be adversely affected due to principal and interest payments if we proceed with additional debt financing for our business operation and expansion plans. Our Directors believe equity financing entails less risks on the part of our Group as Shareholders will look to the long-term benefits that may be provided by our Group instead of the periodic repayment of interest and debt that is associated with debt financing. Without the [REDACTED], our Group remains as a privately held company and there is no guarantee that banks or other financial institutions would lend to our Group for the purposes of implementing our business strategies without the imposition of stringent financing requirements. Further, debt financing generally entails interest obligations which are subject to rates which may fluctuate from time to time. These rates themselves may be affected by macro and micro economic factors which are beyond the control of our Group and as such there is no guarantee that the rates would not increase to such an extent that it would affect our Group’s financial performance and ability to fund our business strategies. Our Group may also be required to pledge cash deposits, investment properties and certain property, plant and equipment to banks, together with the provision of personal guarantees by our Controlling Shareholders as security for the banking facilities obtained by our Group. Our Directors consider that our Company, without a [REDACTED] status, may have difficulty obtaining further bank borrowings for our business expansion. In contrast, our Directors are of the view that fund-raising through initial [REDACTED] will reduce our financing costs and increase our financial leverage.
- In terms of funding costs, the one-off [REDACTED] to be incurred are expected to be higher than interest expenses at the current interest rate level for the same amount of funds raised. However, in the long term, interest costs for funds raised through debt financing may increase, whereas having a [REDACTED] platform would allow us the option to raise further equity funding in the future if interest rates rise and monetary liquidity tightens.

Other benefits arising from having a [REDACTED] status in Hong Kong

- In addition, our Directors believe that being a company [REDACTED] in Hong Kong will give us a long-term advantage as it would expand our shareholder and capital base by making our Shares available and accessible to international and mainland

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Chinese investors on the Stock Exchange. Our Directors also believe that there is a strong investor support for listed companies on the Stock Exchange in both primary and secondary funds raising. As such, the [REDACTED] in Hong Kong can allow us to have a good channel for potential fund raising for future expansion and corporate finance exercises. It can therefore enable us to enhance our ability to raise funds independently to support our business strategies and principal objectives, achieve sustainable growth, further strengthen our position in the F&B distribution industry in Malaysia and create long-term value for our Shareholders without being dependent on our Controlling Shareholders.

- By way of [REDACTED], we can elevate our corporate image, recognition and status and strengthen confidence from, among others, our customers and suppliers. As we generally obtain our business through the word of mouth, reputation and company profile are of material significance. We believe that the [REDACTED] can generate a better corporate profile for us which can create greater assurance to our existing and prospective customers and suppliers and can potentially lead to more business opportunities, such as obtaining distribution rights of more products in Malaysia from more well-established or upcoming international and domestic brands. As a company [REDACTED] in Hong Kong, we will also have more bargaining power towards our customers and suppliers, which may help our Group obtain better terms in conducting business with them.
- Our Directors believe that being [REDACTED] in the Hong Kong stock market will facilitate our efforts in attracting talents to join our Group and gaining access to a larger pool of talents, which will improve our service quality. In addition, the [REDACTED] status will also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with employment with a company [REDACTED] in Hong Kong.
- We believe that our operational efficiency and corporate governance will be improved through compliance with rigorous disclosure standards which would further enhance our internal control and risk management. We believe that the appointment of five independent non-executive Directors will ensure transparency in management and fairness in business decisions and operations. We believe that the independent non-executive Directors will contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge. The audit committee of our Group which comprises three independent non-executive Directors will review and monitor the effectiveness of our financial controls, internal controls and risk management measures. We believe that the appointment of a compliance adviser to advise us on compliance matters in relation to the Listing Rules will also help enhance our corporate governance.

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[REDACTED]

We estimate that the aggregate [REDACTED] from the [REDACTED] (after deducting [REDACTED] fees and estimated expenses in connection with the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative range of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised) will be approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]). Our Directors currently intend to apply the [REDACTED] from the [REDACTED] as follows:

1. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used to further enhance our distribution and sales capabilities by investing in cold chain and other infrastructure, including:
 - a. *Setting up a new warehouse in Klang, Selangor in Malaysia:* approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]) which include: (i) approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), for the setting up of the warehouse; (ii) approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), for installing cold storage facilities; (iii) approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), for purchasing equipment such as storage racks, forklifts and reach trucks; (iv) approximately HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), for purchasing more inventory from our suppliers given the anticipated orders from customers;
 - b. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for upgrading our self-owned warehouses with advanced features;
 - c. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for acquiring and upgrading cold and other logistics vehicles;
 - d. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for enhancing cold chain and other management and information systems;
2. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for acquiring new processing machines for processing our Own Products; and approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for conducting marketing and promotional activities for our Own-Brand Products;

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3. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for developing our e-commerce business by launching a mobile application;
4. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for strategic acquisitions and investments along our supply value chain; and
5. approximately [REDACTED]%, or HK\$[REDACTED] (equivalent to approximately RM[REDACTED]), will be used for our general working capital purposes.

The [REDACTED] from the issue of the [REDACTED] will be utilised by 2024 and approximately [REDACTED]% will be used as working capital and funding for other general corporate purposes according to our current business plans. If the [REDACTED] is fixed at the high-end of the indicative range of the [REDACTED], being HK\$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will increase by approximately HK\$[REDACTED]. We intend to apply the additional [REDACTED] for the above purposes on a pro-rata basis. If the [REDACTED] is set at the low-end of the indicative range of the [REDACTED], being HK\$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will decrease by approximately HK\$[REDACTED] and we will not apply any [REDACTED] for strategic acquisitions and investments along our supply value chain above.

If the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] of these additional Shares to be received by us, will be approximately (i) HK\$[REDACTED], assuming the [REDACTED] is fixed at the high-end of the indicative range of the [REDACTED], being HK\$[REDACTED] per Share; (ii) HK\$[REDACTED], assuming the [REDACTED] is fixed at the mid-point of the indicative range of the [REDACTED], being HK\$[REDACTED] per Share; and (iii) HK\$[REDACTED], assuming the [REDACTED] is fixed at the low-end of the indicative range of the [REDACTED], being HK\$[REDACTED] per Share. Any additional [REDACTED] received by us from the exercise of the [REDACTED] will also be allocated to the above purposes on a pro-rata basis.

The possible use of our [REDACTED] outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the [REDACTED] as described above, we will issue an announcement and make disclosure in our annual report for the relevant year/period as required by the Stock Exchange.

According to the current estimates, our Directors consider that the [REDACTED] from the issue of the [REDACTED] under the [REDACTED] and our Group’s internal resources will be sufficient to finance our Group’s business plans up to 2024.

To the extent that the [REDACTED] are not immediately applied to the above purposes, we will deposit the [REDACTED] into short-term interest bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO) and/or other licensed financial institutions under the Financial Services Act 2013 or Islamic Financial Services Act 2013 under the laws of Malaysia.