

7. BUSINESS OVERVIEW (CONT'D)



Brand name	: Dua Daun	Brand name	: Dua Daun
Product name	: BB 105	Product name	: Supermas
Formulation	: 10/5/20/2*+B+Zn	Formulation	: 13/0/32/0*+B
Main application	: Fruiting stage of plant	Main application	: Fruiting stage of aged plant

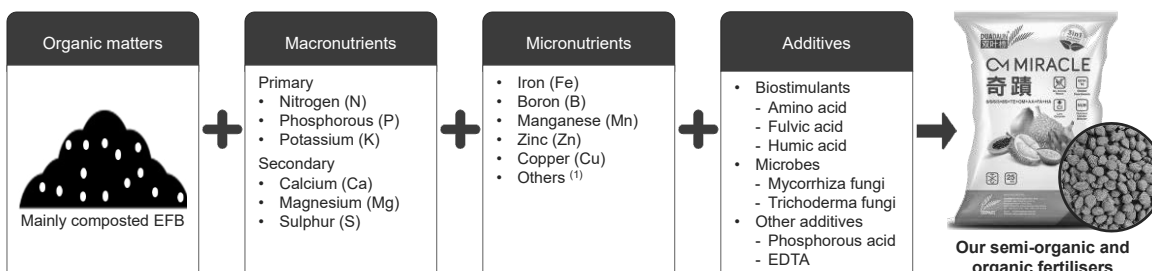
* The numbers refer to the proportion by weight for primary and secondary macronutrients respectively.

TE = trace element; B = boron; Zn = zinc

7.4.1.4 Specialty Fertilisers

Our specialty fertilisers include semi-organic, organic and liquid fertilisers.

Our semi-organic and organic fertilisers comprise some combination of the following:



EFB = empty fruit bunches; EDTA = ethylenediaminetetraacetic acid
 (1) Includes, among others, molybdenum (Mo), chlorine (Cl) and silicon (Si).

Our semi-organic and organic fertilisers are formulated in-house to provide additional functionalities and benefits mainly focusing on composted organic matter to introduce natural fertilisers, microorganisms and naturally formed biostimulants arising from the composting process as well as added biostimulants, microbes and other additives.

The main organic matter that we use in our semi-organic and organic fertilisers is empty fruit bunches (EFB) compost, which are agricultural by-products from the extraction of palm oil. The EFB is composted and treated at their respective mills before they are supplied to us for use directly in our compacting process of specialty fertilisers. This is part of our initiatives to use agricultural by-products such as EFB compost to replace some of the synthetic inorganic fertilisers.

In addition to providing nutrients to plants, the key advantage of including EFB compost in our semi-organic and organic fertiliser is the facilitation of microbial activities in the soil. Beneficial microbial activities include breaking down the fertilisers for better uptake of nutrients by plants, increasing the oxygen content in the soil and improving water holding capacity of the soil.

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We have added biostimulants and microbes to provide the minimum measurable amount of biostimulants on top of naturally formed biostimulants and naturally found microbes. The benefits of biostimulants and microbes include improving nutrient uptake, stimulating growth, increasing plant resilience to adverse environmental factors, and improving crop quality. Other additives for our semi-organic fertilisers include phosphorus acid which is mainly for disease control and prevention, and EDTA which is to improve the availability of micronutrients to plants.

Our range of specialty fertilisers also includes liquid fertiliser which comprises a mixture of several soluble inorganic fertilisers. Our liquid fertiliser is formulated by our in-house technical personnel and is designed for certain environmental conditions and plant objectives. One such example is to optimise the fruiting of durian in certain soil conditions such as deficiency in calcium. Our liquid fertiliser is a new product that was launched in May 2023, therefore no sales were recorded for this product for FYE 2021 and FYE 2022. In FYE 2023 and FPE 2024, revenue from liquid fertiliser accounted for less than 0.1% of our total revenue respectively.

As at the LPD, we have developed 14 formulas under our range of specialty fertilisers.

(i) Semi-organic fertilisers

Our semi-organic fertilisers comprise a combination of 5 components namely organic and inorganic fertilisers, added biostimulants, added microbes and other additives. As at the LPD, our semi-organic fertilisers comprise mainly 20% by weight of organic matter, while the remaining 80% is inorganic fertilisers. The rest of the added materials are negligible by weight.

The main application is for orchards such as durian orchards. Our semi-organic fertilisers are available in 25 kg and 50 kg bags. As at the LPD, we have developed 12 formulas under our range of semi-organic fertilisers.

Our semi-organic fertilisers are in granular form and marketed under our brand of “Cropmate-Dua Daun” and sub-brand of “CM Miracle”:



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle 6663
 Formulation : 6/6/6/3+8S+TE+OM+AA+FA+HA
 Main application : General application for orchards



Main/sub-brand : Dua Daun /CM Miracle
 Product Name : CM Miracle 308
 Formulation : 0/0/30(SOP)+8(MgO)+18(S)+AA+TE
 Main application : Flowering and fruiting stage for orchards

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Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle PMG Bio-Plus 1510
 Formulation : PMgO 15/10+B+S+
 Ca+AA+FA+HA+OM
 +H₃PO₃+EDTA
 Main application : Pre-flowering stage for orchards



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle 10/4/25
 Formulation : 10/4/25/2+9S+ EDTA
 TE
 Main application : Fruiting stage for orchards



Main/sub-brand : Dua Daun
 Product Name : CM 900
 Formulation : PMgO 13/9.5+B+Ca+S+
 AA+HA+OM
 Main application : Soil conditioner for orchards
 and oil palm plantations



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle 70:30
 Formulation : 10/5/20/2+2%B₂O₃
 Main application : Fruiting stage for oil
 palm plantations



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle King
 Formulation : 15/5/20(SOP)/2+10S+TE
 (EDTA)
 Main application : Fruiting stage for orchards



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle Blue
 Formulation : 12/12/17/2+10S+EDTA
 TE +OM+AA+FA+EM
 Main application : Flowering and fruiting
 stage for orchards

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Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle Green
 Formulation : 15/15/15+6S+EDTA
 TE+OM+AA+FA+HA+EM
 Main application : Post-harvesting stage for
 orchards



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle 80:20
 Formulation : 10/6/25/3+0.5B₂O₃
 Main application : Fruiting stage for oil
 palm plantations



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle 5/18/24
 Formulation : 5/18/24(SOP)/2MgO+
 8S+OM+AA+FA+EDTA
 TE+AZOMITE
 Main application : Flowering and fruiting stage
 for orchards



Main/sub-brand : Dua Daun/CM Miracle
 Product Name : CM Miracle KP 0/30/20
 Formulation : 0/30/20+FA
 Main application : Pre-flowering for
 orchards

S = sulphur; Ca = calcium; MgO = magnesium oxide; SOP = sulphate of potash; EM = effective microorganisms; TE = trace elements; OM = organic matter; AA = amino acids; FA = fulvic acid; HA = humic acid; H₃PO₃ = phosphorous acid; EDTA = ethylenediaminetetraacetic acid; EM = effective microorganism; B = Boron; B₂O₃ = Boron trioxide; P = phosphorus.

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(ii) Organic fertiliser

Our organic fertiliser comprises mainly 3 components namely organic matter, added biostimulants and added microbes. It also comprises a small proportion of no more than 6% of inorganic fertilisers.

The main application of our organic fertiliser is for orchards such as durian orchards. Our organic fertiliser is available in 40 kg bags. As at the LPD, we have 1 formula for our organic fertiliser.

Our organic fertiliser is in powder form and marketed under our main brand of “Cropmate-Dua Daun” and sub-brand of “CM Miracle” depicted below:



Main/sub-brand	: Dua Daun/CM Miracle
Product Name	: CM Miracle Compost
Formulation	: NPK ≤ 6% + AA + EM Organic Matters ≥ 40%
Main application	: General application for orchards and oil palm plantations

Revenue from organic fertiliser accounted for less than 1.0% of our total revenue for the Financial Periods Under Review.

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7. BUSINESS OVERVIEW (CONT'D)

(iii) Liquid fertiliser

Liquid fertiliser is fertiliser in a soluble form which can be applied directly to the soil, sprayed onto the leaves of plants or used in fertigation. Our liquid fertiliser comprises a mixture of several inorganic soluble fertilisers which are formulated by our in-house technical personnel.

The main application of liquid fertiliser is for orchards such as durian orchards. Our liquid fertiliser is available in a 5-kg container. As at the LPD, we have 1 formula for our liquid fertiliser.

Our liquid fertiliser is marketed under our brand of "Cropmate-Dua Daun" and sub-brand of "CM Miracle" depicted below:



Main/sub-brand	: Dua Daun/CM Miracle
Product Name	: CaNBo 818
Formulation	: N (8%) + CaO (15%) + B ₂ O ₃ (1.8%) + MgO (0.15%)
Main applications	: Calcium and boron deficiency plants

CaO = Calcium oxide; B₂O₃ = Boron trioxide

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7. BUSINESS OVERVIEW (CONT'D)

7.4.2 Trading of straight and other fertilisers

We are involved in the trading of mainly straight fertilisers such as N, P or K fertilisers, as well as secondary macronutrients, micronutrients and organic fertilisers to complement our formulation and blending operations. Our combined formulation and blending operations and trading activities enable us to purchase higher volumes of fertilisers to obtain better pricing.

Activities under the trading of straight fertilisers mainly involve buying the fertilisers in bulk and repacking them into smaller pack sizes or we may purchase them in small bags and resell them as is. The straight fertilisers are mainly sold without any brand while a small proportion is sold under the brand of “Cropmate-Dua Daun”. We sell them in 20kg, 25kg, 40kg, 50kg and 1-tonne jumbo bags.

We also trade in other fertilisers such as MgO, micronutrients and organic matter such as EFB compost, and they are sold as is without any processing.

For the Financial Periods Under Review, our revenue segmentation for the trading segment is as follows:

Trading segment	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Straight fertilisers	29,701	27.3	48,471	25.7	37,089	24.5	15,177	22.5
Others ⁽¹⁾	2,832	2.6	2,187	1.2	2,354	1.5	1,438	2.2
Total trading revenue	32,533	29.9	50,658	26.9	39,443	26.0	16,615	24.7

Note:

(1) *Others include MgO, micronutrients, organic matter and externally sourced organic fertilisers.*

7.5 MARKETING STRATEGIES AND ACTIVITIES

Our marketing positioning and activities to address business opportunities, retain existing customers and secure new customers are focused on the following:

- (i) **In-house developed standard and customised fertilisers:** We position ourselves as a formulator and blender of conventional fertilisers with our standard fertilisers as well as customised fertilisers to meet the needs of our customers taking into consideration the plant and soil conditions as well as the planting environment. For the FPE 2024, our standard and customised fertilisers represented 51.3% and 24.0% of our total revenue respectively.
- (ii) **Branding:** Our conventional fertilisers are mainly sold under our brand “Cropmate-Dua Daun”, while a small proportion are sold under our brand “Cropmate-Kincir Angin”. Our specialty fertilisers are mainly sold under our sub-brand of “CM Miracle”. We will continuously build our brand equity to increase brand awareness, customer loyalty as well as maintain a positive brand image to grow our business. For the FPE 2024, fertilisers sold under our brands accounted for 73.0% of our total revenue.
- (iii) **Wide market coverage in Malaysia:** Our marketing activities cover almost all the regions in Malaysia. For the FPE 2024, revenue from the central, southern, northern and east coast of Peninsular Malaysia as well as Sarawak represented 99.1% of our total revenue. Our wide coverage of customers in Malaysia provides us with the opportunities to sustain and grow our business.

7. BUSINESS OVERVIEW (CONT'D)

- (iv) **Maximise distribution channels:** We adopt both direct and indirect distribution channels to maximise our market coverage to reach out to as many customers and end-users as possible. Through our direct distribution channel, we can obtain feedback on our products from our customers. Our indirect distribution channel uses intermediaries such as traders who will expand our product reach via their respective customer base and networks.
- (v) **Product advertisement:** We carry out advertisements using digital marketing where we publish digital content such as our product brochure and video on social media such as Facebook and websites. We also carry out advertisements using print marketing such as magazines and in-store signboards for our intermediaries to increase our brand awareness.
- (vi) **Appointed agent:** As at the LPD, we have an appointed agent to assist in customer liaison with approximately 64 customers in Peninsular Malaysia. He is responsible for liaising with customers to understand their requirements including securing purchase orders, obtaining feedback on applications as well as collection of payments. Once the confirmed purchase orders are secured from these customers, we will bill the customer upon delivery.
- (vii) **Exhibition and event:** We participate in exhibitions to promote our fertilisers to potential customers. We participated in the following:

Date	Exhibition and event	Location	Organiser
December 2022	ISP Planter's Night Dinner (exhibition booth)	Kedah, Malaysia	Incorporated Society of Planters (ISP)
May 2023	Ag Tech International Expo 2023	Selangor, Malaysia	AG Exhibition Sdn Bhd
May 2024	Ag Tech International Expo 2024	Selangor, Malaysia	AG Exhibition Sdn Bhd
July 2024	Sabah Agro Expo 2024	Kota Kinabalu, Sabah	Esm Kuala Lumpur Exhibitor Relations
September 2024	Agri Malaysia 2024 Exhibition	Selangor, Malaysia	One International Exhibition Sdn Bhd

In addition, we organise product awareness talks at our customers' premises. Our customers include traders who would purchase our products and resell it in their original form to the end-users. During the event, we provide presentations to audience who are our potential customers. This enables us to create awareness of our brands as well as to obtain feedback directly from the users of fertilisers.

As at the LPD, we have a total of 7 sales and marketing personnel led by our Sales and Technical Director, Leong Fo Seong.

7.6 SEASONALITY

For the Financial Periods Under Review, we did not experience any material seasonality in our business as we serve customers including end-users and traders in most regions in Malaysia as well as serving several sectors including oil palm plantations and durian orchards.

7. BUSINESS OVERVIEW (CONT'D)

7.7 MAJOR MACHINERY AND EQUIPMENT

For FPE 2024, our main machinery and equipment for our formulation and blending operations are as follows:

Production line	Main products	Number of lines	Net book value as at FPE 2024
			RM'000
Blending- compacting production line ⁽¹⁾	Compacted and semi-organic fertilisers	3 lines	2,058
	Blended and organic fertilisers	1 line	544
TOTAL			2,602

Note:

(1) Include blending drum, compacting machine, conveyor system, sieve and storage tanks.

7.8 PRODUCTION CAPACITY AND UTILISATION

We formulate and blend conventional and specialty fertilisers at our operational facility. The parameters used to calculate capacity, output and utilisation rates are as follows:

- (i) capacity is calculated based on machine design capacity
 - (a) operating 24 hours per day for 6 days a week;
 - (b) less public holidays (15 days); and
 - (c) less 10% for loading and unloading between batches, and downtime for repair and maintenance.
- (ii) output is the amount of fertilisers compacted/blended; and
- (iii) utilisation rate is calculated by dividing the output by the capacity.

Our production capacity, output and utilisation rate of our production facilities for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 are as below:

Blending-compacting production line for compacted and semi-organic fertilisers

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Production capacity (tonnes/year) ⁽¹⁾	102,643	102,643	153,965	64,152 ⁽⁵⁾
Production output (tonnes) ⁽³⁾	39,062	47,838	46,486	24,319
Utilisation rate (%)⁽⁴⁾	38%	47%	30%	38%

Blending-compacting production line for blended and organic fertilisers

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Production capacity (tonnes/year) ⁽²⁾	80,190	64,152	64,152	26,730 ⁽⁵⁾
Production output (tonnes) ⁽³⁾	21,526	18,977	15,836	8,876
Utilisation rate (%)⁽⁴⁾	27%	30%	25%	33%

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) *In FYE 2021 and FYE 2022, the production capacity was based on two units of compacting machine. In FYE 2023 and FPE 2024, the production capacity was based on three units of compacting machine. The additional unit of compacting machine commenced operation in August 2023.*
- (2) *In FYE 2021, the production capacity was based on one unit of blending drum with a production capacity of 80,190 tonnes per year. The said blending drum was retired and replaced with a blending-compacting production line in FYE 2022, FYE 2023 and FPE 2024 with a production capacity of 64,152 tonnes per year.*
- (3) *Based on operation of 1 shift, 6 days a week (being 42 hours per week) and a second shift will only be carried out when necessary as it depends on the delivery schedule of the orders received.*
- (4) *For the Financial Periods Under Review, the low utilisation rate of our production facilities is primarily due to the assumptions used in calculating the maximum production capacity, which includes operating 24 hours per day and 6 days a week (being 144 hours per week), while our current operational hours are operating at 42 hours per week. In addition, our production facilities are designed with excess capacity to allow for increased production output if needed, without requiring additional investment in our facilities.*
- (5) *Based on 5 months pro-rated production capacity.*

As at the LPD, we have 4 blending-compacting production lines of which 3 are used for the production of compacted and semi-organic fertilisers, while 1 is used for the production of blended and organic fertilisers. The annual capacity for the 3 production lines for the compacted and semi-organic fertilisers is approximately 150,000 tonnes while the annual capacity for the 1 production line for blended and organic fertilisers is approximately 64,000 tonnes.

7.9 OPERATIONAL FACILITIES

Our operational facilities are located in Malaysia as follows:

Company	Main functions	Approximate built-up area (sq ft)	Location
Cropmate Fertilizer	Head office, production facilities and warehouse	49,693	Lot 8949, Jalan Telok Gong KS/10, Telok Gong, 42000 Pelabuhan Klang, Selangor
	Production facilities and warehouse	40,041	Lot 8950, Jalan Telok Gong KS/10, Telok Gong, 42000 Pelabuhan Klang, Selangor
	Warehouse	34,396	Lot 11925, Jalan Parajurit 1, 42000 Pelabuhan Klang, Selangor

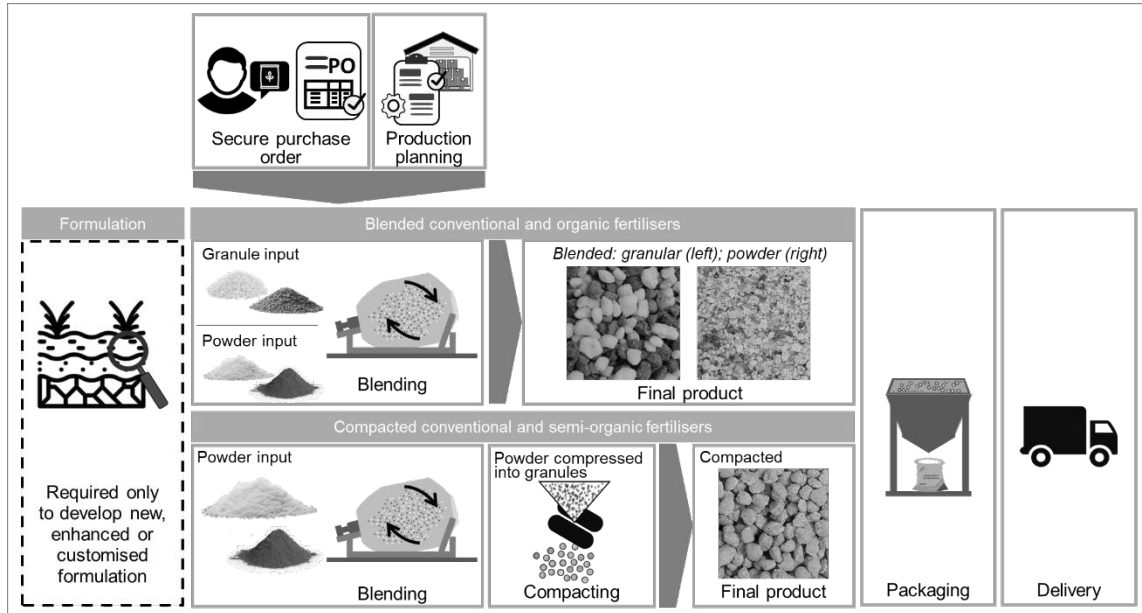
7. BUSINESS OVERVIEW (CONT'D)

7.10 PROCESS FLOW

7.10.1 Conventional and specialty fertilisers

We are involved in the formulation and blending of conventional and specialty fertilisers.

The general process flow for our conventional and specialty fertilisers is as follows:



Formulation

We only carry out formulation when we develop new, enhanced or customised formulations. Once a new or enhanced formulation is accepted and commercialised, it would normally become one of our standard formulations that may be produced to stock and readily available for our customers. As for customised formulations, it is developed to meet customers' specific requirements according to the soil, environmental and/or plant conditions. In some cases, the customised formulation is based on the formulation provided by our customer.

Before developing new or enhanced formulations, we will first carry out field visits to planting areas to assess plant and soil conditions through the collection of foliar (leaf) and soil samples, as well as note the environmental conditions such as terrain affecting run-offs, and level of rainfall. The samples collected are then sent to an external laboratory for testing and analysis. We will develop the formulation based on the results obtained from external laboratories.

In addition to developing formulations based on plant, soil and environmental conditions, our formulation also takes into consideration the following parameters, among others:

- (i) types of plants or crops (for example, oil palm and durian trees);
- (ii) stages of plant growth (for example for oil palms, seedling stage (up to 2 years), development stage (3 to 5 years), and matured stage (more than 5 years)); and
- (iii) soil condition (for example, Sarawak has large areas of peat soil).

7. BUSINESS OVERVIEW (CONT'D)

For our conventional fertilisers, the formulation starts with common industry formulations comprising various combinations and proportions by weight of the primary macronutrients (N, P and K) which are suitable for the location's soil and environmental conditions. We will subsequently enhance the base formulation to create our formulations to meet specific plant, soil and environmental conditions, as well as to achieve certain objectives such as fruiting and growth development of plants. Our formulation and branding will enable us to differentiate our products to compete in the fertiliser market.

Since the commencement of our business, we have carried out various field trials upon customers' request in Peninsular Malaysia, which are our main markets, as part of our process to develop formulations to meet the various soil and environmental conditions for plants and crops.

We also developed formulations for our semi-organic and organic fertilisers. Our semi-organic fertilisers comprise mainly 20% organic matter and the remaining 80% comprise inorganic macronutrients, micronutrients, biostimulants, microbes and other additives. We also develop fertiliser which contains mainly organic matter.

As at the LPD, we have developed 18 standard formulations for our conventional fertilisers and 14 standard formulations for our specialty fertilisers.

Secure purchase order

Our operation process typically begins with customer enquiries, where our sales personnel will discuss with potential customers to determine suitable types and formulations of fertilisers. In some cases, customers may specify the fertiliser formulation required, or discuss with us a customised formulation. Such situations will involve our technical personnel to better understand customers' requirements, before developing the customised formulation.

We do not have long-term contracts for the supply of fertilisers with our customers. All our sales are based on purchase orders (PO) as and when required by the customers. In some cases, we are provided with rolling forecasts to provide us with sufficient time to plan our production and delivery schedule. However, rolling forecasts are not contractually binding and merely provide us with an indication of future purchase patterns to assist in our production planning.

We will provide the quotation based on the type and quantity of fertilisers required by the customers. Once customers have confirmed their choice of fertilisers, they will issue a PO for us to fulfill. Generally, the information stipulated in the PO includes the type, quantity and pricing of fertiliser, mode of order fulfilment namely self-collection or by delivery as well as delivery date, location and schedule.

Production planning

Our inventory turnover period of finished goods ranges from 3 to 7 days for the Financial Periods Under Review. Our stock of finished goods is mainly standard formulation products for some of the common and high-turnover fertilisers. Depending on the availability of stock, some PO may be fulfilled immediately from our inventory. Nevertheless, we will carry out production planning which takes into consideration factors such as the level of inventory, availability of raw materials and delivery schedule to ensure that we can fulfil our customers' orders promptly.

Upon receiving the confirmed PO, our personnel will identify the required type and quantity of input materials based on the customer's orders. If required, we will place orders with our suppliers for the required input materials after taking into consideration the existing inventory of raw materials that are available in our production facility.

The input materials are sourced from both domestic and foreign suppliers. Typically, deliveries from domestic suppliers would take approximately 1 week, while deliveries from foreign suppliers would take approximately 4 to 6 weeks.

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All input materials received will undergo sample weighing, visual inspection and quantity counting. Random samples from each shipment of purchases are also collected and sent to an external laboratory for testing and analysis, as well as stored for future reference. Subsequently, the inspected input materials are stored separately to avoid cross-contamination.

Blending

Our production team will commence production by weighing the input materials based on the formulation. All the weighed input materials are then transferred into the blending drum.

Weighing of input materials



Blending of input materials



The blending process applies to all of our formulated and blended conventional and specialty fertilisers, except for liquid fertilisers. The input materials are either in granular or powder form, and it will be blended using the blending drum. There is no necessity to clean the blending drum between each blending process as we only carry out the blending of fertilisers and cross-contamination is not an issue.

We use granules of approximate sizes as our input materials to obtain an even mix of the fertiliser to minimise segregation during handling, storage, transportation and application. Generally, the size of our granular form input material ranges from 2 mm to 5 mm. The granular form input materials undergo a sieving process to attain an approximate granule size, while the powder form input materials do not require sieving due to their small particle size.

Once the input materials are adequately blended, the blended fertilisers in powder form will have a similar composition to the specified formulation. The blended fertilisers in powder form will either be bagged for inventory or delivery to customers or to be compacted into granule form for the next process for compaction.

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7. BUSINESS OVERVIEW (CONT'D)

Compacting

The compaction process will commence after the blending process mentioned above. Our fertilisers that require compaction are compacted conventional fertilisers and semi-organic fertilisers.

The blended fertilisers in powder form obtained from the blending process will be loaded into the compacting machine. The blended fertilisers in powder form are then compressed into a granular form which is subsequently screened using a sieve to obtain the desired shape and size range. In the screening stage, undersized particles are channelled back to the compacting machine to be blended with the input materials for compaction. Generally, the desired granule sizes are approximately 5 mm.

We produce a minimum of 2 tonnes of the same formulation per batch and we will require a minimum purchase order of 15 tonnes if a customer requires a customised formulation.

Our quality control personnel will collect a sample of the finished products for visual inspection to ensure that the contents meet specifications in terms of size and shape. As part of our quality control process, we also collect samples from each production batch, store them for future reference and some random batches are sent to an external laboratory for content analysis.

Packaging and delivery

Subsequently, the finished product will be transferred to a silo for packaging. Our packing process is manual where the finished products are filled into bags until they reach the required weight. Our products are mainly packed in 20 kg, 25 kg, 40 kg, 50 kg and 1-tonne jumbo bags. The bags are then sealed and placed in our storage area for inventory or ready for delivery.

Customers have the option of picking up their orders at our warehouse or having their orders delivered to designated locations. For customers in Peninsular Malaysia, the products will be transported from our warehouse to the final destination by trucks. For customers in East Malaysia and foreign countries, our products will be transported to Port Klang, Selangor for shipment to the designated location. All our deliveries are carried out by third-party service providers.

Upon the confirmation of orders, we typically take approximately 1 to 2 weeks to deliver the products to the final destination or Port Klang when we have readily available input materials or stocks in our inventory. If we have to purchase input materials from foreign countries, we will require an additional 4 to 6 weeks for the shipment to reach our production plant.

Compacting the blended powder form fertilisers



Storage of final products



7. BUSINESS OVERVIEW (CONT'D)

7.10.2 Trading of straight and other fertilisers

The general process flow for our trading operations is as follows:



Secure purchase order

Our trading operations begin with the issuance of PO from the customer where the details stipulated on the PO including type, quantity and price of products, mode of order fulfilment namely self-collection or by delivery as well as the location and delivery schedule.

Order processing

Typically, we have a certain level of inventory of straight and other fertilisers for our trading operations. Depending on the availability of the products required by the customers, we may fulfil the order using our existing inventory or we will procure the said products from our suppliers. We will prepare the order by conducting a visual inspection and quantity count to ensure that the products are in accordance with the PO. Generally, the preparation of orders under the trading segment involves repacking fertilisers which are in bulk packaging into smaller bag sizes or we may purchase fertilisers in small bags and sell them in their original packaging. Once the order is ready, we will notify the customer for self-collection or we will arrange for the delivery of the orders to the designated location.

Delivery to customers

Customers have the option of picking up their orders at our warehouse or having their orders delivered to their choice of location. Upon receipt of goods, customers will sign and stamp the delivery order as proof of delivery.

If the orders are readily available in our existing inventory, we would normally deliver them to our customers in Peninsular Malaysia and Singapore within 2 to 3 days, and 1 week for East Malaysia.

7.11 RESEARCH AND DEVELOPMENT

Our research and development (R&D) are focused on new or enhanced formulations of our conventional and specialty fertilisers. We also carry out R&D to provide customised formulations for some of our customers. We aim to improve product efficacy and cost-effectiveness taking into consideration fertiliser applications in terms of usage by various types and stages of growth of plants as well as environmental factors such as soil condition and structure, land topography and level of rainfall.

Our R&D is an ongoing process and we do not have any separate classification for R&D expenditure in our accounting system for the FYE 2021, FYE 2022, FYE 2023 and FPE 2024. Nevertheless, as at the LPD, we have developed 18 standard formulas for conventional fertilisers and 14 standard formulas for specialty fertilisers. In addition, we provide customised formulations to meet specific customers' requirements where the formulation may be specified by the customer or we will formulate them based on the customer's plant and soil conditions as well as the planting environment. For the FPE 2024, our customised formulations accounted for 24.0% (RM16.2 million) of our total revenue.

7. BUSINESS OVERVIEW (CONT'D)

As our R&D is focused on the formulation of new and/or enhanced products, it mainly involves the following activities:

- (i) soil and foliar sampling and analysis;
- (ii) product development; and
- (iii) field trials or direct feedback from customers.

Soil and foliar testing and analysis

We collect soil and foliar (leaf) samples to determine the nutrient levels in the soil and nutrient deficiency in plants via their leaves. The samples collected are then sent to a third-party laboratory for testing and analysis, which assists us to identify any nutrient deficiencies or toxicity in the soil and plant take-up of nutrients before determining the types of fertilisers that are required to meet the nutrient needs of the plant.

- (i) Soil testing will enable us to determine the nutrients, salinity and acidity level, organic matter content and characteristics of the soil which will affect the retention of fertilisers and plant take-up of nutrients. This testing is important to help us determine the formulation of fertilisers. Fertilisers are needed when the soil fertility is low and inadequate to support the desired needs of the plant for development, growth and health.
- (ii) A foliar test is performed on fully expanded leaves to identify what is being taken up by the plant. This will help to determine nutrient needs for the plant and soil condition to facilitate improvement in nutrient take-up. The foliar test provides information on the plant's absorption of nutrients from the soil and can help identify deficiencies in macronutrients and micronutrients if symptoms on the leaves suggest a nutrient problem.

Based on the results of the test and analysis, we can develop suitable formulations for our fertilisers to meet the specific needs of plants as well as soil, plant and environmental conditions.

Product development

Our product development for conventional fertilisers uses inorganic fertilisers, while our specialty fertilisers mainly use both organic and inorganic fertilisers, as well as added biostimulants, microbes and other additives.

(i) Inorganic input materials

Primary macronutrient formulation: This refers to the concentration of N, P and K, commonly expressed in terms of grade to represent the primary nutrient content of a fertiliser. As an example, a grade of 20/8/10 would mean that the package of fertilisers will comprise 20% of N, 8% of P and 10% of K by weight within each bag of fertiliser.

Secondary macronutrient and micronutrient formulation: The formulation for this set of nutrients will depend on the soil conditions and the growth phase of the plant. The soil condition can be accessed by conducting soil tests to determine the specific nutrients that are deficient in the planted areas. The growth phase refers to the various phases such as the seedling phase, growing phase and fruiting phase of the plant where different growth phases will require different types and levels of nutrients.

(ii) Organic matters

Our organic matter is mainly empty fruit bunch (EFB) compost. EFB compost is the by-product of the palm oil industry. The use of EFB compost would help to increase water and nutrient retention in the soil providing a porous medium for roots to grow and increasing the organic matter which will increase the nutrient exchange capacity of the soil to the plant. The EFB compost will also neutralise soil acidity caused by some inorganic fertilisers.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Biostimulants, microbes and other additives

In addition to the naturally formed biostimulants resulting from the composting process and microbes in the compost, we incorporate added biostimulants, microbes and other additives into our semi-organic and organic fertilisers. These added biostimulants include amino acids, fulvic acid and humic acid, added microbes include mycorrhiza and Trichoderma fungi. Other additives include phosphorous acid and EDTA.

Field trials and feedback from customers

After the development of a new or enhanced formulation, we often would work with plantation owners or operators to carry out field trials to determine the efficacies of our fertiliser formulations. Results from the field trials will allow us to further fine-tune our formulation. In cases where we do not conduct field trials, we would obtain direct feedback from our plantation owners or operator customers to fine-tune our formulation.

Since the commencement of our business, we have carried out various field trials in Peninsular Malaysia including Pahang, Kedah, Johor and Selangor mainly for oil palm using various formulations of our conventional and specialty fertilisers.

7.12 MATERIAL INTERRUPTIONS TO THE BUSINESS

We did not experience any material interruptions to our business during the past 12 months of our operations before the LPD. However, our business operations were interrupted during the COVID-19 period. Please refer to **Section 9.1.9** of the Prospectus for further details on the interruption to our business operations during the COVID-19 period.

7.13 MAJOR CUSTOMERS

Our Group's top 5 major customers and their contribution to our revenue for the FYE 2021, FYE 2022, FYE 2023 and FPE 2024 are as follows:

FYE 2021

<u>Customer name</u>	<u>Country of origin</u>	<u>Revenue contribution</u>		⁽¹⁾ <u>Length of business relationship</u>	<u>Main products sold</u>
		<u>RM'000</u>	<u>%</u>	<u>(years)</u>	
Behn Meyer Agricare (M) Sdn Bhd ⁽²⁾	Malaysia	9,825	9.0	3	Straight fertilisers
Consolidated Fertiliser Corporation Sdn Bhd ⁽²⁾	Malaysia	3,562	3.3	3	Compacted and straight fertilisers
Forest Bioscent Sdn Bhd	Malaysia	3,403	3.1	2	Compacted, blended, semi-organic and straight fertilisers
LKT Resources Sdn Bhd	Malaysia	2,489	2.3	1	Compacted and straight fertilisers
Fertimax Sdn Bhd	Malaysia	2,378	2.2	2	Compacted and blended fertilisers
Subtotal of top 5		21,657	19.9		
Total Group revenue		108,779			

7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

Customer name	Country of origin	Revenue contribution		⁽¹⁾Length of business relationship	Main products sold
		RM'000	%	(years)	
Consolidated Fertiliser Corporation Sdn Bhd ⁽²⁾	Malaysia	13,310	7.1	4	Straight fertilisers
Sinong Group ⁽³⁾	Malaysia	11,344	6.0	4	Compacted and semi-organic fertilisers
Golden Agrochem (Kuching) Sdn Bhd	Malaysia	7,786	4.1	1	Compacted fertilisers
Fertimax Sdn Bhd	Malaysia	6,204	3.3	3	Compacted and blended fertilisers
Behn Meyer Agricare (M) Sdn Bhd ⁽²⁾	Malaysia	5,794	3.1	4	Straight fertilisers
Subtotal of top 5		44,438	23.6		
Total Group revenue		188,296			

FYE 2023

Customer name	Country of origin	Revenue contribution		⁽¹⁾Length of business relationship	Main products sold
		RM'000	%	(years)	
Consolidated Fertiliser Corporation Sdn Bhd ⁽²⁾	Malaysia	10,815	7.1	5	Straight fertilisers
Agrivest Trade Sdn Bhd	Malaysia	9,612	6.3	1	Compacted fertilisers
Golden Agrochem (Kuching) Sdn Bhd	Malaysia	4,578	3.0	2	Compacted and semi-organic fertilisers
Berjaya Baja Servis Sdn Bhd	Malaysia	3,641	2.4	Less than 1	Straight fertilisers
Fertimax Sdn Bhd	Malaysia	3,366	2.2	4	Compacted, blended and straight fertilisers
Subtotal of top 5		32,012	21.0		
Total Group revenue		151,547			

7. BUSINESS OVERVIEW (CONT'D)

FPE 2024

Customer name	Country of origin	Revenue contribution		(1)Length of business relationship	Main products sold
		RM'000	%	(years)	
Agrivest Trade Sdn Bhd	Malaysia	6,124	9.1	2	Compacted fertilisers
Sinong Group ⁽³⁾	Malaysia	3,359	5.0	6	Compacted fertilisers
Great Organic Group ⁽⁴⁾	Malaysia	2,440	3.6	5	Straight fertilisers
Golden Agrochem (Kuching) Sdn Bhd	Malaysia	2,064	3.1	3	Compacted and semi-organic fertilisers
Consolidated Fertiliser Corporation Sdn Bhd ⁽²⁾	Malaysia	1,825	2.7	6	Straight fertilisers
Subtotal of top 5		15,812	23.5		
Total Group Revenue		67,311			

Notes:

- (1) Length of business relationship as at the respective financial period.
- (2) Both Consolidated Fertiliser Corporation Sdn Bhd and Behn Meyer Agricare (M) Sdn Bhd are our customers and suppliers. They supply straight fertilisers (input materials that can be used for the formulation and blending of fertiliser as well as for sale under our Group's trading segment) to us while we also supply straight fertilisers to them. Consolidated Fertiliser Corporation Sdn Bhd and Behn Meyer Agricare (M) Sdn Bhd purchased mainly straight fertilisers during the Financial Periods Under Review from us. We also source straight fertilisers from each other when the need arises.
- (3) Sinong Group comprises Sinong Pelita Matu Sdn Bhd which is based in Sarawak and Sri Kuala (M) Sdn Bhd which is based in Malacca, who share a common shareholder and director. Both companies' director and shareholder, namely Datuk Tan Chew Chin, is our Substantial Shareholder. Please refer to the details of related party transactions of our Group as set out in **Section 10.1.1** of this Prospectus. Our business relationship with Sinong Pelita Matu Sdn Bhd and Sri Kuala (M) Sdn Bhd commenced in 2018 and 2019 respectively.
- (4) Great Organic Group comprises Great Organic Sdn Bhd and Poh Lim Enterprise Sdn Bhd which are both based in Selangor, who share common shareholders and directors. Our business relationship with Poh Lim Enterprise Sdn Bhd and Great Organic Sdn Bhd commenced in 2019 and 2022 respectively.

Our business is not dependent on any single customer as there were no any single customers that contributed more than 10.0% of our total revenue for the Financial Periods Under Review. In addition, we served a pool of customers ranging between 506 and 575 customers during the FYE 2021 to FYE 2023, and 420 customers during FPE 2024.

We also serve customers in plantation including oil palm plantations as well as orchards including durian orchards to serve as a sizeable addressable market for our fertilisers. Additionally, our customers include intermediaries such as traders that resell our products to their network of customers thus contributing to the demand for our products.

7. BUSINESS OVERVIEW (CONT'D)

7.14 OUR INPUT MATERIALS

The major types of input materials that we purchased for the Financial Periods Under Review are set out below:

Main input materials	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Macronutrients	83,132	94.8	149,951	95.9	97,226	92.9	40,609	92.0
Micronutrients and additives ⁽¹⁾	2,217	2.5	3,649	2.3	5,075	4.8	2,236	5.1
Packaging materials	2,107	2.4	2,088	1.3	1,941	1.9	1,024	2.3
Organic matters	248	0.3	793	0.5	442	0.4	271	0.6
Total purchases	87,704	100.0	156,481	100.0	104,684	100.0	44,140	100.0

Note:

- (1) *Micronutrients include sodium borate and additives comprising biostimulants and microbes.*

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7. BUSINESS OVERVIEW (CONT'D)

The breakdown of input materials purchased by domestic and imported source of supply for the Financial Periods Under Review is set out as below:

Main input materials	FYE 2021			FYE 2022			FYE 2023			FPE 2024		
	Purchases		Domestic sources	Purchases		Domestic sources	Purchases		Domestic sources	Purchases		Domestic sources
	RM'000	Imported %	RM'000	Imported %	RM'000	Imported %	RM'000	Imported %	RM'000	Imported %	RM'000	Imported %
Macronutrients	83,132	53.6	149,951	48.5	97,226	47.4	40,609	44.2	40,609	62.5	29.5	
Micronutrients and additives	2,217	2.4	3,649	2.3	5,075	-	2,236	-	2,236	5.1	-	
Packing materials	2,107	2.4	2,088	1.3	1,941	-	1,024	-	1,024	2.3	-	
Organic matters	248	0.3	793	0.5	442	-	271	-	271	0.6	-	
Total	87,703	58.7	156,481	52.6	104,684	47.4	44,140	44.2	44,140	70.5	29.5	

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7. BUSINESS OVERVIEW (CONT'D)

For the Financial Periods Under Review, the main input materials purchased for our business operations are macronutrients N, P and K and other macronutrients which collectively accounted for 94.8% (RM83.1 million), 95.9% (RM150.0 million), 92.9% (RM97.2 million) and 92.0% (RM40.6 million) of our total purchases of input materials for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

N, P and K and other macronutrients and micronutrients are globally traded and as such, may be subject to global prices. Our input materials which are sourced from foreign countries are mainly from China, Singapore, Germany and the United Arab Emirates as well as other foreign countries which collectively accounted for 41.3% (RM36.2 million), 47.4% (RM74.2 million), 44.2% (RM46.3 million) and 29.5% (RM13.0 million) of our total purchases of input materials for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively. As such, we are subject to fluctuations in exchange rates and increases in shipping rates. Please refer to **Sections 9.1.6** for further details on risks concerning fluctuations in foreign exchange and interest rates.

The nitrogen element in the N fertiliser is derived from petrochemicals in the form of urea, ammonium sulphate and ammonium chloride which are mainly derived from natural gas. As such, the source of supply of N may be subjected to fluctuations in natural gas prices. Please refer to **Section 9.1.1** for further details on risks in relation to increases in natural gas prices.

Global average prices of phosphate rock, being one of the key raw materials of DAP, grew from USD73/tonne in December 2019 to USD348/tonne in October 2023, and subsequently declined to USD153/tonne in April 2024. The global average prices of urea, DAP and KCl grew between December 2020 and April 2022. The increase in the prices of key fertilisers was mainly attributed to the continuing Russia-Ukraine conflict, production curtailments resulting from adverse weather, higher cost of input materials particularly natural gas, trade policies implemented by various countries and increase in sea freight rate. As of September 2024, the global average prices of urea, DAP and KCl have subsequently declined due to adjustments in the global economy including a rebound in fertiliser production and the installation of new production capacities, in response to supply disruptions notably from Ukraine, as well as the decline in natural gas prices. (Source: IMR Report)

We have experienced increases in prices of certain input materials including N, P and K where our average purchase price for these materials has been increasing in FYE 2021 and FYE 2022 before declining in FYE 2023 and FPE 2024.

This has increased the cost of our input materials which we usually can pass the incremental input material cost to our customers. If we are unable to pass on the incremental cost to our customers, this could affect our business and financial performance. Please refer to **Section 9.1.1** of this Prospectus for further details on risk in relation to price fluctuations of key input materials.

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7. BUSINESS OVERVIEW (CONT'D)

7.15 MAJOR SUPPLIERS

Our Group's top 5 major suppliers and their contribution to our purchases for the FYE 2021, FYE 2022, FYE 2023 and FPE 2024 are as follows:

FYE 2021

<u>Supplier name</u>	<u>Supplier location</u>	<u>Purchases</u>		⁽¹⁾ <u>Length of business relationship (years)</u>	<u>Main materials purchased</u>
		<u>RM'000</u>	<u>%</u>		
Consolidated Fertiliser Corporation Sdn Bhd ⁽²⁾	Malaysia	10,952	12.5	3	Straight fertilisers
Crown Champion Group ⁽³⁾	Singapore and China	10,408	11.9	3	Straight fertilisers
Behn Meyer Agricare (M) Sdn Bhd ⁽²⁾	Malaysia	5,952	6.8	3	Straight fertilisers
Blue Deebaj (Malaysia) Sdn Bhd	Malaysia	5,424	6.2	3	Straight fertilisers
Xyuan International Limited	China	5,218	5.9	3	Straight fertilisers
Subtotal of top 5		<u>37,954</u>	<u>43.3</u>		
Total Group purchases		87,704			

FYE 2022

<u>Supplier name</u>	<u>Supplier location</u>	<u>Purchases</u>		⁽¹⁾ <u>Length of business relationship (years)</u>	<u>Main materials purchased</u>
		<u>RM'000</u>	<u>%</u>		
Crown Champion Group ⁽³⁾	Singapore and China	19,371	12.4	4	Straight fertilisers
Behn Meyer Agricare (M) Sdn Bhd ⁽²⁾	Malaysia	11,376	7.3	4	Straight fertilisers
Consolidated Fertiliser Corporation Sdn Bhd ⁽²⁾	Malaysia	10,116	6.5	4	Straight fertilisers
Supplier A ⁽⁴⁾	Malaysia	9,439	6.0	3	Straight fertilisers
Rawag for Industry and Trade S.A.E.	Egypt	8,591	5.5	2	Straight fertilisers
Subtotal of top 5		<u>58,893</u>	<u>37.7</u>		
Total Group purchases		156,481			

7. BUSINESS OVERVIEW (CONT'D)

FYE 2023

Supplier name	Supplier location	Purchases		⁽¹⁾Length of business relationship	Main materials purchased
		RM'000	%	(years)	
Global Chemical Company Gmbh	Germany	14,687	14.0	1	Straight fertilisers
Behn Meyer Agricare (M) Sdn Bhd ⁽²⁾	Malaysia	11,265	10.8	5	Straight fertilisers
Crown Champion Group ⁽³⁾	Singapore and China	8,062	7.7	5	Straight fertilisers
GBR Global (M) Sdn Bhd	Malaysia	7,746	7.4	5	Straight fertilisers
Supplier A ⁽⁴⁾	Malaysia	6,054	5.8	4	Straight fertilisers
Subtotal of top 5		47,814	45.7		
Total Group purchases		104,684			

FPE 2024

Supplier name	Supplier location	Purchases		⁽¹⁾Length of business relationship	Main materials purchased
		RM'000	%	(years)	
Wilmar Agrifert Pulau Indah Sdn Bhd	Malaysia	11,701	26.5	Less than 1	Straight fertilisers
Crown Champion Group ⁽³⁾	Singapore and China	4,469	10.1	6	Straight fertilisers
Consolidated Fertiliser Corporation Sdn Bhd ⁽²⁾	Malaysia	2,820	6.4	6	Straight fertilisers
Supplier A ⁽⁴⁾	Malaysia	2,574	5.8	5	Straight fertilisers
Gulf Fertilizers and Chemicals FZE	Dubai, United Arab Emirates	2,445	5.5	2	Straight fertilisers
Subtotal of top 5		24,009	54.3		
Total Group purchases		44,140			

Notes:

- (1) Length of business relationship as at the respective financial period.
- (2) Both Consolidated Fertiliser Corporation Sdn Bhd and Behn Meyer Agricare (M) Sdn Bhd are our customers and suppliers. They supply straight fertilisers (input materials that can be used for the formulation and blending of fertiliser as well as for sale under our Group's trading segment) to us while we also supply straight fertilisers to them. Consolidated Fertiliser Corporation Sdn Bhd and Behn Meyer Agricare (M) Sdn Bhd purchased mainly straight fertilisers during the Financial Periods Under Review from us. We also source straight fertilisers from each other when the need arises.

7. BUSINESS OVERVIEW (CONT'D)

- (3) *Crown Champion Group includes Crown Champion Intl Pte Ltd from Singapore as well as Tianjin Topfert Agrochemical Co Ltd, Tianjin Crown Champion Industrial Co Ltd and Tianjin Huazhen Agricultural Technology Co Ltd from China as they have common shareholders and directors.*
- (4) *Supplier A's name has not been disclosed due to non-disclosure agreement. Consent was sought for disclosure from Supplier A but was not given. Supplier A is principally involved in the manufacturing and distribution of bio-food products.*

For the Financial Periods Under Review, we sourced some of our key input materials from Crown Champion Group amounting to between 7.7% and 12.4% of our total purchases. While our purchases from Crown Champion Group accounted for more than 10.0% of our total purchases for FYE 2021, FYE 2022 and FPE 2024, we are not dependent on them as our purchases are commodity input fertiliser items which can easily be purchased from other suppliers, if required.

We continue to purchase input materials from Crown Champion Group for the following main reasons:

- we have established a good working relationship since we commenced our business operations in 2018. This provides us with some assurance of continuing business relationships moving forward;
- we have obtained competitive pricing and timely supply from Crown Champion Group. As our purchases from Crown Champion Group are input materials, these commercial factors are important for the pricing of our fertilisers and promptness in meeting our customers' delivery schedule; and
- over the years, our experience with Crown Champion Group has been positive regarding the quality of their products. As such, we can rely on their products as input materials for our formulation to achieve our expected product functionality and benefits.

While our purchases from Consolidated Fertiliser Corporation Sdn Bhd, Global Chemical Company GmbH, Behn Meyer Agricare (M) Sdn Bhd and Wilmar Agrifert Pulau Indah Sdn Bhd accounted for more than 10.0% of our total purchases for at least one of the Financial Periods Under Review, we are also not dependent on them. This is because our purchases from them are commodity fertiliser input items which can be easily sourced from alternative suppliers, if required.

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7. BUSINESS OVERVIEW (CONT'D)

7.16 BUSINESS STRATEGIES AND PLANS

Moving forward, we will continue to focus on our existing business activities comprising formulation and blending of conventional and specialty fertilisers, and trading of straight fertilisers and related products.

In addition, we have in place strategies and plans to sustain and grow our business including the following:



7.16.1 Upgrade of production process

Automated weighing process

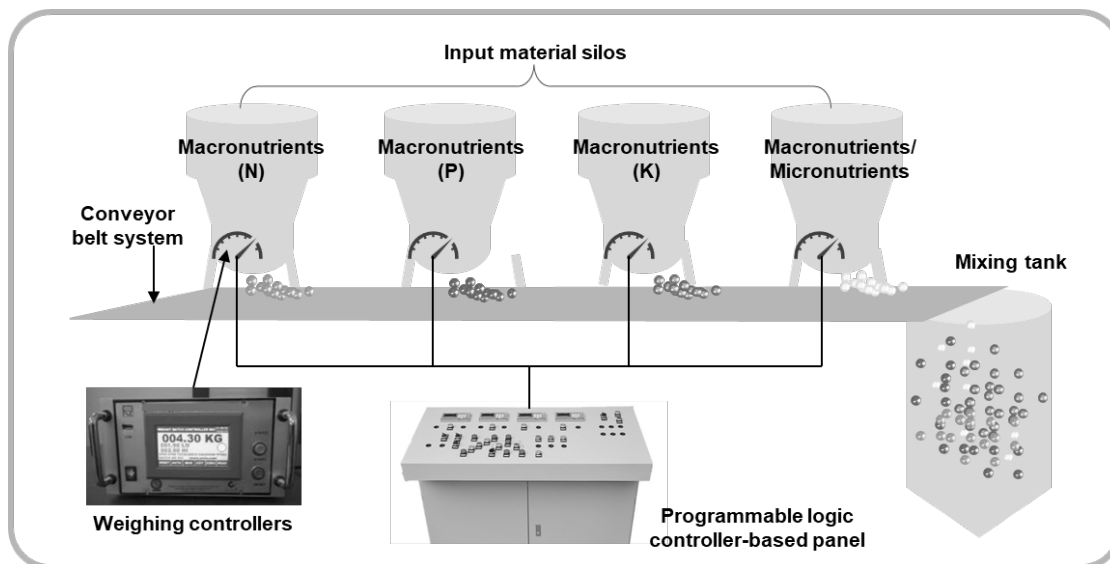
As at the LPD, our material handling process at our operations facility is mainly manual starting from transporting input materials through to the packaging of finished products except for the use of blending equipment. One of our plans is to automate some parts of our material handling for our overall blending of fertilisers.

We plan to purchase and install a process control system (PCS) for the accurate weighing of input materials before the blending process. Our PCS will be based on a programmable logic controller (PLC) system which will be a localised system sited next to the actual operation. Our PCS will be controlling four input material silos which will facilitate the accurate weighing of 4 input materials according to our formulation. We will also purchase and install a conveyor belt system to transport the weighed input materials into a mixing tank.

7. BUSINESS OVERVIEW (CONT'D)

The key advantages of our PCS and conveyor belt system are increased accuracy in the measurement of input materials and reduction in manual labour for the weighing and movement of input materials between processes. Our current manual process for weighing and moving input materials typically requires 3 personnel. Having the PCS and conveyor belt system will require only 1 personnel to operate the PCS and conveyor belt system.

Our planned PCS for automating the weighing process is depicted as follows:



The PCS will be installed at our Factory Lot 8950 for 1 blending-compacting production line. The total cost for the purchase and installation of the PCS and conveyor belt system is estimated at approximately RM1.3 million, which is planned to be fully funded through IPO proceeds within 18 months from the listing date.

7.16.2 Expansion of facility and equipment

(i) Setting up R&D and test laboratory

As at the LPD, we rely on third-party laboratories for the testing and analysis of our fertilisers. We test our products for the following main reasons:

- as part of our quality assurance to ensure that our products are blended in the proportion that we specify as well as per the labels on our packaging; and
- as an independent verification of our formulation and breakdown of all the ingredients in our products, which are requested by some of our customers.

Part of our strategies is to expand our in-house technical facilities and capabilities by setting up an internal testing laboratory to carry out various testing and analysis for product quality assurance including testing and analysis for incoming input materials, in-process products and final products. It will also allow us to carry out testing and analysis for regulatory compliance such as identifying the presence of prohibited materials for example, heavy metals as well as identifying the presence of certain undesirable microorganisms such as Salmonella and Escherichia coli bacteria in organic matter.

7. BUSINESS OVERVIEW (CONT'D)

The laboratory will also facilitate our R&D activities including the following:

- (a) development of new, enhanced or customised fertiliser formulations;
- (b) identify and minimise adverse chemical reactions or by-products of mixing various input materials;
- (c) incorporation of non-nutrient-based ingredients to improve, among others, uptake of nutrients;
- (d) incorporation of materials to improve soil structure and conditions; and
- (e) replacement of ingredients for improved benefits or lower costs.

In addition, the R&D and test laboratory will enable us to conduct soil and foliar analysis to determine the optimum fertiliser formulation suitable for the plant and identify plant problems resulting from inappropriate fertiliser formulation. Our ability to provide these tests and analysis and to enhance the formulation of our fertilisers based on customers' feedback will allow us to create customer confidence and loyalty.

With our planned in-house R&D and test laboratory, we can cost-effectively conduct more testing programmes. In addition, we can obtain faster test results as third-party laboratories commonly require 1 to 2 weeks, and in some cases up to 1 month before we receive the test results.

The total cost for setting up an internal R&D and test laboratory at head office is estimated at RM1.0 million which will be funded through IPO proceeds within 18 months from the listing date. The details are set out below:

	No. of units	Estimated cost
		RM'000
Apparatus and instruments		
▪ Spectroscopy analytic system	1	450
▪ Colorimetric titration system	1	180
▪ Others ⁽¹⁾	4	20
		650
Facility renovation and fit out	-	350
Total		1,000

Note:

- (1) Include moisture balance, oven, analytical balance and pH meter.

(ii) Purchase equipment and vehicles

We plan to purchase equipment and vehicles to support our operations as follows:

- (a) purchase of forklifts and a backhoe loader for material handling and transportation within our 2-factory premises and warehouse; and
- (b) purchase of motor vehicles for our sales and technical personnel for marketing and site visits to plantations.

7. BUSINESS OVERVIEW (CONT'D)

The total cost for the purchase of the above purchases is estimated at RM0.9 million which will be funded through IPO proceeds within 12 months from the listing date as below:

	<u>No. of unit</u>	<u>Estimated cost</u>
		<u>RM'000</u>
Purchase of forklifts	5	460
Purchase of motor vehicles	2	270
Purchase of backhoe loader	1	140
Total		<u>870</u>

(iii) Acquisition of our existing factories

We have been operating at our existing Factory Lot 8949 and Factory Lot 8950 since 2018 which are rented premises. As at the LPD, we have subsisting tenancy agreement for Factory Lot 8949 which valid up to February 2025 and for Factory Lot 8950 which valid up to December 2024. Part of our plans is to acquire our existing factories from Super Nine which is related party and our Directors. Please refer to **Section 10.1.1** of this Prospectus for further details on related party transactions.

In this respect, on 24 October 2023, we entered into a sales and purchase agreement with the owner for the acquisition of Factory Lot 8949 and Factory Lot 8950 respectively. The total purchase consideration of the 2 factories is RM29.8 million, of which RM13.1 million will be funded through internally generated fund and bank facilities while the remaining RM16.7 million will be funded through IPO proceeds. In this respect, the acquisition cost of RM16.7 million will be funded through IPO proceeds within 12 months from the listing date. Meanwhile, we continue the tenancy arrangement with the premises owner for our business operations. The details are set out below:

<u>Acquisition of factories</u>	<u>Source of Fund</u>		
	<u>Purchase consideration</u>	<u>IPO proceeds</u>	<u>Internally generated fund / bank facilities</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Factory Lot 8949	16,300	14,670	1,630
Factory Lot 8950	13,500	2,025	11,475
Total	<u>29,800</u>	<u>16,695</u>	<u>13,105</u>

7. BUSINESS OVERVIEW (CONT'D)

7.17 ESG PRACTICES

Our Group is dedicated towards implementing ESG practices that prioritise responsible environmental operations, foster a supportive workplace for our employees, uphold rigorous corporate governance standards, all with the aim of establishing lasting and sustainable value while instilling confidence in our stakeholders.

(i) Environmental

We are committed to promoting environmental sustainability, specifically in the context of reducing air pollutant emissions stemming from our formulation and blending operations. We have taken steps to safeguard the environment by implementing controls and monitoring via pollution control system. For instance, we have installed a dust collector and scrubber for purposes of treating dust, emissions and odors generated from our production processes of formulation and blending of fertilisers prior to releasing into the atmosphere. As at the LPD, our employee who had completed the certificate of environmental professional in scrubber operation is awaiting DOE's assessment and issuance of a certificate of competency. This will allow the designated employee to monitor and operate our dust collector and scrubber effectively.

We also engaged a licensed service provider who is approved by the DOE to collect and dispose our industrial waste and scheduled waste in a timely manner.

(ii) Social

We are committed to non-discrimination across all aspects of employment, emphasising qualifications and experience as the sole criteria for recruitment, hiring and promotion, irrespective of factors such as race, religion, sex, handicap or disability. We conduct transparent and objective annual performance reviews, providing valuable feedback to our staff.

We prioritise our employees' safety and health. In line with that, we had implemented a Safety and Health Policy and maintain a dedicated safety and health committee. This committee identifies and addresses workplace risks, assist in the development of safety and health rules and safe systems of work, fostering a safe and healthy work culture through ongoing awareness initiatives, communicating our safety and health policy and provision of personal protective equipment. As part of our business strategies and plans, we are also planning to automate our operating facilities by installing automated weighing process, i.e. process control system and conveyer belt systems, which reduces the need for manual weighing, hence reducing our workers' direct exposure to dust emission from input materials.

We recognise the ongoing importance of enhancing employee skills and knowledge, which benefits both individual development and our Company. We provide on-the-job training to our employees and external training programs for their career development, fostering the ongoing enhancement of relevant skills, knowledge growth and empowers our workforce to excel in their respective roles.

We are also mindful of the well-being of our foreign workers. The accommodations provided to our foreign workers are in compliance with the requirements as set out under the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020. As at LPD, the accommodations provided to our foreign workers are issued with Certificates for Accommodation ("CA") by the Department of Labour of Peninsular Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Governance

We are committed to achieving and sustaining the highest standards of corporate governance as outlined in the MCCG. We understand and recognise the importance of sustainable governance and as such, we conduct our business with professionalism and ethics. We have, among others, the following policies to uphold good corporate governance practices:

- (a) we have integrated MCCG principles into our governance structure, establishing a clear organisational hierarchy with defined reporting lines to Board Committees and Key Senior Management, ensuring accountability and authority limits. These practices are reflected in our Board Charter, Board Committee terms and various Group's policies and procedures, ensuring the proper implementation of MCCG guidelines as we fulfil our governance duties;
- (b) we maintain a zero-tolerance stance against fraud, bribery, corruption and money laundering. To enhance transparency and foster a robust governance environment, we have implemented Anti-Bribery and Corruption as well as Whistle-blowing policies to promote and maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 and the Whistleblower Protection Act 2010;
- (c) we have implemented a Personal Data Protection Policy aimed at safeguarding personal data obtained from customers, vendors, suppliers, service providers and employees which comply with Personal Data Protection Act 2010; and
- (d) we have obtained the ISO 9001:2015 accreditation in quality management systems specifically within the scope of "manufacturing of fertilizer".

Save for the 30% women directors as disclosed in the following paragraph, our Group has applied the practices and guidance of the MCCG where applicable to our Group as an applicant for Listing. Upon Listing, our Group will make the relevant disclosures of the applicable practices prescribed under MCCG as required under the Listing Requirements.

Currently, our Company has appointed 2 women directors out of the total of 7 directors. Nonetheless, our Board is supportive of the gender diversity agenda in the boardroom as prescribed in the MCCG to bring in a diversity of perspective. In this regard, we endeavour to adopt the practices prescribed in the MCCG to have a Board comprising at least 30% women directors within 2 years from the completion of our Listing.

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7. BUSINESS OVERVIEW (CONT'D)

7.18 EMPLOYEES

As at the LPD, we have a total workforce of 92 employees, of which 32 are permanent employees and 60 are contract workers. The following depicts the number of employees in our Group according to department:

Department	As at FPE 2024						As at LPD					
	Permanent		Contract		Total employee	Total	Permanent		Contract		Total employee	Total
	Local	Foreign	Local	Foreign			Local	Foreign	Local	Foreign		
Director	3	-	-	-	3	-	-	-	-	-	3	3
Sales	5	-	-	-	5	-	-	-	-	-	5	7
Warehouse	4	-	-	5	9	-	-	-	-	5	5	8
Production & Quality Control	3	-	-	46	49	-	-	-	-	49	49	52
Maintenance	2	-	-	6	8	-	-	-	-	6	6	8
Operation & Logistics	4	-	-	-	4	-	-	-	-	-	-	4
Finance & Accounting	4	-	-	-	4	-	-	-	-	-	-	4
Human Resource & Administration	3	-	-	-	3	-	-	-	-	-	-	3
Procurement	1	-	-	-	1	-	-	-	-	-	-	1
Research and Development	2	-	-	-	2	-	-	-	-	-	-	2
Total	31	-	-	57	88	-	-	32	-	60	-	92

As at the LPD, Malaysian employees accounted for 34.8% of our total workforce while the remaining 65.2% were foreign workers. As at the LPD, we have 60 foreign workers. All our foreign workers working in Malaysia have valid working permits issued and we are not in breach of any immigration laws. As the application and renewal of the working permits are an ongoing process, there will be foreign workers that are in the process of applying or renewing their working permits at any one point in time. In addition, we have 7 workers' hostels to accommodate our foreign workers.

None of our employees belong to any labour union. During the Financial Periods Under Review and up to the LPD, there is no major industrial dispute pertaining to our employees and there has not been any incident of work stoppage or labour dispute that has materially affected our operations.

7. BUSINESS OVERVIEW (CONT'D)

7.19 MATERIAL PROPERTIES

7.19.1 Properties owned by our Group

The details of the material properties owned by our Group as at the LPD are as follows:

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited net book value as at 31 May 2024 (RM)
1.	Cropmate Fertilizer/ Lot 11925, Jalan Perajurit 1/KS, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan/ PM 7342, Lot 11925, Mukim and District of Klang, State of Selangor Darul Ehsan	A single detached property together with ancillary buildings / Leasehold of 99 years, expiring on 5 June 2108 / Warehouse	87,973 / 34,396	26 July 2023	<u>Category of land use</u> Industrial <u>Express condition</u> Light industry <u>Restriction in interest</u> This land is not transferable, charged or leased except with the consent of the state authority.	None ⁽¹⁾	4,254,175

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited net book value as at 31 May 2024 (RM)
2.	Cropmate Fertilizer ⁽²⁾ Lot 51, Jalan Sungai Chandong 26/KS11, Taman Perindustrian Pulau Indah (Phase 3 Pulau Indah), 42920 Pelabuhan Klang, Selangor/ HSD 164202, PT 152624, Mukim Klang, Daerah Klang, Negeri Selangor	Vacant land / Leasehold of 78 years, expiring on 30 March 2097/ Not in used currently	167,509 / N/A	N/A ⁽³⁾	<u>Category of land use</u> Industrial <u>Express condition</u> Medium industry <u>Restriction in interest</u> This land is not transferable, charged or leased except with the consent of the state authority.	Charged to Hong Leong Islamic Bank Berhad	4,982,772

Notes:

- (1) The property will be charged to Hong Leong Islamic Bank Berhad once the original land title is released to the Company.
- (2) Upon completion of the Proposed Disposal of Lot 51, Cropmate Fertilizer will no longer be the owner of Lot 51.
- (3) It is a vacant land, therefore, CCC is not required.

7. BUSINESS OVERVIEW (CONT'D)

The properties owned by our Group are not in breach of any land use conditions, current statutory requirements, land rules and/or building regulations/by-laws, which will have material adverse impact on our operations as at the LPD.

7.19.2 Properties tenanted by our Group

The details of the material properties tenanted by our Group as at the LPD are as follows:

No.	Landlord/ tenant	Postal address / Title details	Description of property/ Existing use	Date of issuance of CCC or equivalent	Land area / Built-up area (sq ft)	Period of tenancy / Monthly rental
1.	Super Nine Capital Sdh Bhd ⁽¹⁾ / Cropmate Fertilizer	Lot 8949, Jalan Telok Gong KS/10, Kampung Nelayan, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan/ GM 23073, Lot 179010, Mukim and District of Klang, State of Selangor Darul Ehsan	Single-storey detached factory/warehouse together with a 3-storey office section / Factory / Warehouse	27 December 2017	98,909 / 49,693	1 year from 1 March 2024 to 28 February 2025 / RM66,000
2.	Lee Chin Yok and Lee Cheng Seng ⁽²⁾ / Cropmate Fertilizer	Lot 8950, Jalan Telok Gong KS/10, Kampung Nelayan, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan/ H.S. (M) 58011, PT 152572, Mukim and District of Klang, State of Selangor Darul Ehsan	Single-storey detached factory/warehouse / Factory / Warehouse	11 May 2021	95,465 / 40,041	1 year from 1 January 2024 to 31 December 2024 / RM40,000

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) *Factory Lot 8949 will be acquired by Cropmate Fertilizer pursuant to the Proposed Acquisition of Factory Lot 8949. Upon completion of the Proposed Acquisition of Factory Lot 8949, Cropmate Fertilizer will be the owner of Factory Lot 8949. Please refer to Section 6.2.2(ii) of this Prospectus for further details.*
- (2) *Factory Lot 8950 will be acquired by Cropmate Fertilizer pursuant to the Proposed Acquisition of Factory Lot 8950. Upon completion of the Proposed Acquisition of Factory Lot 8950, Cropmate Fertilizer will be the owner of Factory Lot 8950. Please refer to Section 6.2.2(ii) of this Prospectus for further details.*




The properties tenanted by our Group are not in breach of any land use conditions, current statutory requirements, land rules and/or building regulations/by-laws, which will have material adverse impact on our operations as at the LPD.

7.20 INTELLECTUAL PROPERTIES


Save as disclosed below, as at the LPD, we do not have any brand names, patents, trademarks and other intellectual property rights:

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
1.	CM MIRACLE	Cropmate Fertilizer	Intellectual Property Corporation of Malaysia ("MyIPO")	TM2019031524	Malaysia	26 August 2019/ 26 August 2029	Class 1 Fertilizer; granulated fertilizer; fertilizer in granular and powder form; all included in class 1

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
2.		Cropmate Fertilizer	MyIPO	2018010955	Malaysia	23 August 2018/ 23 August 2028	Class 1 Fertilizer; granulated fertilizer; fertilizer in granular and powder form; all included in class 1
3.		Cropmate Fertilizer	MyIPO	2018010952	Malaysia	23 August 2018/ 23 August 2028	Class 1 Fertilizer; granulated fertilizer; fertilizer in granular and powder form; all included in class 1
4.		Cropmate Fertilizer	MyIPO	2018010954	Malaysia	23 August 2018/ 23 August 2028	Class 1 Fertilizer; granulated fertilizer; fertilizer in granular and powder form; all included in class 1


7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
5.		Cropmate Fertilizer	MyIPO	TM2020009342	Malaysia	23 May 2020/ 23 May 2030	<p>Class 1</p> <p>Ammonium chloride fertilizers; ammonium nitrate fertilizers; ammonium sulphate fertilizers; biofertilizers; bone meal fertilizer; powder fertilizer; bone meal fertilizer; bone meal fertilizers; calcined potassium fertilizers; calcium cyanamide fertilizer; calcium silicate fertilizers; calcium superphosphate fertilizers; chemical additives for fertilizers; chemical fertilizers; chemically converted compound fertilizers; chlorine-free fertilizers; complex fertilizers; compost fertilizer; compost, manures, fertilizers; compound fertilizers; double or triple superphosphate fertilizers; double ammonium sulphate fertilizers, superphosphate fertilizers; fertilizer manure; fertilizers; fertilizers animal manure; fertilizers for agricultural use; fertilizers for domestic use; fertilizers for household plants; fertilizers for hydroponic crops; fertilizers for hydroponics; fertilizers for lands; fertilizers for plants; fertilizers for potting soil; fertilizers for soil; fertilizers for soil and potting soil; fertilizers for soils; fertilizers, lawn</p>


7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
							and grass fertilizers; fertilizers of animal origin; fish meal fertilizers; fused phosphate fertilizers; fused superphosphate fertilizers; garden feeds fertilizers; grass fertilizers; gypsum for use as a fertilizer; hydroponic fertilizers; inorganic fertilizers; lawn fertilizers; leaf mould fertilizer; liquid fertilizers; manganese fertilizers; marine fertilizers; mineral fertilizers; mixed fertilizers; multi-nutrient fertilizers; natural fertilizers; nitrogenous fertilizers; non-chemical bio-fertilizers; fertilizer; organic fertilizers; peat fertilizer; phosphate fertilizers; phosphates fertilizers; plant fertilizers; potassium fertilizers; potassium sulphate fertilizers; potassium non-chemical biofertilizers; organic digestate fertilizers; potassium chloride sulphate fertilizers; rice bran fertilizer; salts fertilizers; sawdust fertilizers; seaweeds fertilizers; seaweeds for use as a fertilizer; slag fertilizers; sodium nitrate fertilizers; soil fertilizers; superphosphate fertilizers; superphosphates fertilizers; synthetic fertilizers for agricultural purposes; Thomas phosphate fertilizer; triple

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
6.		Cropmate Fertilizer	MyIPO	TM2022006379	Malaysia	11 March 2022 / 11 March 2032	<p>superphosphate fertilizers; urea-based fertilizers; urea fertilizer; urea fertilizers; borax; boron; boron phosphate.</p> <p>Class 35 Online retail store services featuring chemicals for use in agriculture ; online wholesale store services featuring chemicals for use in agriculture; retail services for chemicals for use in agriculture; retail store services featuring chemicals for use in agriculture; wholesale services for chemicals for use in agriculture; wholesale store services featuring chemicals for use in agriculture; business consultancy services in the field of agriculture; online retail store services featuring chemicals for use in forestry; online wholesale store services featuring chemicals for use in forestry; retail services for chemicals for use in forestry; retail store services featuring chemicals for use in forestry; wholesale services for chemicals for use in forestry; wholesale store services featuring chemicals for use in forestry; online retail store services featuring chemicals for use in</p>


7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
7.	 MIRACLE 奇蹟	Cropmate Fertilizer	MyIPO	TM2020006679	Malaysia	8 April 2020 / 8 April 2030	Class 1 horticulture; online wholesale store services featuring chemicals for use in horticulture; retail services for chemicals for use in horticulture; wholesale services for chemicals for use in horticulture; wholesale store services featuring chemicals for use in horticulture Ammonium chloride fertilizers; Ammonium nitrate fertilizers; Ammonium sulfate fertilizers; Ammonium sulphate fertilizers; Biofertilizers; Biofertilizers; Blood powder fertilizer; Bone meal fertilizer; Bone meal fertilizers; Calcined potassium fertilizers; Calcium cyanamide fertilizer; Calcium silicate fertilizers; Calcium superphosphate fertilizers; Chemical additives for fertilizers; Chemical fertilizers; Chemically converted compound fertilizers; Chlorine-free fertilizers; Complex fertilizers; Compost fertilizer; Compost, manures, fertilizers; Compound fertilizers; Double or triple superphosphate fertilizers; Double superphosphate fertilizers; Fertilizer manure; Fertilizers; Fertilizers animal manure;


7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
							Fertilizers for agricultural use; Fertilizers for domestic use; Fertilizers for household plants; Fertilizers for hydroponic crops; Fertilizers for hydroponics; Fertilizers for lands; Fertilizers for plants; Fertilizers for potting soil; Fertilizers for soil; Fertilizers for soil and potting soil; Fertilizers for soils; Fertilizers, lawn and grass fertilizers; Fertilizers of animal origin; Fish meal fertilizers; Fused phosphate fertilizers; Fused superphosphate fertilizers; Garden feeds fertilizers; Grass fertilizers; Gypsum for use as a fertilizer; Hydroponic fertilizers; Inorganic fertilizers; Lawn fertilizers; Leaf mold fertilizer; Leaf mould fertilizer; Liquid fertilizers; Manganese fertilizers; Marine fertilizers; Mineral fertilizers; Mixed fertilizers; Multi-nutrient fertilizers; Natural fertilizers; Nitrogenous fertilizers; Non-chemical bio-fertilizers; Non-chemical biofertilizers; Organic digestate fertilizer; Organic fertilizers; Peat fertilizer; Phosphate fertilizers; Phosphates fertilizers; Plant fertilizers; Potassium chloride fertilizers; Potassium fertilizers;

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
8.		Cropmate Fertilizer	MyIPO	TM2023023382	Malaysia	9 August 2023/ 9 August 2033	<p>Potassium sulfate fertilizers; Potassium sulphate fertilizers; Rice bran fertilizer; Salts fertilizers; Sawdust fertilizers; Seaweeds fertilizers; Seaweeds for use as a fertilizer; Slag fertilizers; Sodium nitrate fertilizers; Soil fertilizers; Superphosphate fertilizers; Superphosphates fertilizers; Synthetic fertilizers for agricultural purposes; Thomas phosphate fertilizer; Triple superphosphate fertilizers; Urea-based fertilizers; Urea fertilizer; Urea fertilizers; Borax; Boron; Boron phosphate</p> <p>Class 1 Fertilizers; complex fertilizers; bio-fertilizers; chemical fertilizers; compost fertilizer; ammonium nitrate fertilizers; ammonium sulfate fertilizers; mixed fertilizers; multi-nutrient fertilizers; dioxide; ous fertilizers; calcium oxide; calcium superphosphate fertilizers; boron; boron phosphate; magnesium oxide; organic soil enhancement powders and preparations; chemical additives for fertilizers; chemically converted compound fertilizers; compound fertilizers; double or triple</p>

7. BUSINESS OVERVIEW (CONT'D)



No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
9.		Cropmate Fertilizer	MyIPO	TM2023032512	Malaysia	25 October 2023/ 25 October 2033	Class 1 superphosphate fertilizers; chlorine-free fertilizers; fertilizers for agricultural use; fertilizers for domestic use; fertilizers for household plants; fertilizers for hydroponic crops; fertilizers for hydroponics; fertilizers for plants; fertilizers for soil and potting soil; hydroponic fertilizers; inorganic fertilizers; mineral fertilizers; synthetic fertilizers for agricultural purposes; nitrogen; nitrogen compounds; nitrogen oxides; ammonium nitrate; ammonium nitrate fertilisers; nitric acid; calcium; calcium hydroxide; calcium nitrate; calcium salts; boric acid for industrial purposes; magnesium sulfate. Fertilizers; fertilizers for agricultural use; fertilizers for domestic use; fertilizers for household plants; fertilizers for lands; fertilizers for plants; fertilizers for soil and potting soil; hydroponic fertilizers; inorganic fertilizers; mineral fertilizers; natural fertilizers; ammonium chloride fertilizers; ammonium sulphate fertilizers; chlorine-free fertilizers; potassium chloride fertilizers;

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Registered Owner	Authority	Registration No.	Place of registration	Registration date/ Expiry date	Class/ Description of trademark
							seaweeds fertilizers; urea-based fertilizers; non-chemical bio-fertilizers; complex fertilizers; chemical fertilizers; compost fertilizer; mixed fertilizers; multi-nutrient fertilizers; organic digestate fertilizer; organic fertilizers; synthetic fertilizers for agricultural purposes; chemical additives for fertilizers; chemically converted compound fertilizers; compound fertilizers; nitrogen; nitrogen compounds; nitrogenous fertilizers; ammonium nitrate fertilizers; phosphate fertilizers; magnesium oxide; potassium fertilizers; ammonium nitrate fertilizers; organophosphorus compounds; double or triple superphosphate fertilisers; fused phosphate fertilisers; fused superphosphate fertilisers; triple superphosphate fertilisers; triple superphosphate fertilizers; Ammonium nitrate; ammonium sulfate fertilisers; potassium sulfate fertilisers; Boron; boron phosphate; organic soil enhancement powders and preparations; compost; liquid fertilizers.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, our Group is also in the midst of applying for registration for the following trademarks which are currently being processed by MyIPO:

No.	Trademark	Applicant	Authority	Application No.	Place of registration	Application date	Class/ Description of trademark
1.		Cropmate Fertilizer	MyIPO	TM2024026700	Malaysia	30 August 2024	Class 1 Fertilizers; Biofertilizers; Organic fertilizers; Complex fertilizers; Compost fertilizer; Compound fertilizers; Seaweed fertilizers; Seaweed extracts for use in agriculture; Seaweeds for use as a fertilizer; Plant nutrients; Nutrient preparations for plants; Nutrients for plants; Plant fertilizers; Plant food; Plant nutrient preparations; Plant nutrition preparations; Biostimulants being plant food; Biostimulants being plant growth stimulants; Biostimulants being plant hormones; Biostimulants being plant nutrition preparations; Biostimulants for plants.
2,		Cropmate Fertilizer	MyIPO	TM2024026701	Malaysia	30 August 2024	Class 1 Fertilizers; Biofertilizers; Organic fertilizers; Complex fertilizers; Compost fertilizer; Compound fertilizers; Nitrogenous fertilizers; Phosphate fertilizers; Potassium fertilizers; Liquid fertilizers; Nitrogen; Nitrogen compounds; Organophosphorus compounds;

7. BUSINESS OVERVIEW (CONT'D)

No.	Trademark	Applicant	Authority	Application No.	Place of registration	Application date	Class/ Description of trademark
							Phosphorus; Potassium; Potassium chloride fertilizers; Carbon; Carbon for industrial purposes; Plant nutrients; Nutrient preparations for plants; Nutrients for plants; Plant fertilizers; Plant food; Plant nutrient preparations; Plant nutrition preparations.

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7. BUSINESS OVERVIEW (CONT'D)

7.21 MATERIAL LICENCES, PERMITS AND APPROVALS

Details of our major licences, permits and approvals for our operations as at the LPD together with the main conditions attached therein and the corresponding status of compliance as at the LPD are as follows:

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
1.	Cropmate Fertilizer	MITI/ A 021998	Manufacturing licence as licensed manufacturer for products "Compact Fertiliser" and "Organic Fertiliser" at Factory Lot 8949	30 September 2019/ N/A ⁽¹⁾	(a) Location: Factory Lot 8949. (b) Any sales or disposal of shares of Cropmate Fertilizer must be notified to MITI and MIDA.	Complied
				(c) Cropmate Fertilizer shall train Malaysians in order for the transfer of skills and technology to be circulated throughout every level of the workforce. Complied		

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					<p>(d) Cropmate Fertilizer shall adhere to the conditions stipulated in the Capital Investment per Employee (CIPE), which shall be at least of RM140,000.00.</p>	<p>Complied</p>
					<p>(e) The total amount of fulltime workforce of Cropmate Fertilizer should consist of 80% Malaysians. Employment of any foreign employees including employees hired on an outsource basis shall be in accordance to any current and existing governmental policies.⁽²⁾</p>	<p>To be complied. The current percentage of Malaysians is 34.8% based on the total number of employees as at the LPD. MIDA had vide letter bearing reference number PL17202200404 granted extension of time for Cropmate Fertilizer to comply with this condition latest by 31 December 2024.</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					<p>(f) Cropmate Fertilizer shall submit information in relation to investment data and project implementation in accordance with Industrial Co-ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965, when required by MIDA.</p>	Noted
					<p>(g) Cropmate Fertilizer shall implement its projects according to the laws and regulations set forth in Malaysia.</p>	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
2.	Cropmate Fertilizer	MITI/ A 024744	Manufacturing licence as licensed manufacturer for products "Compact Fertiliser" and "Organic Fertiliser" at Factory Lot 8950	9 December 2022/ N/A ⁽¹⁾	(a) Location: Factory Lot 8950.	Complied
					(b) Any sales or disposal of shares of Cropmate Fertilizer must be notified to MITI and MIDA.	Cropmate Fertilizer had informed MITI and MIDA vide its letter dated 27 October 2023.
					(c) Cropmate Fertilizer shall train Malaysians in order for the transfer of skills and technology to be circulated throughout every level of the workforce.	Complied
					(d) Cropmate Fertilizer shall adhere to the conditions stipulated in the Capital Investment per Employee (CIPE), which shall be at least of RM140,000.00.	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					<p>(e) The total amount of fulltime workforce of Cropmate Fertilizer should consist of 80% Malaysians. Employment of any foreign employees including employees hired on an outsource basis shall be in accordance to any current and existing governmental policies.⁽²⁾</p>	<p>To be complied. The current percentage of Malaysians is 34.8% based on the total number of employees of Cropmate Fertilizer as at the LPD. MIDA had vide letter bearing reference number PL18/2022/01921 stated that Cropmate Fertilizer has to comply with this condition latest by 31 December 2024.</p>
					<p>(f) Cropmate Fertilizer shall submit information in relation to investment data and project implementation in accordance with Co-ordination Act 1975 and Malaysian Investment Development Authority (Incorporation) Act 1965, when required by MIDA.</p>	<p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
3.	Cropmate Fertilizer	KPDNKSH/ 20853	Permit to market and distribute local petrochemical-based fertilizer supplied by Cropmate Fertilizer in Malaysia	28 October 2022/ 4 October 2025	(g) Cropmate Fertilizer shall implement its projects according to the laws and regulations set forth in Malaysia. (a) The permit must not be transferred without the consent of KPDNKSH. (b) The permit must be clearly displayed at the approved business premises. (c) The permit holder must obtain the prior approval of KPDNKSH before making any amendments to any part or making any changes in the structure of the company whether in terms of equity, board of directors, ownership rights, suppliers etc.	Complied Noted Complied Complied ⁽³⁾

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					(d) The permit holder must submit an application for renewal of permit, 3 months before the expiration date.	Noted
					(e) The permit holder is required to comply with all conditions and instructions set from time to time by KPDNKSH and comply with any laws in Malaysia and to not carry out activities that are contrary to any such law.	Complied
					(f) The permit holder is required to submit complete and accurate explanatory information requested by KPDNKSH.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					(g) The permit will be revoked if there is any violation of the conditions above or the provisions under the Petroleum Development Act 1974 or any subsidiary legislation under it or laws in force in Malaysia.	Noted
					(h) The permit holder will not take any legal action or claim damages from KPDNKKSH if the permit is not renewed or extended due to negligence and failure of the permit holder itself.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
4.	Cropmate Fertilizer	KPDNKSH/ 22226	Permit to market and distribute imported petrochemical-based fertiliser supplied by the following suppliers: (a) Crown Champion Limited (Hong Kong)	11 January 2023/ 10 January 2026	(a) The permit must not be transferred without the consent of KPDNKSH.	Noted
		KPDNKSH/ 22224	(b) Evargo Chemical & Fertilizers Trading FZE LLC (United Arab Emirates)	11 January 2023/ 10 January 2026	(b) The permit must be clearly displayed at the approved business premises.	Complied
		KPDNKSH/ 22230	(c) Green Field Limited (Republic of Marshall Islands)	18 January 2023/ 17 January 2026	(c) The permit holder must obtain the prior approval of KPDNKSH before making any amendments to any part or making any changes in the structure of the company whether in terms of equity, board of directors, ownership rights, suppliers etc.	Complied ⁽³⁾

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
		KPDNKSH/ 22236	(d) Gulf Fertilizers and Chemicals FZE (United Arab Emirates)	18 January 2023/ 17 January 2026	(d) The permit holder must submit an application for renewal of permit, 3 months before the expiration date.	Noted
		KPDNKSH/ 22225	(e) Lunec Resource Pte Ltd (Singapore)	11 January 2023/ 10 January 2026	(e) The permit holder is required to comply with all conditions and instructions set from time to time by KPDNKSH and comply with any laws in Malaysia and to not carry out activities that are contrary to any such law.	Complied
		KPDNKSH/ 22228	(f) Sunflow Agrichem Pte Ltd (Singapore)	11 January 2023/ 10 January 2026	(f) The permit holder is required to submit complete and accurate explanatory information requested by KPDNKSH.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
		KPDNKSH/ 22227	(g) Taiwan Gremon Company Limited (Taiwan)	11 January 2023/ 10 January 2026	(g) The permit will be revoked if there is any violation of the conditions above or the provisions under the Petroleum Development Act 1974 or any subsidiary legislation under it or laws in force in Malaysia.	Noted
		KPDNKSH/ 22229	(h) Verdant Agri (Hong Kong) Limited (Hong Kong)	18 January 2023/ 17 January 2026	(h) The permit holder will not take any legal action or claim damages from KPDNKSH if the permit is not renewed or extended due to negligence and failure of the permit holder itself.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
5.	Cropmate Fertilizer	Majlis Perbandaran Klang ("MPK") / 10165	Industrial licence for the processing, wholesale, store fertiliser (over 501m ²), business office and advertisement at Factory Lot 8949	8 December 2023/ 31 December 2024 ⁽⁴⁾	None noted.	-
6.	Cropmate Fertilizer	MPK/ 10166	Industrial licence for the processing, wholesale, provide storage, provide fertiliser delivery service, storage of sand (over 501m ²) and advertisement at Factory Lot 8950	8 December 2023/ 31 December 2024 ⁽⁴⁾	None noted.	-
7.	Cropmate Fertilizer	MPK/ 10354	Industrial licence for storage, provide delivery service and advertisement at Warehouse Lot 11925	12 December 2023/ 31 December 2024 ⁽⁴⁾	None noted.	-

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
8.	Cropmate Fertilizer	Factory Lot 8949 - MPK/ File Reference No: MPK/BGN/600- 5/12/0011(2023)	Temporary structure permit for Factory Lot 8949	24 October 2023/ 31 December 2024 ⁽⁵⁾	(a) The permit is valid until 31 December 2024 only.	Noted
		Factory Lot 8950 - MPK/File Reference No: MPK/BGN/600- 5/12/0024(2023)	Temporary structure permit for Factory Lot 8950	24 October 2023/ 31 December 2024 ⁽⁵⁾	(b) Ensure that the construction of building is built according to the certified plan.	Complied
					(c) Ensure that the available public facilities owed by the local council are not damaged.	Complied
					(d) The local council can terminate the permit and subsequently dismantle, relocate or demolish the temporary structure/building if the established conditions are not met. All costs will be borne by the structure owner.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					(e) This approval does not exclude the applicant from the approval of the other related parties.	Noted
					(f) If the applicant intends to maintain the structure in 2025, the permit renewal application shall be presented to the local council in October 2024.	Noted
					(g) The structure permit is only for structures that are applied for and approved only. It cannot be used for other structures.	Noted
					(h) The local council is free from any claims and further compensation demands arising from the approval through this permit.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
9.	Cropmate Fertilizer	KPDNKSH / Serial No. P (BS 000026)	Permit to buy and store diesel not exceeding 3,640 litres at Factory Lot 8949	10 October 2024/ 9 October 2026	<p>(i) Take any necessary steps to ensure the surrounding conditions are always clean.</p> <p>The permit holder must comply with the following conditions:</p> <p>(a) Comply with the description of scheduled controlled goods specified in this permit.</p> <p>(b) Store scheduled controlled goods at the address in the permit only.</p> <p>(c) Store or possess the scheduled controlled goods not exceeding the quantity allowed in the permit.</p>	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					(d) Purchase scheduled controlled goods for personal use and not for resale purposes.	Complied
					(e) Maintain a purchase record containing the name and address of the supplier, purchase dates, quantity and price and keep invoices, receipts or any documents in relation to the purchases.	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					(f) Label Skid Tanks used for diesel oil and petrol storage with the details of the name and address of the permit holder, the telephone number of the officer who can be contacted, permit reference number and type of scheduled controlled goods.	Complied
					(g) This permit is not transferable.	Noted
					(h) Renewal of permit must be submitted to the supply controller 30 days before the date of expiry.	Noted
					(i) Scheduled controlled goods that are purchased and stored are not subsidised controlled goods.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
10.	Cropmate Fertilizer	Abu Hashim Bin Mohd Yassin HRD Accredited Trainer (Trainer ID 8780)	Certificate of competency that the following individuals have completed the required forklift operator training program and have demonstrated the necessary skills and knowledge to operate a forklift safely and efficiently: (1) Chee Boon Kit (Certificate No: FAB-Melaka-300415) (2) Lau Kar Hen (Certificate No: FAB-Melaka-300414)	6 October 2024 / 5 October 2026	None noted.	-

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
			<p>(3) Mohamad Sharifel Bin Mohd Saad (Certificate No: FAB-Melaka-300411)</p> <p>(4) Chin Xi Zhe (Certificate No: FAB-Melaka-300416)</p> <p>(5) Aye Chan Aung (Certificate No: FAB-Melaka-300423)</p> <p>(6) Cho Win Hlaing (Certificate No: FAB-Melaka-300424)</p> <p>(7) Zaw Htoo (Certificate No: FAB-Melaka-300425)</p>			

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
11.	Cropmate Fertilizer	Elias Training and Consultancy Sdn Bhd Trainer: Mohamad Azam Bin Mohd Ghani	Certificates to certify that the following individuals have completed the operation and handling of shovel/wheel loader training programme on 5 May 2023 and 6 May 2023: (1) Teow Kooi Thong (Certificate No: ETC-Melaka-103978) (2) Mohd Khairul Nizam B Khairi (Certificate No: ETC-Melaka-103977) (3) Mohamad Sharifel Bin Mohd Saad (Certificate No: ETC-Melaka-103975)	6 May 2023 / 5 May 2025	None noted.	-

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
12.	Cropmate Fertilizer	Metrology Corporation Malaysia Sdn Bhd Serial No. 201412	Certificate for weighbridge	10 September 2024 ⁽⁶⁾	None noted.	-
13.	Cropmate Fertilizer	Jabatan Alam Sekitar Malaysia CePSO/2321352	Certificate to certify that the following individual is a competent person and has completed the certified environmental professional in scrubber operation (CePSO) based on the criteria set by Jabatan Alam Sekitar Malaysia: (a) Chee Boon Kit	16 June 2023 / 15 June 2024 ⁽⁷⁾	None noted.	-

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
14.	Cropmate Fertilizer	KPDNKSH	Licence to sell fertilisers by way of wholesale at Factory Lot 8949 and Factory Lot 8950	12 July 2023 / 11 July 2025	<p>(a) The licensee shall not have in his possession or allow anyone under his custody or control to have in his possession on behalf of the licensee more than 15,000 metric tonne of the fertilisers.</p> <p>(b) The licensee must comply with the controller's instructions regarding to the supply and/or sale of chemical fertilisers.</p> <p>(c) The licensee must display the license at a conspicuous place on the business premises.</p>	Complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Licensee	Approving authority/ Registration no.	Description of licence/ permit/ approval	Date of issue/ Date of expiry	Material conditions	Status of compliance
					(d) The licensee must refer to and obtain the approval from KPDNKSH prior to increment of price of the chemical fertilisers.	Not applicable. Price of fertilisers is not stated in the price list of controlled goods published on the official website of KPDNKSH.

Notes:

- (1) Licence does not require renewal unless revoked in accordance with the Industrial Co-ordination Act 1976.
- (2) MIDA has agreed to extend the period for compliance of this condition by 31 December 2024.
- (3) Our Group had obtained the approval of KPDNKSH. Upon instructions from KPDNKSH, our Group had returned the original PDA permits to KPDNKSH on 8 November 2024. Revised PDA permits will be issued to our Group by KPDNKSH for the change in shareholders of Cropmate Fertilizer.
- (4) Our Group had regularly renewed the license and may submit the renewal application in the month prior to the expiry.
- (5) These temporary permits are required to be renewed annually. Our Group had on 14 October 2024 paid for the renewal of the temporary permits and is currently pending issuance of the renewed temporary permits from MPK.
- (6) Renewal of the certificate is subject to annual inspection by the authority.
- (7) Our Group had submitted the field training report of the competent person to the DOE on 24 May 2024, following which the DOE will assess and issue a certificate of competency.

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7. BUSINESS OVERVIEW (CONT'D)

7.22 GOVERNING LAWS AND REGULATIONS

Our business is regulated by, and in some instances required to be licensed under specific laws of Malaysia. The relevant laws and regulations governing our Group which do not purport to be an exhaustive description of all laws and regulations of which our business is subject to are summarised below.

7.22.1 Industrial Coordination Act 1975 (“ICA”)

The ICA provides for the co-ordination and orderly development of manufacturing activities in Malaysia, for the establishment of an Industrial Advisory Council and for other matters connected therewith or incidental thereto. The ICA requires a person engaging in any manufacturing activity with the shareholders’ funds of RM2.50 million and above or employing 75 or more full-time paid employees to obtain a manufacturing licence.

Pursuant to Section 3(1) of the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Any person who fails to comply with the requirements of Section 3(1) of the ICA is guilty of an offence and is liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

Section 19 of the ICA provides that where an offence under the ICA or any rule made thereunder has been committed by a person or a manufacturer being a company, partnership or body of persons, any person who at the time of the commission of the offence was a director, manager or other officer serving in a managerial capacity or was a partner of the company, partnership or body of persons or purported to act in any such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, consent and connivance and that he had exercised all necessary diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and all the prevailing circumstances.

There were past non-compliances by Cropmate Fertilizer for manufacturing fertilisers without the requisite manufacturing licences (i) from 3 September 2018 to 4 August 2019 at Factory Lot 8949 when Cropmate Fertilizer reached the shareholders’ funds of RM2.5 million; and (ii) from 1 January 2022 to 26 October 2022 when it commenced operations at Factory Lot 8950. Our Group has subsequently on 30 September 2019 obtained the manufacturing licence for Factory Lot 8949 with effect from 5 August 2019, and on 9 December 2022 obtained the manufacturing licence for Factory Lot 8950 with effect from 27 October 2022.

Notwithstanding this, our Group has not received any notices, penalties or compounds from MITI up to the LPD. In addition, we have made enquiry and sought MIDA’s clarification and received response stating any penalty would have been imposed prior to the issuance of the manufacturing licences. On this basis, it is unlikely for our Group to be subject to any repercussions / retrospective sanctions from MITI as a result of operating without valid manufacturing licences in the past. Hence, we do not foresee any impact to our Group’s business operations or financial performance due to the aforementioned past non-compliances.

As at the LPD, Cropmate Fertilizer holds and maintains valid manufacturing licences issued by MITI for its manufacturing of fertilisers at Factory Lot 8949 and Factory 8950. Please refer to **Section 7.21(1)** and **(2)** of this Prospectus for further details of the manufacturing licences.

7. BUSINESS OVERVIEW (CONT'D)

7.22.2 Petroleum Development Act 1974 (“PDA 1974”)

The PDA 1974 provides for the exploration and exploitation of petroleum whether onshore or offshore by a corporation in which will be vested the entire ownership in and the exclusive rights, powers, liberties and privileges in respect of the said petroleum, and to control the carrying on of downstream activities and development relating to petroleum and its products, to provide for the establishment of a corporation under the Companies Act 1965 or under the law relating to the incorporation of companies and for the powers of that corporation, and to provide for matters connected therewith or incidental thereto.

Pursuant to Section 6 of the PDA 1974, a person who initiates or continues any business of marketing or distribution of petroleum or petro-chemical products is required to apply for permission from KPDNKSH. Cropmate Fertilizer is involved in the marketing and distribution of specialty fertilisers, which contain, among others, nitrogen (N), phosphorous (P), potassium (K) fertiliser (collectively “**Petro-Chemical Related Products**”). These compositions come under the list of petro-chemical products under guidelines made pursuant to the PDA 1974.

Any person who contravenes Section 6 of the PDA 1974 which includes the provision whereby no business of processing or refining of petroleum or manufacturing of petro-chemical products from petroleum may be carried out by any person other than PETRONAS, unless there is in respect of any such business a permission given by the Prime Minister, or fails to comply with any term or condition of any permission granted under Section 6 of PDA 1974 shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM1,000,000 or to imprisonment for a term not exceeding 5 years or to both, and in the case of a continuing offence he shall be liable to a further fine not exceeding RM100,000 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded; and all machinery, tools, plant, buildings and other property or thing used or intended to be used in the commission of the offence and any petroleum or its products thereby obtained shall be liable to forfeiture.

There were past non-compliances by Cropmate Fertilizer for marketing and distributing of petrochemical-based fertilisers supplied:

- (i) under Cropmate Fertilizer’s own name without the requisite permit from 2 July 2018 to 27 October 2022, although previously it was issued a permit by KPDNKSH under the name of Consolidated Fertiliser Corporation Sdn Bhd, being one of the suppliers of Cropmate Fertilizer, which was subsequently clarified with KPDNKSH to be incorrectly applied for by Cropmate Fertilizer; and
- (ii) by foreign suppliers who supply petrochemical-based fertilisers (i.e. urea and ammonia sulphate) governed under the PDA 1974 from 2 July 2018 to 17 January 2023.

Our Group has subsequently on 28 October 2022 obtained the permit to market and distribute local petrochemical-based fertilisers under our own name, and on 11 January 2023 and 18 January 2023 obtained the permits for its 8 foreign suppliers who supply petrochemical-based fertilisers. Please refer to **Sections 7.21(3)** and **7.21(4)** of the Prospectus for further details of the petrochemical fertiliser permits from KPDNKSH.

Notwithstanding this, our Group has not received any notices, penalties or compounds from KPDNKSH up to the LPD. In addition, we have made various enquiries and met with KPDNKSH and received response from them that it is unlikely for KPDNKSH to penalise Cropmate Fertilizer for its past non-compliances as the various requisite permits have already been obtained. Hence, we do not foresee any impact to our Group’s business operations or financial performance due to the aforementioned past non-compliances.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, Cropmate Fertilizer holds and maintains valid petrochemical fertiliser permits from KPDNKSH for the marketing and distribution of the local petrochemical-based fertilisers supplied by Cropmate Fertilizer and the petrochemical fertilisers supplied by its foreign suppliers. Moving forward, any application for new permits or renewal of existing permits required for the marketing and distribution of local and foreign petrochemical-based fertilisers will be monitored by our designated personnel to ensure compliance with the PDA 1974. In addition, our Audit and Risk Management Committee, as part of its terms of reference, will obtain regular updates from the management regarding compliance matters and review our Group's regulatory and compliance reports every quarterly. Please refer to **Section 7.21(3)** and **(4)** of this Prospectus for further details of the petrochemical fertiliser permits from KPDNKSH.

7.22.3 Local Government Act 1976 ("LGA")

Section 102 of the LGA provides that local authorities are empowered to make, amend and revoke the by-laws.

As our Group primarily carries out its business in Telok Gong, Klang, our Group is under the jurisdiction of the Klang Municipal Council ("**MPK**") and the relevant by-laws governing the conduct of Cropmate Group's business would be the Licensing of Trades, Business and Industries (Klang Municipal Council) By-Laws 2007 ("**By-laws**"). The By-laws provide that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of MPK for any activity of trade, business and industry without a licence issued by the Licensing Authority of MPK. A contravention of by the By-laws would result in an offence, which upon conviction, would result in a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both.

As at the LPD, Cropmate Fertilizer holds and maintains valid industrial licences issued by MPK.

7.22.4 Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSHAA")

The EMSHAA, as amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019, establishes, among others, the minimum standards of accommodations for employees (and their dependents, if applicable).

The EMSHAA provides that no employer or centralised accommodation provider shall use any buildings as accommodation if the buildings are unfit for human habitation in accordance with the relevant written laws. Employers must comply with the minimum standards on accommodation for employees which includes obtaining a Certificate for Accommodation from the Director General of Labour.

An employer who fails to obtain a Certificate for Accommodation or to ensure the employee accommodation is fit for human habitation in accordance with the EMSHAA commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 1 year or to both.

There were past non-compliances by Cropmate Fertilizer for providing the rented accommodations to its foreign workers without the requisite Certificates for Accommodation. Notwithstanding this, our Group has not received any notices, penalties or compounds from the Department of Labour of Peninsular Malaysia ("**JTK**"). In addition, we have enquired JTK and received response from them that it is unlikely for JTK to penalise Cropmate Fertilizer for its past non-compliances as the requisite Certificates for Accommodation have already been obtained. Hence, we do not foresee any impact to our Group's business operations or financial performance due to the aforementioned past non-compliances.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, our Group holds valid Certificates for Accommodation issued by the Department of Labour Peninsular Malaysia for all of our workers' accommodation. Moving forward, the need for new Certificate for Accommodation and any renewals will be led and monitored by our designated personnel to ensure compliance with the EMSHAA. In addition, our Audit and Risk Management Committee, as part of its terms of reference, will obtain regular updates from the management regarding compliance matters and review our Group's regulatory and compliance reports every quarterly.

7.22.5 Environmental Quality Act 1974 ("EQA 1974")

The EQA 1974 sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment.

It is an offence under EQA 1974 for any person, unless licenced to do so, to amongst others:

- (a) emit or discharge wastes into the atmosphere;
- (b) emit or cause or permit to be emitted any noise greater in volume, intensity or quality;
- (c) pollute or cause or permit to be polluted any soil or surface of any land; or
- (d) emit, discharge or deposit any wastes into any inland waters,

in contravention of the acceptable conditions specified in EQA 1974.

The EQA 1974 also empowers the Minister charged with the responsibility for environment protection to make regulations specifying acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into the environment.

Our Company has appointed a licenced services provider who is approved by the DOE to carry out waste collection, transportation, disposal, treatment and waste management related services at their factory premises.

Cropmate Fertilizer had on 2 June 2020, received an order notice issued by the Selangor State Department of Environment ("**DOE Selangor**") ("**Order Notice**") due to public complaints of bad odour emitted from Cropmate Fertilizer's Factory Lot 8949. DOE had on 3 March 2020 inspected the factories of Cropmate Fertilizer and found that the fertiliser products stored in an open area had caused a bad odour in the surrounding area. As such, DOE Selangor has requested Cropmate Fertilizer to store the fertiliser products in a fully covered and sheltered area in order to minimise the bad odour ("**Rectification**"). In addition, DOE Selangor had requested Cropmate Fertilizer to revert to DOE Selangor on the Rectification in writing within 14 days from the date of the Order Notice.

Subsequently on 16 June 2020, Cropmate Fertilizer has engaged an environmental consultant, who had written to DOE Selangor with photographs of the Rectification performed within 14 days from the date of the Order Notice. The environmental consultant had also subsequently performed an environmental assessment and submitted the report to DOE Selangor with the proposal of installing a scrubber and dust collector to minimise the dust and bad odour at the factories of Cropmate Fertilizer. Upon recommendation of our environmental consultant, our Group has installed a dust collector and scrubber at Factory Lot 8949 and Factory Lot 8950 in April 2023 and July 2024 respectively.

As at the LPD, our Group is in compliance with EQA 1974.

7. BUSINESS OVERVIEW (CONT'D)

7.22.6 Control of Supplies Act 1961 (“CSA”) and Control of Supplies Regulations 1974 (“CSR”)

Pursuant to the CSA, any article or food may be declared as controlled article or rationed article either generally or with reference to some specified part(s) of Malaysia. In exercise of the powers conferred by the CSA, the CSR has been put into force in relation to the controlled articles specified in the schedule of the CSR (“**Scheduled Articles**”), which includes, amongst others, fertilisers.

Pursuant to Regulation 3(1) of the CSR, no person shall deal by wholesale or retail any Scheduled Articles except under and in accordance with a licence issued under the CSR. Where a person has more than one place of business where the Scheduled Articles are sold by wholesale or retail, separate licences shall be taken out in respect of each place of business.

Any body corporate who commits an offence under CSA shall, on conviction, be liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000. Other than that, an offence under CSA may be compounded by the KPDNKSH, with a sum of money as may be prescribed.

There had been past non-compliances by Cropmate Fertilizer in relation to wholesale of fertilisers from 2 July 2018 to 18 January 2022 and 19 January 2023 to 11 July 2023. Notwithstanding this, our Group has not received any notices, penalties or compounds from KPDNKSH up to the LPD. Further, we have managed to renew our latest licence on 12 July 2023 under the CSR. We have also made enquiry and sought verbal clarifications with KPDNKSH and received response that it is unlikely for KPDNKSH to penalise Cropmate Fertilizer for its past non-compliance. Hence, we do not foresee any impact to our Group’s business operations or financial performance due to the aforementioned past non-compliances.

As at the LPD, our Group holds a valid licence for the wholesale of fertilisers at Factory Lot 8949 and Factory Lot 8950 issued by KPDNKSH. Moving forward, the renewal of our existing licence to sell fertilisers by way of wholesale will be monitored by our designated personnel to ensure compliance with the CSA and the CSR. In addition, our Audit and Risk Management Committee, as part of its terms of reference, will obtain regular updates from the management regarding compliance matters and review our Group’s regulatory and compliance reports every quarterly. Please refer to **Section 7.21(14)** of this Prospectus for further details of the licence to sell fertilisers by way of wholesale from KPDNKSH.

7.22.7 Street, Drainage and Building Act 1974 (“SDBA”) and Uniform Building By-Laws (“UBBL”)

The SDBA consolidates the laws relating to street, drainage and building in local authority areas in Malaysia, and for purposes connected therewith.

(a) Partition/ Internal renovations

According to the SDBA, no person shall erect or cause or permit to be erected in any building any partition, compartment, gallery, loft, roof, ceiling or other structure without having the prior written permission of the local authority. Any person who fails to do so shall be liable on conviction to a fine not exceeding RM500 and shall also be liable to a further fine not exceeding RM100 for every day during which the offence is continued after conviction. UBBL further provides that an enhanced plan fee equal to 10 times that of the normal plan fee may be imposed by the local authority.

Our Group had erected partitions and/or carried out internal renovations in our office located at Factory Lot 8949 from 29 August 2022 to 14 January 2024 (“**Renovation**”) without written permission from MPK. Subsequently, our Group had submitted the updated building plans for the office located at Factory Lot 8949 to MPK to regularise the Renovation which MPK had granted the renovation permit on 15 January 2024.

7. BUSINESS OVERVIEW (CONT'D)

Our Group had been compounded with an enhanced plan fee of RM7,800 (equal to 10 times that of the normal plan fee of RM780) for the Renovation without written permission, which amount had been paid by our Group on 4 January 2024. The amount of compound paid was not material to our Group's business operations and financial conditions.

(b) Extensions

According to By-Laws 19 of the UBBL, a temporary permit for a limited period may be issued by the local authority for the purpose of erection of temporary buildings such as shed, place of worship, scaffolding on a street, builders' working shed or a store or other shed to be used in connection with building works, staging, framework, platform or superstructure of any kind on a roof abutting a street and hoarding on streets. Any person who failed to comply with this shall be liable to a fine not exceeding RM10,000 upon conviction and a further fine not exceeding RM500 is continued after conviction. Other than that, an offence under SDBA may be compounded by the local authority.

Our Group had erected such extensions on Factory Lot 8949 and Factory Lot 8950 without procuring certificate of completion and compliance for the extensions from 24 May 2021 to 29 May 2023 and 24 May 2021 to 11 July 2023 respectively (collectively, "**Extensions**"). Subsequently, our Group had applied for and obtained the valid temporary permits for the Extensions erected on Factory Lot 8949 and Factory Lot 8950 from MPK on 30 May 2023 and 12 July 2023 respectively, followed by renewals on 24 October 2023. These temporary permits are required to be renewed annually.

Our Group had paid a fine of RM17,332 on 11 May 2023 and RM30,855 on 16 June 2023 for erecting the Extensions without a valid temporary permit, respectively. The amount of compound paid was not material to our Group's business operations and financial conditions. Please refer to **Section 7.21(8)** of this Prospectus for further details of the temporary permits for the Extensions.

Moving forward, all renewals of the permits for the Extensions will be monitored by our designated personnel to ensure compliance with the UBBL. In addition, our Audit and Risk Management Committee, as part of its terms of reference, will obtain regular updates from the management regarding compliance matters and review our Group's regulatory and compliance reports every quarterly.

7.22.8 Fire Services Act 1988 ("FSA")

The FSA provides for the effective and efficient functioning of the Fire and Rescue Department of Malaysia ("**FRDM**"), for the protection of persons and property from fire risks or emergencies. Pursuant to the FSA, every designated premises shall require a fire certificate. The FSA provides, among other things, that a fire certificate shall only be issued after the designated premises have been inspected and FRDM is satisfied that there is adequate life safety, fire prevention, fire protection and firefighting facilities.

Where there is no fire certificate in force in respect of any designated premises, the owner of the premises shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment of directors for a term not exceeding 5 years or to both.

There had been past non-compliances by Cropmate Fertilizer in relation to the operation of Factory Lot 8949 and Factory Lot 8950 without fire certificates from 5 December 2023 to 22 January 2024 and from 15 December 2023 to 22 January 2024 respectively (collectively, "**Late Renewals**"). Our Group had been penalised with fines of RM200 in total for the Late Renewals, which amount had been paid by our Group on 9 January 2024.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, our Group holds valid fire certificates issued by FRDM for both Factory Lot 8949 and Factory Lot 8950 which are renewable annually. Moving forward, the renewal of the Fire Certificates will be monitored by our designated personnel to ensure the compliance with the FSA. In addition, our Audit and Risk Management Committee, as part of its terms of reference, will obtain regular updates from the management regarding compliance matters and review our Group's regulatory and compliance reports every quarterly.

7.23 EXCHANGE CONTROL

We do not have any foreign subsidiaries which require repatriation of capital and the remittance of profits by or to our Company.

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